

Nordic strategy update

Equity & Quant strategy

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19 May 2022

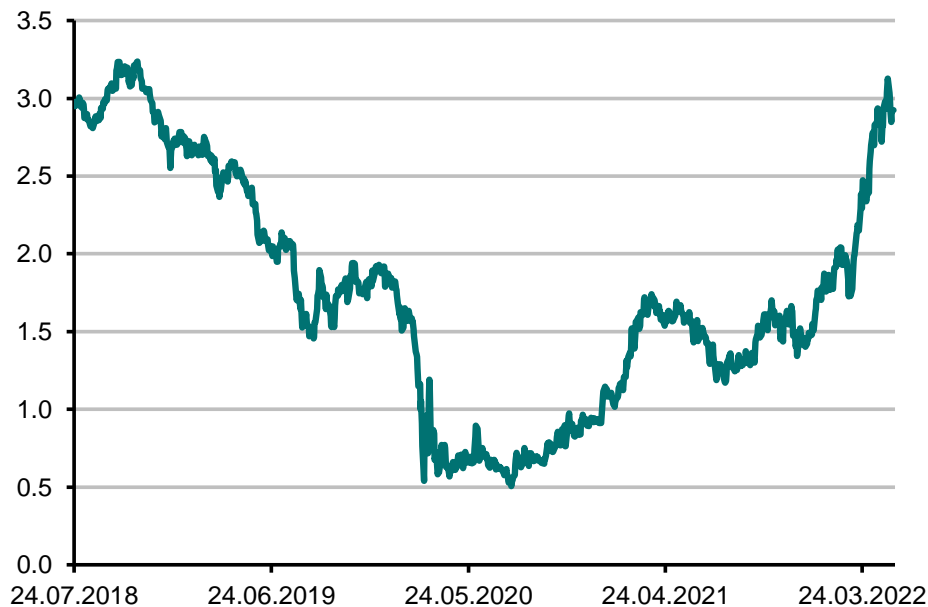
OSEBX and Nordic Vinx Indices (rebased to 100)



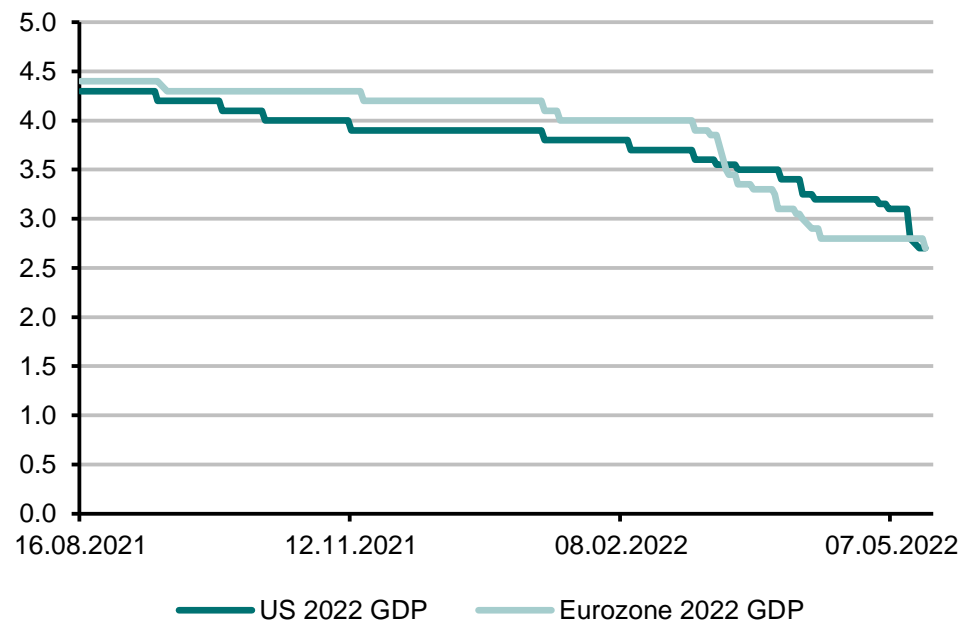
Macro backdrop has been challenging for equities

- Higher inflation expectations and a hawkish Fed have pushed US 10-year yields to the highest level since 2018
- Consensus GDP estimates are being revised lower
 - Consensus for 2022 Eurozone GDP growth is 2.7% (down 1.3%-pts since the Russian invasion of Ukraine)

US 10-year Treasury Yields (%)



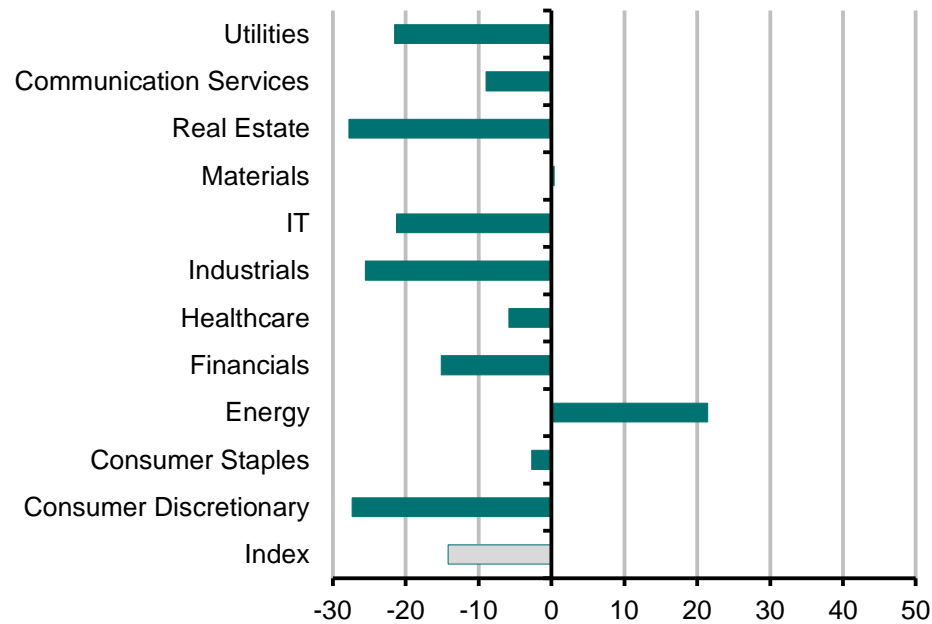
US & Eurozone 2022 GDP consensus (%)



