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Macro Roundup Article

Headline: Regional Growth & Equity Returns

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Author(s)	Dan Rasmussen and Chris Satterthwaite
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Tweet: American equity's outperformance isn't due to stronger American revenue growth. Looking at the US, Japan, and Europe, @verdadcap found that regressing relative equity returns against relative revenue growth had no statistical significance.

Summary: We aggregate the revenue of all companies in each region and create a daily updated index of year-over-year revenue growth. Our indexed revenue growth data shows that the US has won not necessarily by growing fastest every year (the US had the fastest regional growth in only 3 out of the last 10 years) but rather by having strong growth throughout the decade, with about 20% lower volatility than Europe or Japan. But what's perhaps most interesting is that regressing relative equity returns against relative revenue growth had no statistical significance. The fastest-growing equity markets did not concurrently earn the highest equity returns within each year. To understand why, examine the chart below, which shows average revenue growth versus average equity returns by region by year.

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Primary Topic: Financial Markets

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