



THOMSON REUTERS NEWS & INSIGHT TAX & ACCOUNTING NEWS AND CURRENT AWARENESS FOR YOUR COMPUTER, SMARTPHONE OR TABLET
800.950.1216 YOURCHECKPOINT.THOMSONREUTERS.COM/NEWS

ARTICLE

NEW!
THOMSON REUTERS NEWS & INSIGHT
TAX AND ACCOUNTING NEWS AND CURRENT AWARENESS FOR YOUR COMPUTER, SMARTPHONE OR TABLET
Try it FREE for 30 days
yourcheckpoint.thomsonreuters.com/news
800.950.1216

Follow Reuters

Facebook | Twitter | RSS | YouTube

READ

- Iran stops oil sales to British and French firms**
19 Feb 2012
- Hundreds of thousands march in Spain against reforms**
19 Feb 2012
- Former kidnap victim Elizabeth Smart marries in Hawaii**
19 Feb 2012
- Brent hits 8-month top above \$121 after Iran, China moves**
19 Feb 2012
- Decision day for second Greek bailout despite financing gaps**
3:37am EST

DISCUSSED

- 267** [Obama proposes \\$800 million in aid for "Arab Spring"](#)
- 167** [REFILE-AI Gore takes aim at "unsustainable" capitalism](#)
- 158** [Santorum says Obama agenda not "based on Bible"](#)

WATCHED



Funeral Service for Whitney Houston
Sat, Feb 18 2012

Login or register

Guests arrive at funeral home | Houston's My Wire

Portugal stocks lure with high divs, Africa exposure

Be the first of your friends to recommend this.

Fri Feb 17, 2012 6:48am EST

* Emerging market exposure favours Galp, Jeronimo

* CDS, bond yields signal more upbeat sentiment

* Still cautious on domestic-focused companies

By Sergio Goncalves and Toni Vorobyova

LISBON/LONDON, Feb 17 (Reuters) - A steep sell-off in Portuguese equities has opened opportunities for the risk-seeking investor to cheaply cash in on high dividends or gain exposure to fast growing emerging markets, while avoiding domestic-focused stocks.

After sinking 28 percent in 2011, the benchmark Lisbon stocks index, PSI-20, has risen 5.5 percent since the start of February, outperforming a 4.3 percent increase on the pan-European FTSE Eurofirst 300 and heading for its first monthly gain in a year.

Portugal's economy is expected to contract by some 3 percent this year and is kept afloat by the 78 billion euro EU/IMF bailout it received last May. It is also seen as the next weakest link in the euro zone if Greece ultimately defaults.

But its lenders say the country is meeting its performance targets under the rescue programme. Since a spike late last month, the cost of insuring against a Portuguese default has fallen by 27 percent, while the spread between Portugal's 10-year sovereign bonds and those of safe-haven Germany has narrowed by a third, though remains a high 10 percentage points.

"I don't think that anyone feels that Portugal is a safe zone (but) if there is a bit of a better risk appetite ... I am sure there are opportunities in Portugal," said Gary Baker, head of European equity strategy at Bank of American Merrill Lynch.

Portugal meets two of the currently most popular investment criteria - a steady income stream from high dividends and exposure to fast growing emerging markets.

Led by generous payer Portugal Telecom, the net dividend yield on the PSI 20 this year is forecast at 6.6 percent versus 4.2 percent for the pan-European market. Portugal ranks fifth in terms of emerging markets exposure out of 16 Western European countries - beating Germany, France and Britain - according to Citi research. Greece ranks 10th.

"Despite the current crisis, the Portuguese companies are in a better funding situation than those of Greece and the Portuguese market has one foot in emerging and fast growing markets, providing better perspectives for international investors" Diogo Teixeira, fund manager at Lisbon's Optimize Investment Partners, said.

