

# BI Analyst Briefing: 2H Global Equity Outlook Amid Inflation

15 June 2021

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- 1) BI Focus: Private Equity Dry Powder Deployment
- 2) Global Aluminum Covid-19 Outlook
- 3) TV Ad Declines May Worsen as Rating Boost Moderates
- 4) EU 1Q Preview: Balance Sheet Overhang
- 5) Waiting for N...

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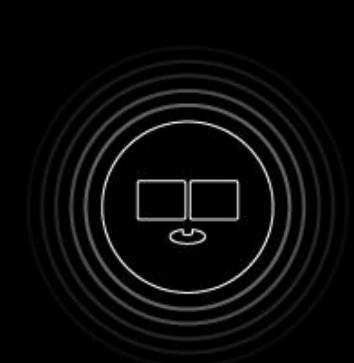
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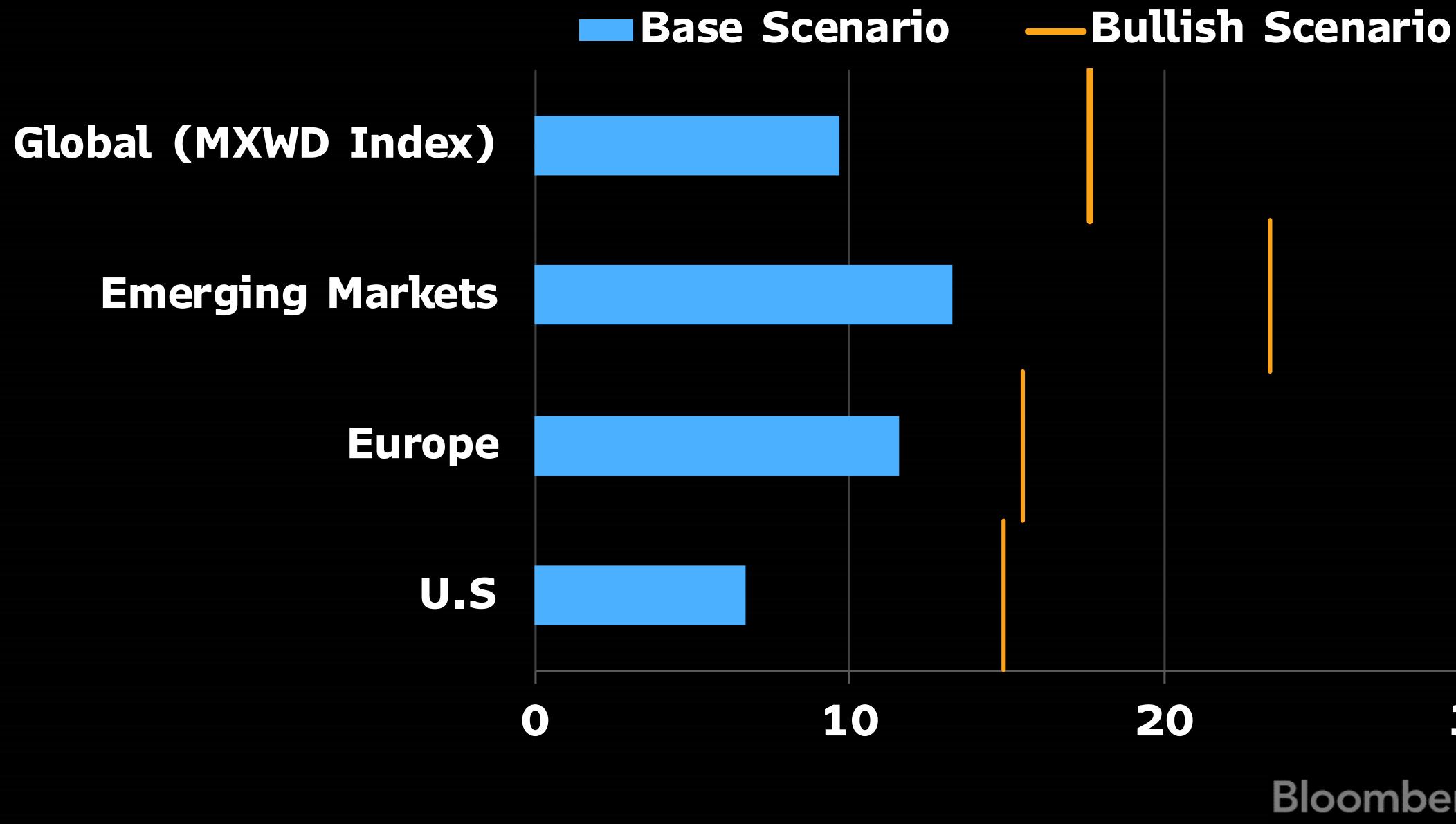
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# Global Equity Outlook: Leaving the U.S. Behind

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- Though valuations are elevated and the equity risk premium suggests slower returns are likely, the improving economic outlook implies positive returns for global equities are likely over the next twelve months. Current fundamentals in isolation likely favor EM over DM potential returns while a multidisciplined and quantitatively derived tactical view currently gives DM the edge. U.S. stocks are bottom ranked on all models.
- Transitioning earnings and economic momentum are combining as a strong force in our tactical allocation model at this time, and are confirmed largely by relative valuation scores. Stocks have largely detached from currency signals recently.
- Key macro concerns – inflation and taxation – are likely to pressure U.S. stocks more than rest of world equities.

# Global Expected Returns



# Global Equity Valuations Now Average to Bonds

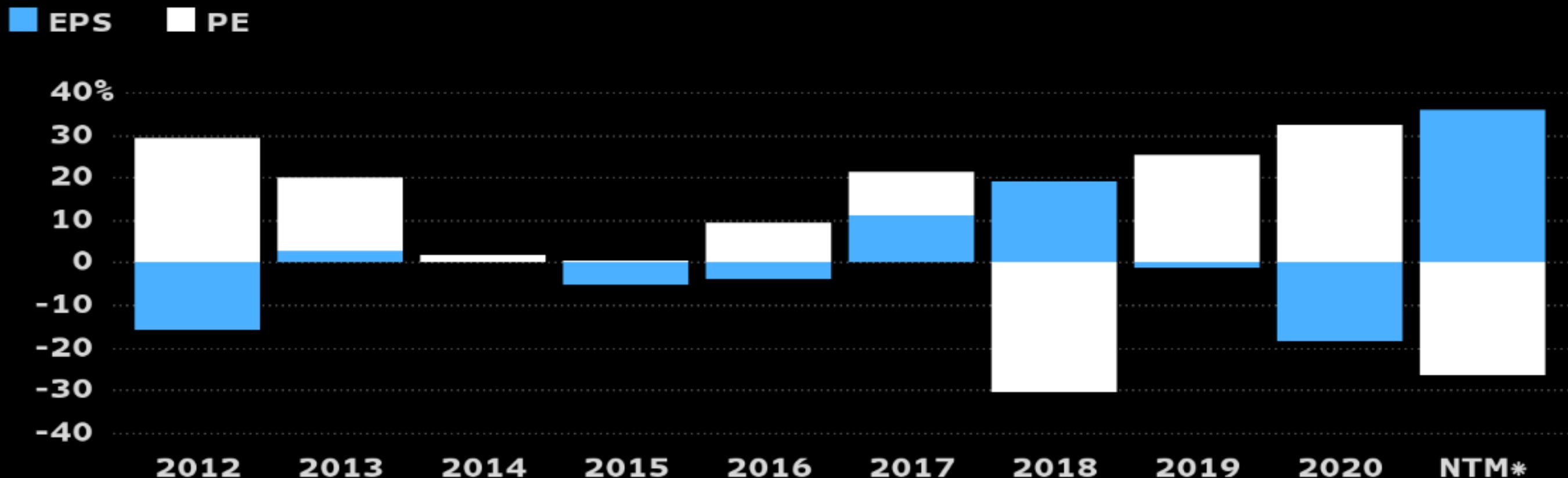


# Global Stocks' P/E Remain Elevated



# Source of Return to Change to EPS

## MSCI All World Equity Return Decomposition (Percent of Gains Attributable to EPS, PE)



Note: NTM derived from BI Fair Value Models, BEst EPS

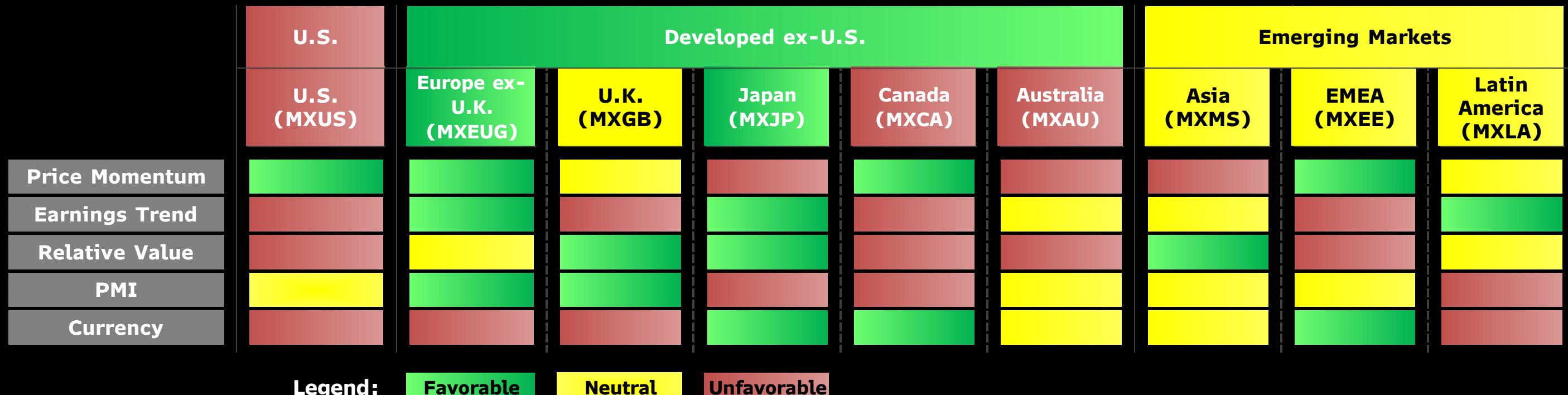
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# Key Indicator Percentile Ranks Relative to History

	US	Developed Ex US							Emerging Markets						
		UK	France	Germany	Switzerland	Japan	Canada	Australia	South China	South Taiwan	Korea	South Africa	Brazil	Russia	Mexico
		1.00	1.00	0.94	1.00	0.94	0.89	1.00	0.83	0.97	0.91	0.97	0.77	0.94	0.37
Markit Manufacturing PMI	1.00	1.00	1.00	0.94	1.00	0.94	0.89	1.00	0.86				0.40	0.94	
Markit Services PMI	1.00	1.00	0.97	0.51	0.89	0.23		0.94					0.40	0.94	
GDP Growth	0.17	0.05	0.53	0.10	0.12	0.12	0.19	0.05	1.00	0.95	0.16	0.05	0.34	0.21	0.10
Capacity Utilization	0.20		0.51	0.73		0.34	0.66	1.00			0.32		0.66		0.98
Consumer Sentiment	0.51	0.63	0.68	0.03	0.41	0.14	0.97	0.91	0.83		0.69	0.12	0.14	0.21	0.84
Unemployment Rate	0.45	0.73	0.88	0.78	0.12	0.81	0.10	0.14	0.07	0.90	0.00	0.00	0.00	0.54	0.48
Retail Sales	1.00	1.00	1.00	0.82	1.00	1.00	1.00	1.00	0.79	0.99	0.93	0.09	1.00	1.00	0.55
Total Average	0.62	0.73	0.80	0.56	0.59	0.51	0.63	0.72	0.73	0.95	0.50	0.25	0.47	0.64	0.55
Price Momentum															

Note: All Percentiles are relative to each country's own data, since September 2006, with a few exceptions due to data unavailability. PMIs are since June 2018. (Korea Consumer Sentiment as of Jul 2008, Mexico Retail Sales as of Jan 2009). Unemployment rate percentiles are inverted (high unemployment = low percentile, low unemployment = high percentile)

