

Financials, techs safer bets

Cash levels within European funds have been building up since the spring. With the perceived P/E on that cash peaking with the money policy cycle, investors have shown a desire during September to put more of this cash to work. However, a raft of profit warnings reminded one that interest rate risks may be reducing, but specific earnings risks are if anything increasing, exacerbated by the oil price spiralling higher.

In other circumstances, we might be celebrating the weakness of the euro from an earnings perspective, but it is adding to the input cost squeeze the oil price is generating. A US sales sensitivity has also been a common thread

to recent profit warnings. More broadly, stock prices are essentially rising where forecasts are going up.

On this basis, we believe that any cash that is burning a hole in investors' pockets is best placed within technology rather than telcos in the new economy plays, and within financials rather than industrials within the old.

Financials have the added attraction of being less sensitive to the vicissitudes of currency and oil price volatility.

M&A activity

As for the euro itself, 'capital flows' is one catch-all used to explain its perilous descent. One specific aspect of

this is the relative balance of M&A activity between the US and Europe. A third of US M&A activity in the third quarter represents acquisitions by European companies, with next to nothing coming the other way (in August, M&A for European targets, regardless of the nationality of the bidder, was the lowest month since August 1998).

While cause and effect are hard to disentangle, we would also note that the flows into European-focused US mutual funds have fallen back to year lows.

With M&A levels lower and buybacks also not particularly hot, there is not much in the way of cash to come back to European institutions in the next few months.

Given this, the higher cash weightings mentioned earlier are probably also necessary to mop up some of the \$70bn of new equity supply we are waiting for the remainder of this year. ■

ANNA MACKMAN
European Equity Strategist
Credit Suisse First Boston

INTERNATIONAL EQUITIES

These are a selection of issues announced recently. The details, updated to the middle of last month, were supplied by IFR Securities Data, London and other sources.

Issuer	Amount raised (m)	Type of issue	No shares (m)	Offer price	Pricing date	Exchange listing	Fees (%)	Bookrunner
Billiton	GBP622.75	S	(a)	GBP2.65	15 Sept/00	London Johannesburg Paris	2.5	(b)
<i>Comment: Metals and mining company. (a) 210m original shares plus 25m greenshoe exercised. (b) Joint bookrunners and joint global co-ordinators: Dresdner Kleinwort Benson, Schroder Salomon Smith Barney and Chase Fleming; co-leads: CSFB, Cazenove and HSBC; co-manager: Nesbitt Burns.</i>								
Blue-C.com	EUR39.09	IPO	4.115	EUR9.5	23 Aug/00	Neuer Markt		(a)
<i>Comment: Business intelligence company. (a) Lead manager: Commerzbank; co-lead managers: Banco Santander, Banco Leonardo.</i>								
Linos	EUR37.8	IPO	(a)	EUR27	1 Sept/00	Neuer Markt		HSBC Nord LB
<i>Comment: Develops, manufactures, and sells optical, electronic and precision engineering products. (a) 1.245m primary, 155,000 secondary.</i>								
Standard Chartered	GBP450	P	50	GBP9.15	1 Sept/00	London		Cazenove UBS Warburg
<i>Comment: This deal goes to finance the acquisition of Chase Manhattan's Hong Kong retail banking business and Chase Manhattan Card Co.</i>								
Stepstone	NOK978(a)	S	35.566(b)	NOK27.5	7 Sept/00	Oslo	4.25	Morgan Stanley Dean Witter (c)
<i>Comment: On-line recruitment company. (a) Amount raised originally NOK858 increased to NOK 978. (b) Original number of shares 31.2m increased to 35.566m (c) Co-lead manager: Dresdner Kleinwort Benson; co-managers: Orkla-Enskilda Securities, Alfred Berg, First Securities, Sundal Collier.</i>								
VNU	EUR610.28	P	9	EUR59.25	6 Sept/00	Amsterdam		ABN AMRO Rothschild Merrill Lynch (a)
<i>Comment: Dutch publishing group. Proceeds will go towards financing VNU's USD650m acquisition of Miller Freeman in the US. (a) Joint bookrunners and Global co-ordinators: ABN AMRO Rothschild, Merrill Lynch; co-leads: ING Barings, Fortis, Rabo Securities, Deutsche Bank.</i>								
P = primary; S = secondary; IPO = initial public offering; D = demerger.								