0

Share this

0

Email

Print

Related News

GLOBAL MARKETS -Riskier assets gain as Europe fears recede
Tue, Jan 31 2012

WRAPUP 7-Europe signs up to German-led fiscal pact
Mon, Jan 30 2012

Global stocks, euro off as Greece, Portugal stoke
Mon, Jan 30 2012

Banks push European shares to 2-week closing low
Mon, Jan 30 2012

Has Portugal's debt default clock begun to tick?
Fri, Jan 20 2012

Analysis & Opinion

Two-speed euro zone risks permanent divide

The Greece game turns chaotic

Related Topics

Basic Materials »

Energy »

Financials »

Non-Cyclical Consumer Goods »

Telecommunications Services »

Utilities »



Fri, Feb 17 2012



Houston hearse arrives at cemetery
Sun, Feb 19 2012

With Portugal in its deepest recession since the 1970s, investors are focusing on companies which make money elsewhere. Analysts' target prices imply an 8 percent share price rise for supermarket chain Jeronimo, which generates 58 percent of its sales in solidly-growing Poland.

Fuel and oil company Galp Energia is rated a 'buy' or 'strong buy' by 16 analysts against just one 'sell' recommendation, according to Reuters data, with the average price target implying its shares will rise some 30 percent.

Galp, which works in West Africa and Brazil, has underperformed the European oil and gas sector by around 10 percent over the past year, despite offering a return on equity of 15.6 percent versus sector median of 12.7 percent.

"In some cases ... (investors) don't want anything listed in that particular market but it creates opportunities if you can pick stocks which are not related to the domestic economy, but are more international," said Luca Armandola, European equities portfolio specialist at Morgan Stanley Investment Management, which holds Galp as part of its European Alpha Fund.

"It's more of an exposure to West Africa ... Exposure to the Portuguese economy is not in our interest. There are some concerns on a top-down level on the sustainability of debt, whether they will need additional help."

Foreigners account for around 64 percent of the volume on the NYSE Euronext Lisbon, according to its CEO Luis Laginha de Sousa, up from 50 percent in 2009.

CHARTS

Lisbon has once again started to move in line with other European bourses, suggesting investors no longer view it as an outlier.

Its correlation with the FTSE Eurofirst has risen back to its long-term average of a positive 70 percent from a negative 46 percent at the start of the month.

"Some sectors are showing signs of structural medium-term buying," Tiago Ribeiro, fund manager at Carregosa Technical Trading, said. "The banking sector had massive falls, seems to have incorporated all the impairments and all the bad news, and now banks can restart their business."

Portuguese banks have performed almost perfectly in line with European rivals so far in 2012, but are still underperforming by some 40 percent over the past year.

The recent gains have brightened the technical outlook for the PSI-20 as a whole, which traded up 0.2 percent at 5,616.92 points on Friday.

"The medium term (outlook) is about to turn positive. We need a clear break above 5,710, ideally a weekly close above that level. This would signal a recovery towards 6,150 to 6,350," said Valerie Gastaldy, technical analyst at Day By Day in Paris. (Graphics by Scott Barber, editing by Nigel Stephenson)

BASIC MATERIALS ENERGY FINANCIALS NON-CYCLICAL CONSUMER GOODS

TELECOMMUNICATIONS SERVICES UTILITIES

Related Quotes and News

COMPANY	PRICE	RELATED NEWS
EDP Energias de Portugal SA EDP.LS	€2.24 +0.00 +0.18%	Portugal sell-off still has juicy bits: advisor Portugal sell-off still has juicy bits-advisor More EDP.LS News »
EDP Renovaveis SA EDPR.LS	€4.29 +0.02 +0.47%	UPDATE 3-E.ON enters Brazil with \$471 million MPX stake buy Chinese firm aims to make EDP a clean energy leader More EDPR.LS News »
Galp Energia SGPS SA GALP.LS	€12.96 +0.20 +1.57%	Portugal's refiner Galp says doesn't import Iran oil UPDATE 1-Galp Q4 net profit doubles, tops forecast More GALP.LS News »

Recommend Be the first of your friends to recommend this.

Login or register

Latest from My Wire

Tweet this Link this Share this Digg this Email Reprints

After reading this article, people also read:

French and Benelux stocks-Factors to watch on Feb 17
Feb 17, 2012

Travel Picks: Top 10 places to celebrate Carnival
Feb 17, 2012

Insight: Japan slowly wakes up to doomsday debt risk
Feb 17, 2012

Norway finmin questions c.bank proposal to restrict spending
Feb 17, 2012

STXNEWS LATAM-Brazil's EBX, Foxconn in talks for LCD plant
Feb 17, 2012

Videos you may like:

by Taboola

Sponsored links



Poland's 'apocalyptic' plea to Germany

Tue, Nov 29 2011

High dividend and emerging market stocks best in 2012:

Wed, Nov 30 2011

Brazil key to world sugar prospects

Mon, Feb 06 2012

From around the web:

'I Wish I Were Wrong' – Economist Laments 2012 Prediction. *(Moneynews)*

Volkswagen Phaeton saloon pictures *(Car Buyer)*

How to Avoid Taking Profits Too Quickly and Staying with Losing Trades Too Long

(DailyFX)

[?]

