

Equity Research

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Strategy Wrap

Aero suppliers Hexcel and Woodward scrap deal as coronavirus pummels industry



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Yesterday's actions

US

S&P 500 +7.0%, Nasdaq +7.3%, DJIA +7.7%

Strongest US sector was Information Technology (8.8%), weakest was Consumer Staples (3.9%)

VIX declined to 45.2 (46.8)

US 10y yield rose to 0.67% (0.59%)

EUR/USD -0.1% to 1.08, JPY/USD 0.6% to 109.1 and USD/SEK -0.1% to 10.17

BBG Commodity Index 1.0%, Gold 2.7%, Copper 0.1% and Silver 1.1%

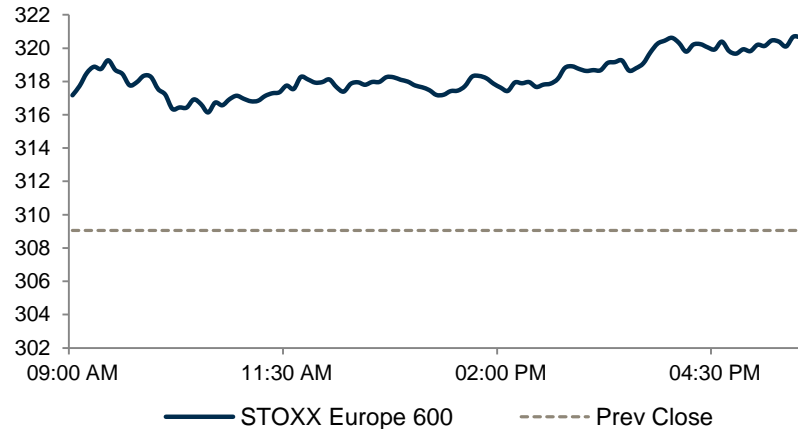
Europe

STOXX Europe 600 3.7%, STOXX Europe 50 3.2%, FTSE 100 3.1%

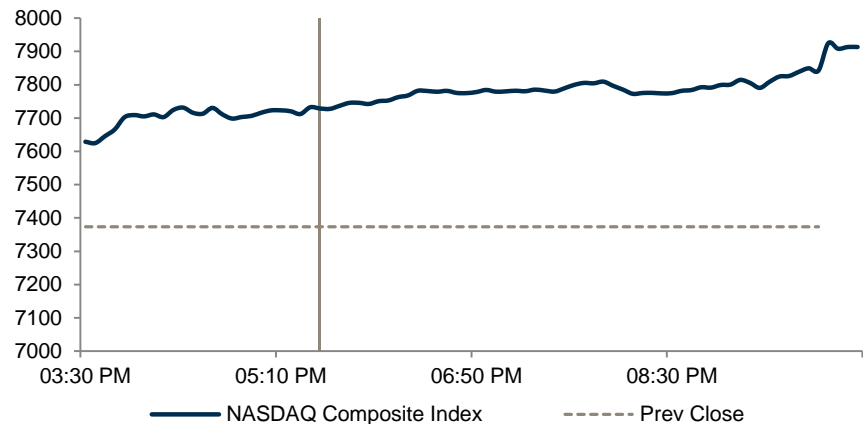
Germany HDAX 5.3%, France CAC 40 4.6%

Strongest sector was Industrials (5.8%), weakest was Oil & Gas (0.4%)

Stoxx 600, 06/04/2020 [CET]



Nasdaq, 06/04/2020 [CET]



After hours

US

Aircraft parts suppliers Hexcel and Woodward abandoned their planned USD 6.4bn all-stock merger, the first major deal to fall through in an industry battered by coronavirus-led lockdowns around the world. The companies agreed to the deal in January against the backdrop of Boeing, Woodward's biggest client and Hexcel's second-largest customer, struggling with the grounding and later production halt of the 737 MAX jet. While Woodward's and Hexcel's businesses are complimentary and would have given the combined company scale, the companies did not believe they could integrate them successfully during the crisis.

Allstate, one of the largest US auto insurers, said it would return more than USD 600m in premiums to customers as many Americans drive less due to stay-at-home orders aimed at curbing the coronavirus outbreak. Most customers will receive a "payback" of 15% of their monthly premium in April and May. Allstate's payback, which will apply to 18 million policies issued by the company and its Esurance and Encompass units, follows a data analysis by the insurer of 23 million cars that showed driving mileage was down between 35% and 50% in most states, Allstate CEO Tom Wilson said.

