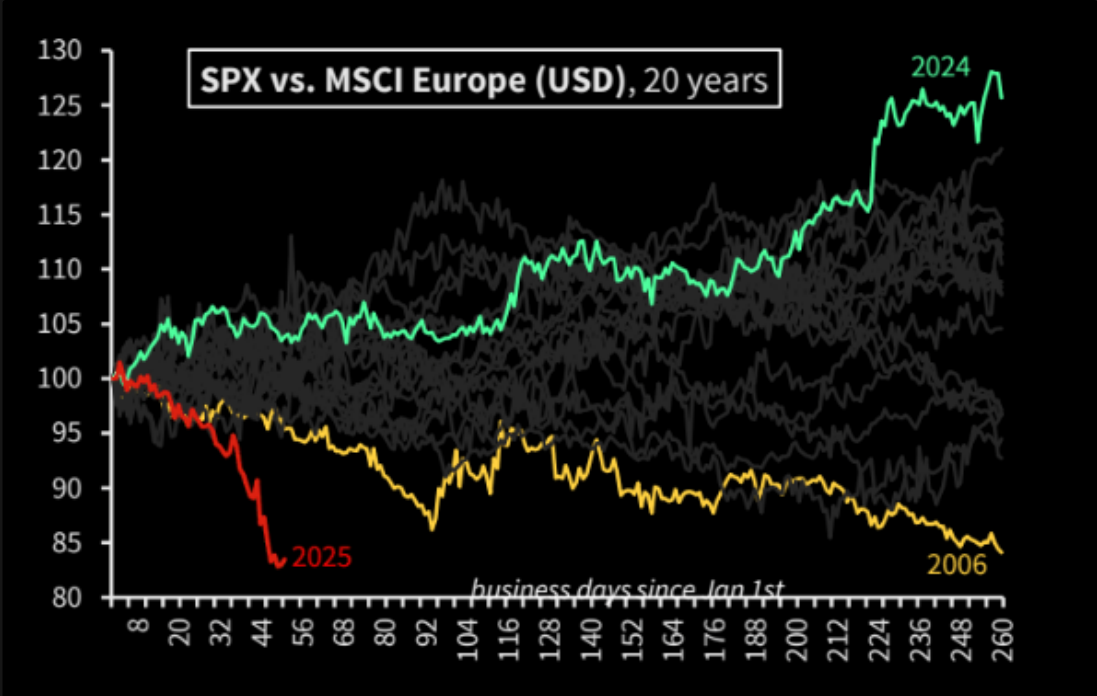


Lagging by a record margin

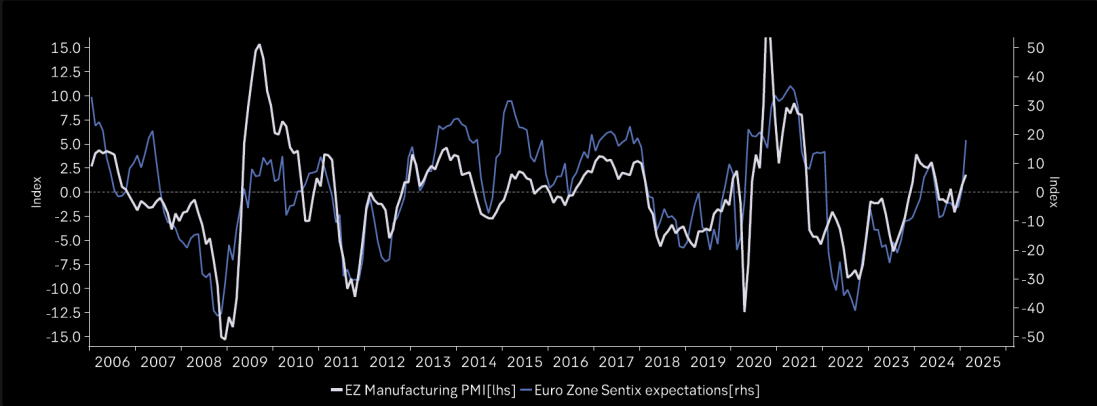
SPX is lagging Europe by a record margin so far this year, 1/3 from the FX. Let's check in on the latest data-points on Europe, the new and unexpected macro asset star. Is there more convergence still?



Barclays

European policy hopes to kickstart recovery?

