

# Around the Sectors: Main Drivers and Top Picks & Pans

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# Around the Sectors: Main Drivers and Top Picks & Pans



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# Real Estate: 2026 Sector Drivers

## Finding the New Normal

- **Location, location, location:** The outlook for operations is broadly supportive, but not all portfolios are equal.
- **Capital allocation priorities:** Investment and shareholder returns are on the rise.
- **Interest coverage ratios:** ICRs remain under pressure and should help keep management teams disciplined.
- **The primary market:** May be a source of opportunities as senior issuance continues and hybrid issuance ticks-up.

# Utilities: 2026 Sector Drivers

## Investing for the Transition

- **Network investment, returns and regulation:** Increasing focus on network investment to facilitate the energy transition
- **Offshore wind:** Remains central to the EU decarbonization goals, but returns need to be sufficient
- **Demand, data centres and power prices:** A recurring theme but a lot of froth in reported numbers
- **UK water sector:** Thames Water resolution, Cunliffe report

# TMT: 2026 Sector Drivers

## Starting to Benefit from Improving Fundamental Trajectory

- **Competitive Dynamics:** Most Markets in Equilibrium
- **Digital Sovereignty:** European B2B Operations should Start to Benefit in 2026
- **FCF Generation Improving:** Extent Bondholders Benefit will Vary
- **Consolidation Attempts Likely:** France, Italy and Germany

	Subscriber Growth	Price Dynamics	Fixed Network Equilib.	Mobile Network Equilib.	Market Equilib.
France	●	●	●	●	●
Germany	●	●	●	●	●
Italy	●	●	●	●	●
Netherlands	●	●	●	●	●
Norway	●	●	●	●	●
Spain	●	●	●	●	●
Sweden	●	●	●	●	●
Switzerland	●	●	●	●	●
UK	●	●	●	●	●

# Autos: 2026 Sector Drivers

## Achieving Stabilization

- **Operating volatility declines:** Underlying businesses start to stabilize as tariff impacts bed in.
- **Investment super-cycles end:** Lower investment requirements support free cash flow generation.
- **China burden starts to ease:** Market share losses slow, and the pricing environment improves.
- **Balance sheets:** Robust balance sheets continue to underpin credit quality.

# Consumer & Retail: 2026 Sector Drivers

## Consumer

- **Geographic exposure:** while consumer demand is subdued globally, China and the US seem particularly weak
- **Performance is highly dependent on category and product mix**
- **Capital allocation:** Balance sheets are generally strong, but M&A and shareholder remuneration are picking up
- **Long-term trends to watch:** increasing penetration GLP-1 drugs; lower alcohol consumption

## Retail

- Bifurcation between Food Retail and Luxury
- **Food Retail** - competitive pressures and cost headwinds will continue to put pressure on margins
- **Luxury Retail** - timing and trajectory of demand recovery in China is key

# Basics & Infrastructure: 2026 Sector Drivers

## Basics

- **Basics:** Economic recovery; tariffs/trade; Construction end-use markets, China
- **Building Materials:** Construction trends, Europe v US fundamentals, price v volume
- **Chemicals:** Structural vs Cyclical Downturn Post-Tariffs
- **Construction:** Portfolio effect (Contracting v Infra/Telecoms)
- **Metals & Mining:** “Future Facing Metals”, M&A, China
- **Paper & Packaging:** Weak demand, overcapacity and negative tariff impacts

## Infrastructure

- **Airports:** Expansion & Regulation.
- **Airlines:** Demand recovery, M&A and Fleet Renewal.
- **Toll Roads:** Capital Allocation (Shareholder remuneration/Deleveraging/M&A/Capex).