EU antitrust regulators said Mastercard plan to buy part of Scandinavian payments group Nets is a significant threat to competition. The US payments group disagreed with the EU's assessment and said it hoped to finalise the deal by the end of the second quarter. The bid for Scandinavia's largest payments processor is part of a wave of consolidation in the sector as credit card companies and banks look to capitalise on a growing market triggered by the switch from cash to mobile payments. The EU antitrust watchdog's preliminary review of mergers takes 25 working days, which can be extended to about four months if there are serious concerns.

Oilfield services firm Halliburton said it was cutting about 350 employees in Oklahoma and that its executives would reduce their salaries amid a deepening oil price rout. Staff cuts could begin this week at its Oklahoma facility and would be permanent. The facility is expected to remain open. Energy companies have slashed spending since oil prices crashed this year more than 60%, taking prices below USD 30 a barrel, less than the cost of production. Halliburton said last month it would furlough 3,500 workers in Houston to cope with lower prices.

Boeing said it would suspend production of its 787 airplane at its facilities in South Carolina amid the coronavirus pandemic. Boeing stated that during the 787 suspension, it "will continue to conduct enhanced cleaning activities at the site and monitor the global supply chain as the situation evolves." Workers who cannot work remotely will receive paid leave for 10 working days of the suspension.

Rest of the World

Asian stock markets rallied for a second day on Tuesday, and riskier currencies rose, buoyed by tentative signs the coronavirus crisis may be levelling off in New York and receding in Europe.

As of CET 07:38: Stoxx Asia Pacific 4.65%, Topix 100 4.75%, Hang Seng 2.84% and Shanghai 1.89%.

Samsung Electronics said its first-quarter operating profit likely managed to rise slightly from a slump a year earlier, as solid chip sales helped cushion the blow from the coronavirus pandemic on smartphones and TVs. Samsung said operating profit was expected to be USD 5.2bn in the quarter ended March, compared with USD 5.1bn a year ago and the USD 5.1bn estimated. Revenue likely rose 5% to USD 45bn from a year ago, in line with the USD 45.4bn estimate.

With their sales hammered by the coronavirus outbreak, car makers Fiat Chrysler and Peugeot's owner PSA have postponed their shareholder meetings and are looking at ways to boost cash reserves ahead of their planned merger. The two car makers have turned to their banks to secure much needed cash, and Fiat Chrysler (FCA) is looking at debt guarantees that the Italian government approved on Monday to support local companies. In late March FCA secured a 3.5bn euro credit line, with an initial 12-month term that can be extended six months. This added to existing credit facilities worth 7.7bn euros. The emergency decree says companies looking to apply for Italy-backed loans must refrain from approving dividend payments for a year.

Dubai-listed National Central Cooling has bought an 80% stake in Emaar Properties' Downtown Dubai district cooling business for USD 675m. The deal involves four plants near the Burj Khalifa, the world's tallest skyscraper. District cooling firms deliver chilled water via insulated pipes to cool offices, industrial and residential buildings. The downtown district cooling business, through a long-term concession, will provide up to 235,000 refrigerated tonnes of cooling to the area.

Mexican cement company Cemex said it would resume operations in the country, hours after announcing a pause, as fresh guidelines from the government permitted such a move. The company, which operates in more than 50 countries, had earlier in the day said owing to government guidelines it would suspend operations until at least April 30. In its previous statement, Cemex also said it has improved its liquidity position with a USD 1.14bn revolving credit line and by receiving almost USD 500m from asset sales.