# BI Equity Strategy 2Q Global Scorecard

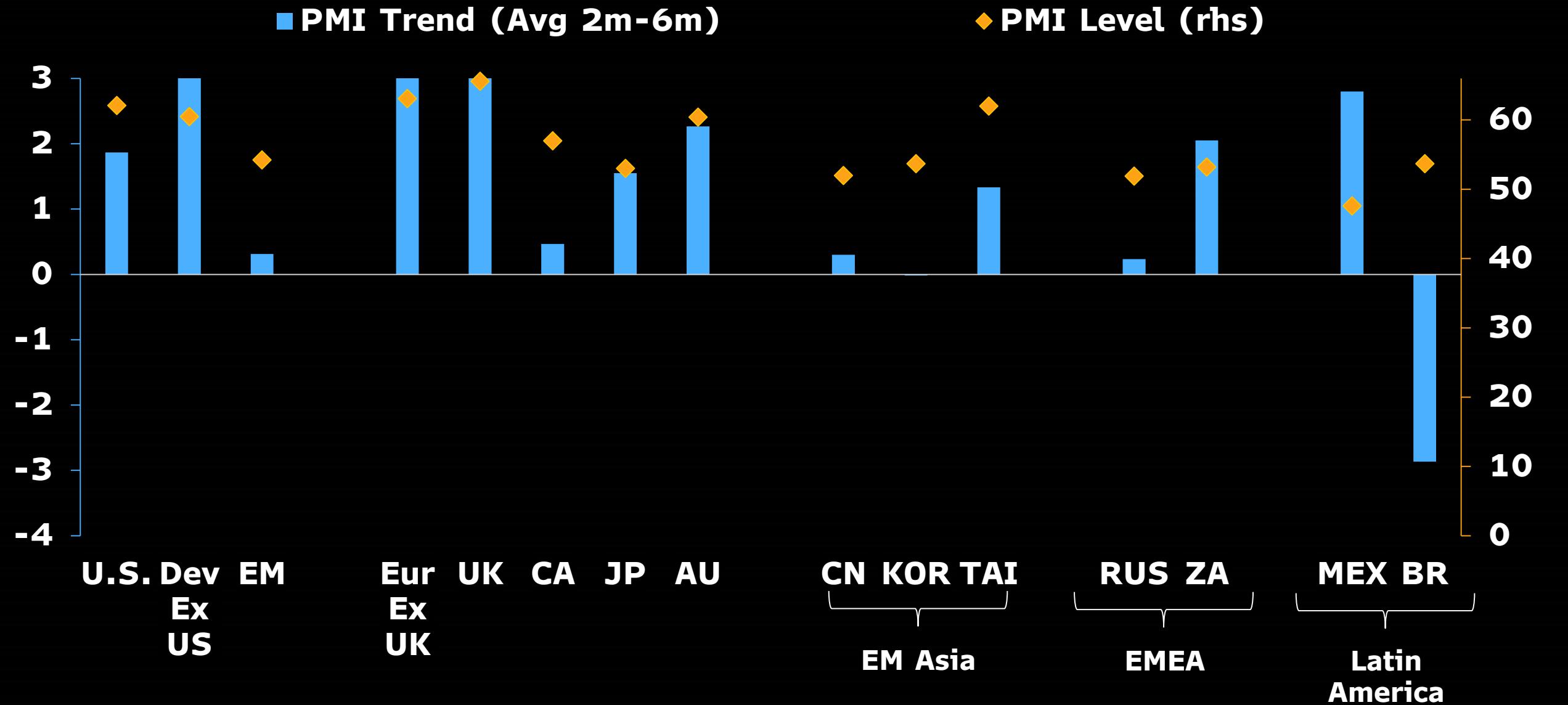


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# U.S. Stocks Weakening Relative to Rest of World

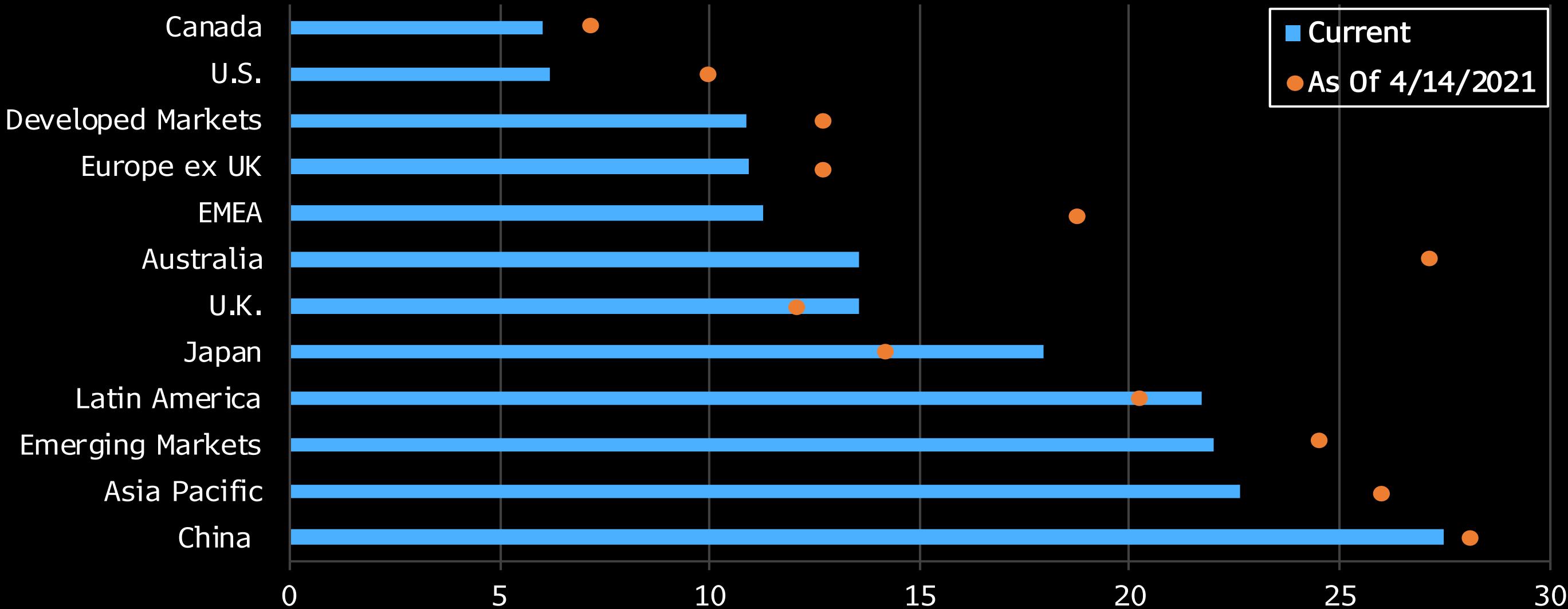


# Major Economies PMI Trends and Levels

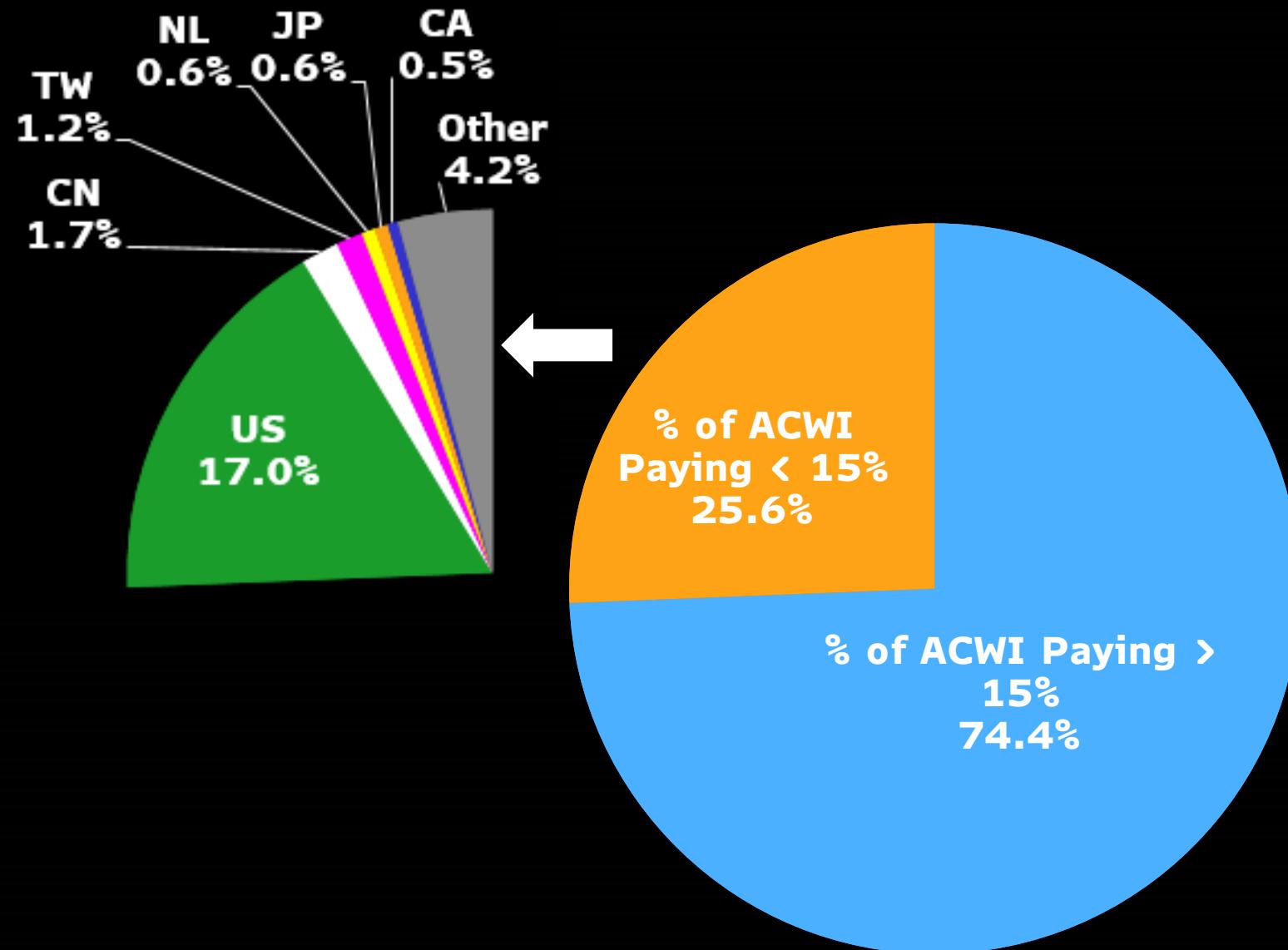


# Large P/B Valuation Discounts By Region

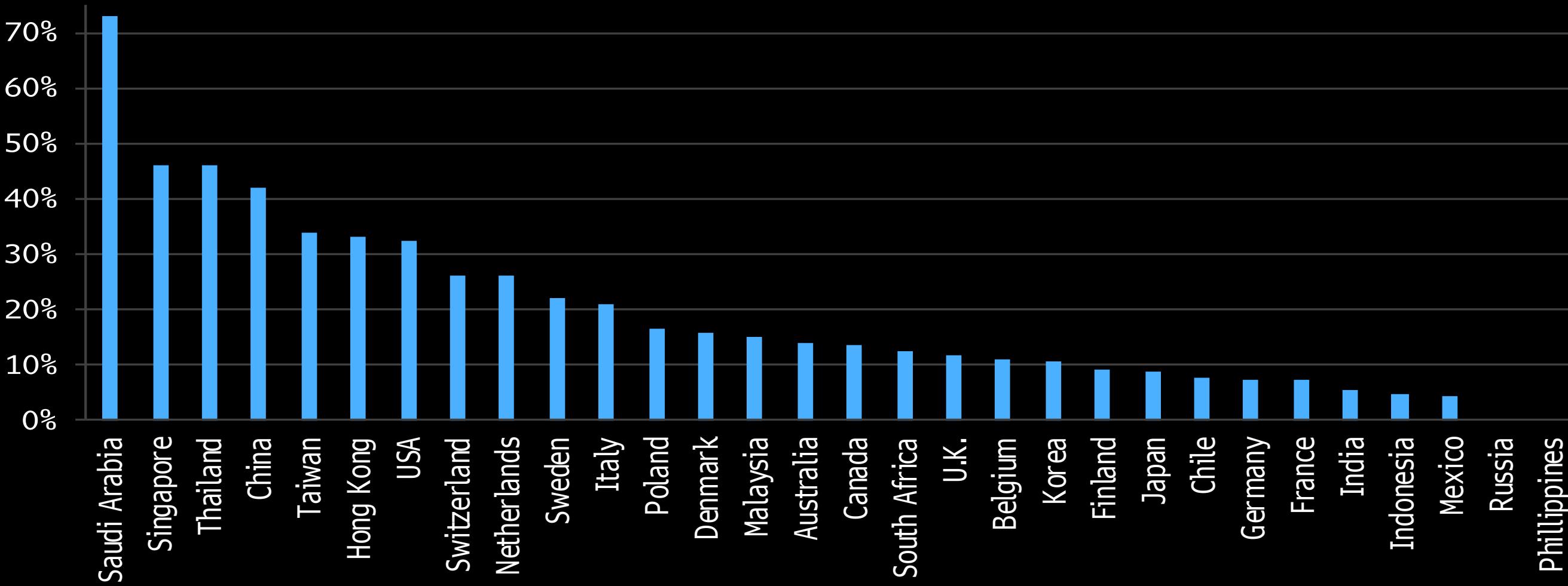
% of Companies Trading Below -1 Standard Deviation



