
Carlsquare/Vontobel weekly trading note: Danske Bank attractively valued

We return to the Nordic banking sector this week with a case on Danske Bank. Since Trump's election as US president in November 2024, bank shares have outperformed broader equity indices in both the US and Europe. This is due to the expected more favourable guidelines for US banks, but also to higher interest rates. Danske Bank's shares have one of the most attractive valuations in the Nordic banking sector.

Following the US presidential election, the financial sector, especially banks, has been a relative winner. This is true for the US, but also for the European banks. Drivers of the relative outperformance include the recent rise in interest rates, low valuation multiples relative to the broader market and expectations of a more lenient regulatory environment under the incoming Trump administration.

Nordic banks are among the most profitable in Europe. Valuations also appear to be low by historical standards. This week we focus on Danske Bank, which has the second lowest valuation of the Nordic banking stocks.

A strong US Non-Farm Payrolls report due on Friday 10th January has weighed on equity performance at the start of this week. The focus is now expected to shift to the fourth-quarter earnings season, which kicks off this week with the major US banks. The S&P500 Financials sector has the highest expected earnings growth in Q4 2024 out of eleven S&P500 sectors.

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