



Weekly Letter:

Is SEK at a break point and what does it imply for the stock market?

15 February 2023
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- With a new governor at the helm of Sweden's Riksbanken, the Swedish krona could break again
- This is good news for Swedish tourists, importers and inflation, but not so good for exporters. From a portfolio perspective, Swedish equities could become more attractive again.
- In the general market, the bulls are still in charge. The VIX has fallen to its lowest level, which means that it offers some downside protection.

Some argue that former Riksbank Governor Stefan Ingves conveyed that it was suitable for the Swedish export industry that the krona depreciated against the euro, as it strengthened the competitiveness of the Swedish domestic sector.

Erik Thedéen has now taken over from Stefan Ingves.

The new head of Sweden's central bank, Riksbanken, is in stark contrast to the former Stefan Ingves, who was known as an introvert. Not bad for a boring central bank governor, but Stefan Ingves seemed to lack interest in intellectual discussions about the role of the central bank.



Riksbankschefen: Lita inte på våra prognoser

"Don't trust our forecasts," says Erik Thedéen of the Swedish Riksbank.

Erik Thedéen has already made his rounds, saying that "no one has a clue about what drives exchange rates" and that "one should not trust the Riksbank's forecasts".

Is SEK at a breakpoint and implications for the stock market

The new governor of the Swedish Riksbank comes from Finansinspektionen, where he is known for tightening the ability of Swedish households to mortgage their private homes. Finansinspektionen has also focused on the risks associated with Sweden's commercial real estate sector, where the share of bond loans has risen sharply between 2014 and 2022. Erik Thedéen has rightly been described as a hawk.

Last Thursday, Thedéen made his first move as head of Riksbanken and raised Sweden's key interest rate by 50 basis points from 2.50% to 3.00%. Furthermore, the Riksbank will start selling Swedish government bonds in April 2023. This announcement strengthened the SEK by 1.2% against the euro.



Can this be the breakpoint for the Swedish krona? For whatever reason, the former management of Riksbanken did little to strengthen the Swedish krona. Looking at the chart, it is also clear that the krona has fallen since 2015, when the international press started writing about Sweden following Germany in opening its doors to immigrants.

USD/SEK is now back to the highs seen during the financial crisis in 2000. From a technical perspective, this could be a turning point.

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This is also the case when comparing the SEK to the EUR, as it is now trading at its top from the financial crisis of 2008-2009.

We believe that Erik Thedén will succeed in bringing inflation down, but this may come at the cost of a deeper recession than necessary. First, central banks were too expansionary, and now they have reversed course and may be too aggressive in cooling the economy. In parentheses: From an intellectual point of view, we prefer a vocal and academic head of Riksbanken anyway, even at the risk of Erik Thedén being too hawkish...

Speaking of the SEK, it also has a significant impact on inflation. The USD/SEK exchange rate is more critical for imported inflation than the EUR/SEK exchange rate. Swedish households have recently felt the adverse effects of the weak SEK. According to the SCB, food prices in Sweden rose by 19% in 2022. One explanation is that large purchases, mainly priced in USD, have become more expensive. Another is higher transport costs due to higher fuel prices.