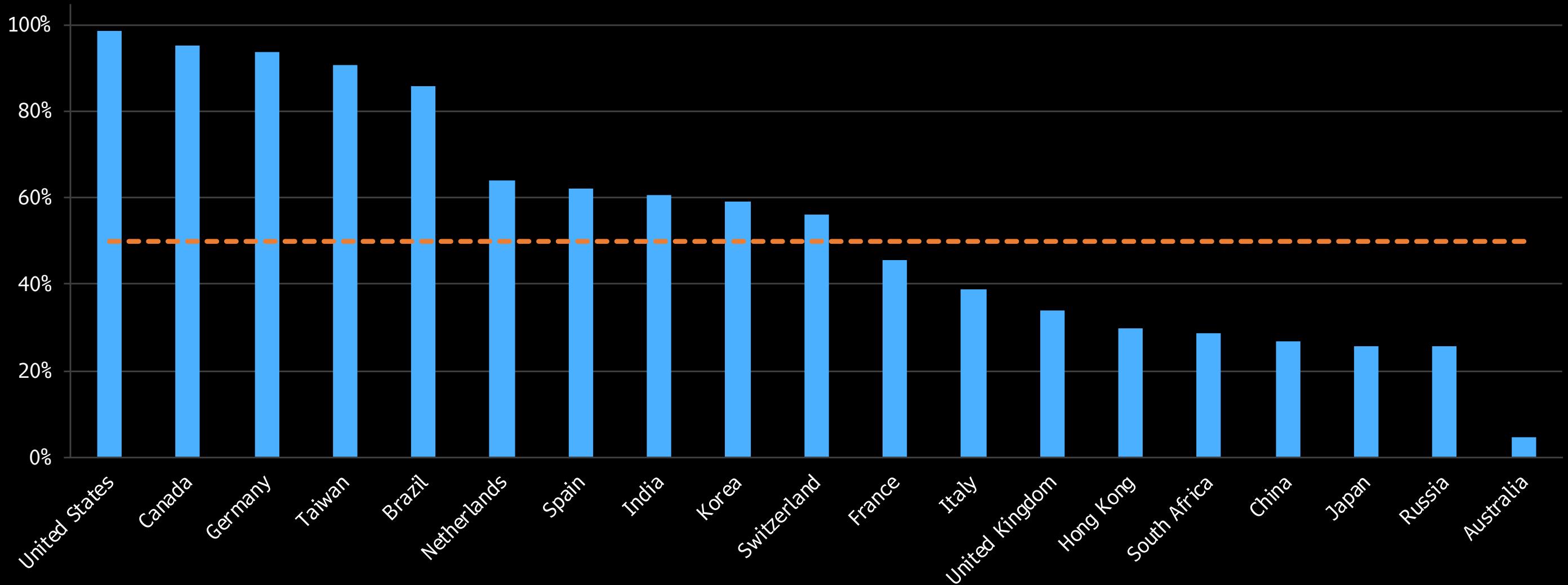
# MSCI ACWI Index Weight Paying <15% Effective Tax



# % of Companies Paying Less Than 15% Effective Tax (2020)



# Major Market CPI Percentiles (2000-2021)



# Inflation and Global Equity Returns, 2002 to Now

## Global Inflation vs MXWD Index Fwd 1 Year Returns



# Increasing vs Decreasing Global Inflation Returns

	Average 12-month US-dollar excess return during rising global inflation VS during declining global inflation (%)					
	All World	Europe	Dev. Asia Pacific	EM Asia Pacific	Latin America	US
<b>All</b>		0.6	-0.5	0.8	15.5	-2.0
<b>Comm. Services</b>	-4.3	-1.0	-5.1	-7.9	8.6	-7.6
<b>Discretionary</b>	-4.8	-2.5	-3.3	4.8	5.2	-6.8
<b>Staples</b>	-3.0	-2.1	0.7	0.9	6.9	-5.1
<b>Energy</b>	15.7	14.3	17.7	13.2	30.6	15.3
<b>Financials</b>	1.2	0.5	-0.6	-1.4	20.3	0.3
<b>Health Care</b>	-7.2	-6.1	-6.0	-3.5		-7.8
<b>Industrials</b>	3.1	1.0	2.2	2.4	6.5	3.9
<b>IT</b>	-2.9	-3.0	-1.2	-1.2		-3.3
<b>Materials</b>	10.0	10.3	8.6	9.8	24.6	4.7
<b>Utilities</b>	-0.9	0.0	-6.4	-4.0	6.9	-1.1

Note: Based on rolling 12-month change since 2003 and US-dollar excess return relative to MSCI ACWI index.

Rising inflation refers to positive 12-month change in Global weighted inflation. Index price data must be available since 2003

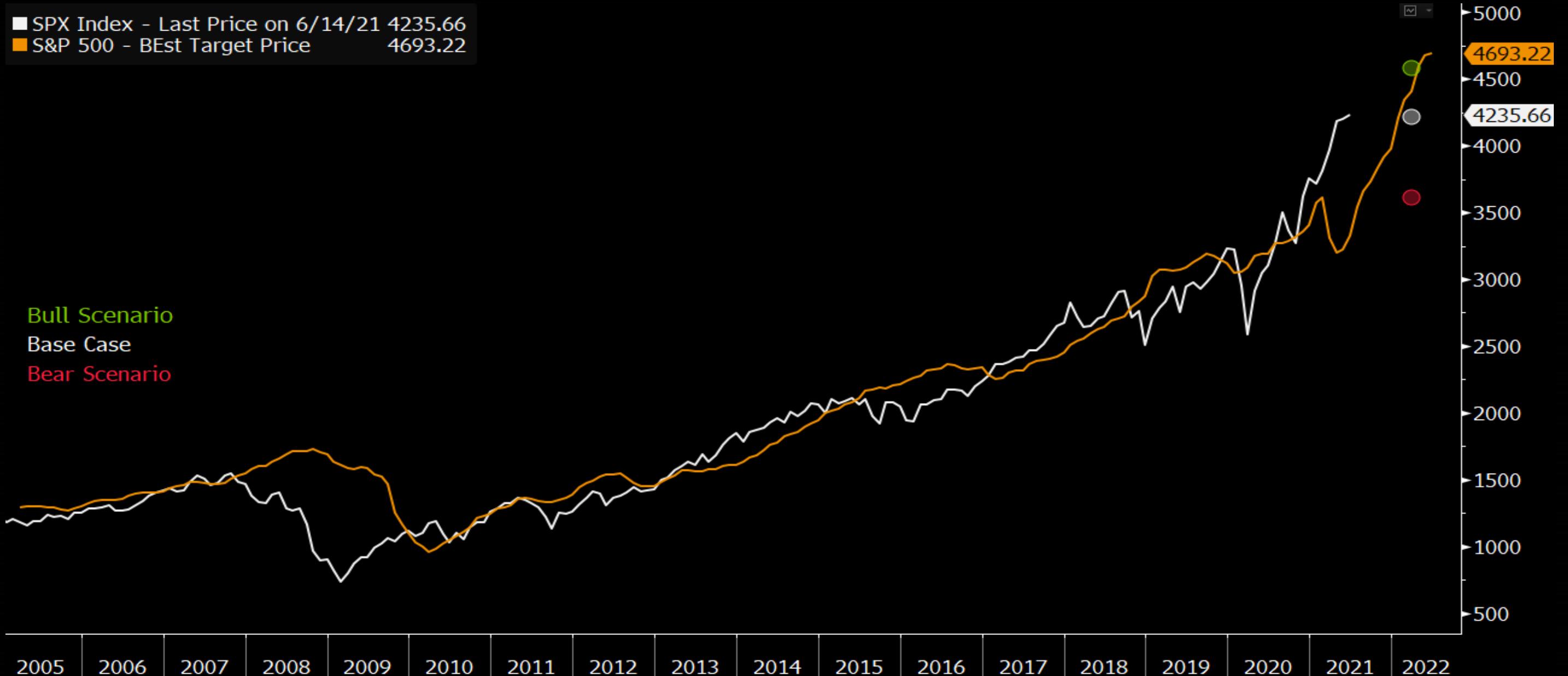
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# U.S. Equity Outlook: Taking the Foot Off the Gas

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- The equity risk premium implies lower average returns are likely, and our fair-value model suggests the S&P 500 could be stuck around 4,200 as rates rise in anticipation of Fed normalization of monetary policy. Upside to 4580 requires stronger than expected forward earnings growth and margin expansion. Bottom-up analysts appear not to expect higher short term interest rates.
- Cyclical sectors remain best positioned in our sector scorecard and value tops our factor model, given stage of cycle, momentum and valuation. Consumer stocks' outlook has notably deteriorated as tech remains near the midpoint relative to sector peers. Materials, industrials and financials are positioned to lead, while health care, utilities and discretionary trail the most.