Asian movers, CET 07:38

Change EW [%]	Sector Movers
Information Technology	6.5 Advantest 18.9%, Renesas Electronics Corporation 16.6%, Computershare Limited 14.8%, Trend Micro Incorporated -0.7%, Ricoh Company, -0.7%, Wisetech Global -0.6%
Consumer Disc.	5.1 Hikari Tsushin, 17.3%, Tabcorp Limited 12.5%, Rakuten, 11.7%, Harvey Norman Ltd -2.5%, Domino's Pizza Enterprises Limited -1.5%, SHIMAMURA, -1.0%
Energy	5.1 Santos Limited 11.8%, Beach Energy Limited 7.5%, Caltex Australia Limited 7.1%, Oil Search Limited 0.0%, Idemitsu Kosan, 1.9%, Origin Energy Limited 2.7%
Industrials	4.5 Nihon M&A Center 12.4%, Reliance Worldwide 12.2%, JGC Corporation 10.6%, Kubota Corporation -0.2%, Tobu Railway, -0.1%, Brambles Limited -0.1%
Materials	4.2 Northern Star Resources Ltd 13.5%, Shin-Etsu Chemical Co Ltd 11.7%, Alumina Limited 9.1%, Amcor PLC Shs Chess Depository Interests Repr 1 Sh -0.9%, Kansai Paint, 0.0%, Fletcher Building Limited 0.0%
Communication Services	4.1 Z Corporation 13.2%, Kakaku.com, 11.6%, SoftBank 9.5%, Singapore Press Limited -1.3%, Square Enix, 0.1%, NEXON, 0.1%
Financials	3.5 Magellan Financial Ltd 12.9%, Shinsei Bank, Limited 10.8%, Challenger Limited 10.8%, Zenkoku Hoshu, -2.9%, Insurance Australia Limited -1.4%, Medibank Private -0.8%
Health Care	3.1 Takeda Pharmaceutical 8.6%, Olympus 7.6%, Kaken Pharmaceutical, 7.0%, Fisher & Paykel Healthcare Corporation Limited -9.6%, Ryman Healthcare -2.3%, Nihon Kohden Corporation -1.6%
Consumer Staples	2.9 Dairy Farm Limited 12.3%, Nippon Suisan Kaisha, 8.1%, Thai Beverage Public, 7.5%, Yamazaki Baking, -3.2%, Coca-Cola Bottlers Japan -2.6%, Kagome, -2.0%
Utilities	1.1 CK Infrastructure Limited 9.3%, Hong Kong & China Gas 4.9%, Power Assets Limited 4.9%, Contact Energy Limited -4.9%, Infratil Limited -3.4%, Mercury NZ -2.9%
STOXX Asia/Pac 600 (US\$)	4.65 132.1
TOPIX 100	4.75 908.6
Hang Seng Index	2.84 23,896
SSE Composite Index	1.89 2,816

Yesterday's US Movers

Change %	Sector Movers
Information Technology	8.8 Alliance Data Systems Corporation 17.6%, KLA Corporation 16.1%, DXC Technology 15.9% // Akamai Technologies, 2.5%, HP 3.6%, NortonLifeLock 3.7%
Utilities	7.8 CenterPoint Energy, 13.8%, Evergy, 11.7%, Entergy Corporation 11.5% // NRG Energy, 3.9%, Consolidated Edison, 4.0%, Public Service Enterprise Inc 5.6%
Consumer Disc.	7.7 PVH 28.1%, Capri Limited 25.9%, Nordstrom, 24.1% // Tiffany & -0.1%, Dollar General Corporation 4.6%, Amazon.com, 4.8%
Materials	7.6 Mosaic Company 14.0%, Freeport-McMoRan, 13.8%, WestRock Company 12.8% // Air Products and Chemicals, 3.9%, Vulcan Materials Company 4.0%, Martin Marietta Materials, 4.4%
Financials	7.5 Discover Financial Services 17.3%, Capital One Financial Corporation 16.9%, Synchrony Financial 16.9% // Progressive Corporation 0.1%, MarketAxess 3.0%, Berkshire Hathaway Class B 3.9%
Industrials	7.0 Boeing Company 19.5%, Raytheon Technologies Corporation 15.3%, Fortune Brands Home & Security, 14.7% // Carrier Global -8.7%, Otis Worldwide Corporation -2.9%, Delta Air Lines, -0.7%
Telecom Services	6.7 Fox Corporation Class B 13.2%, Fox Corporation Class A 12.4%, ViacomCBS Class B 12.1% // Take-Two Interactive Software, 2.4%, Activision Blizzard, 2.7%, Live Nation Entertainment, 2.8%
Health Care	5.4 Align Technology, 14.6%, HCA Healthcare Inc 14.4%, IQVIA Inc 14.0% // Gilead Sciences, -0.6%, CVS Health Corporation 0.9%, Allergan plc 1.4%
Energy	5.2 HollyFrontier Corporation 16.0%, Marathon Petroleum Corporation 15.1%, Valero Energy Corporation 14.3% // EOG Resources, -1.2%, Williams Companies, -1.1%, Marathon Oil Corporation -0.8%
Consumer Staples	3.9 Sysco Corporation 13.9%, Coty Class A 8.7%, Constellation Brands, Class A 7.6% // Campbell Soup Company -3.9%, Altria Inc -0.3%, Kellogg Company -0.1%
Last trading day	
S&P 500	7.0 2,664
Nasdaq Composite	7.3 7,913
Dow Jones IA	7.7 22,680
eMini Futures as of 07:37:	
	eMini S&P 500 Future -0.1 2,643
	eMini Nasdaq Future -0.3 8,004
	eMini Dow Future -0.1 22,455

