

Investments - Flash

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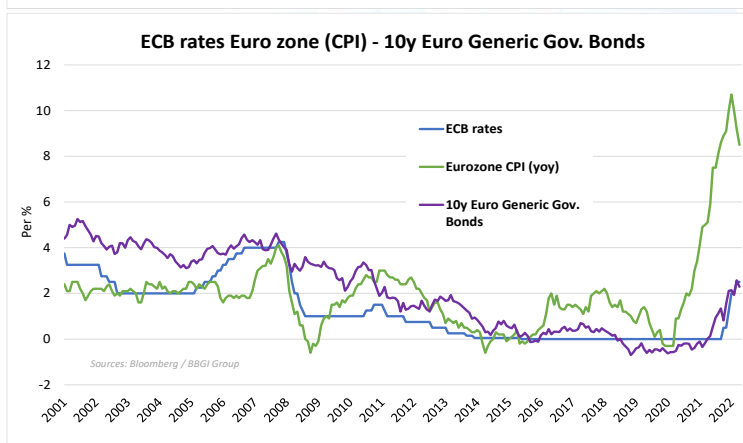
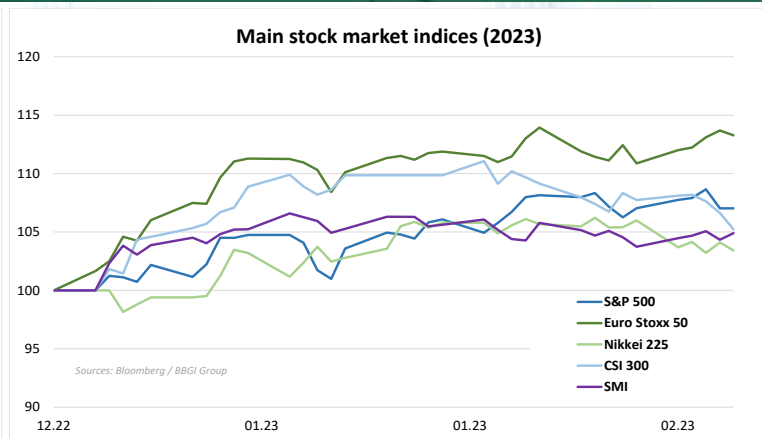
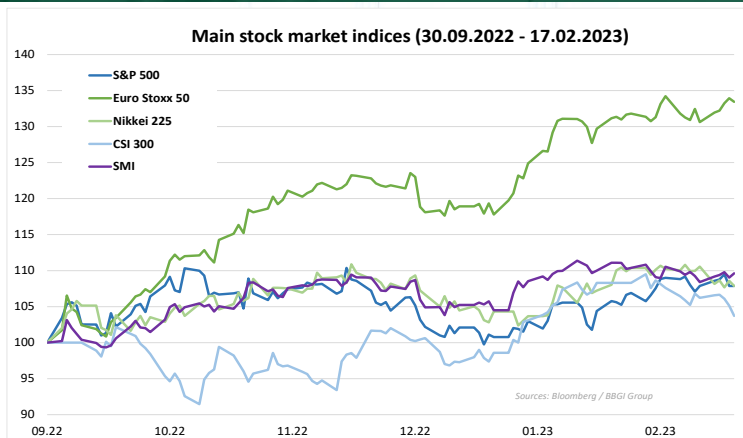
THE END OF EUROPEAN OUTPERFORMANCE

Arbitrage on US stocks and emerging markets

European equities have benefited greatly from the marked improvement in the stock market climate in recent months. With an increase of 11.5% (in CHF) in 2023, they often outperform other regional indices (S&P500 +6.2%, Japan +2.3%, China +7.3%). Since the beginning of the stock market recovery at the end of Q3 2022, the relative performance is quite impressive, as the SX5E's +33.4% increase far outperforms the S&P500 (+7.8%), the Nikkei (+7.8%) and the Chinese index (+3.7%) or the SMI (+9.6%). The risk premium, which at the time was largely in favor of European stocks compared to the S&P500, for example, has gradually narrowed, but remains in favor of European stocks. In terms of PE, the SX5E trades at 12x 2023 earnings, which is still well below the measures of the S&P500 (18.5x), the Nikkei (15.7x), China (12x) and the SMI (16.4x). European stocks have benefited in particular from the renewed confidence in the

European currency, whose exchange rate rose from 0.96 to 1.1 against the US dollar.

The fall in energy prices has also helped to reduce the rise in producer prices from +43.5% (August 22nd) to +24%, thanks to monthly increases contained between -3% and +2% since September 2022, suggesting better conditions for European companies and their margins. Nevertheless, the ECB's monetary tightening cycle does not seem to be nearing its end. The evolution of interest rates should once again weigh on European financial assets, which may have already benefited from most of their short-term upside potential. An arbitrage in favor of the United States and the emerging markets now seems to us to be a good idea.



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