

P R E S S R E L E A S E

The brave will be rewarded again – buy the dips

Sal. Oppenheim presents its outlook on the capital markets for the second half of 2004

Frankfurt, 8 July 2004. – In the latest capital markets study entitled “The brave will be rewarded again, buy the dips“ Sal. Oppenheim jr. & Cie. are projecting a significant recovery on the equity markets in the second six months of 2004. The current sideways movement on the equity markets is expected to be brushed aside by a period of price increases over the coming months, taking the benchmark DAX-30 up to 4,450 points and the DJ EURO STOXX 50 to 3,200 points. Dieter Pfundt, personally-liable partner of Sal. Oppenheim jr. & Cie., expects the DAX-30 to rise to 250 points over the course of the year: “That sort of increase equates to a 50% jump in earnings growth. This will spell the transition from a liquidity-driven to a profit-driven equity market that we have forecasted”.

In addition to equities having a low value, Dr. Wolfgang Sawazki, head of Primary Analysis at Sal. Oppenheim, sees fundamental price-boosting factors arising from “the possibility that oil prices, bolstered among other things by a reduction in the US strategic reserves, might drop slightly in the coming months, that corporate results for the next half-yearly reporting season will exceed expectations, that the debate surrounding a hard landing in China will abate and that the Fed’s expected interest rate increases

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will be sufficiently anticipated by the market in the future". Dr. Sawazki projects a further increase in the DAX of some 15% in 2005, to between 285 and 290 points, with the DJ EURO STOXX 50 at 200.

For the first time in some years, this year has been marked by a strong recovery on the global economy, this time propped up by the USA and China, with South America and Japan once again starting to make a contribution. "The European economy is also showing gradual improvement, although well-known structural problems mean that it still occupies the bottom rung in terms of growth", explained Norbert Braems, Chief Economist at Sal. Oppenheim. The US Federal Reserve has to regain a neutral position in this economic environment. Braems: "US money market rates will increase by 75bp to 2% before the end of 2004".

Matthias Jörss, Head of Equity Market Strategy, is well aware that the equity markets are not, in fact, in full bloom. This is because – due to the absorption of capital by many capital market transitions – very few fresh, new funds are currently flowing into the equity markets and many market participants are already looking to the coming months with optimism. Sal. Oppenheim is predicting negative 2005 earnings revisions over the course of the year, which are more than discounted in the current valuation. On a sector basis, Sal. Oppenheim counts cyclical sectors such as chemicals, industrials and technology, as well as insurance, among its preferred short-term stocks, whilst utilities and pharmaceuticals are not expected to perform better than below average for the time being.

Top picks for the second half of the year include DSM, Munich Re, Novartis, Thyssen and KBC as well as small caps such as Balda, Schwarz Pharma, Escada, ISRA, Carl Zeiss Meditec and United Internet.

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