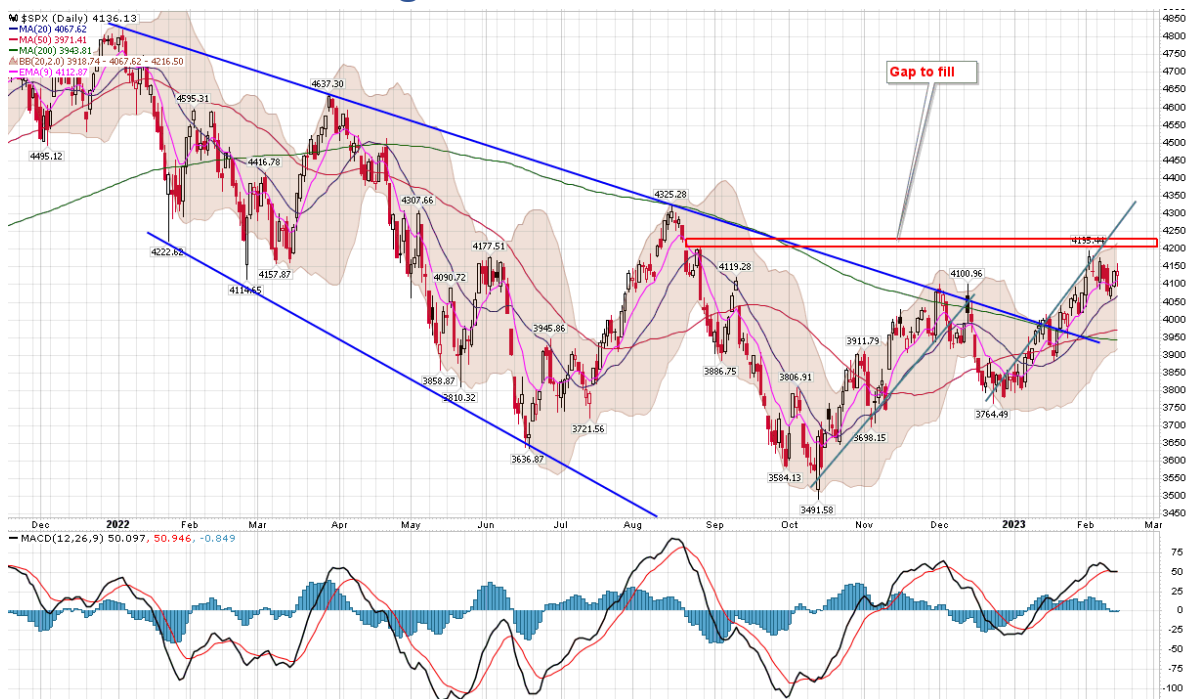
The strong USD explains why the inflation challenge in the US is currently less severe (around 6% per year) than in the euro area and Sweden (around 10% inflation per year).

For the Stockholm Stock Exchange and the OMX index, a strengthening of the krona is expected to be negative. This is because Atlas Copco, Ericsson, Sandvik, Volvo and other large industrial companies with their exports and foreign operations (with currency translation effects) weigh heavily in the OMX index.

Retailers with significant USD purchases, such as H&M and Clas Ohlsson, are the clear winners from a stronger SEK. A stronger SEK also means lower imported inflation in Sweden, strengthening Swedish household finances. This benefits any company that sells consumer goods to Swedish households (such as Clas Ohlsson, Duni, New Wave and Nobia). Housing developers such as Besqab, Bonava, JM and Peab will also benefit from improved affordability for Swedish households.

A stronger krona can also benefit Swedish investors from a portfolio perspective. All other things being equal, a stronger krona means it is better to sell foreign assets and bring the money home than vice versa. So, it is high time to monitor portfolios.

Bulls are still in charge



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The S&P 500 follows the path we have shown, following the symmetrical green line. It is now close to the old gap, which acts as a magnet and a resistance. The bulls are still in charge, but they need some new energy. It is significant that a slightly stronger inflation report in the US yesterday caused the market to gyrate but that the bulls eventually won the battle.

We are still in favour of a significant test to the downside before we enter a new bull market, but for now, the chart is still in favour of the bulls.



If the bulls lose control, the USD chart will be the first to reflect this. The USD is still trading in a falling channel. But note the two blue circles. The upper one shows that the MA lines are moving higher, signalling a possible trend reversal. On the bottom, the MACD is very close to a buy signal for the USD. A stronger USD could be a headwind in the coming weeks. We usually have a weak period after the earnings season, which can coincide with a stronger USD. Again, the bulls are still in charge, but be aware of a potential trend reversal.

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The VIX, which reflects the perceived risk in the market, has fallen below 19. This may be a level where it makes sense to buy some protection.



