



Weekly Letter:

Banks and gold remain in focus

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Carlsquare

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Banks and gold remain in focus

- The debt ceiling debate in the US is taking its toll on sentiment. But to be honest, from a trading perspective, not much has changed in the market since last week, even with important news such as the Fed meeting and the US employment figures. Indices are stuck in consolidation, and we are waiting for a release.
- In the meantime, let's focus on the banks, as the recent leg down may have created some opportunity.
- Gold is also seeing a resurgence as investors seek protection from inflation and macro risks.

We hope the Ukrainian offensive to drive Russia's armed forces out of the country will soon be resolved. It may not have much impact on the financial markets yet, but in the long run, Ukraine's struggle is in our interest as Western democracies.

The market's focus has shifted from the US debt ceiling. Janet Yellen claims that the Treasury could run out of cash as early as 1 June. Eventually, the Democrats and Republicans will have to agree on a solution, but until then, there will be many jitters in the market.

More interesting is the ongoing banking crisis in the US.



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At the beginning of March 2023, three US banks collapsed within a few days. The US authorities took over Silicon Valley Bank (SVB) and Signature Bank.

US banks are still under heavy pressure. This is especially true for the regional banks as the Fed is more focused and concerned about the big banks. The Fed must bail out the big banks (too big to fail) but can let some smaller banks fail, but only a few. As with the VC banks, the Fed also had to bail out the custodians, raising eyebrows and questioning the Fed's nerve.



KRE is a US ETF that tracks US regional banks. The chart shows that it is testing the rising trend line and is also highly oversold. From a technical point of view, banks are trying to find a bottom. When a bottom is found, the usual technical rebound is 30% of the fall, and it can snap like a rubber band. Stay tuned!

The Swedish pension fund Alecta was among the shareholders who saw their money - almost SEK 20 billion - go up in smoke. The banking crisis soon moved to Switzerland on 15 March after one of its owners, the Saudi National Bank, refused to support Credit Suisse. UBS was forced to take over Credit Suisse in a rescue operation four days later.

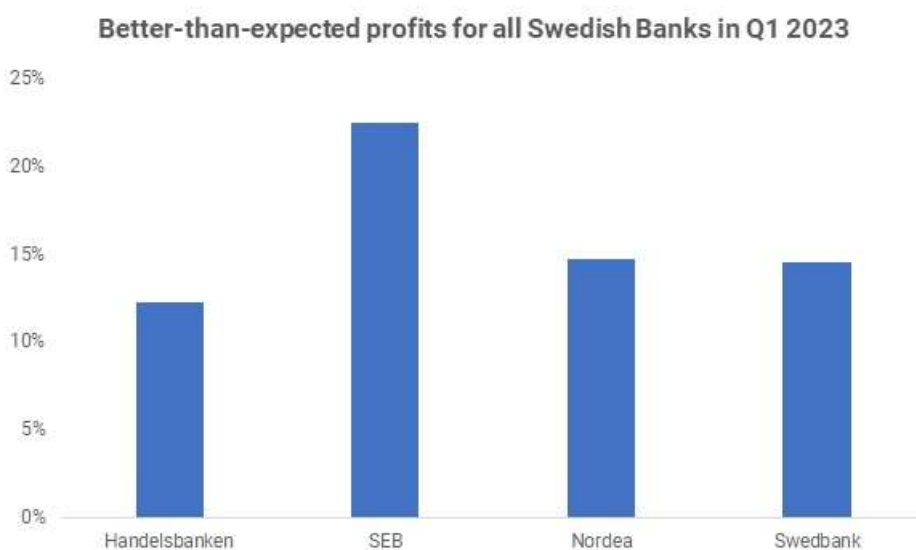
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Alecta's losses on US bank shares forced several senior managers' resignation, including its asset management CEO. This news in Sweden may have contributed to the surprisingly sharp fall in Swedish bank stocks. Another likely reason is that US banks and other financial companies were the third worst sector out of the 11 sectors in the S&P500 in terms of meeting analysts' earnings expectations for Q1 2023.