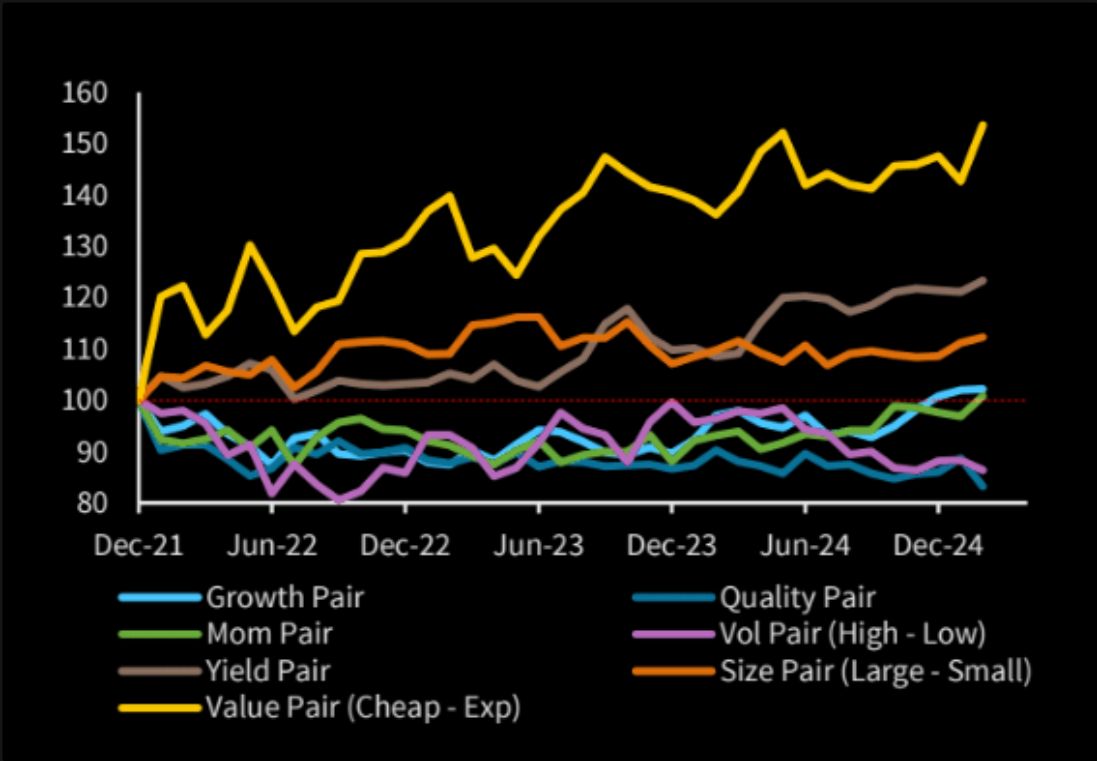
Sentix expectations index rises to highest level since the start of 2022 after new policy signals.



Macrobond

Europe = value

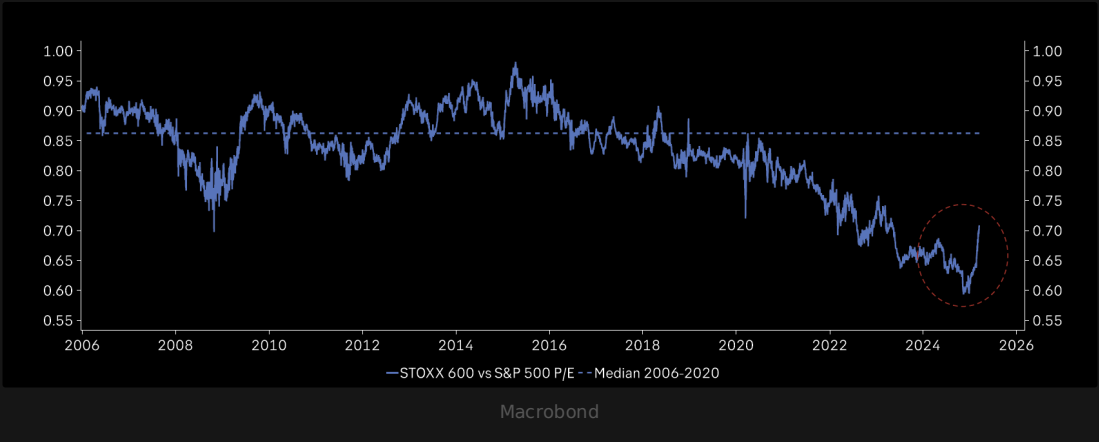
Think Europe, think value stocks. European factor pair absolute performance since end of 2021: Value still the biggest outperformer.