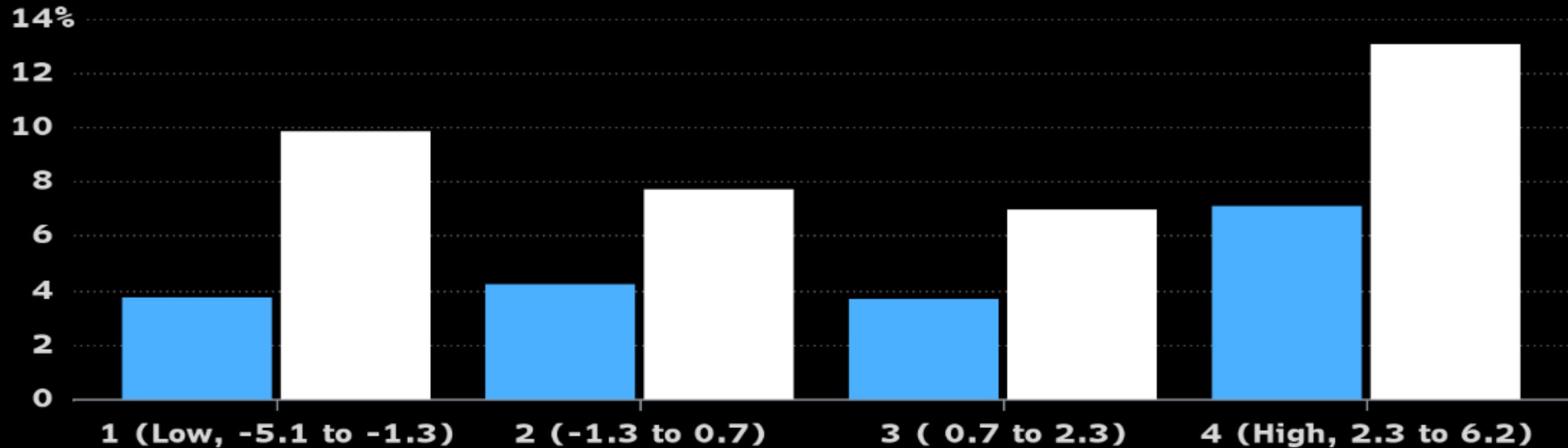
# S&P 500 Actual vs. BEst Target Price



# Returns for Equity Risk Premium Quartiles

## Median S&P 500 Returns For Equity Risk Premium Quartiles

■ 6m Return ■ 12m Return



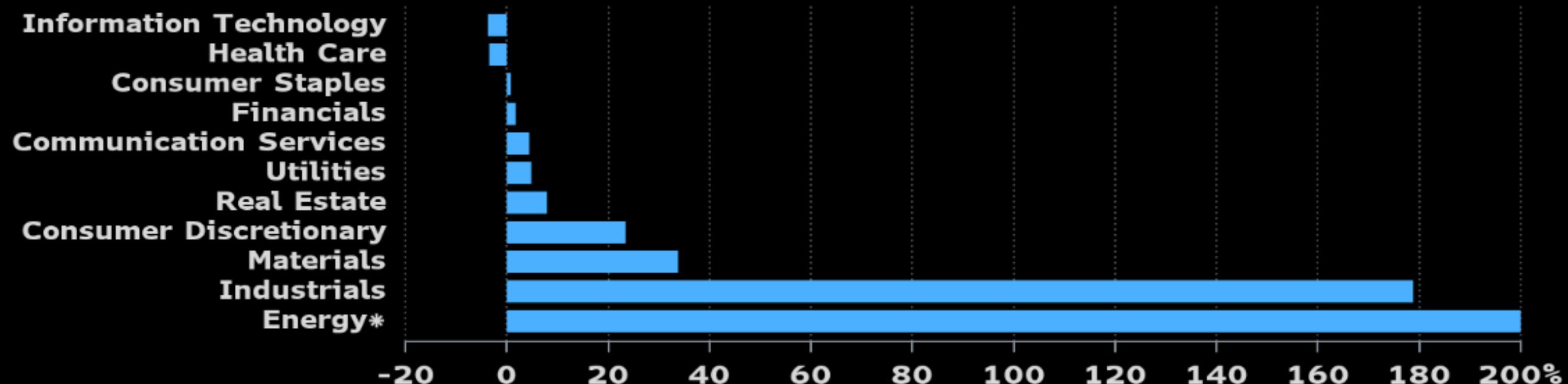
# S&P 500 Sector Scorecard



# Earnings Trends Favor Cyclicals

**Difference in EPS Growth Rates by sector (2Q '21 - 1Q '22 less 2Q '20 - 1Q '21)**

■ Forward 4Q Avg - Last 4Q Avg



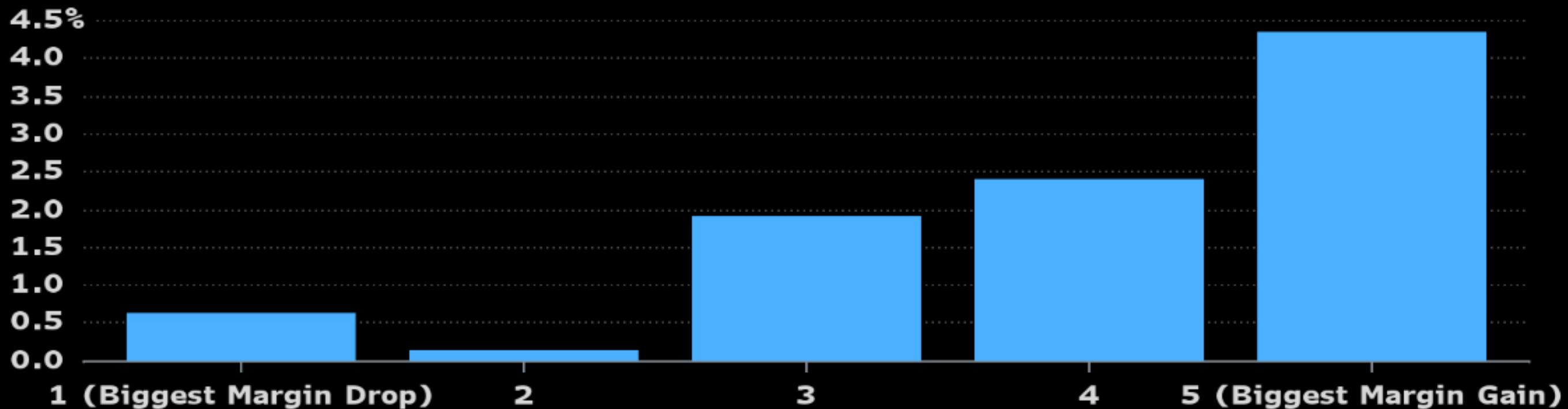
NOTE: Energy clipped at 200%

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# Inflation Impact: Stocks With Biggest Drop in Margin Hurt Most

**Median Performance by Change in Operating Margin Expectations Quintile**  
- S&P 500 (4/20/2021-5/20/2021)

■ Performance (%)



# EM Strategy: 2H Equity Outlook

15 June 2021

Gaurav Patankar, Head of EM Strategy, Bloomberg Intelligence

# EM Lagged DM This Year; Dragged By China



\* Source: Bloomberg Intelligence

# BI Model Suggests 8% Upside in EM Benchmark

Macro Model			
	PE	EPS	
UST 2Y Yield	<b>0.27</b>	<b>55.08</b>	TTM EPS**
UST 10s2s	1.33	6.23	Real GDP growth (%)
BAA Spread	2.25	7.92	Average Change in Commodity Price (%)
NTM EPS Growth*	10.0	7.68	Average Change in EM Currency vs US Dollar (%)
Estimated S&P 500 ERP	<b>4.26</b>	<b>43.54</b>	NTM % Growth (Fundamental Model)
Emerging Market risk premium	<b>1.80</b>	<b>80.65</b>	NTM % Growth (Time-Series AR1 Model)
		25%	Weight to Fundamental vs Time-Series AR1 Model
Estimated PE	15.8x	<b>94.39</b>	NTM EPS integer
Fair Value Estimate	<b>1,491.22</b>		

\* S&P 500 Estimated 12M growth 12M Forward  
\*\*MSCI Emerging Markets

\* Source: Bloomberg Intelligence

# Emerging Market Equities: Key Debates

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- Long-term Outlook on EMs
- Is 'Value' Dominance Here to Stay?
- EM is a Growth Not an Inflation Story
- Digital and Cyclicals Could Be EM Managers' Golden Tickets in 2021
- Biggest Opportunities & Risks for 2H 2021

# Long-term Outlook on EMs

# EM: Strategic vs Tactical

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## Attributes Of Strategic Winners:

- Large addressable domestic market
- Geostrategic Alignment
- Financial sector robustness
- Entrepreneurial Dynamism
- Reform & Infrastructure Momentum
- India, Mexico, Philippines

## Tactically Speaking:

- Brazil, LatAm to top EM equities on materiality of materials
- India to lead Emerging Asia
- Value and cyclical rotation support ASEAN
- Tech Sector big risk for China
- EMEA driven by less sustainable oil rally
- Industrials, Materials, Tech Woes: EM Small Caps' Three Pillars
- Industrials a pan-EM theme

# Strategic Country Scoring Framework (3-5 years view)

	Score	Balance Sheet Strength	Institutional Robustness	Strategic Potential	Tactical Opportunities	Market Positioning	Key Macro Variables
Mexico							
India							
Taiwan							
Philippines							
Indonesia							
Poland							
Brazil							
Korea							
Malaysia							
Czech Republic							
UAE							
Thailand							
Chile							
Hungary							
Saudi Arabia							
China							
Peru							
South Africa							
Russia							
Turkey							
Colombia							
Egypt							

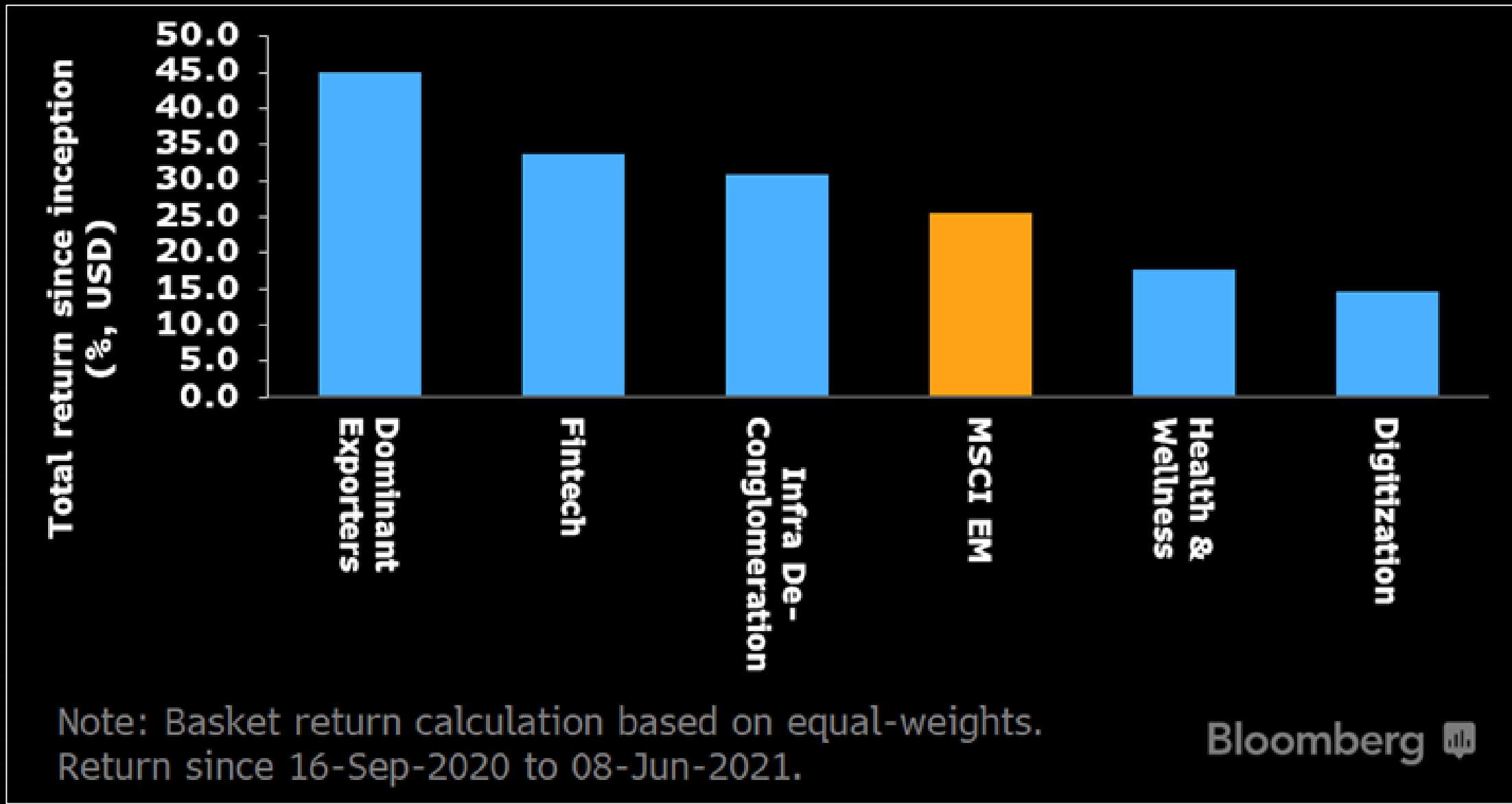
\* Source: Bloomberg Intelligence

# 5 Themes For The EM Decade

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- Data is the new oil
- Dominant Exporters with a moat
- Health, Wellness & Longevity
- Fintech
- Industrial Renaissance & Infra-Build

# EM Theme Baskets Performance



\* Source: Bloomberg Intelligence

# Thematic Baskets Tracker: BI STOXG THEMEPORT <GO>

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Equity Dashboard (BI STOXG) Global

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- EM Ideas Bank
- Manager Res...
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- India
- Rest of Asia
- Latin America
- EMEA
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Thematic

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View: 12 Months | Select Companies | Currency: USD

Name	5/2021	4/2021	3/2021	2/2021	1/2021*
Optimized weights total return (in USD, including dividends)					
'Quantamental' Portfolio	W		3.5	4.2	1.4
Benchmark	W	-1.0	2.5	-1.5	0.8
MSCI Emerging Markets Index	W				3.0
Thematic Baskets					
Equal-weighted total return (including dividends)					
Digitization	V	-6.8	0.3	-12.8	3.2
Dominant Exporters	W	4.2	1.0	2.8	0.0
Health & Wellness	V	0.6	4.9	-0.7	-5.0
Fintech	V	-1.7	0.4	-11.2	5.4
Infra De-Conglomeration	V	0.5	5.4	-1.0	2.4
OPF vs. benchmark					

Additional Info | EM Quantamental Portfolio Methodology | MMDL »

# BI's Quantamental Portfolio Outperforming Benchmark



# Is ‘Value’ Dominance Here to Stay?

# Most Value Factors Outperformed



\* Source: Bloomberg Intelligence



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# EM is a Growth Not an Inflation Story

