

Top Picks and Stocks to Avoid

Table 1: Top picks by sector heads

Name	Price	Currency	Rating	Mkt cap bn	P/E (x)		EPS (LC)		Div yield 10E %	ROE 11E %
					10E	11E	10E	11E		
Aerospace & Defence										
EADS	17.32	€	OW	13.9	21.7	12.0	0.80	1.44	1.2	2.9
Autos										
PSA	31.08	EUR	OW	7.1	7.3x	5.5x	4.25	5.65	0.0%	18.2%
Banks										
UBS	16.4	SwF	OW	62.4	9.6	7.8	1.71	2.10	0.0%	18.9%
BNP	53.3	Eur	OW	63.9	8.3	7.7	6.40	6.90	4.1%	15.6%
Business Services										
Brenntag	€64.46	Euros	OW	€3.3	13.4	11.0	4.78	5.97	3.0	14.5
Capital Goods										
Volvo	100	SEK	OW	211.1	16.5	11.2	6.06	8.95	2.5%	24.2%
Chemicals										
Arkema	€47.8	€	OW	2.9	10.4	9.5	4.57	5.01	1.5	13%
Consumer										
BAT	2428	GBPp	OW	48.4	13.9	12.8	174.7	189.4	4.7	n/a
Carlsberg	548.0	DKr	OW	\$15.5	14.5x	12.7x	37.87	43.02	0.9%	n/a
Danone	€47.0	Euros	OW	28.8	17.2x	15.7x	€2.73	€3.00	3.0%	12.5%
Richemont	54.20	SF	OW	30.3	21.9	17.3	1.83	2.30	0.8%	17.8%
Unilever	€22.65	€	OW	68.5	16.2	14.5	1.40	1.56	3.5%	47.6%
General Financials										
Aberdeen Asset Man	179	GBP	OW	2.0	13.9	11.8	12.3	14.4	4.3	-
Hotels & Leisure										
Accor	32.0	EUR	OW	7.2	31.6	22.4	1.01	1.43	2.1	7.0
Infrastructure										
Vinci	39.65	EUR	OW	20.7	12.4	11.7	3.2	3.4	4.1	4.2
Insurance										
Ageas	2.1	€	OW	5383	7.6x	9.5x	0.28	0.22	4.3%	5.7%
Swiss Re	50.5	SF	OW	18,554	12.6x	7.1x	4.00	7.15	5.0%	9.7%
Media										
JCDecaux	€19.7	Euro	OW	4.6bn	26.5x	17.6x	0.75	1.12	0.0%	9.5%
Meditech & Services										
Coloplast	762.5	DKK	OW	32.1	18.9	15.4	40.3	49.5	1.4	42
Metals & Mining										
Rio Tinto	42.30	GBP	OW	86.3	9.0	7.0	4.68	6.08	1.3	1.4
Oil & Gas										
Galp	13.69	€	OW	11.0	32.3	19.6	0.41	0.68	1.2	1.2
Petrofac	14.81	£	OW	5.1	19.7	17.6	0.76	0.84	1.9	29
SOCO International	350	pence	OW	1.2	30.7	12.0	11.4	29.1	NM	16.0
Pharmaceuticals										
Bayer AG	57.21	€	OW	47	13.6	12.5	4.23	4.62	2.5%	2.8%
Property										
Land Securities	670	p	OW	5.13	21.0	19.0	32.32	35.64	4.2%	2.2%
Retail - Food Retailing										
Casino	69.23	Euro	OW	7.5	13.8x	11.1x	5.02	6.26	4.0%	6.0%
Retail - General										
Inditex	60.0	EUR	OW	37.4	22.6	20.1	2.66	2.99	2.3	20.9
Steel										
ThyssenKrupp	29.94	EUR	OW	14.39	17.7	12.5	1.60	2.27	1.6	8.6
Technology										
ASML	24.79	€	OW	10.9	11.6	9.6	2.13	2.59	0.8%	31%
Telecom Services										
Telefonica	18.13	EUR	OW	82.7	7.6	8.9	2.37	2.03	7.7%	36.8%
Utilities										
Enel	€4.04	€	OW	38.0	8.4	8.6	0.48	0.47	7.0	13

Source: Bloomberg, J.P. Morgan estimates, Prices and Valuations as of November 19, 2010 unless states otherwise (see individual company pages).