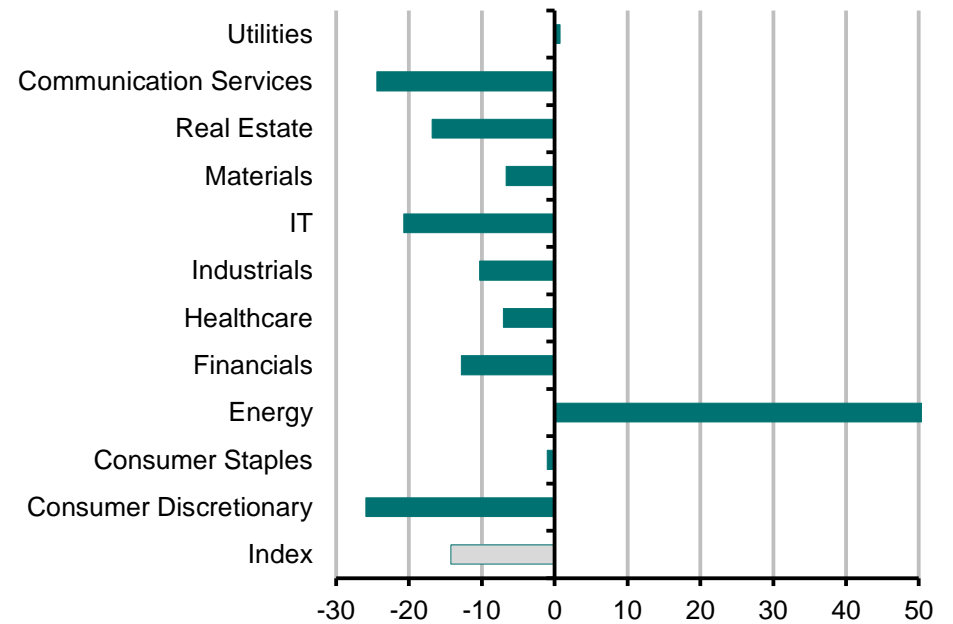
Large dispersion in sector performance YTD

- Sector allocation has played an important part in YTD portfolio returns
 - Energy, Materials, Consumer Staples and Healthcare have been big relative outperformers
 - Consumer Discretionary, Industrials, IT and Real Estate have been big underperformers

MSCI Nordic sectors YTD



S&P500 Sectors YTD



MSCI Nordic sector indices' performance relative to MSCI Nordic

Cyclical sectors

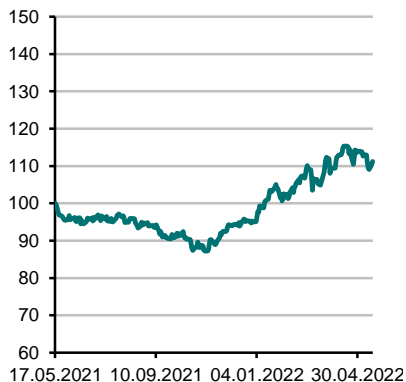
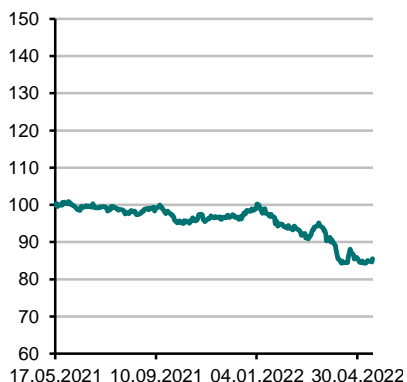
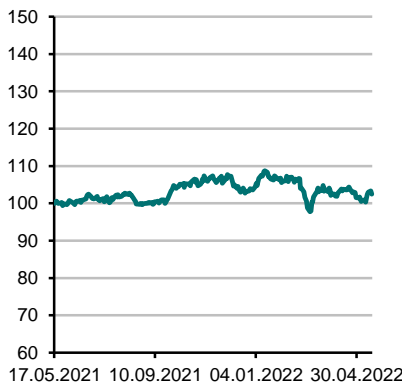
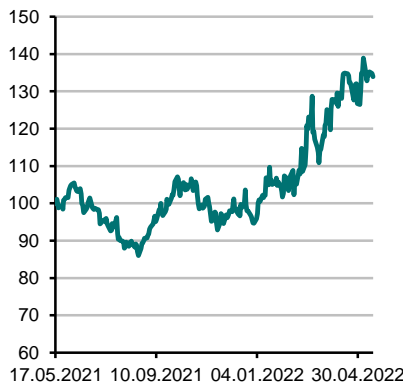
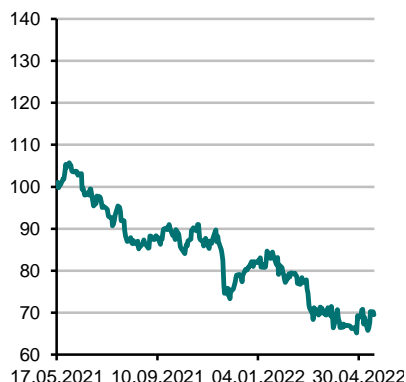
Consumer Discretionary