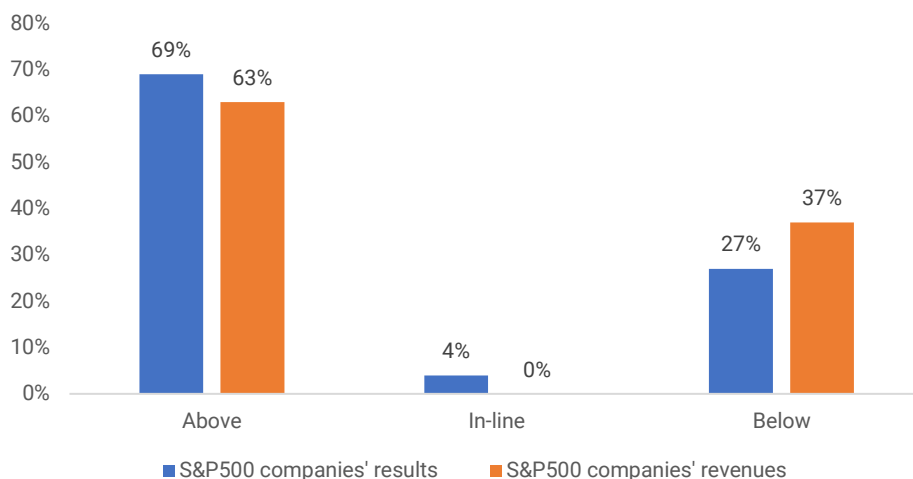
The strong momentum in Microsoft shares continues. Read Carlsquare's weekly letter of Wednesday, 8 February on Microsoft, Google and the battle for dominance in the artificial intelligence market.

Happy trading!

Q4 2022 Earnings season

After another week of reporting, 69% of S&P500 companies have reported their Q4 results. The number of better-than-expected earnings reports has eased slightly to 69%, down from 70% a week ago. The number of better-than-expected revenue reports has increased from 61% to 63%.

S&P 500 Q4 2022 results vs expectations



Source: Factset Earnings Insight.

In Q4 2022, earnings growth for S&P500 companies improved to minus 4.9% from minus 5.3% a week ago. Meanwhile, sales growth in Q4 2022 is positive (4.6%).

The Energy and Industrials sectors achieved the highest earnings growth in Q4 2022. The Materials and Commercial Services sectors have the most significant earnings decline in Q4 2022.

The S&P500 sectors that have managed to beat analysts' Q4 2022 earnings forecasts by the most significant margin are Utilities (86% of Q4 earnings better than expected), followed by Information Technology and Health Care (77%). The worst performers are Energy (64%), Financials (63%) and Commercial Services (48%).

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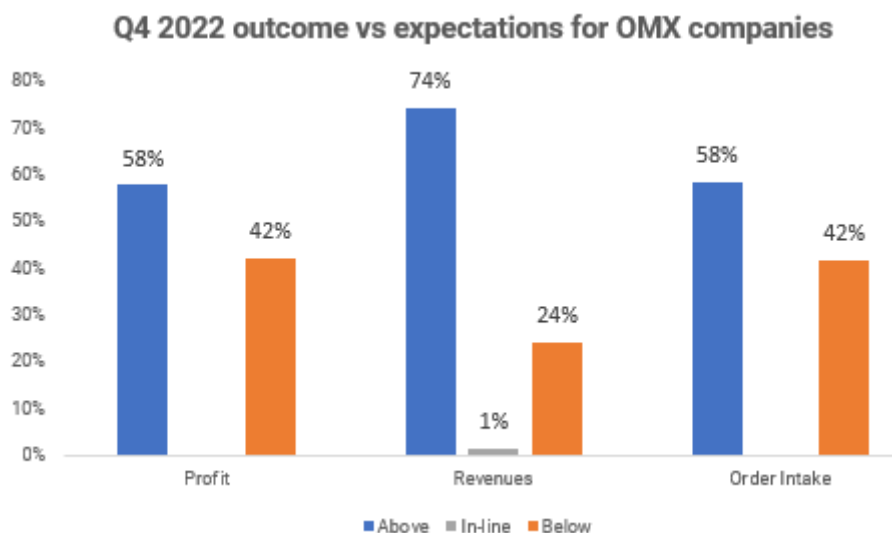
For Q1 2023, 58 S&P500 companies have issued negative earnings guidance, while 13 S&P companies have issued positive earnings guidance. The 82% of companies giving negative earnings guidance is well above the historical five- and ten-year averages of 59% and 67%, respectively.

Looking at all S&P500 large-cap earnings reports since 17 January 2023, these companies have beaten analyst estimates by an average of 4.4% and a median of 2.5%. The share price reaction to the Q4 2022 reports was adverse, with an average and median negative response of 0.1% and 0.6%, respectively, following the release of the Q4 2022 reports.