# Brazil, Indonesia Best Inflation Proxies in EM

	Average 12-month US-dollar excess return during rising inflation (%)														
	EM	Brazil	China	India	Indo	Korea	Malaysia	Mexico	Phil	Russia	S. Africa	Taiwan	Thailand	Turkey	
All		8.7	1.2	2.4	10.5	-0.5	-0.6	0.1	0.1	4.8	1.2	-4.4	6.8	-1.5	
Comm. Services	-2.3	-1.9	1.4	-14.6	-0.4	-11.4	0.8	-0.7	-0.5	7.6	8.8	4.9	2.4	4.8	
Discretionary	1.6	-1.0	-0.1	-0.1	20.0	6.4	-2.7	-6.9	2.7		15.5	-0.3	2.2	-4.2	
Staples	2.9	7.7	9.5	-1.9	9.6	0.9	6.9	2.4	-5.1	17.1	6.9	7.8	18.1	1.5	
Energy	5.2	11.4	8.9	9.2	63.6	25.0	9.2		12.6	3.4	8.0	7.6	16.7	13.5	
Financials	-0.4	11.5	-3.1	10.5	13.4	-7.4	0.8	11.2	0.2	27.1	2.6	-3.4	3.2	-3.0	
Health Care	0.0	-10.3	10.8	-1.7	-4.3	14.9	9.5				-5.5	-7.6	9.4		
Industrials	0.8	-0.5	1.2	9.7	14.1	6.2	-2.7	14.0	1.1		10.5	-1.5	2.3	-2.2	
IT	-5.0	-12.0	-2.5	5.7		-1.4	-35.3		-28.9		-23.6	-8.9	-17.5	-19.5	
Materials	6.7	21.6	8.9	6.2	18.8	10.7	8.1	-2.1		23.3	-2.8	10.6	14.7	15.2	
Real Estate	-4.9	-4.3	0.9		-25.9		-9.2	-4.4	3.6		-7.2	-0.8	2.3		
Utilities	-1.2	4.9	4.0	4.7	-1.6	-7.9	-5.2	-5.5	5.6	6.7			10.2	-0.6	

Note: Based on rolling 12-month change since 2001 and US-dollar excess return relative to MSCI EM index.  
Rising inflation refers to positive 12-month change in EM weighted inflation. At least 2 years data has to be available.

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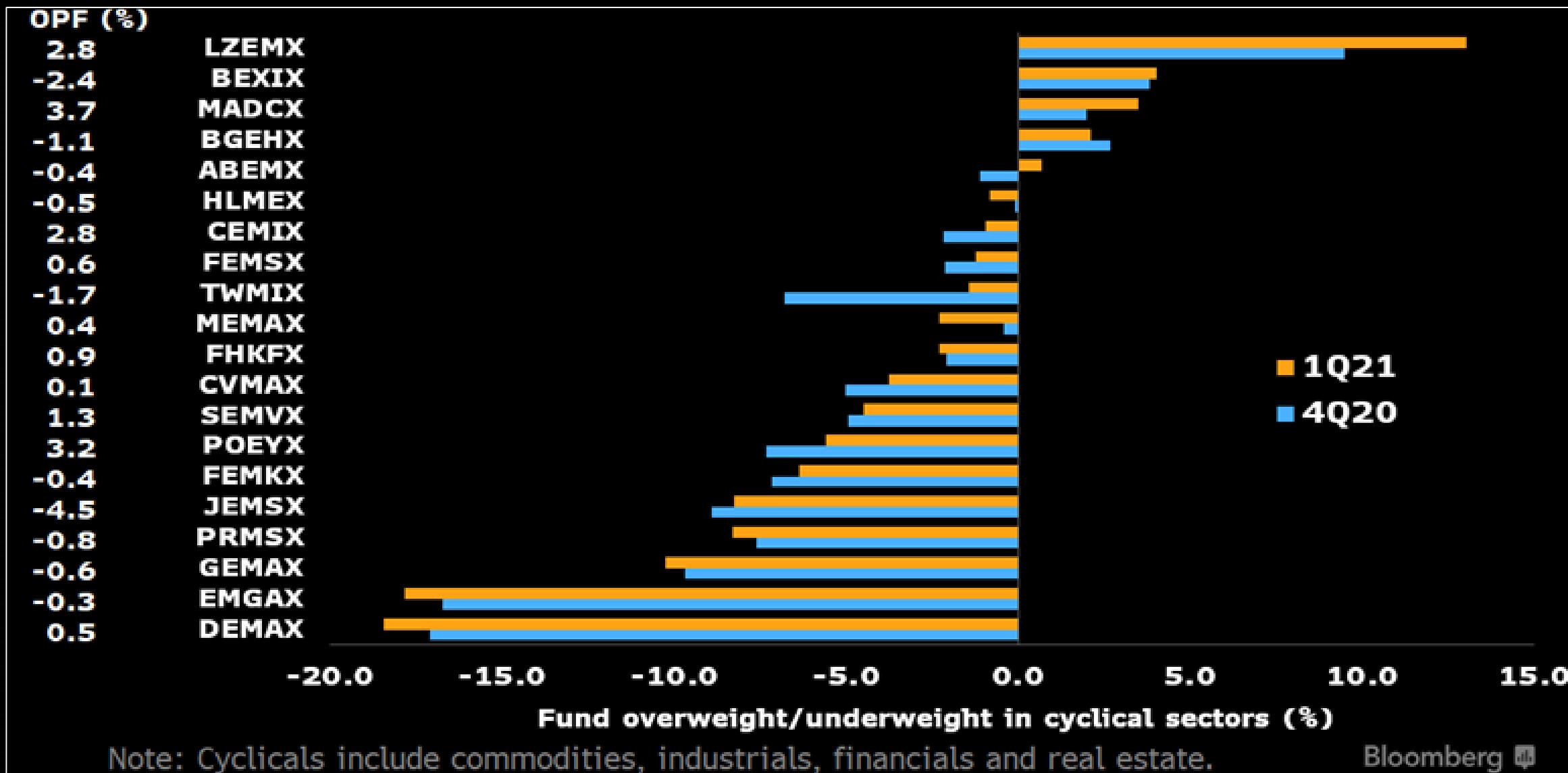
\* Source: Bloomberg Intelligence

# Digital and Cyclicals Could Be EM Managers' Golden Tickets in 2021



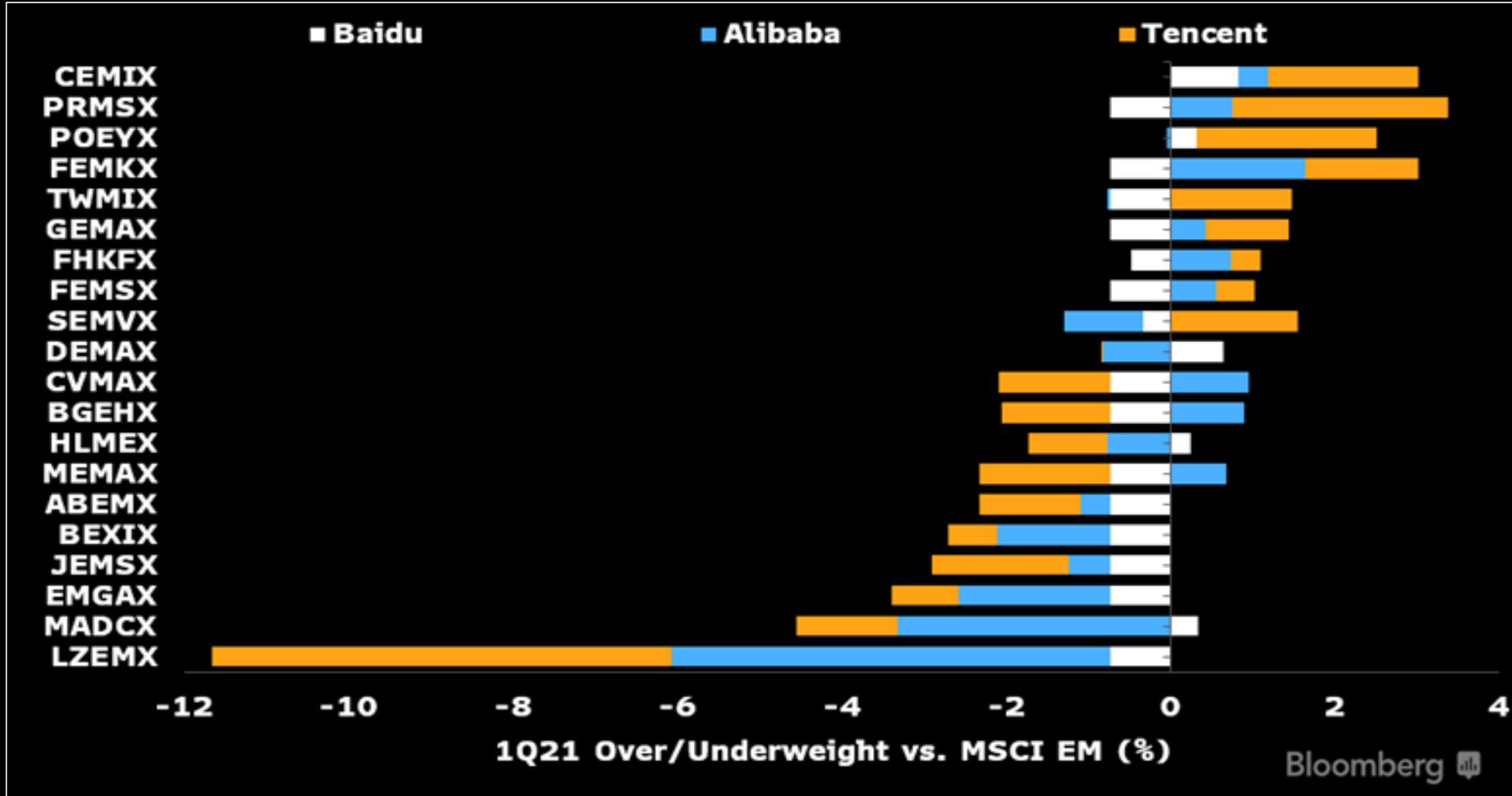
# Majority of EM Managers Too Timid on Cyclical Shift

## Funds' Cyclicals Positioning: 1Q vs. 4Q20



# EM Managers Caution on BAT Could Dent 2Q Results

## Funds' 1Q Positioning in BAT



\* Source: Bloomberg Intelligence

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# Biggest Opportunities & Risks for 2H 2021