Energy

Financials

Industrials

Materials



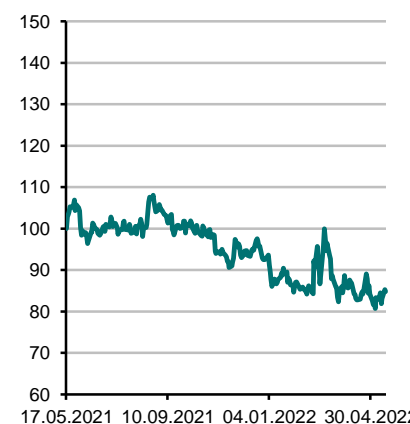
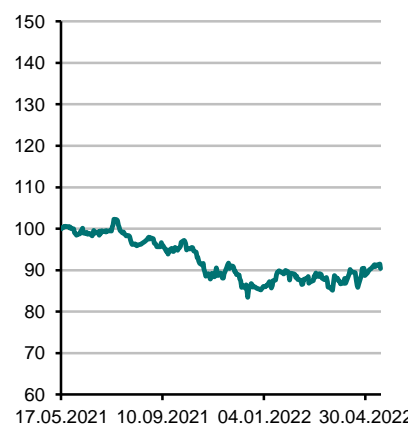
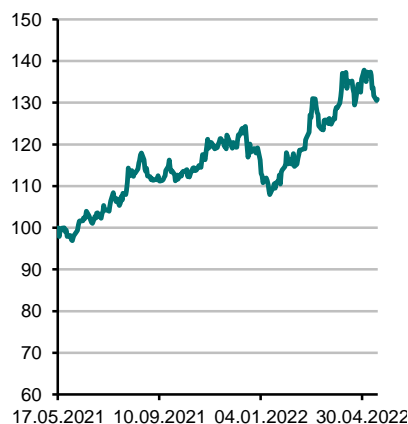
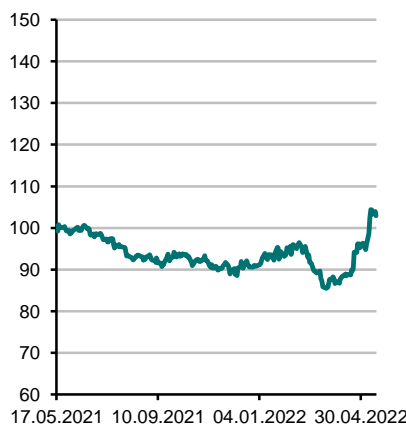
Defensive sectors

Consumer Staples

Healthcare

Telecoms

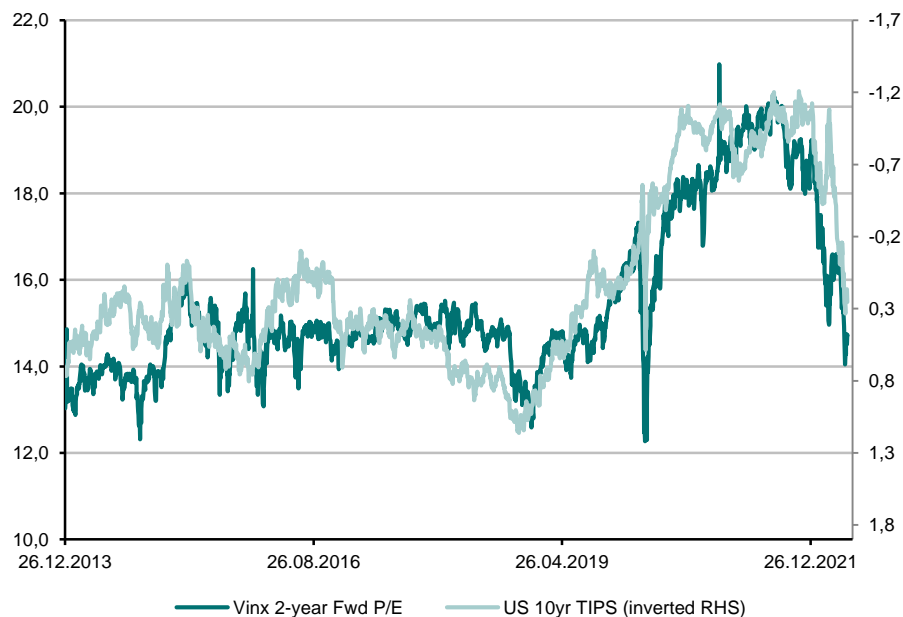
Utilities



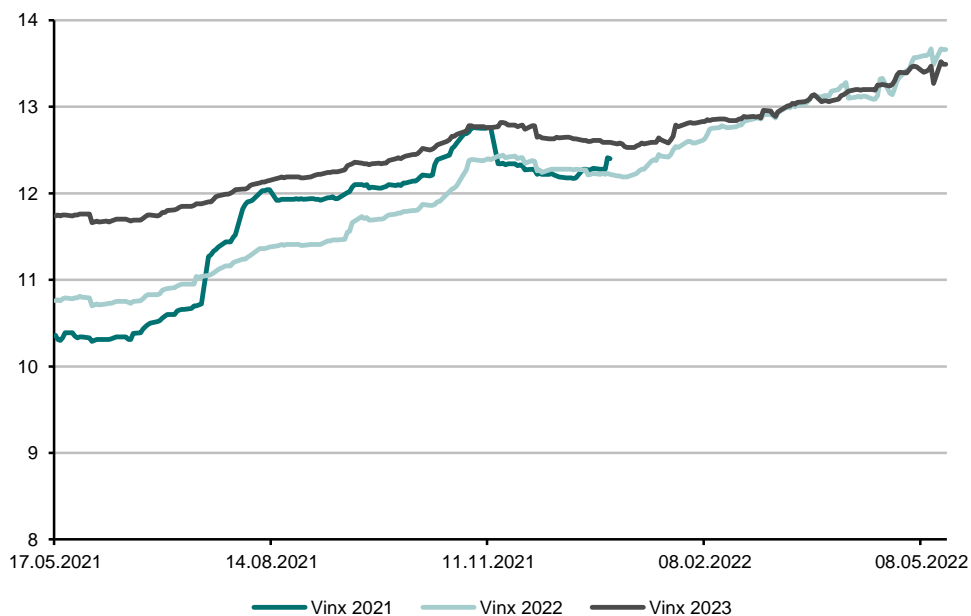
Nordic P/E decline has overshot US interest rate increase