Yesterday's European Movers

Change % Sector Movers

Industrials	5.8	Rexel SA 20.6%, Rolls-Royce plc 18.3%, Melrose Industries 17.9% // Royal Vopak NV -4.9%, Halma plc -2.2%, Spirax-Sarco Engineering -1.9%
Financials	5.1	Legal & General Plc 16.7%, Eurazeo SA 16.3%, Intermediate Capital plc 15.9% // ageas SA/NV -2.7%, London Stock Exchange plc -1.9%, LEG Immobilien -1.7%
Technology	4.9	ASM 16.3%, Micro Focus plc 14.8%, Ingenico SA 13.2% // Temenos 1.2%, Sage plc 1.3%, Telefonaktiebolaget LM Ericsson Class B 1.8%
Consumer Services	4.2	GVC 18.5%, Carnival plc 16.5%, easyJet plc 16.3% // J Sainsbury plc -3.4%, Wm Morrison Supermarkets plc -1.8%, Tesco -1.0%
Materials	3.9	ArcelorMittal SA 10.1%, KGHM Polska Miedz 9.7%, BASF SE 8.5% // Victrex plc -0.4%, EMS-CHEMIE HOLDING -0.3%, Rio Tinto plc 0.4%
Consumer Goods	3.4	Vistry 17.5%, Barratt Developments 16.4%, Redrow plc 15.6% // Ubisoft Entertainment SA -2.3%, Reckitt Benckiser plc -1.5%, AAK -1.3%
Telecommunications	3.0	Altice Europe NV Class A 12.2%, Telefonica SA 6.8%, BT plc 5.1% // Proximus SA de droit public -4.7%, Iliad SA -3.0%, Elisa Class A -2.4%
Health Care	2.1	Ipsen SA 11.9%, EssilorLuxottica SA 7.7%, Eurofins Scientific Societe Europeenne 6.9% // Coloplast Class B -2.9%, Novozymes Class B -1.8%, Orion Class B -1.1%
Utilities	1.6	ENGIE SA 6.6%, SUEZ SA 6.4%, SSE plc 5.5% // United Utilities -2.8%, Elia SA/NV -2.0%, Pennon Plc -1.9%
Oil & Gas	0.4	John Wood 10.6%, Polski Koncern Naftowy ORLEN 4.8%, Subsea 7 4.5% // GALP Energia SGPS SA Class B -4.2%, Vestas Wind Systems -2.3%, Repsol SA -0.8%

STOXX Europe 600	3.7	321	OMXS30	4.0	1,461
STOXX Europe 50	3.2	2,753	OMXC20	0.8	1,091
FTSE 100	3.1	5,582	OMXH25	2.5	3,337
Germany HDAX	5.3	5,535	OBX	1.9	668
France CAC 40	4.6	4,346			

Global indices

Index	Total return [%]						P/E		EPS growth		Div yield
Local currencies	1w	1m	6m	YTD	1y	5y	2018	2019e	2018	2019e	2018
OMX Copenhagen Allshare	3.4	-5.7	3.9	-7.5	3.3	27.4	34.0	24.2	-53%	-8%	2%
OMX Helsinki Allshare	3.3	-14.3	-13.8	-20.3	-19.2	5.8	16.6	17.7	1%	-7%	5%
OMX Stockholm Allshare	2.2	-11.8	-7.6	-18.4	-6.6	19.8	19.5	13.6	-7%	55%	4%
Hang Seng Index	2.1	-9.4	-7.6	-15.6	-18.0	12.3	12.4	11.0	6%	5%	3%
Taiw an	2.0	-13.1	-9.5	-18.0	-3.9	25.6	14.4	17.8	0%	-10%	4%
Nasdaq	1.8	-7.6	-0.3	-11.6	0.7	70.3	23.5	27.8	23%	1%	1%
STOXX Europe 600	1.8	-12.4	-14.8	-22.3	-14.6	-4.6	14.8	14.5	5%	3%	4%
DJIA	1.6	-12.1	-13.6	-20.0	-12.0	43.4	16.7	18.1	21%	-11%	2%
S&P 500	1.5	-10.2	-8.9	-17.1	-6.1	41.9	17.4	18.2	20%	0%	2%
India S&P BSE SENSEX	-3.0	-26.4	-26.5	-32.9	-28.1	3.4					