Comments (0)

This discussion is now closed. We welcome comments on our articles for a limited period after their publication.

Euro, shares rise on Greek hopes, China easing

LONDON - Shares and the euro moved higher Monday as investor appetite for riskier assets was boosted by expectations Greece will secure a second bailout deal and after a surprise policy easing by China.

CONTINUE READING

MOST POPULAR

Iran stops oil sales to British and French firms

Hundreds of thousands march in Spain against reforms

Decision day for second Greek bailout despite financing gaps VIDEO

Former kidnap victim Elizabeth Smart marries in Hawaii

Log in or Register

Latest from My Wire

TOP NEWS



UN inspectors arrive in Iran for nuclear talks

TEHRAN - A team of U.N. inspectors arrived in Tehran on Monday for talks on Iran's disputed nuclear program, a day

after the Islamic Republic ordered a halt to its oil sales to British and French companies in apparent retaliation for tightening EU sanctions.

China paper says West stirs civil war in Syria

Iranian navy ships dock at Syrian port: Iranian media

» More Top News

ANALYSIS & OPINION



Ron Paul and the pink slip that could decide the election

By Jack Welch and Suzy Welch
The maxims of business and politics don't always overlap, but when it

comes to parting ways, they sure do. In business, firing someone incorrectly is a disaster that can haunt you for years. Same in politics. **Commentary** | **Video**

» More Analysis & Opinion

TOP VIDEOS



Protesters and police clash in Athens

France's Sarkozy plays up crisis in campaign

» More Top Videos

MARKETS

US Indices

DOW

45.79
12,949.87
+0.35%

NASDAQ

0.00
2,951.78
+0.00%

S&P 500

0.00
1,361.23
+0.00%

TR US INDEX

0.21
124.20
+0.17%

Int'l Indices

NIKKEI
9,485.09

TODAY IN PICTURES



"Colbert Report" to resume production on Monday

Rob Cox: Mr. 99 Percent crashes Davos

Editor's Choice

Our best photos from the last 24 hours.

[View Slideshow](#)

**HANG
SENG**

21,424.79

[» Markets](#)

Euro, shares rise on Greek hopes, China easing

EDITION: U.S.

[Back to top](#)

Reuters.com

[Business](#) | [Markets](#) | [World](#) | [Politics](#) | [Technology](#) | [Opinion](#) | [Money](#) | [Pictures](#) | [Videos](#) | [Site Index](#)

Legal

[Bankruptcy Law](#) | [California Legal](#) | [New York Legal](#) | [Securities Law](#)

Support & Contact

[Support](#) | [Corrections](#) | [Advertise With Us](#)

Account Information

[Register](#) | [Sign In](#)

Connect with Reuters

[Twitter](#) [Facebook](#) [LinkedIn](#) [RSS](#) [Podcast](#) [Newsletters](#) [Mobile](#)

About

[Privacy Policy](#) | [Terms of Use](#) | [Copyright](#)

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals.

[Thomsonreuters.com](#)

[About Thomson Reuters](#)

[Investor Relations](#)

[Careers](#)

[Contact Us](#)

Our Flagship financial information platform incorporating Reuters Insider

An ultra-low latency infrastructure for electronic trading and data distribution

A connected approach to governance, risk and compliance

Our next generation legal research platform

Our global tax workstation

Thomson Reuters is the world's largest international multimedia news agency, providing investing news, world news, business news, technology news, headline news, small business news, news alerts, personal finance, stock market, and mutual funds information available on Reuters.com, video, mobile, and interactive television platforms. Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

NYSE and AMEX quotes delayed by at least 20 minutes. Nasdaq delayed by at least 15 minutes. For a complete list of exchanges and delays, please click here.

[Login or register](#)

Latest from
My Wire