- Nordic P/E multiples have declined slightly more than justified by the change in real rates
- Earnings trends are still positive so do not explain the weakness
 - Energy and Materials sectors have been the largest contributors to positive EPS revisions

Vinx Nordic P/E versus US TIPS rates



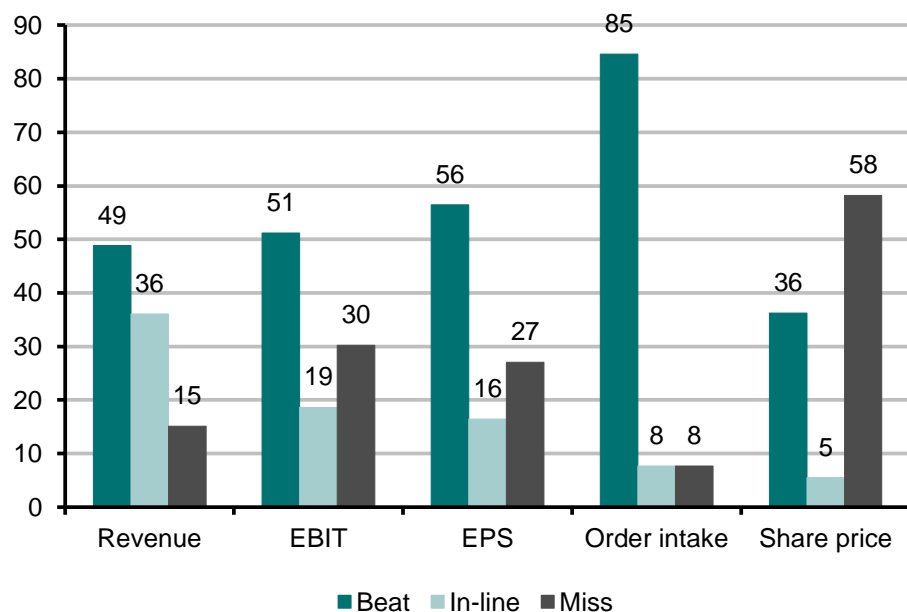
Vinx Index Consensus EPS (EUR)



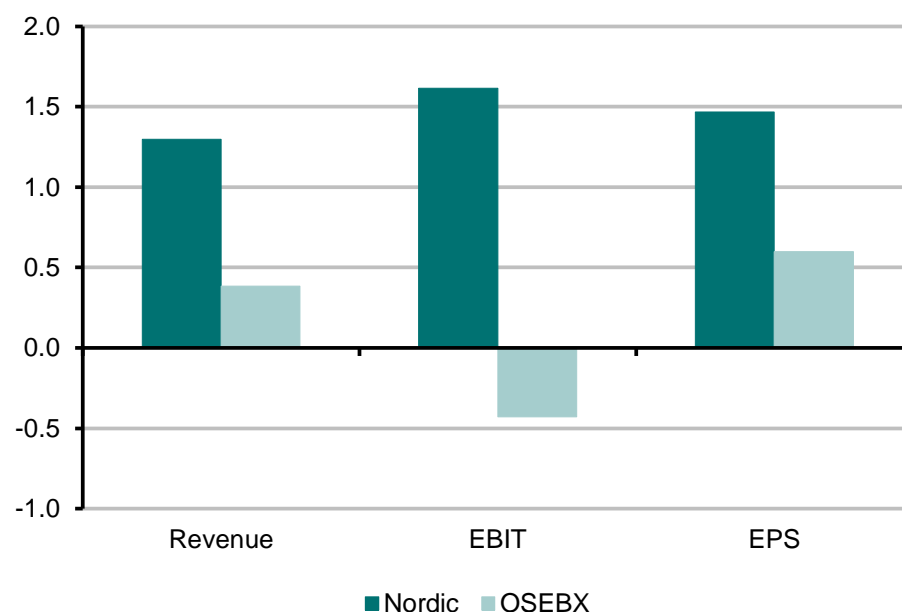
Q1 results have been better than expected

- There have been more beats than misses for all the parameters we monitor except share-price reactions
- The median EBIT revision is similar to the median revenue revision (no strong margin squeeze trend)
 - Post results estimate revisions have been slightly less positive in Norway than for the other Nordics

Nordic large-caps: percentage of Q1 2022 beats and misses



Median Nordic and OSEBX consensus 2023 estimate revisions since day prior to each Q1 report (%)