Nordic performance (-1 day), top 10 and bottom 10

Sweden			
Top 10	-1d	Bottom 10	-1d
Camurus	13.7	Eniro AB Class A	-10.3
Recipharm	11.7	Tethys Oil AB	-4.7
Sinch	11.5	Telia Company	-1.6
Trelleborg	11.0	AAK	-1.3
Autoliv	11.0	Tele2	-1.2
Hennes & Mauritz	10.5	Lundin Petroleum	-0.6
Dometic	10.2	NetEnt AB Class B	0.0
Haldex AB	9.7	Cavotec SA	0.3
NIBE Industrier	9.1	AstraZeneca	0.6
Ratos AB Class B	8.3	Swedish Match	0.7

Norway			
Top 10	-1d	Bottom 10	-1d
Royal Caribbean Cruises	21.4	Aker ASA	-5.6
Storebrand	9.2	Norwegian Air Shuttle AS	-4.5
XXL	8.7	BW Offshore Limited	-3.4
Schibsted Asa Class A	6.9	Archer Limited	-3.0
Grieg Seafood	6.7	Norwegian Property ASA	-2.8
Subsea 7	4.5	Kongsberg Gruppen AS	-1.8
Yara International	4.5	Aker Solutions	-1.7
Tomra	3.7	PGS	-1.4
Norsk Hydro	3.5	Kvaerner ASA	-1.2
SalMar	3.5	Akastor ASA	-1.0

Denmark			
Top 10	-1d	Bottom 10	-1d
A.P. Møller-Mærsk	9.8	Coloplast	-2.9
GN Store Nord	6.1	Vestas	-2.3
H+H International A/S CI	6.1	Novozymes	-1.8
Alk-Abello	6.0	Sydbank	-0.4
DFDS A/S	5.4	Chr. Hansen	-0.3
SimCorp	5.3	Veloxis Pharmaceuticals	0.0
Zealand Pharma	5.2	Novo Nordisk	0.1
Rockwool	4.9	Ringkjøbing Landbobank	0.1
Lundbeck	4.9	Jyske Bank	0.2
ISS	4.8	Danske Bank	1.5

Finland			
Top 10	-1d	Bottom 10	-1d
Konecranes	6.8	Stockmann	-30.9
Wartsila	6.8	Elisa	-2.4
Stora Enso	6.2	Aktia Bank plc	-0.7
Outotec	6.1	Oriola Corp Class B	0.0
Metso	6.1	Kesko	0.0
Nokia	5.2	Tieto	0.3
Valmet	5.1	Citycon Oyj	0.9
Outokumpu	5.0	Huhtamaki	0.9
Cargotec	4.7	Cramo	1.0
Sanoma Oyj	4.4	Sampo	1.1

Nordic RSI(14d) top 10 and bottom 10

Sweden

Highest 10	RSI	Lowest 10	RSI
Oriflame Holding AG	69	Mekonomen	27
Axfood	69	New Wave Group AB Clæ	30
Camurus	68	Bulten AB	31
Sinch	67	Gränges	32
ICA Gruppen	65	Bilia	32
Avanza	62	Platzer	33
Swedish Orphan Biovitru	61	Nobia	34
Creades AB Class A	60	JM	34
Getinge	60	Intrum	35
NetEnt AB Class B	60	Pandox	35

Norway

Highest 10	RSI	Lowest 10	RSI
Yara International	60	PGS	27
Orkla	59	Norwegian Air Shuttle AS	27
XXL	57	Akastor ASA	27
Equinor	56	Royal Caribbean Cruises	36
AF Gruppen	55	Aker Solutions	39
Tomra	55	Norsk Hydro	41
Aker BP	53	Mowi	41
ABG Sundal Collier Hold	52	Kvaerner ASA	41
Subsea 7	51	Aker ASA	41
Telenor ASA	50	Norwegian Property ASA	41

Denmark

Highest 10	RSI	Lowest 10	RSI
Novo Nordisk	62	Jyske Bank	26
Coloplast	59	Sydbank	33
Topdanmark	58	Danske Bank	34
D/S Norden A/S	57	Demant	34
Chr. Hansen	56	DFDS A/S	34
Alk-Abello	55	Spar Nord	38
Lundbeck	53	Pandora	40
Zealand Pharma	53	FLSmidth & Co	40
Tryg	52	ISS	41
GN Store Nord	52	Ringkjøbing Landbobank	42