Company	Report Date	EPS estimate	EPS reported	Surprise	Price Change
CVS Health	08-Feb-23	1,92	1,99	3,7%	3,5%
Disney	08-Feb-23	0,69	0,99	43,5%	6,1%
Abbvie	09-Feb-23	3,54	3,60	1,7%	2,8%
Pepsico	09-Feb-23	1,64	1,67	1,8%	1,0%
Philip Morris	09-Feb-23	1,29	1,39	7,8%	0,7%
S&P Global	09-Feb-23	2,47	2,54	2,8%	-0,6%
Coca-Cola	14-Feb-23	0,45	0,45	0,0%	-1,7%
Average (including interim reports since 17 January 2023)				4,4%	-0,1%
Median (including interim reports since 17 January 2023)				2,5%	-0,6%

Source: Zacks Research.

We have also compiled the Q4 2022 reports of 72 OMX companies. 58% of the Q4 reports had better-than-expected results, while 74% of the Q4 reports had higher-than-anticipated revenues.



Sources: www.di.se, Avanza, Placera, Carlsquare.

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		Result		Revenues		Order Intake			
Sobi	08-Feb	6,5%		6,2%					
Concentric	08-Feb	4,9%				-2,1%			
Coor	09-Feb	2,7%		0,6%					
MTG	09-Feb	14,1%				-1,1%			
Sweco	09-Feb	17,2%		1,2%					
Ambea	09-Feb			-10,1%	2,3%				
Volvo Cars	09-Feb			-9,4%	6,1%				
Astra Zeneca	09-Feb	3,8%				-0,9%			
Munters	09-Feb			-2,3%	9,3%				
Millicom	10-Feb	2,6%				-1,3%			
New Wave	10-Feb	21,5%		1,7%					
Saab	10-Feb	3,3%		3,7%					
Thule	10-Feb			-69,9%	9,2%				
Castellum	13-Feb			-12,7%		-1,5%			
Betsson	14-Feb	0,5%		4,1%					
Bravida	14-Feb	11,1%		9,1%					
Viaplay	14-Feb			-87,7%	1,7%				
Boliden	14-Feb			-8,7%	11,9%				
Average (incl. reports since 20 January)		10,8%	0,0%	-17,6%	5,1%	0,0%	-1,9%	11,7%	-8,6%

Sources: www.di.se, Avanza, Placera, Carlsquare.

We conclude with a list of upcoming Q4 2022 reports and expected earnings per share for some large-cap companies on the New York Stock Exchange.

EARNINGS CALENDAR	
Date	EPSe Q4 2022 (USD)
15-Feb Cisco	0,86
16-Feb Applied Materials	1,93
17-Feb Deere	5,53
21-Feb Walmart	1,51
21-Feb Home Depot	3,26
21-Feb Medtronic	1,26

Source: Zacks Research.

Week Ahead

The company reports on Wednesday, 15 February: Tietoevry, Karnov, Meko, Nibe, Beijer Alma, Mowi, Uponor, Finnair, Cisco, Barclays, Biogen, and Kering. Capital Markets Day: Saab.

At 8:00 CET, the UK will release its CPI and PPI for January. Later in the morning, Spain's January CPI and the Eurozone's trade balance and industrial production are released, as well as the IEA's monthly oil report. After lunch, US retail sales and industrial production for January, the Empire Manufacturing Index, and the NAHB Housing Market Index - both for February, inventories of unsold goods for December and weekly oil inventories (DOE) are due.

The company reports on Thursday, 16 February: Instalco, Hufvudstaden, Nyfosa, Scandic Hotels, Alma Media, Norwegian, Citycon, Golden Ocean, Kojamo, QT Group, Simcorp, Airbus, Applied Materials, Bridgestone, Commerzbank, Marathon Oil, Schneider Electric and Ubisoft (sales figures).

Japan releases December machinery orders and January trade balance at 0.50 CET. China releases January house prices at 2.30 CET. From the US, we get January PPI and housing starts, February Philadelphia Fed index and weekly jobless claims.

The company reports on Friday, 17 February: Sagax, Metso Outotec, Air France-KLM, Deere, DraftKings, and Natwest Group.

Retail Sales in the UK and CPI in France for January will be released early Friday. The eurozone current account balance for December will follow this. In the afternoon, we get import prices from the US for January.