# Real Estate: Relative Value

## Sector Recommendation

- Market Perform

## IG & xOver Picks

- Heimstaden Bostad (HEIBOS)
- CTP (CTPNV)
- VGP (VGPBB)
- Grand City (GYCGR) and Aroundtown (ARNDTN) hybrid stubs

## IG & xOver Pans

- Alstria (AOXGR/ALXDRT)

# Utilities: Relative Value

## Sector Recommendation

- Outperform

## IG Picks

- EDF (EDF)
- Engie (ENGIFP)

## IG Pans

- National Grid (NGGLN)

# TMT: Relative Value

## Sector Recommendation

- Market Perform

## IG Picks

- BT (seniors and hybrids)
- Telefonica hybrids

## IG Pans

- Telenor
- Telia hybrids

IG TMT Relative Value Analysis											
	Orange	Vodafone	Telefonica	DT	KPN	BT	CKHGTH	Telia	Tele2	Telenor	Swisscom
Snr Ratings	Baa1/BBB+/BBB+	Baa2/BBB/BBB	Baa3/BBB-/BBB	A3/BBB+/BBB+	WR/BBB/BBB	Baa2/BBB/BBB	Baa1/A-/A- *+	Baa1/BBB+/NA	NA/BBB/NA	NA/A-/NA	A2/A-/NA
Hybrid Ratings	Baa3/BBB-/BBB-	Ba1/BB+/BB+	Ba2/BB/BB+		NA/BB+/BB+	Ba1/BB+/BB+		Baa3/BBB-/NA			
Recommendation											
Issuer level	M/P	M/P	M/P	M/P	M/P	O/P	M/P	M/P	M/P	U/P	M/P
EUR SENR	M/P	M/P	M/P	M/P	M/P	O/P	M/P	M/P	M/P	U/P	M/P
EUR Hybrid	M/P	M/P	O/P	-	M/P	O/P	-	U/P	-	-	-
USD SENR	M/P	U/P	O/P	O/P	M/P	M/P	-	-	-	-	-
USD Hybrid	-	M/P	-	-	-	O/P	-	-	-	-	-
GBP SENR	M/P	M/P	M/P	M/P	M/P	M/P	M/P	-	-	-	-
GBP Hybrid	-	M/P	-	-	-	O/P	-	-	-	-	-

# Autos: Relative Value

## Sector Recommendation

- Outperform

## IG & xOver Picks

- VW Seniors (VW)
- LKQ (LKQ)
- Renault (RENAUL)

## IG & xOver Pans

- Stellantis (STLA)
- Porsche SE (PORSCH)
- IHO Verwaltungs (IHOVER)

# Consumer & Retail: Relative Value

## Sector Recommendation

## IG & xOver Picks

## IG & xOver Pans

Consumer Goods - Underperform

- Carlsberg (CARLB)
- Coca-Cola Europacific Partners (CCEP)
- Danone (BNFP)

- Diageo (DGELN)
- Heineken (HEIANA)
- Südzucker (SZUGR)

Retail - Underperform

- EssilorLuxottica (EFFF)
- Tesco (TSCOLN)
- El Corte Ingles (CRTING)

- LVMH (MCFP)
- Carrefour (CAFP)

# Basics & Infrastructure: Relative Value

## Sector Recommendations

- Market Perform (Construction)
- Market Perform (Toll Roads)
- Market Perform (Metals & Mining)
  
- Underperform (Building Materials)
- Underperform (Chemicals)
- Underperform (Basics)

## IG / xOver Picks

- Abertis (ABE)
- ArcelorMittal (MTNA)
- CRH (CRHUS)
- Cemex (CXUS, in USD)
- Gatwick (GTWCK)
- Glencore (GLENLN)
- IAG (IAGLN)
- Sika (SIKASW)
- Syensqo (SYENS)
- Vinci (DGPF)

## IG Xover Pans

- Akzo Nobel (AKZANA)
- ASF / Cofiroute / Sanef / APRR
- BHP (BHPLN)
- Ferrovial (FERSM)
- Heidelberg Materials (HEIGR)
- Hochtief (HOTGR)
- Saint Gobain (SGOFP)
- Solvay (SOLBBB)
- Wienerberger (WIEAV)
- Air France-KLM (AFKLM)

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