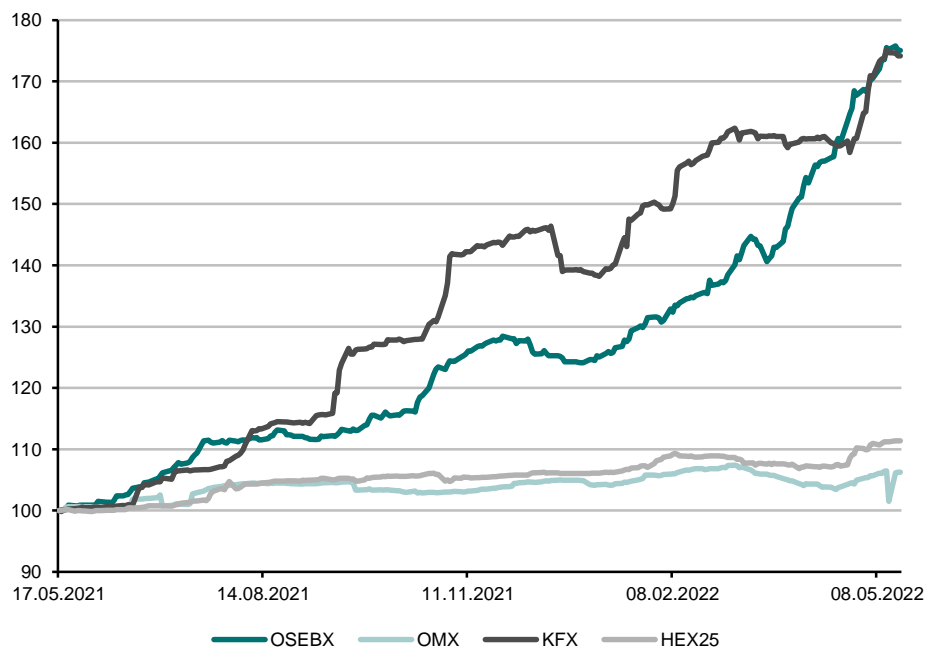


Consensus EPS revisions

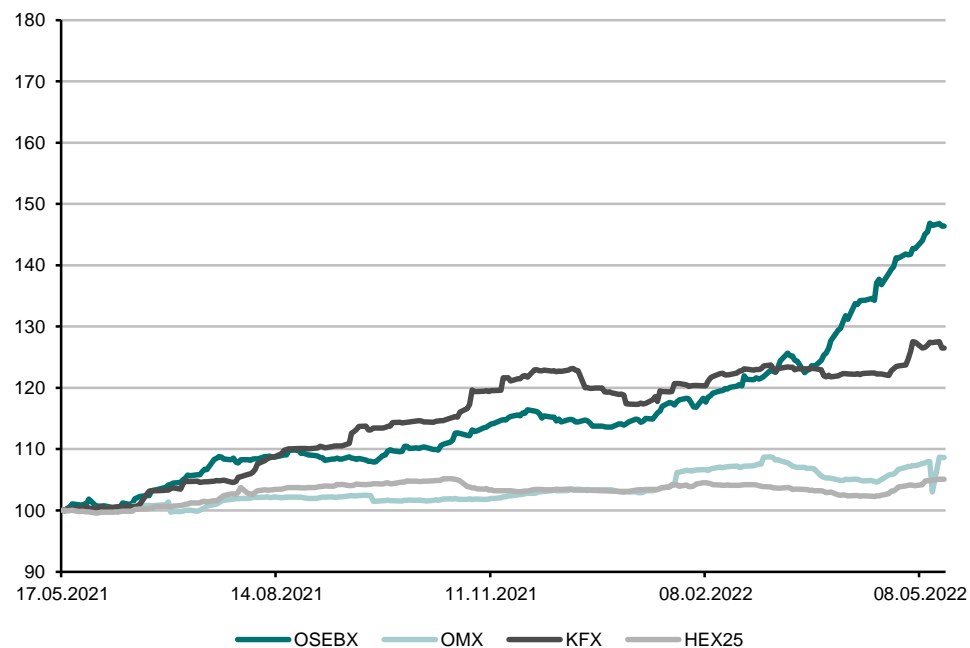
- Norway and Denmark has seen the strongest trend in consensus EPS estimates
 - Energy and Materials sectors are over 60% of OSEBX EPS
 - Denmark has been boosted by Maersk and DSV in particular (Shipping and logistics)

- Sweden and Finland have seen a small improvement through the Q1 reporting season

Consensus 2022e EPS (rebased to 100)



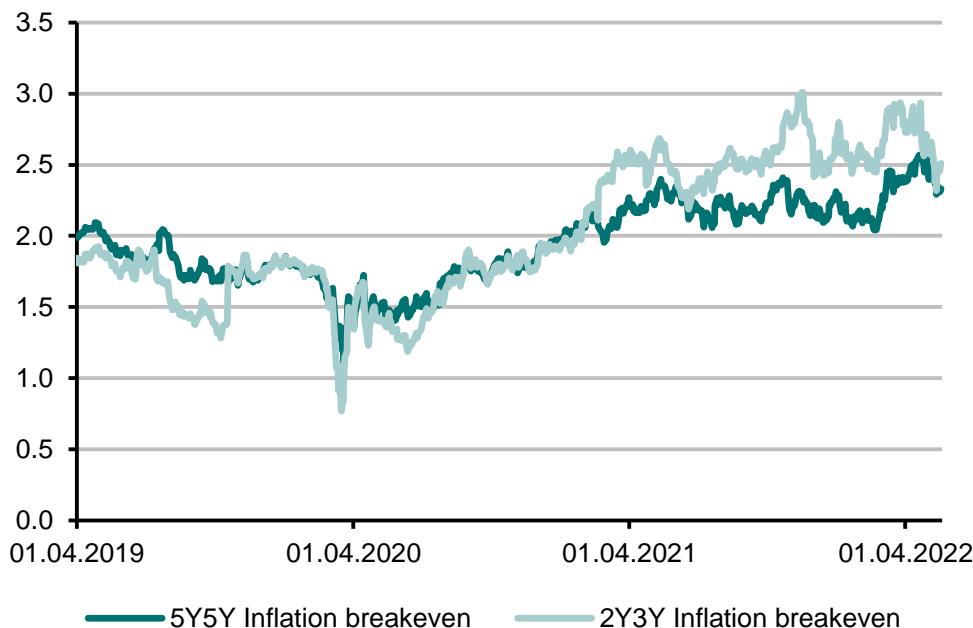
Consensus 2023e EPS (rebased to 100)