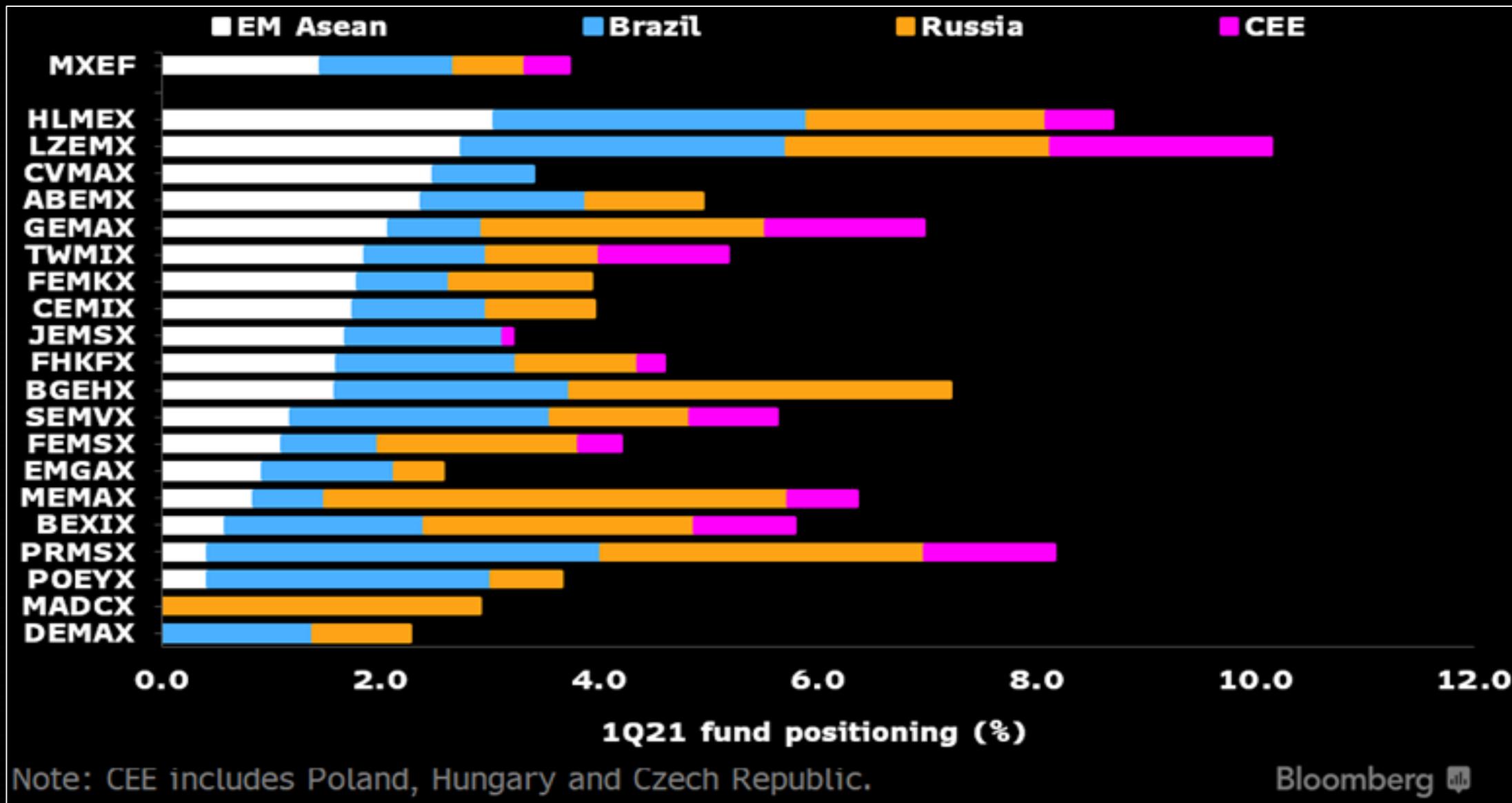


# Tactical Country Scorecard (3-6 months view)



# Large EM Managers Ignoring CEE Financials

Large EM funds missing out on the strong performance of CEE financials



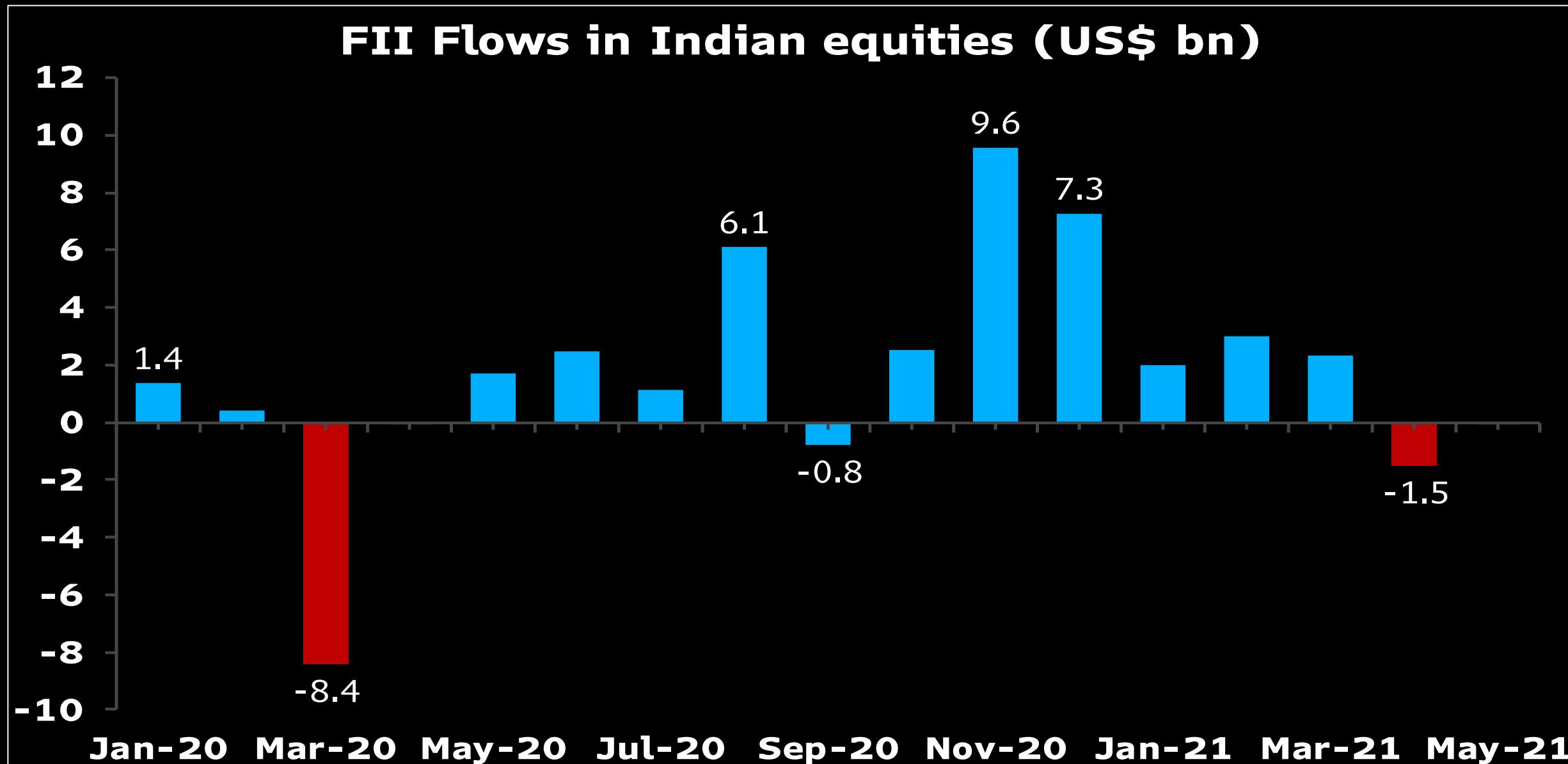
Note: CEE includes Poland, Hungary and Czech Republic.

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# LatAm's Still Inexpensive Despite Commodity Support



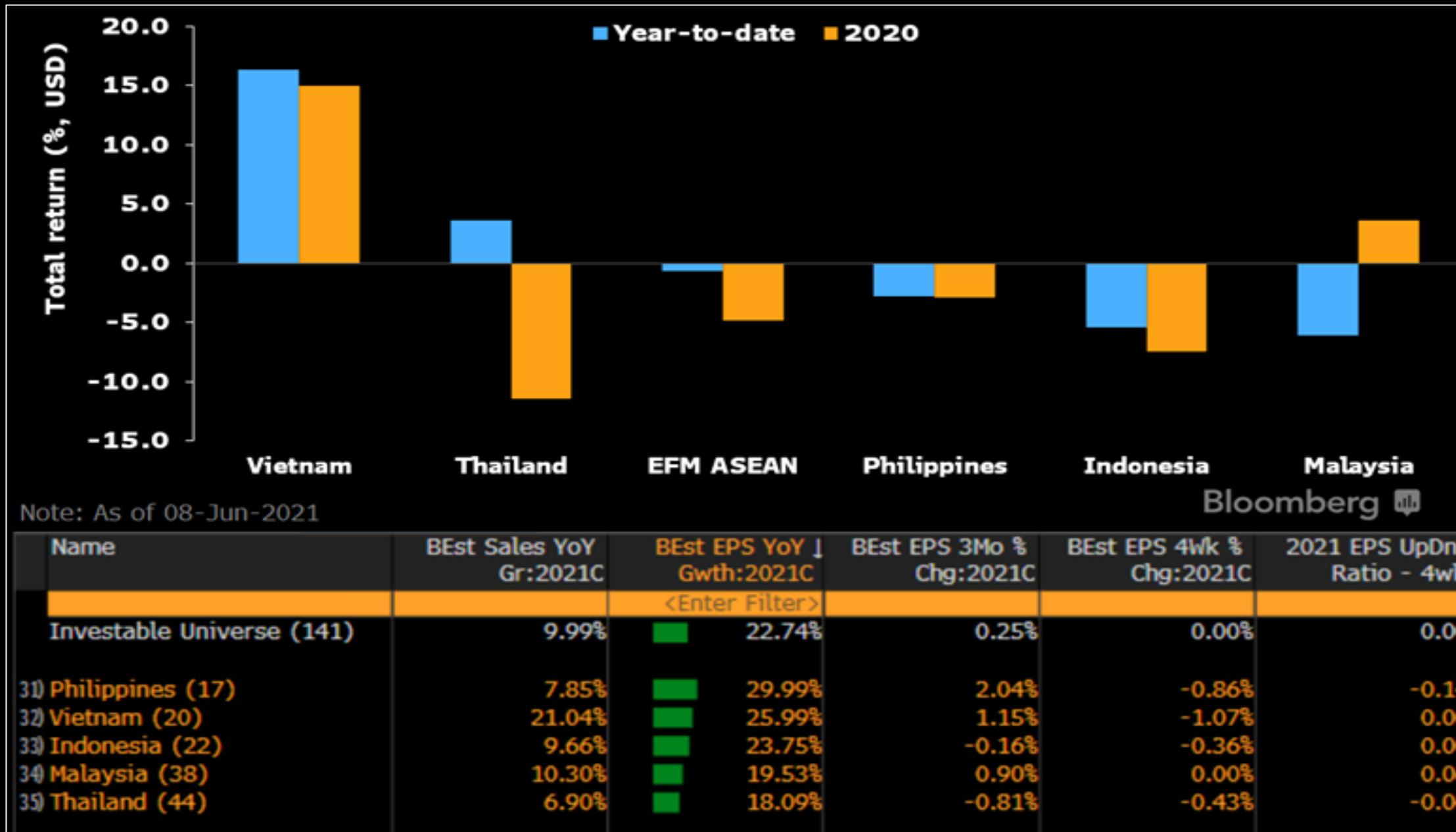
# FII Flows Remain Supportive To Indian Equities



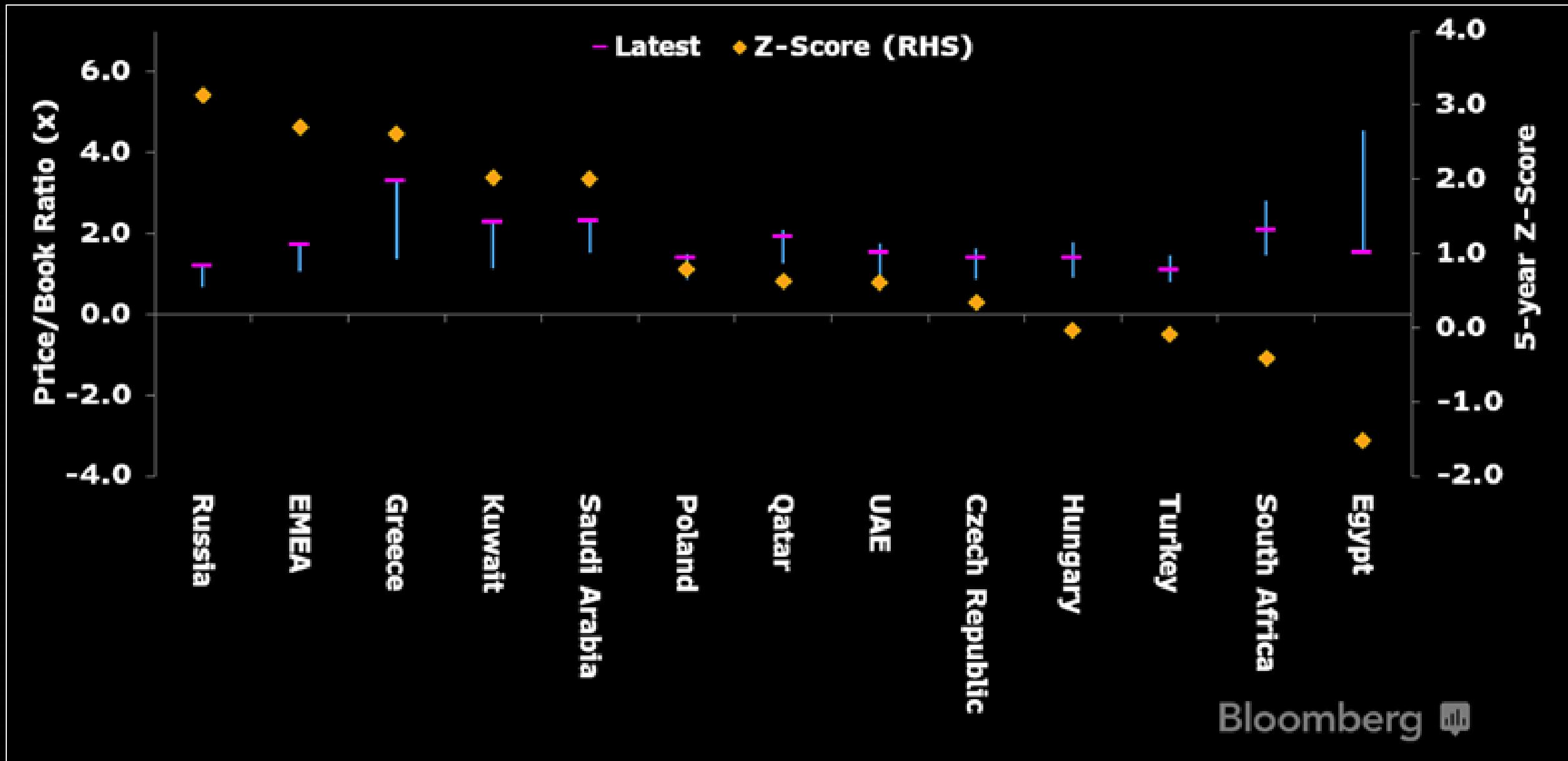
\* Source: Bloomberg Intelligence

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# Vietnam Stands Out; Financials Could Power Philippines, Indonesia