But the market is also recognising a bubble in commercial property. However, we see a limited risk of problems for Swedish banks. They currently have an excellent solvency ratio and good credit quality. Since 2014, Swedish banks have transferred the risk of lending to the Swedish commercial market to the bond market, which has grown from 14 to around 40 per cent of total lending to Swedish listed property companies.

If something unpleasant happens to Swedish private houses and their loans, the Swedish (Handelsbanken, SEB and Swedbank) and Nordic (Nordea) banks will take the hit. But in Sweden, unlike in the US, borrowers have no walk-away option, i.e., they can only get rid of their debts if they settle with the bank.

All four large banks, whose shares are traded on the OMX Stockholm exchange, beat analysts' expectations in the first quarter of 2023, as shown in the chart below.



Sources: *Infront Estimates, Placera, Avanza, Carlsquare.*

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The table below summarises Swedish banks' three main valuation ratios (P/E ratio, price/book value and yield). As can be seen, all four banks are valued at around eight times the P/E ratio. Handelsbanken is trading below book value, which is remarkably low from a historical perspective...

	P/E	P/BV	Yield
Handelsbanken	7,6	93%	9,2%
Nordea	7,7	122%	8,4%
SEB	8,3	117%	5,9%
Swedbank	7,6	109%	5,8%

Note also that the dividend yield for banks ranges from 5.8 to 9.2 per cent, which is also remarkably high from a historical perspective.

SWEDBANK A



Swedbank has found some support, but this support must hold.

SEB A



SEB is also trying to find a bottom.

We cannot expect a quick recovery in the share prices of Swedish banks. Credit Suisse has reminded us that European banks are undervalued for a reason. This discount will likely remain in the banking sector for the foreseeable future.

From a trading perspective, however, the turmoil may present an opportunity. The good thing is that the banks are trading at low levels from a fundamental historical perspective.



Banks and gold remain in focus

Overall, the S&P 500 is still in a bear market but in a bullish channel in a shorter time frame. Momentum is waning, as seen on the MACD below. We wait for new energy.

From a trading perspective, the relative strength in the tech sector is notable.



Strength in Apple, Microsoft and Google is also noteworthy. Above is the FANG index, which continues to trend higher.



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Apple is still trading up in a broad channel. Is it time for a period of consolidation?



After consolidation, Google is attempting to break out at the top.