Barclays

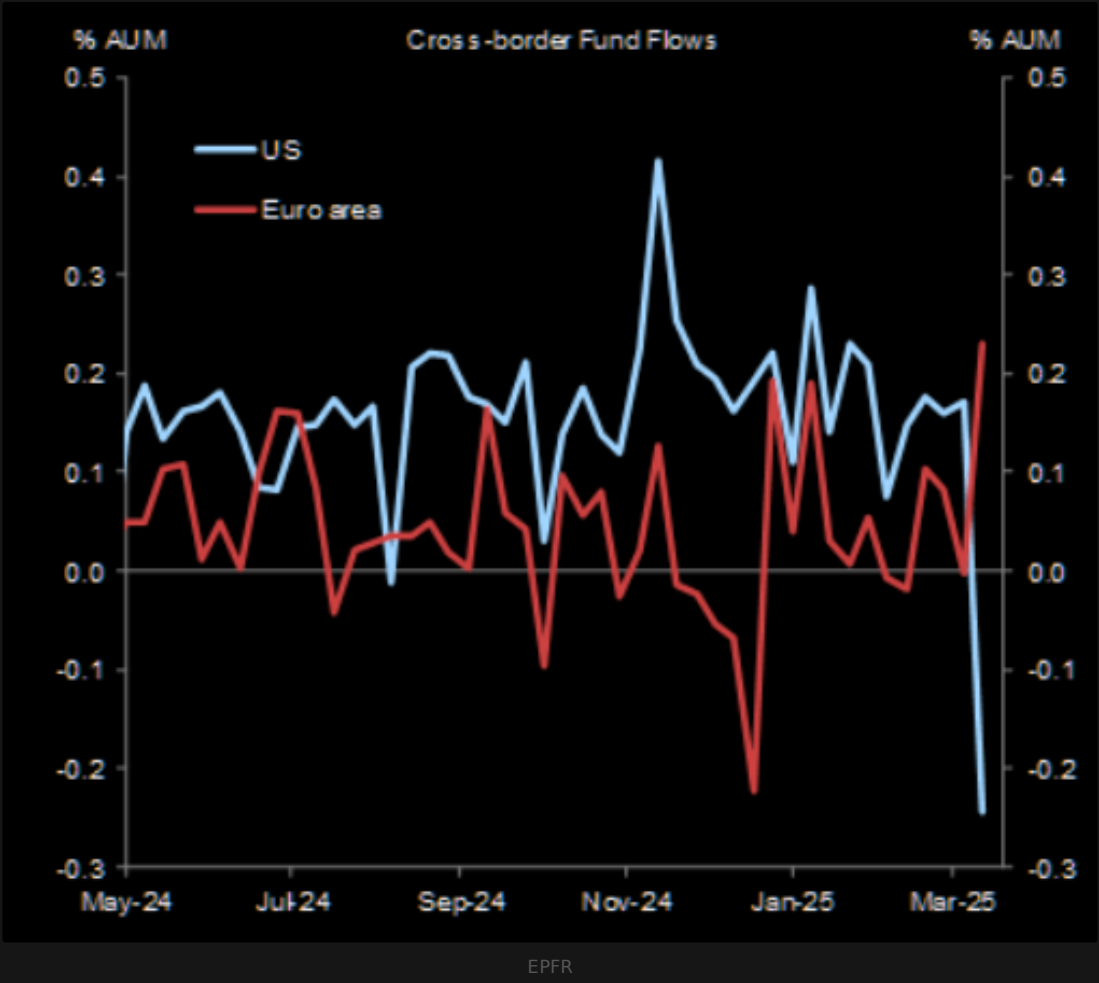
That discount

Yes, it has decreased rapidly lately but European equities are still at an unusually high discount compared to US. Is there more convergence due?



European flow

Last week, US equity funds saw net outflows and Western Europe ex. UK funds saw net inflows. Both domestic and foreign investors participated in the net inflows into European equities. In terms of magnitude, the foreign inflows were not especially large relative to typical weekly inflows, but clearly more positive than the average this year.