The company reports on Monday, 20 February: -

In the morning, SCB will release Swedish industrial production in Q4 2022 and January CPI. At the same time, Germany's PPI for January is released. In the afternoon, we get the Eurozone Household Confidence Indicator for February.

The company reports on Tuesday, 21 February: Corem, Bakkafrost, Leroy Seafood, Ponsse, Ingersoll-Rand, BHP (operational update), Home Depot, HSBC, Medtronic, Pfeiffer Vacuum and Walmart.

February industrial PMIs from Japan, France, Germany, the UK, and the US dominate Tuesday's macroeconomic agenda. We also get Sweden's Q4 2022 industrial capacity utilisation, Germany's February ZEW index, and the UK's February CBI industrial trends. From the US, we get weekly Redbook retail sales, January home sales and weekly oil statistics (API). Canadian CPI for January will also be released.

Valuation Tables, Swedish Equities

Lowest P/E-ratio

Bolag	Price	P/E NTM
Arise AB	48,2	2,8x
Maha Energy AB	9,5	3,1x
Bonava AB	25,1	3,3x
Ferronordic AB	84,4	4,0x
Serneke Group AB	23,5	5,5x
Aktiebolaget Fastator	12,8	5,6x
Nyfosa AB	94,9	6,2x
Genova Property Group AB	64,4	6,3x
Stillfront Group AB	17,8	6,4x
Catella AB	38,8	7,0x

Source: S&P Capital IQ/Carlsquare

Highest Yield

Bolag	Price	Yield, %
Tele2 AB	94,4	20,8
Bonava AB	25,1	12,6
SSAB AB	74,3	10,4
Clas Ohlson AB	71,1	10,2
Nilöngruppen AB	74,4	9,4
Rottneros AB	14,6	9,4
Tethys Oil AB	60,1	8,4
Peab AB	58,5	8,3
Ferronordic AB	84,4	8,3
Nordic Paper Holding AB	43,5	7,8

Source: S&P Capital IQ/Carlsquare

Lowest priced Net Asset Value

Bolag	Price	P/B
Oscar Properties Holding AB	2,1	0,1x
Eniro Group AB	0,6	0,2x
Humana AB	15,0	0,3x
Serneke Group AB	23,5	0,3x
Cint Group AB	20,2	0,3x
Bonava AB	25,1	0,3x
Corem Property Group AB	10,8	0,3x
BHG Group AB	14,8	0,3x
Vivesto AB	0,4	0,4x
NGS Group AB	11,3	0,4x

Source: S&P Capital IQ/Carlsquare

Lowest priced NAV on a debt-free basis

Bolag	Price	EV/tB
Oscar Properties Holding AB	2,1	0,1x
Serneke Group AB	23,5	0,3x
Bonava AB	25,1	0,3x
Cint Group AB	20,2	0,3x
Vivesto AB	0,4	0,4x
Aktiebolaget Fastator	12,8	0,4x
Samhällsbyggnadsbolaget i Norden AB	19,9	0,5x
Karolinska Development AB	1,9	0,5x
Concejo AB	30,0	0,5x
K2A Knaust & Andersson Fastigheter AB	16,1	0,5x

Source: S&P Capital IQ/Carlsquare

Lowest priced earnings growth

Bolag	Price	PEG
Karnov Group AB	61,3	0,2x
Netel Holding AB	28,7	0,4x
Truecaller AB	39,2	0,5x
Better Collective A/S	177,1	0,5x
Stillfront Group AB	17,8	0,6x
SinterCast AB	111,8	0,7x
Sinch AB	45,8	0,8x
NCAB Group AB	74,3	0,9x
Ratos AB	37,5	0,9x
Sdiptech AB	264,0	1,0x

Source: S&P Capital IQ/Carlsquare

Top priced earnings growth

Bolag	Price	PEG
Hufvudstaden AB	155,5	63,3x
K-Fast Holding AB	29,5	4,6x
Garo Aktiebolag	100,3	4,6x
Storskogen Group AB	9,6	4,3x
Nordisk Bergteknik AB	31,0	3,3x
Biotage AB	160,0	3,0x
Fortnox AB	61,0	2,6x
NIBE Industrier AB	117,2	2,5x
Annehem Fastigheter AB	21,3	2,5x
Betsson AB	93,4	2,3x

Source: S&P Capital IQ/Carlsquare

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