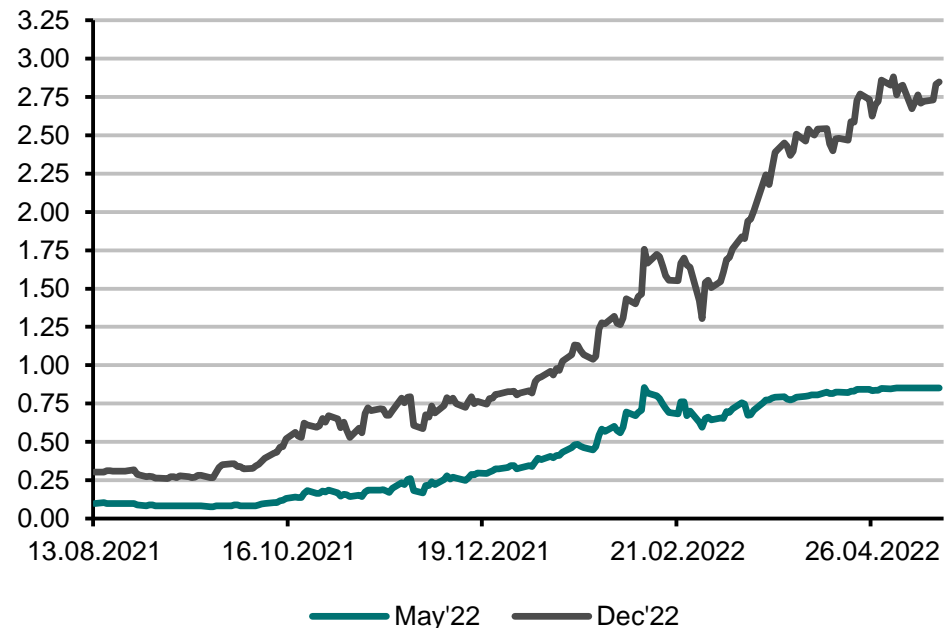
Inflation fears may be peaking

- Market implied inflation expectations are levelling off
 - Median term market implied inflation expectations should be within the Fed's comfort zone
- Fed Fund futures also seem to be peaking (are at a similar level to four weeks ago after consistently rising for six months)

Market implied inflation expectations (%)



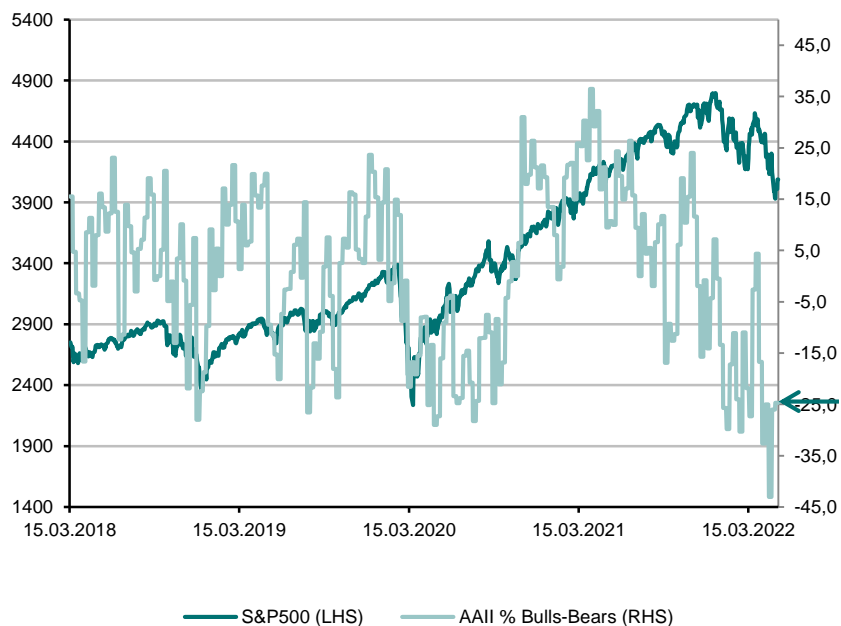
Fed Fund Futures implied post meeting rate (%)



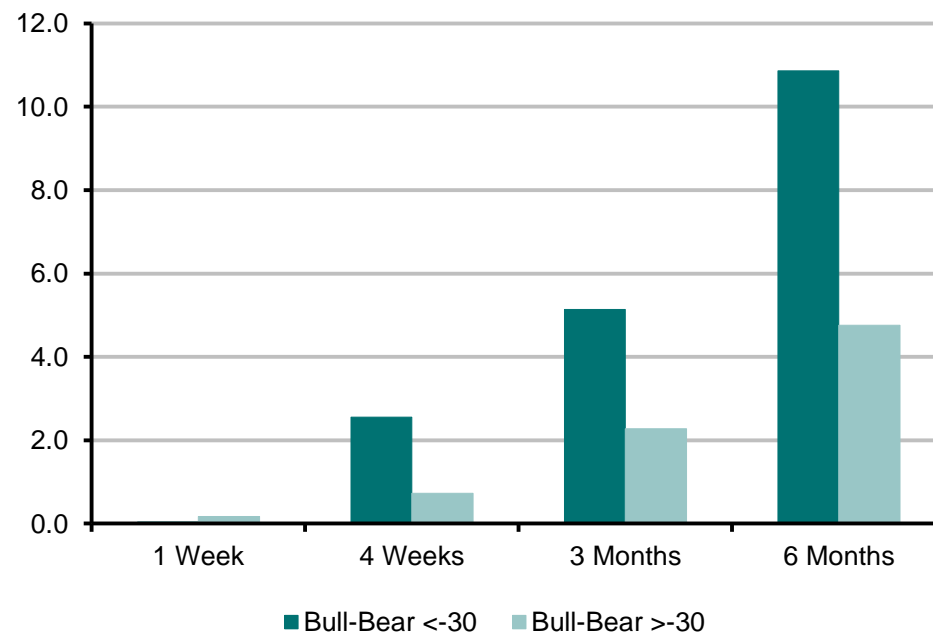
Sentiment is still extremely bearish

- The weekly AAI Bull/Bear survey hit -43 on 28 April (has subsequently improved to -24.7)
 - Following a print below -30, returns have exceeded the average with a hit rate of 71%, averaging 2.3% over the next four weeks
 - When this signal is combined with the Vix index above 30, the hit rate increases to 81%

AAII Bulls minus Bears* versus S&P500



S&P500 returns versus Bull/Bear signal (%)



Source: American Association of Individual Investors, Bloomberg (consensus data), DNB Markets (further calculations)

* Reflects the sentiment of investors towards the stock market over the next six months