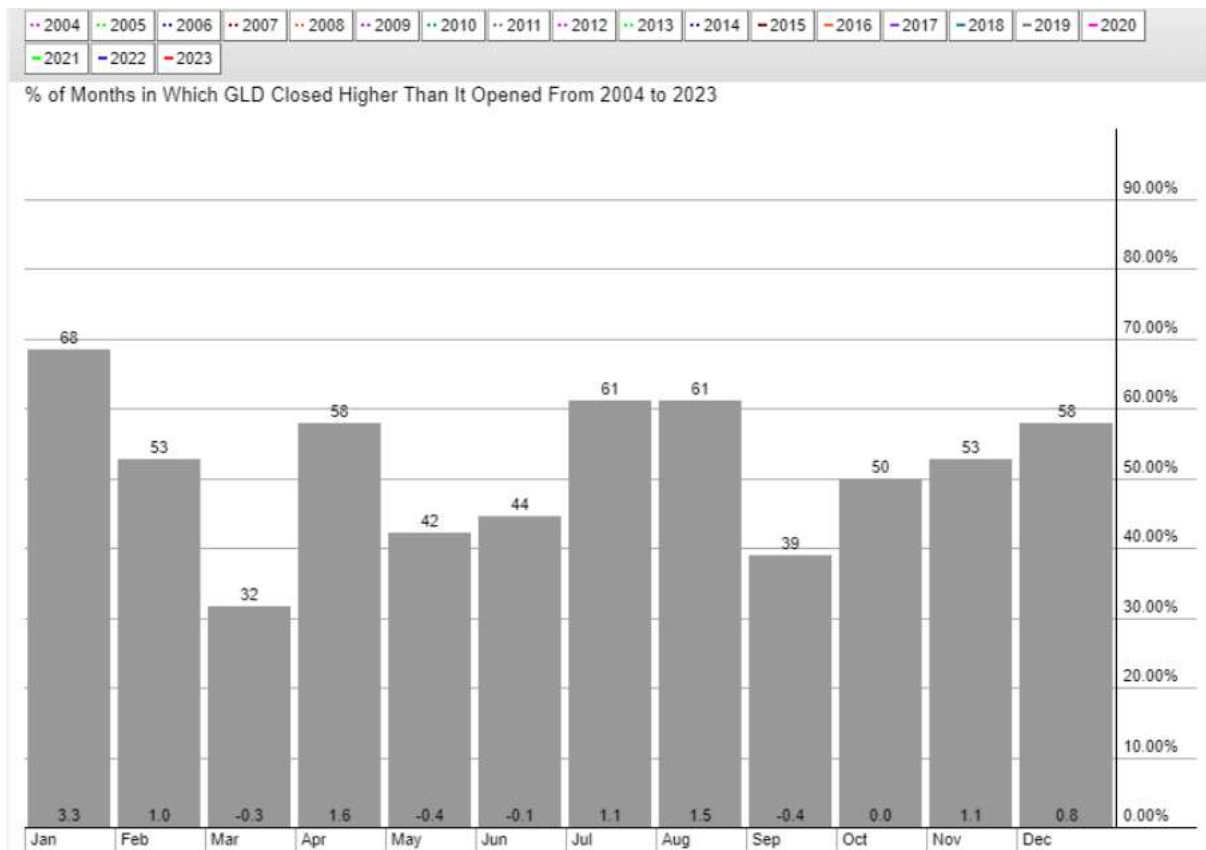


We are upbeat about owning gold from a risk perspective. With the new macro climate with much higher inflation, gold is also getting renewed interest. Gold has been consolidating for almost three years now. Is it time for a breakout?

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In a daily chart, gold is trading in an upward channel.



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Unlike the stock market, the summer season is relatively strong for gold. However, the best gold time is after the Indian gold-buying season.

Indian gold buying season is between October and February, when people buy gold on a large scale in India during the wedding season and India's biggest festival, Diwali.

https://www.forex.in.rs/indian-gold-buying-season/?utm_content=cmp-true

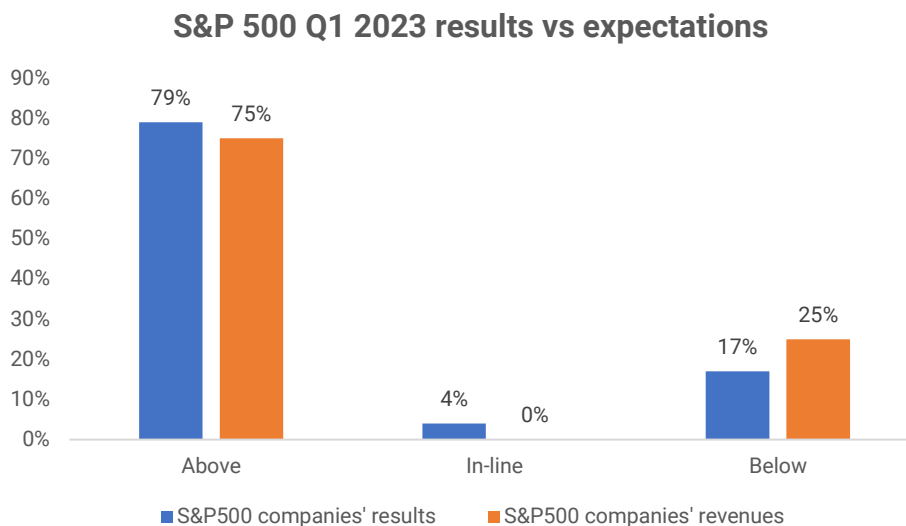
So, if the gold price fails to break out now, it will have another chance in the autumn.