Finland

Highest 10	RSI	Lowest 10	RSI
Technopolis Oyj	100	Stockmann	18
Valmet	58	Citycon Oyj	28
Metsä Board	57	Aktia Bank plc	32
Kone	57	Cargotec	36
Stora Enso	55	Outokumpu	36
Nokia	51	YIT	37
Elisa	49	Tieto	38
Amer Sports Oyj Class A	49	Oriola Corp Class B	39
Ramirent Oyj	48	Wartsila	40
Neste	47	Huhtamaki	41

Nordic stocks closing in US/Canada yesterday

US/Sweden	US closing	SEK/USD	SEK price	SE closing	Difference	%	Volume 1000's
ABB	17.6	10.2	178.8	176.9	1.9	1.1%	2,956
Astrazeneca	44.3	10.2	901.2	899.6	1.6	0.2%	5,735
Autoliv	47.6	10.2	483.6	463.5	20.1	4.3%	1,342
Ericsson	8.0	10.2	81.0	79.8	1.3	1.6%	6,100
Millicom	28.3	10.2	287.8	284.3	3.5	1.2%	48
Lundin Petroleum	21.0	10.2	213.8	213.8	0.0	0.0%	3
Veoneer	7.4	10.2	75.3	71.4	3.9	5.4%	1,060
US/Finland	US closing	EUR/USD	EUR price	FN closing	Difference	%	Volume
Nokia	3.2	0.9	2.9	2.9	0.0	1.0%	23,285
US/Norway	US closing	NOK/USD	NOK price	NO closing	Difference	%	Volume
Frontline	8.4	10.5	88.0	86.0	2.0	2.3%	2,701
Norsk Hydro	2.0	10.5	21.3	21.4	0.0	0.0%	726
Seadrill		10.5					n.m
StatoilHydro	13.0	10.5	136.5	136.2	0.3	0.2%	4,517
Subsea 7	5.9	10.5	61.7	59.6	2.1	3.5%	35
US/Denmark	US closing	DKK/USD	DKK price	DK closing	Difference	%	Volume
Novo Nordisk	60.7	6.9	419.9	417.8	2.2	0.5%	1,625
Canada/Sweden	Canada closing	SEK/CAD	SEK price	SE closing	Difference	%	Volume
Africa Oil	1.0	7.2	7.2	7.1	0.1	0.8%	43
Etrion	0.2	7.2	1.7	1.7	-0.1	-4.4%	37
Lundin Mining	5.4	7.2	38.9	38.5	0.4	0.9%	1,354
Semafo	3.1	7.2	22.1	22.2	-0.1	-0.3%	2,381

This week's agenda

Macro

Monday

Tuesday

- US: JOLTs Job Openings (Feb) 6.476M (6.963M)

Wednesday

Thursday

- US: PPI (MoM9 (Mar) -0.3 (-0.6)

Friday

- US: Core CPI (MoM) (Mar) 0.1% (0.2%)

Corporate

Monday

Tuesday

- Neste AGM (13:00)
- Vestas AGM (13:00)

Wednesday

- ICA Gruppen Mar sales (08:45)
- Nokia AGM (14:00)
- Volvo AGM (15:00)

Thursday

Friday

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HCM rating	R _{TP} is expected to be ¹	HCM Universe ²	IB services ³
Buy	above 10%	49%	10%
Hold	between 0% and +10%	35%	17%
Sell	below 0%	16%	25%

Source: Handelsbanken Capital Markets, as per 30/03/2020

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The target price (TP) is the analyst's assessment of the level at which the share should be traded in a 12-month period. The TP is used as a basis for the recommendation (see explanation above) and takes into account timing-related issues and triggers, such as relative valuation and newsflow. The TP does not represent the analyst's or the bank's assessment of the company's fundamental value or quality.

Unless otherwise specified, share prices mentioned in this report refer to the closing price of the previous day.

At times, the expected total returns may fall outside of the above stated ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research

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Target prices, outlooks and recommendations expressed in this research report are based on a combination of valuation models, such as discounted cash flow (DCF) and relative valuation to peers using ratios such as price-to-earnings (P/E), enterprise-value-to-operating-profit (EV/EBITDA), price-to-book (P/B) and earnings models. Sales and earnings forecasts are based on historical financial data as reported by the company and the analyst's expectations for company-specific performance are derived from expectations of micro- and macroeconomic developments. The company's different business segments are modelled separately in this process and then aggregated to achieve group forecasts for sales, earnings, cash flow and the balance sheet. For more detailed information about the valuation and methodology please consult the Handelsbanken Capital Markets website:

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