# Russia May Need to Brace for Headwinds



# Cyclicals Rank Head and Shoulders Above New Economy

## BI Equity Strategy's EM Small Caps Sector Scorecard



\* Source: Bloomberg Intelligence

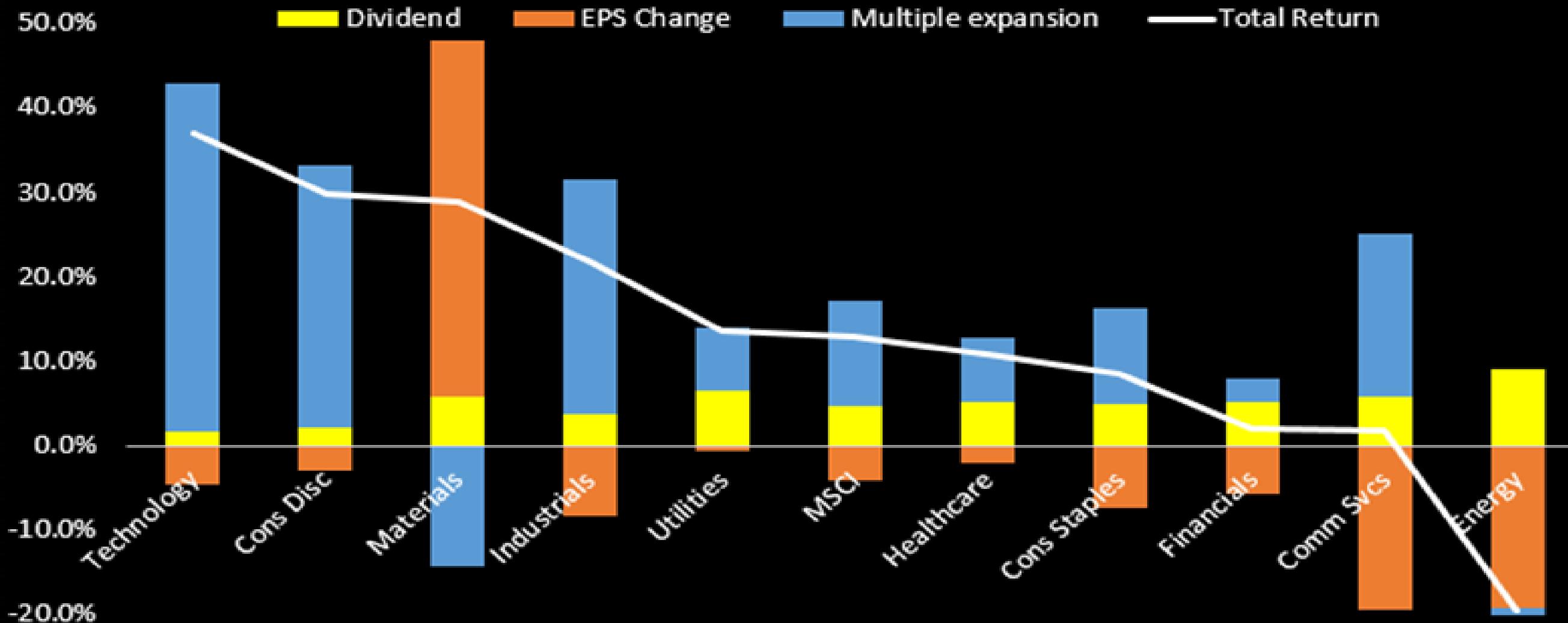
# European Equity Outlook: Follow the Earnings

June 15, 2021

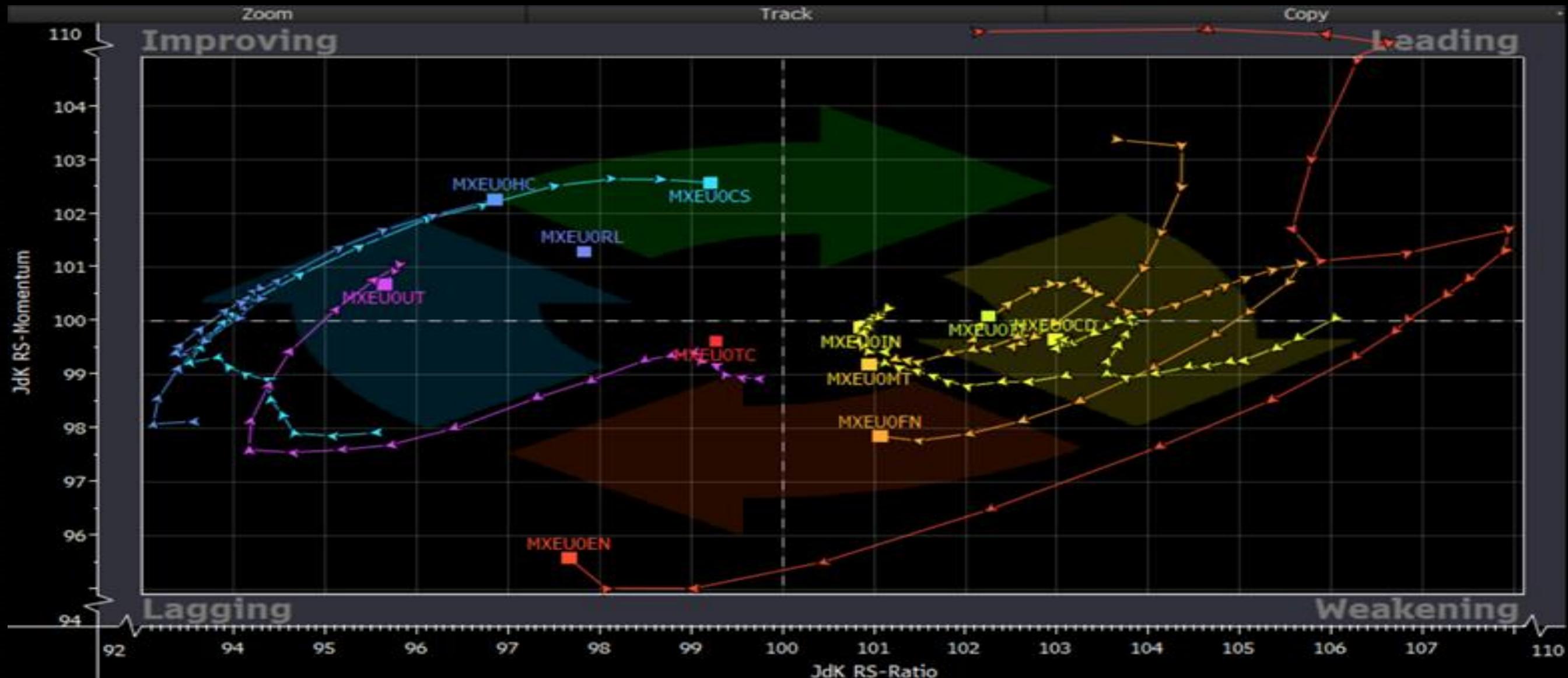
Laurent Douillet: European Equity Strategist

# European Equities Rerating Likely Over

European Sectors Total Return 12/2019-YTD



# European Equities Leadership in a Vacuum: RRG <GO>



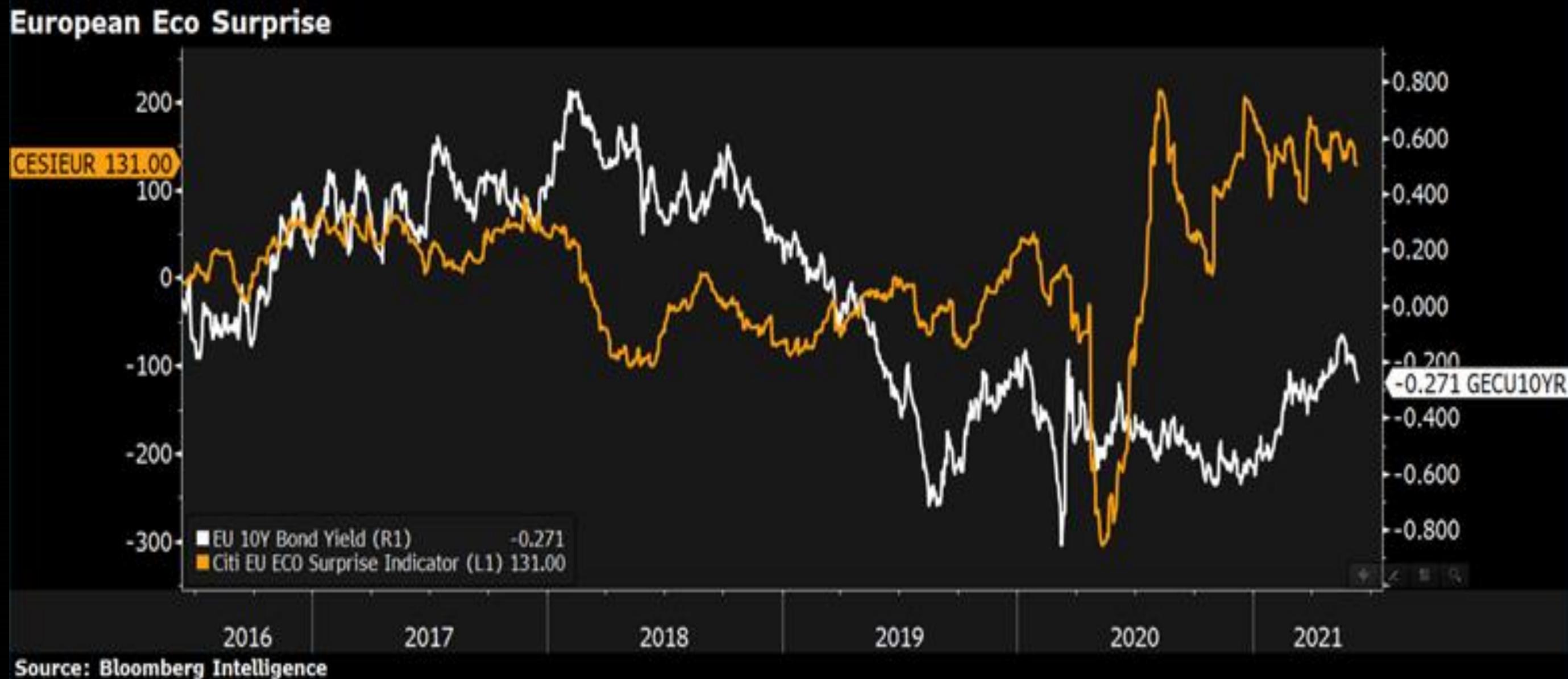
# EU Economic Recovery: More Than a Blip

Eurozone      [Browse](#)       Private       Official

Actual / Forecasts      Probability of Recession 17.5%

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Economic Activity</b>										
Real GDP (YoY%)	1.4	2.0	1.9	2.6	1.9	1.3	-6.5	4.2	4.1	2.0
Household Consumption							-8.1	2.9	4.9	2.0
Government Consumption							0.7	3.1	1.5	1.0
Gross Fixed Investment							-9.3	5.3	4.8	3.0
Exports (YoY%)							-10.6	8.4	5.8	3.1
Imports (YoY%)							-9.9	7.1	5.3	3.3
Industrial Production (YoY%)							-9.2	8.9	3.8	1.9
<b>Price Indices</b>										
CPI (YoY%)	0.4	0.2	0.2	1.5	1.8	1.2	0.3	1.7	1.3	1.5
<b>Labor Market</b>										
Unemployment (%)	11.7	10.9	10.1	9.1	8.2	7.6	8.0	8.4	8.3	7.7
<b>External Balance</b>										
Curr. Acct. (% of GDP)	2.3	2.7	3.1	3.2	3.0	2.3	2.2	2.5	2.5	2.3
<b>Fiscal Balance</b>										
Budget (% of GDP)	-2.5	-2.0	-1.5	-0.9	-0.5	-0.6	-7.2	-7.0	-4.2	-2.6