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Table 2: Stocks to avoid by sector heads

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					10E	11E	10E	11E		
Aerospace & Defence										
MTU	42.81	€	UW	2.1	12.5	12.3	3.44	3.49	2.2	15.9
Autos										
Fiat	13.55	EUR	N	16.2	NM	13.7x	0.41	0.99	0.9%	7.3%
Banks										
SHB	216.6	SKr	UW	135.0	12.4	11.7	17.48	18.48	4.2%	14.0%
Banco Popular	4.2	Eur	N	6.7	32.9	14.7	0.13	0.29	4.9%	5.4%
Business Services										
Securitas	SEK 75.1	SEK	UW	SEK 28.4	11.9	11.4	6.53	6.84	4.2	13.8
Capital Goods										
Vestas	179	DKK	UW	36.5	NM	27.3	€(0.46)	€0.88	0.0%	7.0%
Chemicals										
Kemira	€10.5	€	UW	1.6	15.5	13.5	0.67	0.78	2.9	15%
Consumer										
adidas	48.08	€	N	10.1	18.3	15.0	2.62	3.20	1.7%	14.8%
Diageo	1189	£/p	N	\$47.9	15.7x	14.7x	73.53	77.54	3.3%	n/a
Henkel	€47.04	€	UW	18.5	16.8	15.5	2.80	3.03	1.7%	15.1%
Premier Foods	16.9p	GBP	UW	0.4	3.9x	3.4x	4.4p	5.0p	0.0%	9.3%
General Financials										
Man Group	295	GBP	N	5.5	20.1	13.0	14.6	14.7	6.0	-
Hotels & Leisure										
William Hill	157	GBP	UW	1.1	8.2	8.4	19.2	18.7	5.1	14.2
Infrastructure										
Brisa	5.3	EUR	UW	3.2	23.8	19.8	0.22	0.27	5.9	5.9
Insurance										
AXA	12.8	€	UW	29,392	8.8x	10.4x	1.46	1.23	4.7%	6.3%
Media										
Johnston Press	11.0p	GBP (p)	UW	0.08bn	2.9x	2.4x	3.8	4.5	0.0%	5.0%
Medtech & Services										
Gelinge	147.4	SEK	N	35.1	12.7	11.7	11.6	12.6	1.9	15
Metals & Mining										
ENRC	9.10	GBP	UW	11.7	8.6	8.6	1.06	1.06	1.9	2.1
Oil & Gas										
Hunting	6.37	£	UW	0.8	29.7	23.3	0.21	0.27	1.8	6
OMV	27.12	€	N	8.1	7.5	6.1	3.61	4.43	3.9	4.0
Pharmaceuticals										
Merck KgA	60.84	€	N	13.2	9.5	9.0	6.39	6.77	2.1%	2.5%
Retail - Food Retailing										
Jeronimo Martins	11.61	Euro	UW	7.3	27.7x	23.5x	0.42	0.50	1.6%	10.2%
Retail - General										
Hennes & Mauritz	229.8	SEK	UW	335.7	20.5	18.8	11.20	12.23	4.5	37.0
Steel										
Acerinox	11.60	EUR	UW	2.89	20.5	12.9	0.57	0.90	3.4	10
Technology										
Autonomy	1416p	USD	UW	3,426	20.5x	21.0x	1.11	1.08	0%	11%
Telecom Services										
Portugal Telecom	10.13	EUR	N	9.1	2.0	17.8	5.21	0.57	5.7	8.9%
Utilities										
RWE	€49.92	€	UW	27.9	7.1	8.2	6.97	6.08	6.9	20

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