

Markets at a glance

Trendspotter

Signals (click on links to obtain up to-date signal)

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

[Orange Juice \(OJ\)](#)

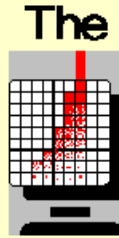
[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)

Insider



Trader

Issue 63

July 2011

Investing in Sweden

Most investors pay little attention to Sweden and if you asked them to tell you something about this country you're likely to get an answer which will include a mention of flat pack furniture maker IKEA (which is a private company), Volvo Cars (which is now Chinese owned), AB-BA, Sven-Göran Eriksson and meatballs.

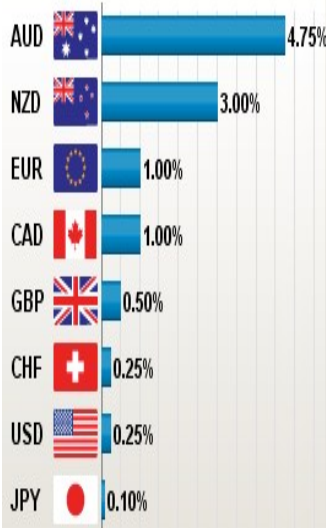
So this month we'll take a look at some of the great opportunities available in Sweden which many investors have overlooked. We can trade the Swedish OMX Index and individual shares via most financial bookmakers (IGmarkets has a big presence in Sweden) and brokers such as Swissquote and TDwaterhouse offer Scandinavian shares,

The first misconception is that Sweden is in the Eurozone it is NOT, Sweden retains its own currency the Swedish Krona which is the 9th most traded

Swedish Krona against the Euro and US\$. If we buy Swedish listed shares in local currency we also get exposure to the currency which holding up well.



currency in the FX market. The country has its own independent central bank and can raise and lower interest rates unlike the Eurozone. Sweden is part of the European Union so it still enjoys the advantages of tariff free common market membership. The Krona has gained around 20% against the Euro in the last 2 years and 25% against the US\$ as traders see it as a safe haven currency along with the Swiss Franc and Norwegian Krone. Sweden has no intentions to adopt the Euro and has the lowest Sovereign credit risk after Norway. The economy grew at an annual rate of 6.4 percent in the first quarter, after 5.7



percent last year, which was the strongest recovery in the European Union. Think of Sweden as a Germany without the problems of bailing out Greece and other weak Eurozone members.

Of course, Sweden had its own property crisis in the 1990s, after a boom and bust period the government had to bail out the banking system (Sweden was ahead of the game) but since then the banking system has become much stronger and they avoided the more recent global banking problems. Major listed Swedish banks include Swedbank, Nodea, Svenska Handelsbanken and Skandinaviska Enskilda.

The World Economic Forum 2010 competitiveness index ranks Sweden the 2nd most competitive country, behind Switzerland.

The Swedish economy is fairly diverse and they are very good at exporting. The Sweds seem to have a very good non-threatening manner which helps them break into international markets; hence over 50% of its GDP is from Exports.

Industries include commercial vehicles, telecommunications, pharmaceuticals, industrial machines, precision equipment, chemical goods, home goods and appliances, forestry, iron and steel.



Above: Sweden OMX 30 after the big fall into the 2009 financial crisis Sweden has rebounded well and looks set to get back to 2007 highs. Below top holdings in the MSCI Sweden Index. Click here for full details: http://us.ishares.com/product_info/fund/overview/EWD.htm

