

Macro Roundup Article

Headline: [Too Long at the Fair](#)

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Tweet: Michael Cembalest @jpmorgan argues investors no longer need to overweight the US and emerging markets relative to Europe and Japan.

Summary: By September 2022, Europe's P/E multiple hit a post-2006 low relative to the US. While there were valid concerns at the time about Europe's energy situation, rising inflation and exposure to a shuttered China, investors were receiving an enormous discount for taking European equity exposure, and I should have paid more attention to that. Europe's outperformance is likely to have a ceiling since US companies generate higher returns on equity and higher returns on assets, as shown in the table. But everything has a price, and a 35% P/E discount was apparently it. As things stand now, the discount is still large from an historical perspective.

Primary Topic: Business Cycle

Topics: Business Cycle, Database, Financial Markets, GDP, Other Source, Weekly

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