

The Point for Europe

Wednesday, 19 March 2025

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Top Call

[European Economics – Daily Briefing – Germany: Expectations Jump on Fiscal U-Turn](#)

Large increase in expectations for Germany, vs large drop in expectations for the US. Large gains for the PMIs next week remain possible.

[Giada Giani](#) | [Michel Nies](#) | [Callum McLaren-Stewart](#) | [Christian Schulz](#)

[European Paper and Packaging – Diversifieds: Pulp Positive but Pausing; Packaging Slow but Improving; Preferring UPM](#)

We remain positive on pulp for 2025. We expect a pause after three consecutive months of price increases as market participants reconvene in [Shanghai Pulp Week](#) this week. But we still see market fundamentals as attractive: 5% CAGR in China pulp imports and no major supply additions until 2028. UPM should be the main beneficiary, followed by STERV. STERV has endured weak packaging dynamics, but we see upside as market containerboard shipments are moving +LSD%/MSD% YoY again. The group has significant operating leverage; Oulu is a catalyst in 2025. BILL could benefit from US tariffs, but material outperformance is hard to see, especially following its 20% share price rally in recent months.

[Ephrem Ravi](#) | [James Perry](#), CFA

Company

[VINCI SA \(SGEF.PA\) – Diversified portfolio offers multiple levers for growth, Maintain Buy](#)

We update our model as we revise our PT to €144 and maintain Buy rating. Group's diversified portfolio across Concessions and solid market presence in Contracting supported by a strong balance sheet offer investors multiple levers of growth medium term to benefit from the megatrends of digital and energy transition and infrastructure investments.

[Ami Galla](#)

[Nordea \(NDAFI.HE\) – Comments at competitor conference; we see upside to consensus fees in 2025](#)

Must Read

[Global Economic Outlook & Strategy – Global Resilience Continues, but Central Banks Face New Challenges](#)

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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Nordea's CFO has commented at a competitor conference that he expects: (1) **net interest income to trough towards 2H25** (VA consensus has the trough in 2Q25, with flattish development in 3Q25); and (2) **also expects in 2025 to deliver at least the 4.5% yoy fee growth that they saw in 2024**. We believe this creates a floor under current consensus expectations of ~5% yoy fee growth in 2025, whereas we model ~8% on strong flows in Private Banking and Life & Pension. Finally, he expects (3) **the current €414m management judgment buffer to probably not remain in 'a couple of years'**. This implies lighter provisions than consensus currently expects (€282m in 2025 and €285m in 2026), should there not be a significant downturn in underlying asset quality from here. Nordea is our Top Pick in the Nordics; for more details on our thoughts, see our September <a...
[Shrey Srivastava](#) | [Guru Prasad Chowdhary](#) | [Andrew Coombs, CFA](#)

Boliden AB (BOL.ST) – CMD'25 – growth narrative takes centre stage

Boliden's guidance update as part of its CMD'25 appeared heavy on the growth narrative, with commissioning of Odda zinc smelter being the key highlight. The company has provided granular details of metals expected to be produced, including silver & gold. The guidance for €150 million annualised EBITDA is unchanged with precious metal credits likely to be a key tailwind. Boliden has also guided for encouraging results and customer interest for its cement replacement product, leading to potential project approval for 300kt. Moreover, capacity expansion at Garpenberg to 4.5mt million volume has been mooted, for which SEK750 million backfilling capex has been approved. We believe that CMD'25 guidance by Boliden markedly raises the growth credentials for the stock in the medium to long term, without adverse capex headlines. In addition, the closing of announced M&A by 1H'25 remains a key catalyst for the stock.

[Krishan M Agarwal](#) | [Ephrem Ravi](#)

ThyssenKrupp AG (TKAG.DE) – Potential order for six F127 battleships from Germany could double the order book for TK MS – giving >10 yr visibility

Bloomberg (17-March-25) reports that Germany's defense ministry is poised to start negotiations ([link](#)) with TK Marine to buy six more Fregatte 127 battleships valued at >€15bn. We note that the current order book for TKMS is €16bn and these new orders if confirmed would double the order book. TKMS has had annual revenues of €1.8bn–2.2bn in the last few years, which could also step up with some new yards – along with operating leverage benefits. The margins in TKMS have moved from –9.2% in '17/18 to 5.9% in '23/24 as revenues increased from 1.4bn€ to 2.2bn€. If 3bn€/share revenue is reached (feasible with a >€30bn order book), a >10% EBIT margin may be feasible, in our view. Peers like Rhinemetall trade at close to 1x order book and note that we value TKMS at €3bn in our SoTP of €12.5/share – implying 0.2x current order book and potentially only 0.1x...

[Ephrem Ravi](#) | [Krishan M Agarwal](#)

Industry

European Auto Manufacturers and Auto Parts & Equipment – S&P global LVP forecasts for 2025/26 unchanged, tariff risks remain

S&P released its March auto production (light vehicle production) update yesterday. Key takeaways include – S&P has kept its 2025/26 global LVP forecasts broadly unchanged at flat YoY/+2.0% YoY; 1Q global LVP forecast was slightly raised (–0.6% YoY vs. –1.7% YoY previously), while 2Q was revised down (+0.5% YoY vs. +1.9% YoY previously), 3Q and 4Q were broadly unchanged at +2.0% YoY and –1.9% YoY, respectively. S&P noted that the deadline for 25% tariffs on Canada and Mexico imports to the US has been pushed out to April 2, allowing for further negotiations; the impacts of these potential tariffs are not reflected in this month's update. The global auto industry continues to assess the possible impacts

of pending tariff actions by the US and potential reciprocal tariffs. Vehicle demand, while still recovering in some markets, remains highly susceptible to these risks.

