

Vulnerable stance in 2000

The UK continues to stand out as a separate case in the European investment arena. At 35.6% of the pan-European benchmark index, the UK is by far the largest European equity market and so the correct anticipation of its performance is always critical.

A bearish stance

We have recommended an underweight position on the UK market since the start of the second half of 1999, based on sterling's strength, interest rate risk and an uninspiring sector make up. However, conditions now look to be improving and the bearish stance is beginning to look vulnerable.

Uncertainties

The weakness in euro-zone bond markets leading up to the central bank meetings in November was severe, on the basis of more pronounced uncertainty as to the future course of European monetary policy (as opposed to that of the UK) and the rise in issuance.

Gilts, by comparison, have not performed nearly as poorly. By implication, the relative value of UK equities has not deteriorated to the same extent. The market is taking the view that the Bank of England's present phase in a tightening of policy will come to an end in 2000.

Growth expectations

Market earnings growth expectations have held up reasonably well during 1999 despite the strength of sterling. The reason for this may be because the exporter component in the FTSE 100 is now small (basic industries and general manufacturers account for only 5% of the FTSE 100) and is composed of more global companies capable of offsetting the impact of a firmer sterling. Domestic demand remains strong and earnings are likely to remain well supported.

Sectoral performance will also have an important bearing on the performance of the market. We suggest that performance will hinge on the banking sector. The forging of a NatWest takeover has failed to lift the sector recently, but a reversal of bond market weakness in 2000 should release a constraint that has been dogging the sector throughout 1999. ■

GARETH EVANS
European equity strategy
ING Barings

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
365 Corporation Technologies	GBP83.8	IPO,PS	(a)	GBP1.6	2 Dec/99	London		Cazenove
<i>Comment: Proceeds to be used to invest in and maintain existing products and services and to develop new products. (a) 39.78m new shares, 12.6m existing shares. Greenshoe was used.</i>								
Basic Net	EUR62.5	IPO	13.93	E3.90	22 Nov/99	Italy	4.5	ABN AMRO Rothschild
<i>Comment: Proceeds will be used for further worldwide expansion.</i>								
Buhrmann	EUR333	P	19	EUR15.75	12 Nov/99	Amsterdam Frankfurt Seaq Int'l	3	Deutsche Bank AG
<i>Comment: The company intends to raise funds for the USD2.3bn acquisition of Corporate Express.</i>								
Comptel Oyj	EUR157	IPO	8.45	EUR16.5	2 Dec/99	Helsinki		Alfred Berg Oy
<i>Comment: Finnish software company.</i>								
Freenet.de	EUR106.6	IPO	3.675	EUR29	2 Dec/99	Neuer Markt NASDAQ	4.5	Credit Suisse First Boston
<i>Comment: Proceeds will be used to expand its infrastructure base and expand through acquisition.</i>								
NDS Group	USD207	IPO	10.35	USD20	22 Nov/99	EASDAQ NASDAQ		Morgan Stanley Dean Witter
<i>Comment: Proceeds will be used to repay inter-company debt to News Corporation (parent).</i>								
Sappi	ZAR2,355	P, S	46	ZAR51.2	15 Nov/99	Frankfurt Johannesburg New York		Morgan Stanley Dean Witter
<i>Comment: Proceeds will be used for the purchases of minority interests and for general corporate purposes.</i>								
Terra Networks	EUR488	IPO, P	EUR61.6	E13	15 Nov/99	Madrid NASDAQ	3.5	Goldman Sachs
<i>Comment: Spanish internet company.</i>								
<i>P = primary; S = secondary; IPO = initial public offering; D = demerger.</i>								