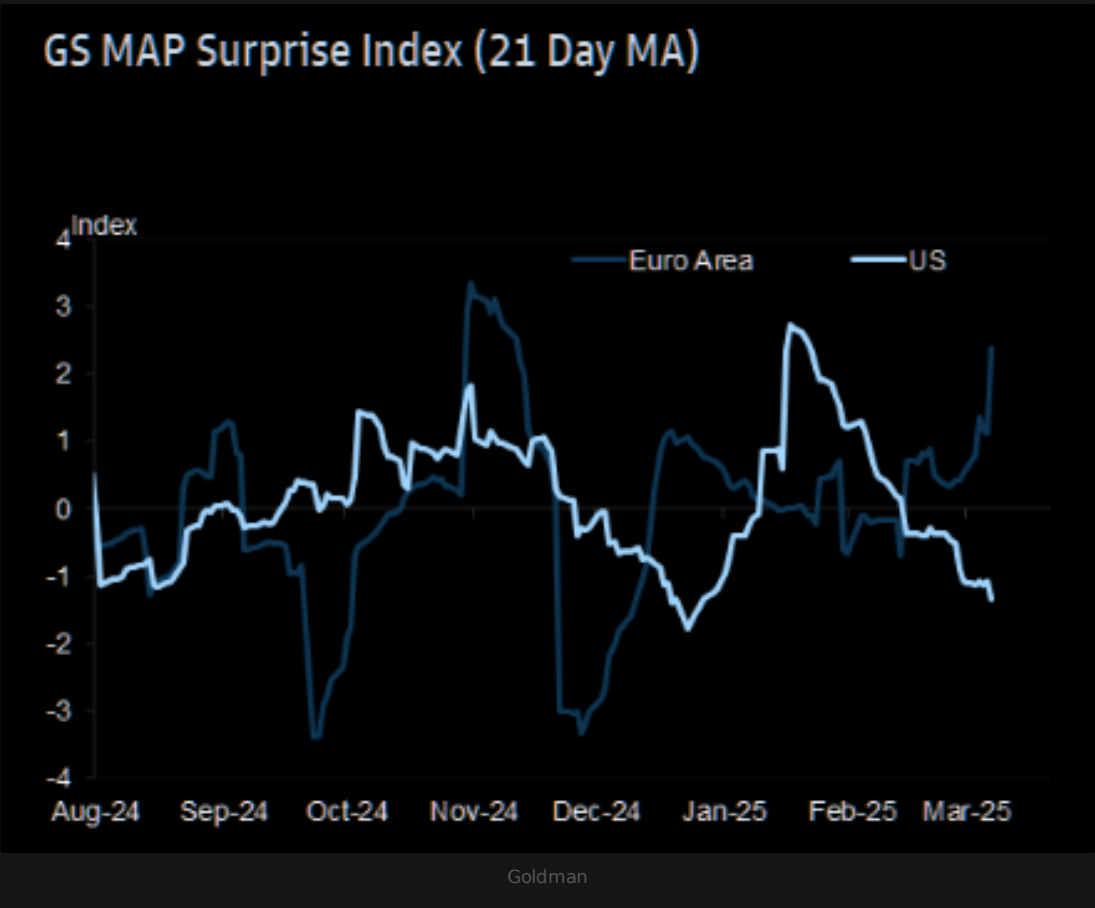
Much ground to gain

Despite last week's firmer inflows, European assets still have much ground to gain with foreign investors, whose positioning in Euro area assets versus other foreign assets is close to historical lows. There could be a lot more inflow here if the convergence trade gains momentum.



European surprises

It converged! Recent shifts in European policy are reflected in macro surprises.



