



FLASH BOURSIER

AWAITING A DOSE OF STIMULUS AND A VACCINE SHOT

Overview

Highlights:

Partial lockdowns could be back

China goes from strength to strength

Last week the news centred on the resurgence of Covid-19 cases, very often concerning countries that had previously brought the pandemic under control. Core equity markets remain turbulent places as the number of cases soars, raising the prospect of mini-lockdowns in various parts of the world – along the lines of the daily curfew instigated in nine French cities, starting at 9pm. In contrast, the number of hospitalisations and fatalities still lies below the figures seen in the first wave as the virus infects younger, more resilient subjects. At this time of the year, earnings reports usually stoke volatility in equity markets, but this will be higher this year as the presidential election approaches, with Democrats and Republicans in addition failing to find common ground on fiscal support measures and how much to spend. Last week, the results reported by US banking majors outstripped analysts' estimates on the back of higher trading revenues and stringent cost management.

An agreement on the fiscal stimulus package this week could act as a catalyst for markets, while Pfizer hopes to secure marketing approval for its vaccine next month. Judging by the broad Russell 2000, which has outperformed the S&P500 in recent weeks, investors are expecting a victory for Joe Biden, who is then likely to launch a generous spending package for small- and medium-sized companies. Roughly two weeks before the election, the Democratic candidate has reportedly cornered 66% of voting intentions according to online bets. The debate between Donald Trump and Joe Biden this Thursday is eagerly awaited.

On the economic front, retail sales in the US rose by 1.9% month on month in September, twice as fast as expected. The economy is perking up more quickly than projected, despite a renewed uptrend in initial jobless claims, which last week reached 898,000 versus the 825,000 forecast.

The Chinese economy was the first to be hit by Covid-19, and Beijing's measures to limit the contamination and get growth back on track have now paid off. GDP picked up pace in the third quarter, accelerating to 4.9% like for like. This was slightly short of the 5.2% expected. Strong retail sales, up 3.3% in September, and brisk growth in industrial production, up 6.9%, both point in the direction of a continued recovery. The Chinese stock market, having amazingly performed on a par with US growth stocks year to date (CSI 300 +16%), is set to continue climbing.

At this particularly worrying time for Europe and its pandemic, it remains to be seen if the ECB is ready to take further measures. Christine Lagarde will be giving a speech this afternoon. Watch this space.



The SMI is fluctuating between resistance at 10300 points and support at 10100. In the event of an upward breakout, the short-term target will be 10500 points. But we think a downswing to the support is most likely.

Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI EMERGING MARKETS
Latest	0.91	1.07	10'207.13	3'245.47	12'908.99	4'935.86	5'935.98	3'483.81	11'671.56	23'410.63	1'124.08
Trend	➡	➡	➡	➡	➡	⬆	➡	⬆	⬆	➡	⬆
%YTD	-5.35%	-1.24%	-3.86%	-13.34%	-2.57%	-17.43%	-21.30%	7.83%	30.08%	-1.04%	0.85%



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LVMH (ISIN: FR000121014, PRICE: EUR 432.60)



The world's leading luxury goods company, LVMH, reported better than expected financials for the third quarter, reducing the negative impact of the pandemic on its top line. The group's business was resilient, with trends picking up significantly versus the first half of the year. Most notable was the return to growth at its fashion and leather goods unit and a recovery in Cognac sales.

As shops and production units closed in most countries, LVMH saw its sales decline by 27% in the first six months of the year. The recovery in the third quarter stemmed from all regions, but strongest of all were Asia (+13%) and the US (-4%). Online sales also boosted the top line, which stood at EUR 11.9 billion, 10% lower than in the third quarter of 2019.

By product line, the recovery was fuelled by Louis Vuitton and Christian Dior brands, in the fashion and leather goods division (EUR 5.9 billion).

For the first nine months of the year, sales totalled EUR 30.3 billion, which was 21% lower than in the same period last year. The recovery in China was especially encouraging.

The group did not provide information on its legal dispute with the US jeweller Tiffany. The two groups are in the process of breaking off their engagement after LVMH recently disputed the takeover price, which had been agreed before the pandemic struck. On 28 September, LVMH submitted pleadings with the Delaware Court of Justice. The trial has been scheduled for 5 January.

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