Berenberg cuts Cognizant, VMware to hold

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(Reuters) - Sales at global IT companies are likely to come under pressure, hurt by slowing spending and weakening European demand, Berenberg said, downgrading Cognizant Technology Solutions Corp and VMware Inc.

Europe is contracting, growth in the United States has slowed and the Japanese recovery seems to have stalled, analysts led by Daud Khan wrote in a note to clients.

"While we do not expect a blood bath (in the sector) in Q2, the prospects for guidance downgrades for the full year are likely," said the analysts, cutting their rating on both stocks by a notch to "hold."

Berenberg also cut its price target on Cognizant to $55 from $83 and on VMware to $90.0 from $112.5. Cognizant shares had closed at $60.22 on the Nasdaq on Thursday, while VMware ended the day at $90.21 on the New York Stock Exchange.

Last month, J.P. Morgan Securities lowered its outlook for growth in IT spending in 2012, amid rising macroeconomic uncertainties in Europe and the United States.

Europe's sovereign debt crisis has shaken investor and consumer confidence, forcing major technology companies such as Cisco Systems Inc and Dell Inc to scale back expectations for IT spending there.

However, Berenberg upgraded engineering software maker Aveva Group Plc and enterprise software company Sage Group Plc to "buy" from "hold," saying potential acquisitions are likely to boost revenue.

Aveva shares were up more than 3 percent at 1,750 pence on the London Stock Exchange by 5.30 a.m. EDT.

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