Happy trading!

Q1 2023 Earnings season

Interim reports of S&P500 companies

For Q1 2023 (with 85% of S&P500 companies reporting), 79% of S&P companies have reported a positive EPS surprise, while 75% have reported a positive revenue surprise.



Sources: Factset Earnings Insight, Carlsquare.

The best-performing sectors are Energy, with 90% of Q1 results beating expectations; Information Technology, 89%; and Commercial Services, 87%. The sectors with the lowest percentage of better-than-expected Q1 results are Utilities at 62%, Financials at 64% and Real Estate at 69%.

As of 31 March 2023, analysts were forecasting a -6.7% decline in earnings for the S&P500 companies in Q1 2023. This expected earnings decline had declined to -2.2% as of May 5, 2023.

For Q2 2023, 44 S&P500 companies have issued negative earnings guidance, and 35 S&P500 companies have issued positive earnings guidance. For Q2 2023, analysts are projecting earnings to decline -5.7% and a revenue decline of less than -0.1%.

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The following table lists some of the major US companies that have reported quarterly results since 21 March, along with the actual and expected earnings per share, the percentage deviation and the share price movement after the report was released.

<u>Company</u>	<u>Report Date</u>	<u>EPS estimate</u>	<u>EPS reported</u>	<u>Surprise</u>	<u>Price Change</u>
Advanced Micro Devices	02-May-23	0,56	0,6	7,1%	-6,5%
Pfizer	02-May-23	1,00	1,23	23,0%	-1,1%
Starbucks	02-May-23	0,64	0,74	15,6%	-5,3%
Qualcomm	03-May-23	2,16	2,15	-0,5%	-6,5%
Apple	04-May-23	1,44	1,52	5,6%	2,3%
AnheuserBusch InBev	04-May-23	0,64	0,65	1,6%	3,5%
Conoco Phillips	04-May-23	2,02	2,38	17,8%	1,3%
Average (including interim reports since 21 March 2023)				8,7%	0,1%
Median (including interim reports since 21 March 2023)				5,6%	0,3%

Source: Zacks Research.

The average earnings per share surprise are 8.7%, and the median is 5.6% for the reporting companies in the table below. Share price movements following these quarterly reports have been small (0.3% on average and 0.1% on median).

Next week, 32 S&P500 companies will report their Q1 2023 results. Below is a list of upcoming Q1 2023 US earnings reports for companies with a market cap exceeding USD 100 bn with expected EPS.

EARNINGS CALENDAR	
Date	EPS_e Q1 2023 (USD)
10-May Disney	0,88
16-May Home Depot	3,83

Source: Zacks.com

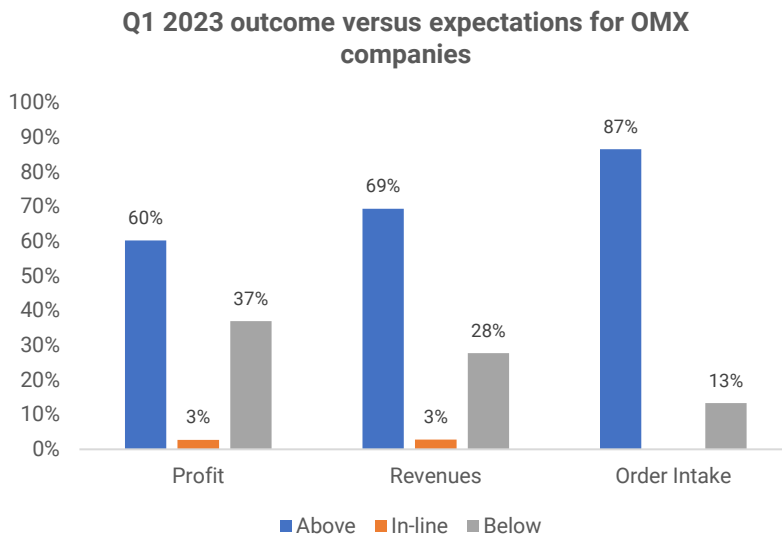
Interim reports of OMX companies

The table below summarises the results of quarterly reports from OMX companies during the latter part of the previous week.

