

## BG SALES-TRADING MORNING DU 19/08/2016

### Economic Calendar

CAD - Consumer Price Index Jul. (129.2 YoY E)

CAD - Bank Canada Consumer Price Index Core Jul. (2.1% YoY E)

USD - Baker Hughes US Rig Count Aug.

### Markets Recap (source Street account)

**Asian markets are mostly flat in subdued Friday trade.** Attention has instead centered on FX markets where the dollar has strengthened against a number of other currencies. San Francisco Fed President Williams' comments earlier leaned hawkish when he advocated for a rate hike sooner rather than later and emphasized that every meeting is live. His comments offered somewhat of a contrast with the July FOMC minutes, where takeaways tilted slightly dovish.

**The ensuing yen weakness has offered some reprieve for the Nikkei.** The yen's gains have also halted following recent verbal intervention out of Japan and comments by Abe advisor Honda, who said Thursday he expects the BoJ to ramp up stimulus next month. The focus on the currency has been magnified further by the latest Reuters Tankan, which revealed sentiment fell to its lowest since 2013 amid pressure on exports.

**US equities finished higher and near best levels on Thursday.** Treasuries were mostly stronger with the curve steepening a bit. The dollar was broadly weaker, though slightly higher on the yen cross. Gold gained 0.6%. Oil extended its recent rally, with WTI crude settling up 2.8%.

**Very quiet session.** Earnings getting the bulk of the attention. WMT stronger after a beat and raise. NTAP the other post-earnings standout, while CSCO was weaker on guidance. Economic calendar pretty light with jobless claims and Philly Fed index. Some weakness in the internals of the latter. NY Fed's Dudley spoke, though nothing particularly new from his comments (said FOMC more focused on labor market than economic growth).

**Six of the ten major sectors closed higher.** Energy and utilities the two best performers, each gaining more than 1%. Materials the other standout. Telecom the big loser on the session, while consumer discretionary and financials also underperformed.

### Stocks Factor to watch today :

**NESTLE:** See BG Wake Up Call.

### Rating & TP Changes



**VESTAS:** TP raised to DKK590 vs. DKK550, @BARCLAYS

**NESTLE:** TP raised to SFR76 vs. SFR73, @HSBC

**NESTLE:** TP raised to SFR85 vs. SFR82, @BARCLAYS

**GSK:** TP raised to 1,700P vs. 1,400P, @CANTOR



**AEGON:** TP cut to EUR4.8 vs. EUR6.4, @ING

**METRO:** TP cut to EUR23 vs. EUR29, @BERNSTEIN

Software and IT Services

While the earnings season for Q2 2016 finished three weeks ago for European Software & IT Services companies, we consider it has been quite positive with results generally in line or above expectations, revenue momentum globally improving, and no big concern related to Brexit for now. Amidst for valuation multiples recently boosted by very low or negative interest rates, we consider that, at this point, Sopra Steria is the stock having the strongest share price upside potential (+21%).

Nestlé

RATING : BUY

Fair Value CHF84 vs. CHF80 (+6%)

In the current environment, we favour Nestlé's defensive profile. The group remains the most diversified in terms of geographies and categories in our coverage universe. The release of the H1 2016 results reinforced our conviction that in the future it will better leverage its size to optimize its cost base and improve its working capital. The arrival of the new CEO at the beginning of 2017 could also trigger a more active acquisitions policy. Fair Value adjusted to CHF84. Buy recommendation maintained.