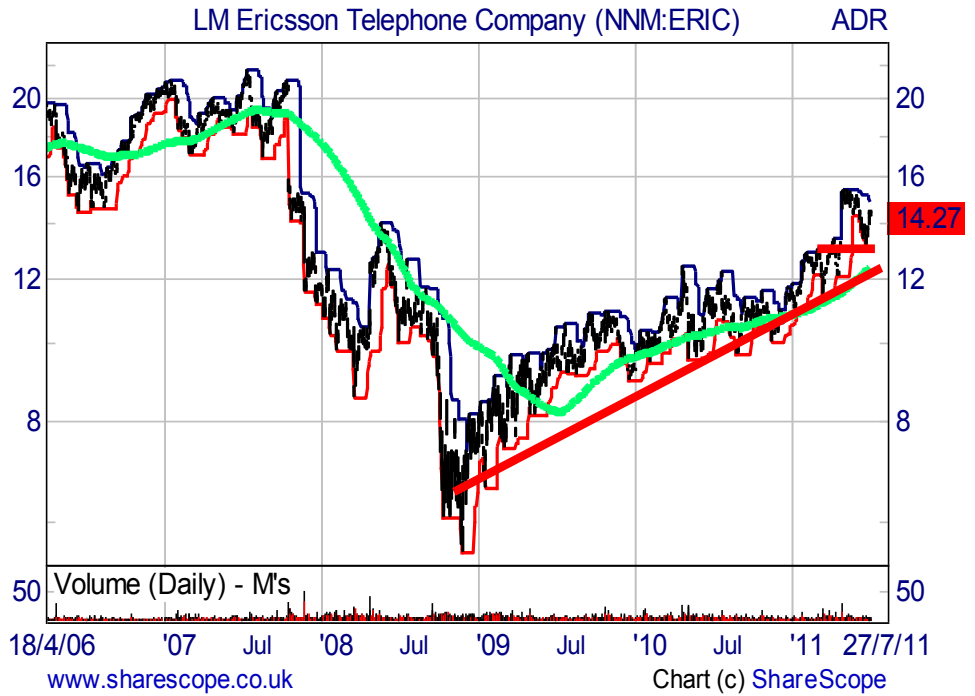
Top Monthly Holdings*
as of 5/31/2011

[View all holdings](#)

ERICSSON LM-B SHS	11.67%
HENNES&MAURITZ AB-B SHS	9.95%
NORDEA BANK AB	8.07%
VOLVO AB-B SHS	6.52%
SANDVIK AB	5.01%
ATLAS COPCO AB-A SHS	4.63%
TELIASONERA AB	4.56%
SVENSKA HANDELSBANKEN-A SHS	4.31%
SWEDBANK AB - A SHARES	3.48%
SKANDINAVISKA ENSKILDA BAN-A	3.31%
Total	61.51%

Let's look at some of the companies that make up the Swedish OMX or Sweden 30 as financial bookmakers refer to it as.

ERICSSON LM which also has a US listing (NASDAQ:ERIC) is a world leading telecom company specialising in telecom and networking infrastructure. Ericsson is benefiting from Telcos having to increase spending to boost cellular networks to deal with higher data demands and the introduction of 4G. Sweden is way ahead on Internet and wireless technology with some of the fastest speeds available anywhere in the world. ERIC are up 25% so far this year and continues to look strong, they also pay a 2.6% dividend. The stock can be traded via a spread bet or bought via the US or Stockholm listing.



Volvo AB. As stated at the outset this has nothing to do with Volvo Cars, this Volvo is focused on trucks, buses, marine engines with the Volvo Penta brand and construction equipment. Volvo is doing well thanks to its strong presence in Emerging markets including China where they have had a strong presence for many years. Volvo is trading on a P/E of 16 and pays a dividend of just over 2%. Volvo is a great way to obtain exposure to emerging market growth with the safety of having a Swedish listed



listed stock.

Another global leader in trucks is also Swedish which is **SCANIA** (SCV) which is also doing well and is on a P/E of 11 with a 3% dividend. When I was in China a few years ago I saw plenty of SCANIA trucks which are well suited to extreme climates.

Of course the downside is that slowing emerging market growth will also hit these companies but general infrastructure spending is still expected to be strong for some years even if it is at a slower rate.

Some of the other companies in the index include Sandvik AB (specialist engineering) Hennes & Mauritz (H&M Fashion retailing) Atlas Copco (mining equipment, compressors, power tools)

The easiest way to get exposure to all the OMX30 is to buy an ETF listed in Sweden which is what I have done, its XACT OMXS30. This is a plain long non leveraged ETF. XACT also offer an Inverse Bear ETF. You can find more about these ETFs at <http://en.xact.se> which is in English.

Risk Warning

All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.