Company	Date	Result			Revenues			Order Intake		
		Better	In-line	Worse	Better	In-line	Worse	Better	Worse	
Bravida	03-May	4,8%			8,6%			4,4%		
Stillfront	03-May			-0,2%			-1,0%			
Wallenstam	03-May			-1,5%			-0,5%			
Alimak	03-May	18,9%			8,5%			77,6%		
Securitas	03-May	0,6%			1,5%					
G5 Entertainment	04-May			-4,8%			-1,7%			
Tietoenvy	04-May	1,8%				0,0%				
Skanska	04-May			-58,5%			-1,0%		-8,8%	
AAK	04-May		0,0%		11,5%					
Peab	04-May			-12,2%	2,7%			3,0%		
Loomis	04-May			-5,6%	2,9%					
Average		15,8%	0,0%	-14,2%	6,3%	0,0%	-2,0%	23,2%	-14,6%	

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

Since 30 March, 75 OMX companies with consensus earnings estimates have reported their Q1 results. 60% of the reports beat analysts' expectations on earnings, 69% on sales, and 87% new orders. Only 15 companies have reported order intake.



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

Week Ahead

Reports and events on Wednesday, 10 May: Itab, Camurus, Lundin Gold, Sampo, Storebrand, Genmab, Lundbeck, Mowi, Rockwool, Vestas, Alstom (operational update), Asos, Continental, Credit Agricole, Nippon Steel, Salzgitter, Toyota, and Walt Disney. Konecranes has a Capital Markets Day.

Swedish household consumption and industrial orders for March will be presented, as well as German CPI for April at 8:00 CET. In the afternoon, we get the US CPI for April and the weekly oil inventory statistics (DOE).

Reports on Thursday, 11 May: Fasadgruppen, Truecaller, Balder, Eolus Vind, Garo, Green Landscaping, Hufvudstaden, DNO, Rec Silicon, TGS, Veidekke, FL Smidth, Coloplast, Fortum, Kojamo, Salmar, Aurubis, Bayer, Deutsche Telekom, Pfeiffer Vacuum, Polestar, Sappi, Softbank and Thyssenkrupp.

In the morning (2:30 CET), China's CPI and PPI for April will be released. The Bank of England will make an interest rate announcement at 13:00 CET. The US PPI for April and initial jobless claims will be released at 14.30 CET.

Reports on Friday, 12 May: Storskogen, Bergman & Beving, Sweco, BTS, Africa Oil, Norwegian, Next Biometrics and Societe Generale.

UK Industrial Production for March will be released at 8.00 CET. French and Spanish CPI for April will be released at 8.45 and 9.00 CET, respectively. From the US, import prices for April and the Michigan index for May will be released in the afternoon.

Reports on Monday, 15 May: Creaspac, Kabe and Bridgestone.

Statistics Sweden publishes reports on the Swedish economy, the construction cost index, and the CPI for April at 8.00 CET. At 11.00 CET, we get the eurozone industrial production for March. From the US, the Empire Manufacturing index for May will be released at 14.30 CET. The Eurogroup meets on Monday.

Reports on Tuesday, 16 May: Meko, Synsam, Orrön Energy, Nibe, Calliditas, Better Collective, Lagercrantz, Leroy Seafood, Golden Ocean, Ubisoft, Home Depot, Imperial Brands, and Vodafone.