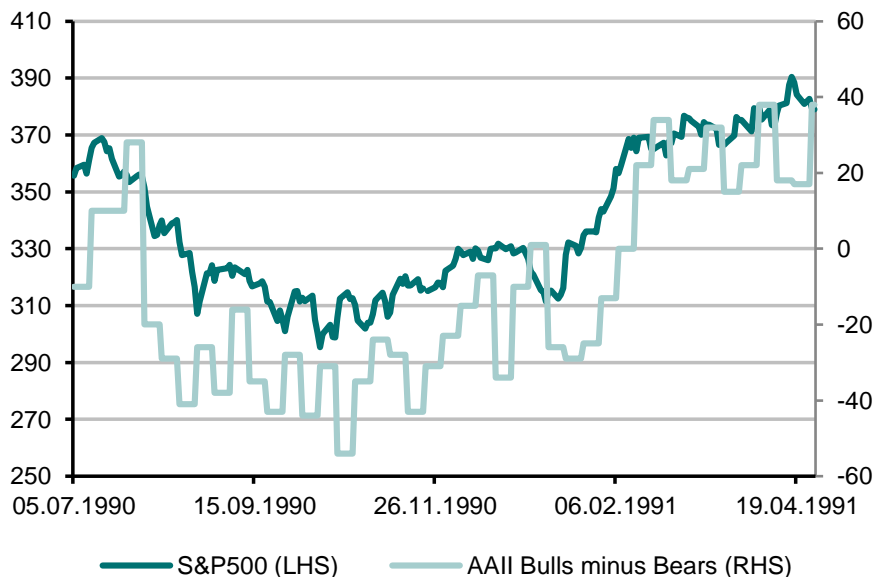
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Equity returns following similar Bull/Bear prints

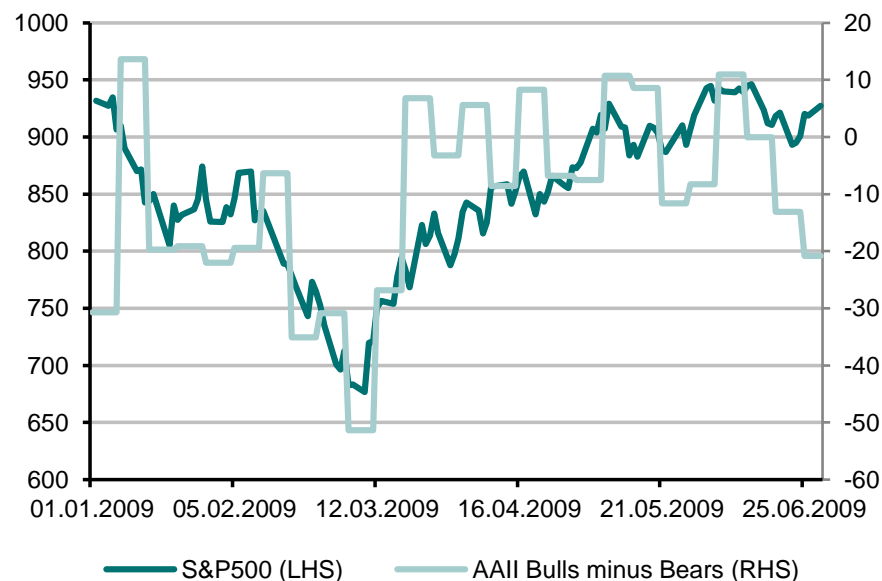
- The October 1990 low for the S&P500 followed a print at -44
 - The Bull/Bear survey hit an all-time low of -54 one week after the S&P500 trough
 - Investors that bought when the survey hit -43 on the way down suffered a maximum drawdown of 7% if they bought at the intra-day high

- The March 2009 low for the S&P500 followed a print at -51
 - This led the trough by four days

AAll Bulls minus Bears* versus S&P500 (1990-1991)



AAll Bulls minus Bears* versus S&P500 (2009)



Source: American Association of Individual Investors, Bloomberg (consensus data), DNB Markets (further calculations)

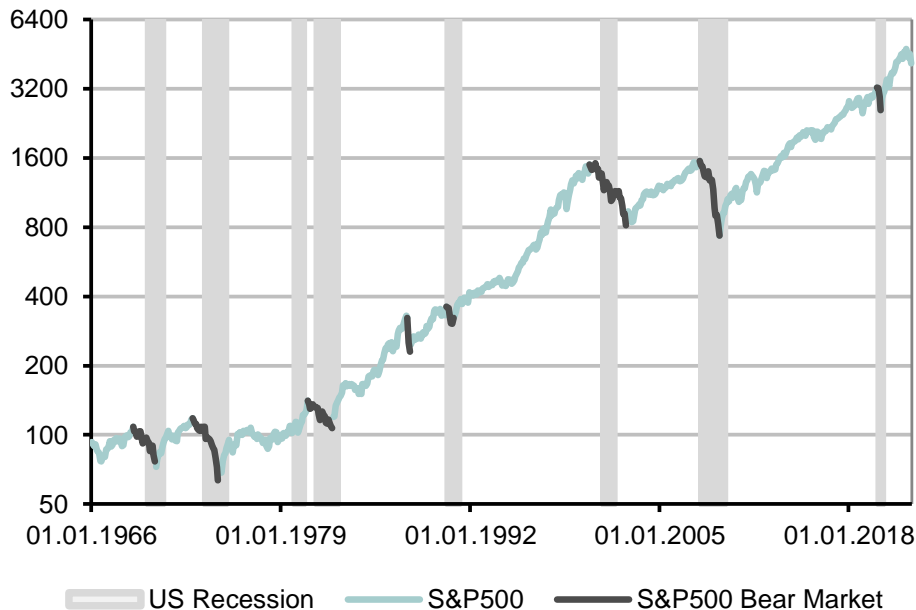
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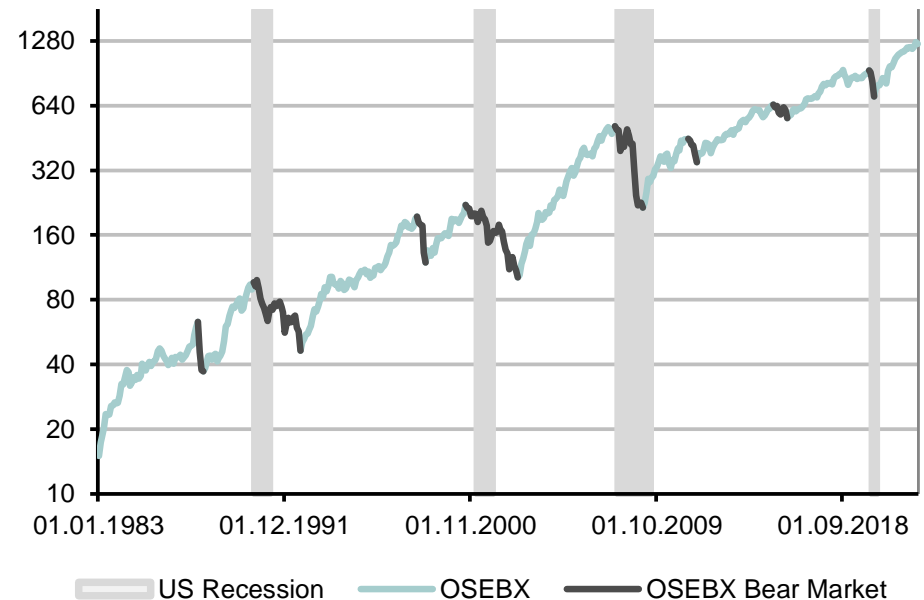
20%+ S&P500 drawdowns are unusual without a recession

