

ATX Promises Good Returns in 2014

20.12.2013

Stock Markets and the Vienna Stock Exchange, 2014 Outlook

Price increases of approx. 10% expected

Earnings growth 2014: +29%

Target for ATX: 2,750 points

Globally, many economic imponderables continue to exist. In view of a lack of investment alternatives, low interest rates provoke a generally positive trend in stock markets. To date the Vienna Stock Exchange nevertheless continues to lag behind. The upcoming further 'tapering' of asset purchases by the Fed is held to be a key variable for 2014.

Due to the low interest rate environment, stocks have practically forced themselves on investors worldwide, but in terms of the global economic situation there are nevertheless still many unforeseeable influences. The international picture is diverse, many large developed markets were able to post strong price gains. "Low interest rates naturally encourage riskier investments, however, the underlying economic framework often doesn't keep pace with developments in stocks", states Fritz Mostböck, head of Group Research. "Liquidity provision by central banks remains high, a gradual tapering of asset purchases by the Fed is held to be an important variable in 2014"



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Property Stocks, Insurance Stocks and Selected Industrial Counters Preferred

"The persistent low interest rate environment favors property stocks, which on the one hand can count on stable, favorable financing conditions and should on the other hand benefit from the beginning economic recovery", says Günter Artner, head of CEE Sector Research. Erste Group analysts prefer Immofinanz and S Immo in this sector. Insurance stocks have lost ground in 2013 due to a one-off impact on earnings (Vienna Insurance Group), respectively a capital raising exercise (UNIQA). Both are however attractively valued at current levels. In addition, industrial counters listed on the Vienna Stock Exchange such as RHI, which has corrected sharply due to problems in Norway, and AT&S, which has recently surprised with positive earnings news, are to be recommended. OMV offers both an attractive valuation and dividend yield and is therefore suitable as a blue chip investment.



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ATX as Underperformer

This year the ATX has clearly underperformed (+4% ytd.), but harbors strong catch-up potential for 2014. The global environment remains clearly positive, many developed markets were able to register double-digit gains. Generally, Austrian stocks should benefit from higher growth differentials in the countries of Central and Eastern Europe (CEE). At least data like earnings growth, P/E ratios, dividend and earnings yields as major drivers signal catch-up potential for the Vienna Stock Exchange. All in all we should see a low double-digit performance in the ATX by year end 2014", Fritz Mostböck, head of Group Research, concludes. The weak spot of low trading volume has seen some improvement, with specific capital market transactions lending support. By year-end 2014 Erste Group's analysts see the ATX at around 2,750 points.

