



European Luxury Stocks Rally, Fueled by LVMH and Kering Upgrades

(Bloomberg) -- European luxury stocks got a boost on Tuesday after HSBC Holdings Plc upgraded sector heavyweights LVMH and Kering SA on the expectation of a Chinese consumer comeback.

Analysts led by Erwan Rambourg raised both stocks to buy from hold, saying both companies could see sales revive for the remainder of this year and “revert to decent, profitable growth” in 2026.

“Although American consumers face short-term hurdles in the fourth quarter, we think Chinese consumers are bound to become more engaged, and both should contribute to better growth next year,” the analysts wrote.

LVMH rose as much as 4% in Paris trading, while Gucci-owner Kering climbed as much as 4.6%. A Goldman Sachs Group Inc. basket of luxury-goods stocks gained as much as 2.4%, but is still more than 20% below February’s record high, weighed down mainly by slowing Chinese demand.

For LVMH, the HSBC analysts see opportunities for the Louis Vuitton owner to simplify its cost structure and achieve higher long-term margins. They envisage risks around Kering shares reducing under the leadership of new Chief Executive Officer Luca de Meo.

Optimism over an improving outlook in China also lifted shares of competitors such as Swatch Group AG, Brunello Cucinelli SpA and Richemont on Tuesday. Yet peer Hermes International SCA missed out, falling as much as 1.2% after HSBC downgraded the stock to hold from buy.

The analysts don’t see sales growth at the maker of Birkin bags accelerating for the remainder of the year, although they view Hermes “as a much better business than the rest of our coverage.”

--With assistance from Gary Parkinson.

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