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German Stocks Are the Priciest in More Than 15 Years Amid Crisis

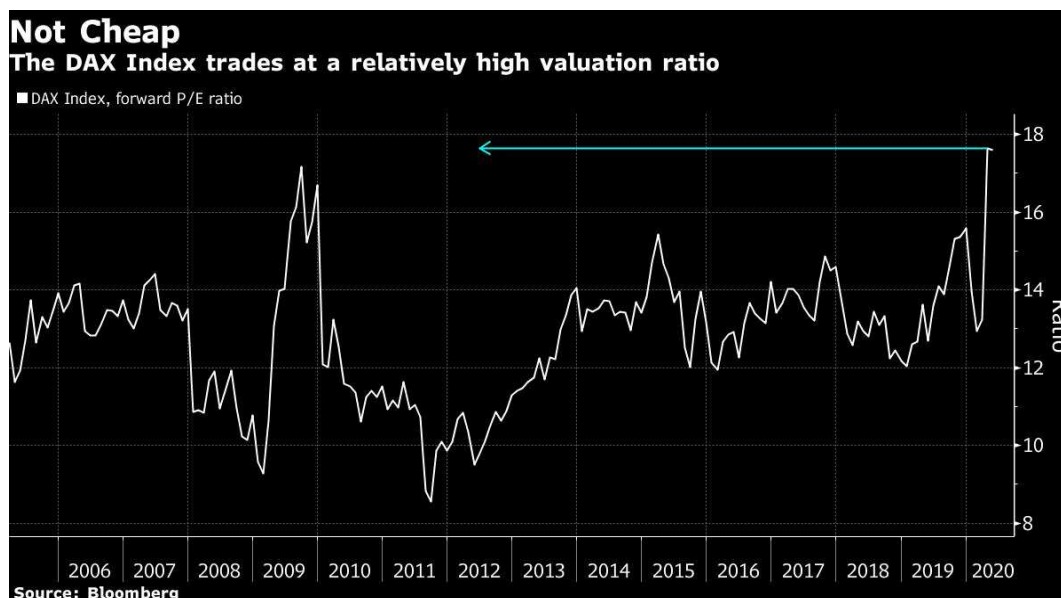
By Jan-Patrick Barnert

(Bloomberg) -- Investors are betting that German companies are well-placed to weather the crisis, making the country's stocks the most expensive in more than 15 years.

The 12-month rolling relative price-to-earnings ratio for the DAX Index, home of bellwethers such as Merck KGaA, SAP SE and Infineon Technologies AG, is now above levels seen before this year's market meltdown. It's also beyond the spike seen in 2009 in the aftermath of the global financial crisis, according to the data that stretches back to 2005.

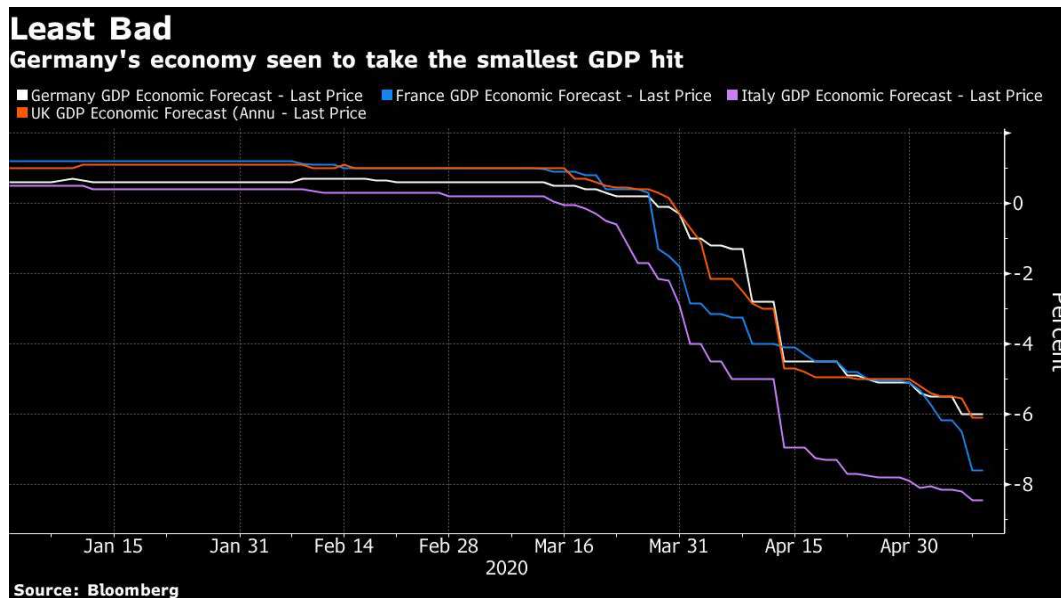
"As of today, there is a good chance that Germany will emerge stronger from the crisis," Andre Koppers, a portfolio manager at Oberbanscheidt & Cie said by email. "Many especially large companies are well-capitalized and their business is in a very good position."

Germany on Monday reported the smallest number of new coronavirus infections in six days as it moves ahead with a broad easing of restrictions. The nation's GDP decline is likely to be the smallest among the big four economies in the region, according to data compiled by Bloomberg, though exports slumped in March with trade at a relative standstill.



In such an uncertain environment "it's more important than ever to scrutinize the portfolio for quality and clean balance sheets," Christoph Ohme, who helps manage the 4 billion-euro (\$4.3 billion) DWS Germany fund, said by phone. However, equity valuations are rather high and another stock market dip is possible in the event that earnings don't stabilize, he said.

Still, Germany's IT and insurance sectors offer good opportunities, while e-commerce should benefit from accelerated trends to order products online, Ohme said. For Koppers, SAP SE, BASF SE and Allianz SE are also good stocks to invest in.



Germany has handled the pandemic better than other countries in Europe and its stock market should be on top of the list for global investors, especially as China's economy bounces back, said James Congdon, head of Canaccord's research division Quest.

Besides financially strong quality stocks, there are also faster-growth companies of interest, such as electronics components maker Sartorius AG and battery manufacturer Varta AG, which "trade well and still enjoy earnings upgrades," Congdon said.

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