Like Its Pictures, Snapchat Can't Save Its Profits

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In London ... near the Thames ... a hotel in the heart of the city ...

We will fly to Dublin tomorrow ...

In the stock market, IT companies are falling ...

CNBC:

"The shares of Facebook, Apple, and Netflix all fell [Thursday]. Snap, [the application that allows us to send pictures that disappear after their opening], lost 4.92% to $ 17 per share, which was its IPO price. Alphabet [Google's parent] dropped after a study released by the Canaccord Genuity analysis box.

> "Markets have continued to digest the decision by the Federal Reserve to push up its interest rate by lowering the size of its assets to $ 4,500 billion."

As reported by CNBC, Snap Inc. was one of the hardest hit by the decline in the IT sector. Over a week, Snap lost 7.3% on the stock market, exceeding the losses incurred by Apple Inc., which lost 6.97% over the same period.

As a reminder, Snap Inc. is one of the youngest companies listed in IT ...

Despite its $ 19.06 billion stock valuation, Snap posted a loss of $ 515 million in 2016, with revenues of $ 404 million.

How can a company that loses so much money be worth $ 19 billion?

The market believed in Snap an opportunity similar to Facebook or Google ... whose stock prices have exploded in recent years.

On the other hand, Facebook and Google both generate net profits of more than $ 10 billion annually through the sale of commercials.

Snap Inc. is far from demonstrating such capacity ...

Snap Inc. immediately surpassed the initial price set for its IPO ... from $ 17 to $ 27 on the same day ...

Since its introduction, the price of Snap Inc. has lost 37.25% ... which does not signal any good for the IT sector as a whole.

For the moment, the market remains stable, despite the damage in this "tech" sector ... the CAC40 lost less than 0.5% over a week ... and the S %26 P 500 fell by only 0.16% on this duration.

This "time bomb" trading algorithms may explode ...

In recent years, financiers have developed more and more mathematical formulas, "trading algorithms," which are supposed to generate gains for investors ...

These algorithms are more and more widespread ... but do not surpass humans in performance.

Zerohedge:

"In all, according to the HFR research box, 'quants', which are' funds that use sophisticated models of statistics developed by doctorates rather than research or intuition to choose their investments, Gained 1.44% in 2017, significantly below the S %26 P's 8.7% gain, or 5.7% from the Vanguard Balanced Index Fund, a 60% equity fund On the stock market, and 40% bonds.

> "This divergence" highlights the underperformance of 'quants' compared to other methods. "

In other words, computers are mistaken more often than human beings ...

However, Wall Street and the Defense are putting more and more funds under the control of these "quants ..." which could eventually lead to disaster.

What to do…?

We did not give any specific advice this week ... We were in a meeting, and we had little time available ...

We are watching the market flow very carefully ... especially since the information technology sector is retreating.

The whole market has not followed the sector down ... for now.

The market as a whole has a much higher valuation than the historical average, in proportion to the size of the revenues that are generated by the companies.

In other words, the market is much more optimistic about business growth than it normally is.

Investors are beginning to wonder about these expectations ... starting with the ultra-high valuations in IT ...

We will see if the market continues to question these expectations, and whether their hesitation will spread to the entire market ...

As we said last week, we are in a period of "calm," because we will have little news about business results in the coming weeks.

We will have another movement in the middle of July ... when companies will release their results for the second quarter of 2017.

We follow this story closely ...

To be continued ...

Truly,

Henri Bonner