

Volvo shares find strong support around SEK 160

The Volvo share is fundamentally low valued for the moment. With a strong cash position, it has a strong dividend capacity. Technically, the stock seems to have found support around today's SEK 160-level.

As share prices have dropped while corporate earnings have risen (9.1% in Q1 2022), the S&P500 P/E ratio of 16.6x has now fallen below not only the ten-year average of 18.5x but also the five-year average of 16.9x.

Despite US CPI figures in April 2022 coming in somewhat higher than anticipated on Thursday, May 12 (8.3 percent versus 8.1 percent per year), the US 10-year Treasury yield fell back somewhat during last week. The highest inflation level so far occurred last month (March 31) with an 8.5 percent annual increase. It could therefore be a break in the downward trend, albeit still at very high levels.

Volvo reported a strong Q1 2022 result on 22 April, mainly driven by operating margins in the Trucks division that surprised positively. In combination with what looks like a technical support level around SEK 160, we think Volvo looks interesting at current price levels.

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