

## Macro Roundup Article

**Headline:** [More Bang for Your Buck](#)

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**Tweet:** Capital inflows into North American markets have contributed to a 3.9x Price/Book value relative to market averages of 1.9x in Europe and 1.4x in Japan according to @verdadcap\_quant. He believes this offers opportunities in both Europe and Japan.

**Summary:** We've found reasons to think more highly of Europe and Japan. Notably, we find that value stocks in Europe and Japan are more profitable, with Europe being particularly impressive. Among firms that trade at a discount to book value, Europe has a Gross Profit/Assets ratio of 18.5%, which is 1.5x the profitability of North American value firms. The differences are even more stark in terms of EBITDA/Assets, with Europe's value firms delivering a 6.4% return on assets, almost 3x higher than North America's profitability among value firms. We believe that the combination of historically wide valuation spreads in Europe and higher levels of profitability among Europe's value stocks bolster the case for upward mean reversion going forward. Historically, mean reversion in multiples has supported significant outperformance of value relative to growth.

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**Primary Topic:** Financial Markets

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