[Harald C Hendrikse](#) | [Ross MacDonald](#) | [Soumava Banerjee](#)

European Paper and Packaging – Pricing Tracker: Kraftliner Follows Testliner Up

Shanghai Pulp Week is underway – we have [flagged](#) that we expect a pause in pulp momentum as customers recalibrate after 3 months of price increases. This appears to be materializing as near-term China import hardwood futures eased this week; March -\$5/t, April -\$10/t. Spot is unchanged. European kraftliner prices increased 4% this week after 17 weeks of declines; we expect positive momentum from here following testliner. OCC is showing clearer signs of [inflection](#) – futures rose this week (March +€2/t) for the first time since June 2024 and spot was +€4/t (+4%). We expect price increases as packaging production seasonally picks up. Graphic paper prices continue their gradual decline as energy costs ease and overcapacity endures. Momentum and company reports indicate to us that average 1Q25 pricing could be higher QoQ for pulp, lower for containerboard and flat/down for graphic paper.

[James Perry, CFA](#) | [Ephrem Ravi](#)

Western Europe Beverages – Mexico monthly sales data: Tougher comps but weak momentum in February confirms recent cautious FMCG commentary.

Mexico remains an attractive growth engine for the beer industry, with its under-developed premium segment offering scope for significant additional value creation over-time. ABInBev and Heineken both have a sizeable presence in the country with 59% and 37% market volume shares, respectively. The latest retail sales data in Mexico shows that sales fell by -1.7% in February, after growth of +1.3% in January, marking the first decline since Feb-21 but comes on notably tougher comps sequentially (+570bps). Although the medium-term outlook for the market is positive, a weak start to 2025 (-0.2% to-date) reflects the tougher short-term dynamics which are likely to weigh on both ABInBev and Heineken.

[Simon Hales](#) | [Frederick Wilkinson](#) | [Sunny Wadhvani](#)

Strategy & Economics

Foreign Direct Investment – Global Implications of "America First" Policies

As President Trump reconfigures US economic policies, the implications for foreign investment in the United States strike us as a pivotal question. The eventual answer will not only influence the path of the US economy but also have implications for the entire global system. We see several offsetting forces that will be in play. One of President Trump's explicit objectives is to make the United States an attractive target for foreign investment and, in tandem, to incentivize these flows. But the marked rise in policy uncertainty is likely to serve as a disincentive. Such flows typically gravitate to stable and predictable policy regimes. On balance, we remain cautious on the outlook for foreign investment to the United States but also constructive, given our view that the economy's underlying fundamentals continue to look strong.

[Nathan Sheets](#) | [Robert Sockin](#) | [Cole Langlois](#) | [Andrew Kaplowitz](#) | [Jason Gursky](#)

Global Macro Strategy – Hedging Our Portfolio Against Risks of Larger Tariffs – Buy Silver EFP

US-London metals price differentials remain a strong hedge to tariff risks. The Dec-25 silver EFP ('Exchange For Physical' – US CME less London OTC price) is currently pricing a tariff rate of ~4%. Should we see the market price 20% tariffs, then the Dec-25 EFP could trade to ~6.82, assuming current spot levels remain unchanged and the market prices at marginal import cost. From a current indicative offer of 1.55, this provides strong risk-reward. Into significant headline risk on 2nd April, we add a long Dec-25 silver EFP position (long CME silver future,

short London silver forward) on top of our existing Dec-25 CME-LME copper arb. NB futures trading involves risk of substantial loss.

[Charlie Massy-Collier](#) | [Maximilian J Layton](#) | [Dirk Willer](#) | [Adam Pickett](#)

Fixed Income & FX

European Rates Strategy – A Guide to Euro and UK Government Bond Markets

In this overview, we present the government debt instruments and issuance procedures in the euro area and the UK. This guide collates key information on tradable debt instruments issued by Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, and the UK.

[Aman Bansal, CFA](#) | [Damilola Lanre-Ojo](#)

Key Rating and Target Price Changes

Company	Ccy	Closing Price	Rating			Target Price			Analyst	Report
			New	Prior	Chg	New	Prior	Chg		
Galderma (GALD.S)	SFr	93.42	nc	Buy		115.00	100.00	▲	Cedric Besnard	Report
Givaudan AG (GIVN.S)	SFr	3,965.00	nc	Neutral		4,450.00	4,550.00	▼	Ranulf Orr, CFA	Report
VINCI SA (SGEF.PA)	EUR	119.40	nc	Buy		144.00	145.00	▼	Ami Galla	Report

nc = no change H = High Risk

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Refer to the Report for the date and details regarding the rating and/or target price change.

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Appendix A-1

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Data current as of 01 Jan 2025	12 Month Rating			Catalyst Watch		
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