On Tuesday morning (4.00 CET), China will release its industrial production, retail sales and investment figures for April. Later in the morning, we will get the UK unemployment rate for April, Italy's CPI for April, Eurozone GDP, and employment for the first quarter of 2023 and Germany's ZEW index for May. The IEA publishes a monthly oil report. In the afternoon, the US will publish retail sales and industrial production for April, inventories of unsold goods for March, the NAHB housing market index for May and weekly oil inventories (API).

Valuation Tables, Swedish Equities

Lowest P/E-ratio

Bolag	Price	P/E NTM
Maha Energy AB	8,8	1,7x
Tethys Oil AB	51,7	2,8x
Bonava AB	16,6	3,3x
Humana AB	15,8	4,6x
Catella AB	30,2	5,1x
Bong AB	1,1	5,4x
Bergs Timber AB	32,5	5,4x
Serneke Group AB	28,0	5,7x
Nordic Paper Holding AB	38,5	5,7x
Midway Holding AB	22,8	6,0x

Source: S&P Capital IQ/Carlsquare

Highest Yield

Bolag	Price	Yield, %
Samhällsbyggnadsbolaget i Norden AB	8,4	17,1
SSAB AB	71,6	16,6
Bonava AB	16,6	13,7
Aktiebolaget Fastator	6,8	11,0
Tethys Oil AB	51,7	11,0
Svenska Handelsbanken AB	88,3	10,6
Cibus Nordic Real Estate AB	102,0	10,0
Skanska AB	151,7	9,9
Resurs Holding AB	19,3	9,8
Nordic Paper Holding AB	38,5	9,5

Source: S&P Capital IQ/Carlsquare

Lowest priced Net Asset Value

Bolag	Price	P/B
Oscar Properties Holding AB	1,0	0,1x
Eniro Group AB	0,7	0,1x
Bonava AB	16,6	0,2x
Cint Group AB	10,3	0,2x
Samhällsbyggnadsbolaget i Norden	8,4	0,3x
Humana AB	15,8	0,3x
BHG Group AB	11,6	0,3x
Corem Property Group AB	7,8	0,3x
Aktiebolaget Fastator	6,8	0,3x
K2A Knaust & Andersson Fastighete	10,2	0,3x

Source: S&P Capital IQ/Carlsquare

Lowest priced NAV on a debt-free basis

Bolag	Price	EV/tB
Serneke Group AB	28,0	0,3x
Karolinska Development AB	1,7	0,4x
Concejo AB	28,5	0,4x
Alligator Bioscience AB	0,5	0,4x
Hoist Finance AB	28,0	0,4x
Vivesto AB	0,3	0,4x
Projektengagemang Sweden AB	13,0	0,5x
Maha Energy AB	8,8	0,5x
Fastighets AB Balder	42,6	0,6x
Tethys Oil AB	51,7	0,6x

Source: S&P Capital IQ/Carlsquare

Lowest priced earnings growth

Bolag	Price	PEG
Nordisk Bergteknik AB	31,3	0,1x
Volvo Car AB	39,0	0,1x
RVRC Holding AB	28,1	0,2x
TF Bank AB	136,4	0,3x
Viaplay Group AB	248,8	0,3x
Embracer Group AB	52,1	0,3x
H & M Hennes & Mauritz AB	144,9	0,4x
New Wave Group AB	210,8	0,4x
Eltel AB	7,8	0,4x
Sinch AB	23,3	0,4x

Source: S&P Capital IQ/Carlsquare

Top priced earnings growth

Bolag	Price	PEG
Skanska AB	151,7	139,1x
Hufvudstaden AB	137,2	53,8x
Stillfront Group AB	23,0	37,5x
Getinge AB	251,0	7,2x
Thule Group AB	277,9	4,7x
Svenska Cellulosa Aktiebolaget SCA	145,1	4,6x
Axfood AB	254,3	4,2x
Inwido AB	98,4	3,4x
Netel Holding AB	19,5	3,2x
AB Electrolux	167,0	3,0x

Source: S&P Capital IQ/Carlsquare

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