- Bear markets (declines of more than 20%) for the S&P500 are nearly always related to a recession
- If a recession can be avoided, incremental downside from here should be limited
 - The peak-to-trough decline for the S&500P500 this year has been 18%
- If a recession does materialise, there is likely to be more downside

US recessions and S&P500 20%+ drawdowns



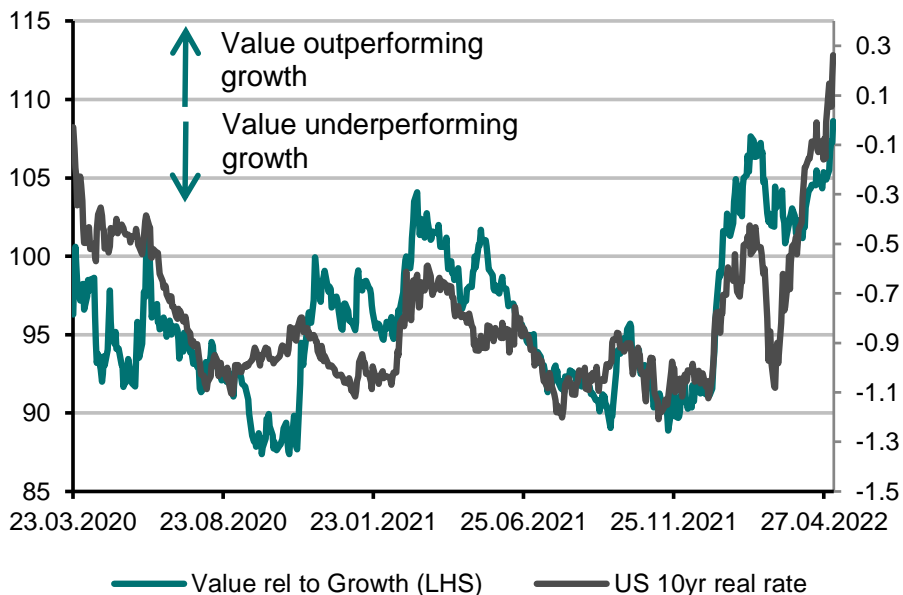
US recessions and OSEBX 20%+ drawdowns



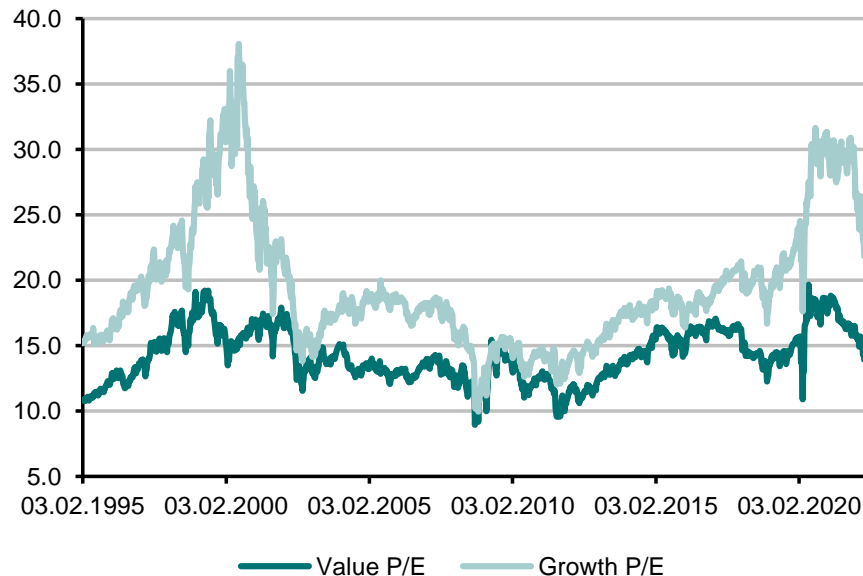
Positioning should remain tilted to value rather than growth

- Rising rates provide a powerful headwind for growth stocks
- While the valuation gap between growth and value has narrowed, it is still very large in a historical context
- Value = Quality at a Reasonable Price
 - “Value” does not mean poor quality companies trading at low multiples

MSCI Europe Value relative to Growth and US 10-year TIPS (real) rates



Value versus Growth 12-month forward P/E



Source: Bloomberg (underlying data), DNB Markets (further calculations)
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