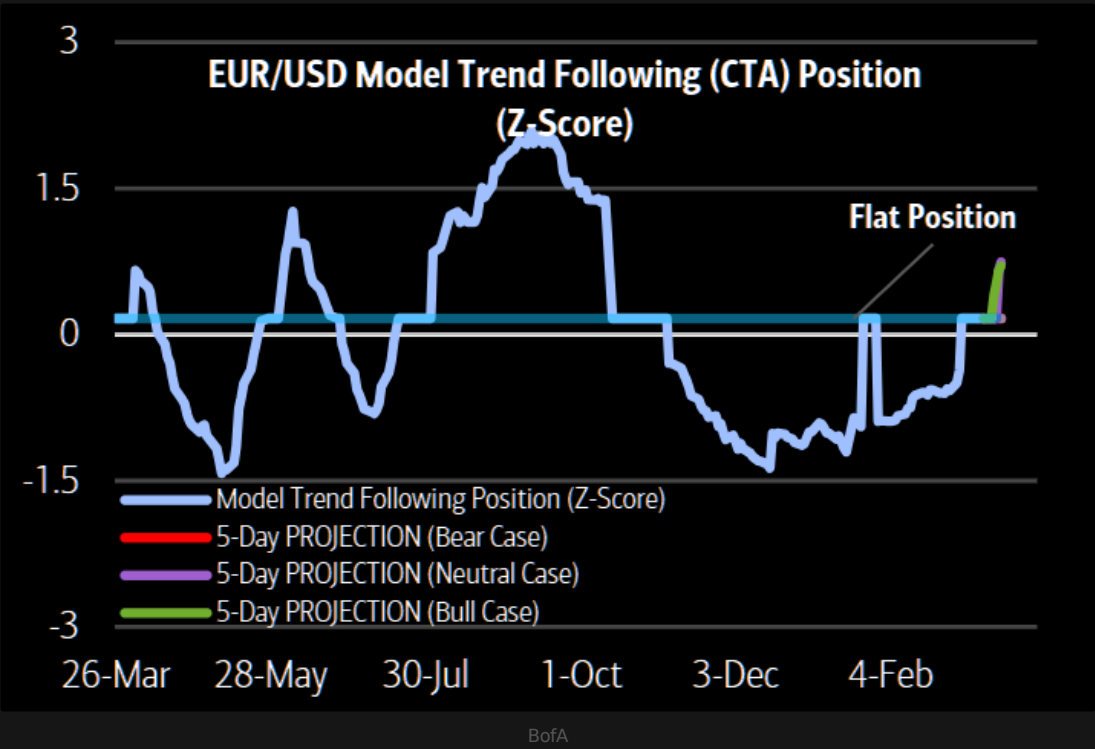
Yields diverging

Yields are now diverging - with EU yields moving sharply higher on fiscal spending, while US are falling on growth wobble.



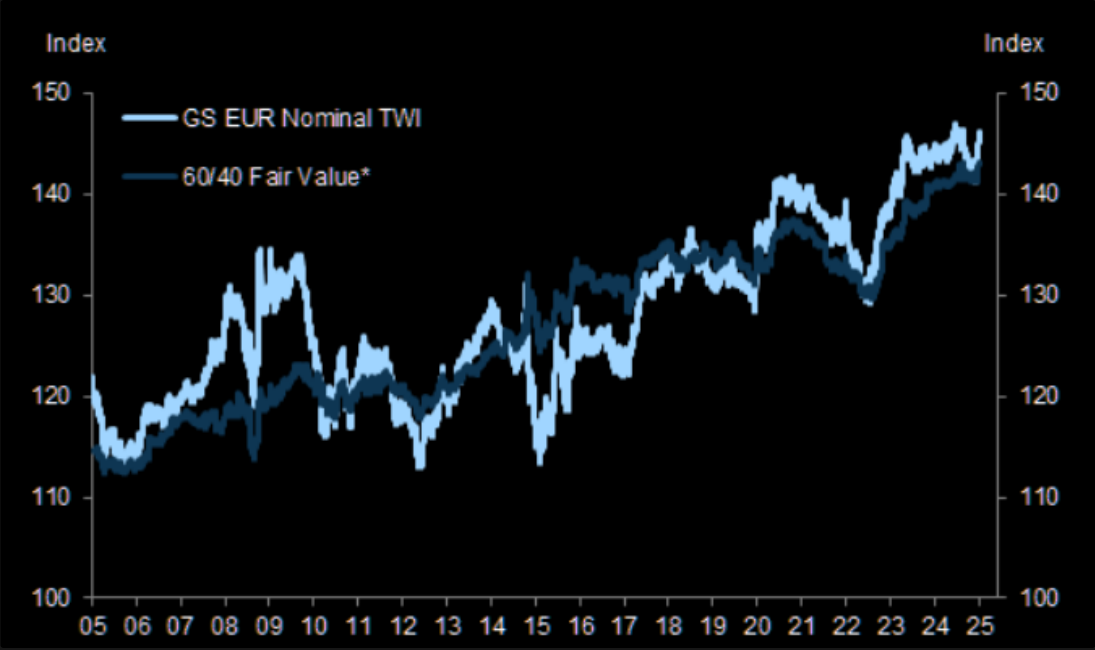
CTAs in EUR: short gone

That CTA Euro short is now gone.



Fair value

GS FX strategists says that in terms of EUR valuation, there is not much to see.....*"On a trade-weighted basis, the Euro is roughly at fair value"*



Goldman