# EU Economic Recovery: More Than a Blip



# Stoxx 600 EBIT Margin Should Rise With Inflation



# EBIT Margin Vs. Inflation: Commodities, Financials OK, Utilities at Risk

Industries	Index	Operating Margin Trend **						Average 5 Periods
		Apr-04 Dec-07	Oct-07 Nov-08	Jun-10 Mar-12	Jan-17 May-17	May-18 Feb-19		
<b>Basic Resources</b>	<b>SXPP</b>	<b>11.3</b>	<b>-2.4</b>	<b>4.8</b>	<b>0.6</b>	<b>1.9</b>	<b>3.3</b>	
<b>Energy</b>	<b>SXEP</b>	<b>4.7</b>	<b>-1.6</b>	<b>1.2</b>	<b>5.4</b>	<b>1.2</b>	<b>2.2</b>	
<b>Food&amp;Beverage</b>	<b>SX3P</b>	<b>0.6</b>	<b>0.7</b>	<b>1.7</b>	<b>0.4</b>	<b>2.0</b>	<b>1.1</b>	
<b>Chemicals</b>	<b>SX4P</b>	<b>2.2</b>	<b>0.1</b>	<b>2.2</b>	<b>0.8</b>	<b>-1.1</b>	<b>0.8</b>	
<b>Pers&amp;HH Goods</b>	<b>SXQP</b>	<b>1.4</b>	<b>-1.8</b>	<b>1.3</b>	<b>0.1</b>	<b>2.9</b>	<b>0.8</b>	
<b>Technology</b>	<b>SX8P</b>	<b>2.0</b>	<b>-1.9</b>	<b>2.2</b>	<b>-1.2</b>	<b>2.6</b>	<b>0.7</b>	
<b>Industrials</b>	<b>SXNP</b>	<b>2.7</b>	<b>0.0</b>	<b>1.5</b>	<b>0.1</b>	<b>-0.8</b>	<b>0.7</b>	
<b>Autos</b>	<b>SXAP</b>	<b>0.8</b>	<b>-3.1</b>	<b>6.6</b>	<b>0.1</b>	<b>-1.0</b>	<b>0.7</b>	
<b>Insurance</b>	<b>SXIP</b>	<b>6.4</b>	<b>-6.8</b>	<b>1.0</b>	<b>-0.4</b>	<b>2.4</b>	<b>0.5</b>	
<b>Healthcare</b>	<b>SXDP</b>	<b>3.3</b>	<b>-0.5</b>	<b>-1.4</b>	<b>0.8</b>	<b>0.1</b>	<b>0.4</b>	
<b>Utilities</b>	<b>SX6P</b>	<b>-0.4</b>	<b>-3.1</b>	<b>-6.0</b>	<b>0.0</b>	<b>-0.8</b>	<b>-2.1</b>	
<b>Banks</b>	<b>SX7P</b>	<b>4.5</b>	<b>-33.4</b>	<b>4.4</b>	<b>0.2</b>	<b>1.3</b>	<b>-4.6</b>	
<b>Stoxx600</b>	<b>SXXP</b>	<b>4.2</b>	<b>-2.0</b>	<b>0.8</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	
<b>PPI Index (YoY) *</b>		<b>4.5</b>	<b>6.0</b>	<b>4.9</b>	<b>3.9</b>	<b>3.8</b>	<b>4.7</b>	

Source: Bloomberg Intelligence, as of May 25th, 2021

Note: \* Average over the period; \*\* In percentage points

# Higher Food Prices Somewhat Discounted



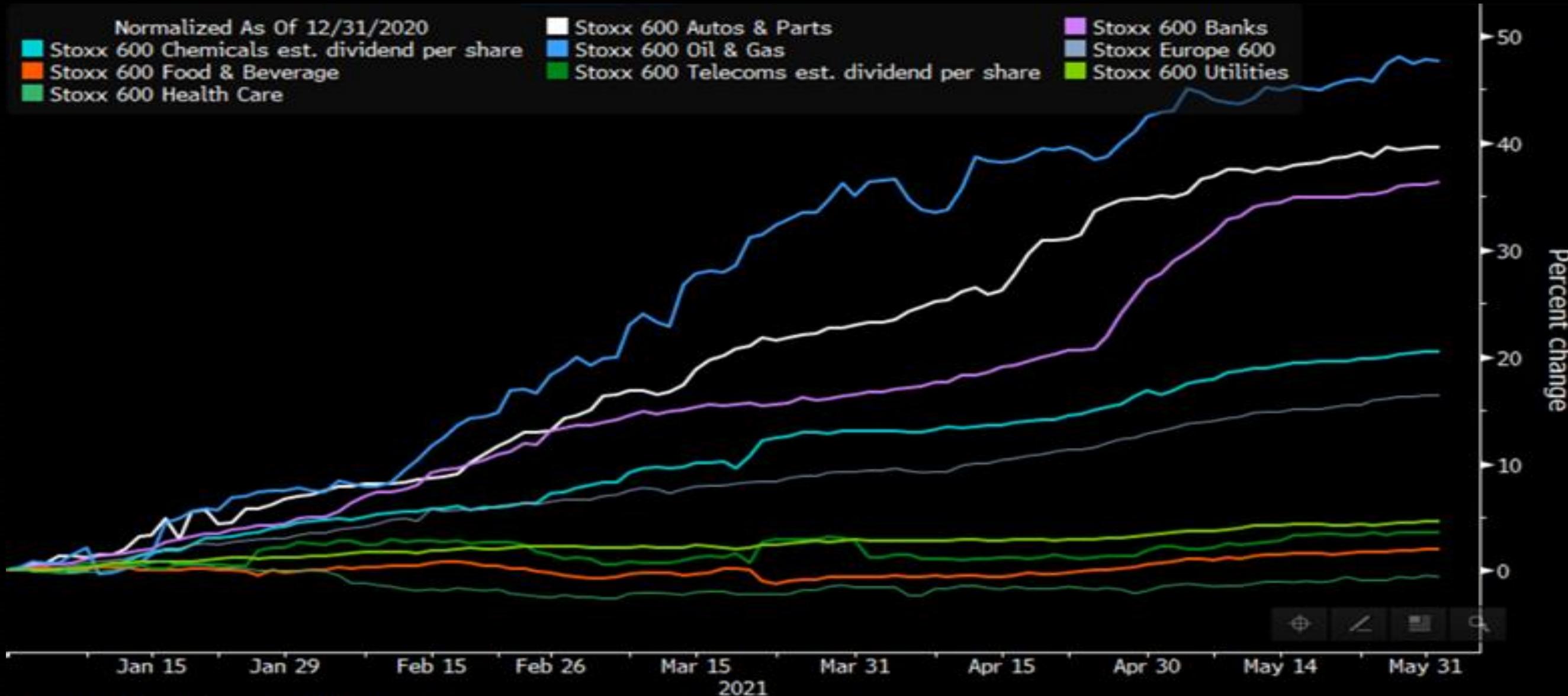
# Which European Sectors are Correlated With Inflation

1) Edit 2) Actions ▾ 3) Add Matrix Shortcut 4) Settings Correlation Matrices: Euro index vs SXXP sectors  
06/11/2011 - 06/11/2021 Quarterly Calculation Correlation Local CCY

<Filter>	EU PPI	EU CPI	SX7P	SXNP	SX8P	SX6P	SXIP	SXDP	SXAP	SX4P	SXPP	SXEP	SX3P
11) EUPPEM	1.000	0.491	0.307	0.212	0.156	-0.068	0.284	0.063	0.218	0.236	0.277	0.361	0.094
12) ECCPEM	0.491	1.000	0.299	0.032	0.034	-0.088	0.110	-0.023	0.115	0.017	0.121	0.296	-0.099
13) SX7P	0.307	0.299	1.000	0.804	0.709	0.586	0.913	0.370	0.834	0.747	0.717	0.663	0.454
14) SXNP	0.212	0.032	0.804	1.000	0.901	0.674	0.861	0.546	0.879	0.950	0.800	0.654	0.703
15) SX8P	0.156	0.034	0.709	0.901	1.000	0.614	0.783	0.512	0.818	0.868	0.679	0.451	0.619
16) SX6P	-0.068	-0.088	0.586	0.674	0.614	1.000	0.582	0.539	0.591	0.606	0.601	0.535	0.576
17) SXIP	0.284	0.110	0.913	0.861	0.783	0.582	1.000	0.494	0.889	0.853	0.650	0.625	0.604
18) SXDP	0.063	-0.023	0.370	0.546	0.512	0.539	0.494	1.000	0.353	0.591	0.280	0.445	0.738
19) SXAP	0.218	0.115	0.834	0.879	0.818	0.591	0.889	0.353	1.000	0.868	0.698	0.533	0.516
20) SX4P	0.236	0.017	0.747	0.950	0.868	0.606	0.853	0.591	0.868	1.000	0.743	0.603	0.684
21) SXPP	0.277	0.121	0.717	0.800	0.679	0.601	0.650	0.280	0.698	0.743	1.000	0.749	0.432
22) SXEP	0.361	0.296	0.663	0.654	0.451	0.535	0.625	0.445	0.533	0.603	0.749	1.000	0.548
23) SX3P	0.094	-0.099	0.454	0.703	0.619	0.576	0.604	0.738	0.516	0.684	0.432	0.548	1.000
24) SXQP	0.184	0.000	0.609	0.859	0.790	0.593	0.719	0.674	0.698	0.843	0.609	0.575	0.842

(Color Bands Based on Statistical Significance: Most Significant, Significant, Less Significant, Least Significant)  
Click on a security to view more options, or on a matrix value to view correlation and scatter charts.

# Earnings Cycle Driven by Cyclicals



# Still Some Earnings Upside Left

## SXXP Regression EPS Model

\*Numbers in Orange are changeable inputs

### Macro Model

	Scenario Analysis		
	Base	Bull	Bear
TTM EPS	<b>20.20</b>	<b>20.20</b>	<b>20.20</b>
BCOMIN index	160.0	170.0	125.0
EC Economic Sentiment (EUESEMU inde	110.0	115.0	100.0
10Y Yield	-0.25	0.00	-0.70
ECB Asset Purchase (EUR bn)	3,800	3,800	4,200
NTM EPS	<b>27.11</b>	<b>28.24</b>	<b>24.33</b>
NTM EPS Growth %	34%	40%	20%
Upside/(Downside) % Vs. Consensus	1.5%	5.8%	-8.9%

Sources: Bloomberg, Bloomberg Intelligence

# Plenty of Ammunition for Corporate Action

Euro Bn Stoxx 600	Net Debt to EBITDA				Extra Debt 2022	
	2019	2020	2021	2022	2019*	1x-3x**
Comm. Svcs	2.8	2.8	2.5	2.4	50	80
Cons. Discr.	0.6	0.7	0.3	0.2	79	187
Cons. Staples	2.4	2.2	2.0	1.8	89	110
Energy	1.1	2.1	1.1	0.9	50	27
Health Care	1.6	1.3	1.3	1.0	81	217
Industrials	1.5	2.0	1.5	1.1	78	81
Technology	0.5	0.7	0.3	-0.1	31	138
Materials	1.3	1.1	0.7	0.7	116	62
Utilities	3.3	3.3	3.2	3.3	0	-33
<b>Total</b>	<b>1.7</b>	<b>1.9</b>	<b>1.4</b>	<b>1.2</b>	<b>574</b>	<b>869</b>

Source: Bloomberg Intelligence, as of June 4th, 2021

Note: \* Assuming a Net Debt/EBITDA ratio similar to 2019

Note: \*\* Assuming a Net Debt/EBITDA ratio between 1x and 3x depending on the sector.

# Strong Currencies Have Mixed Impact on Equities



# 17x Forward P/E Inline With Our FV Model

## SXXP Regression Forward P/E Model

Numbers in Orange are changeable inputs

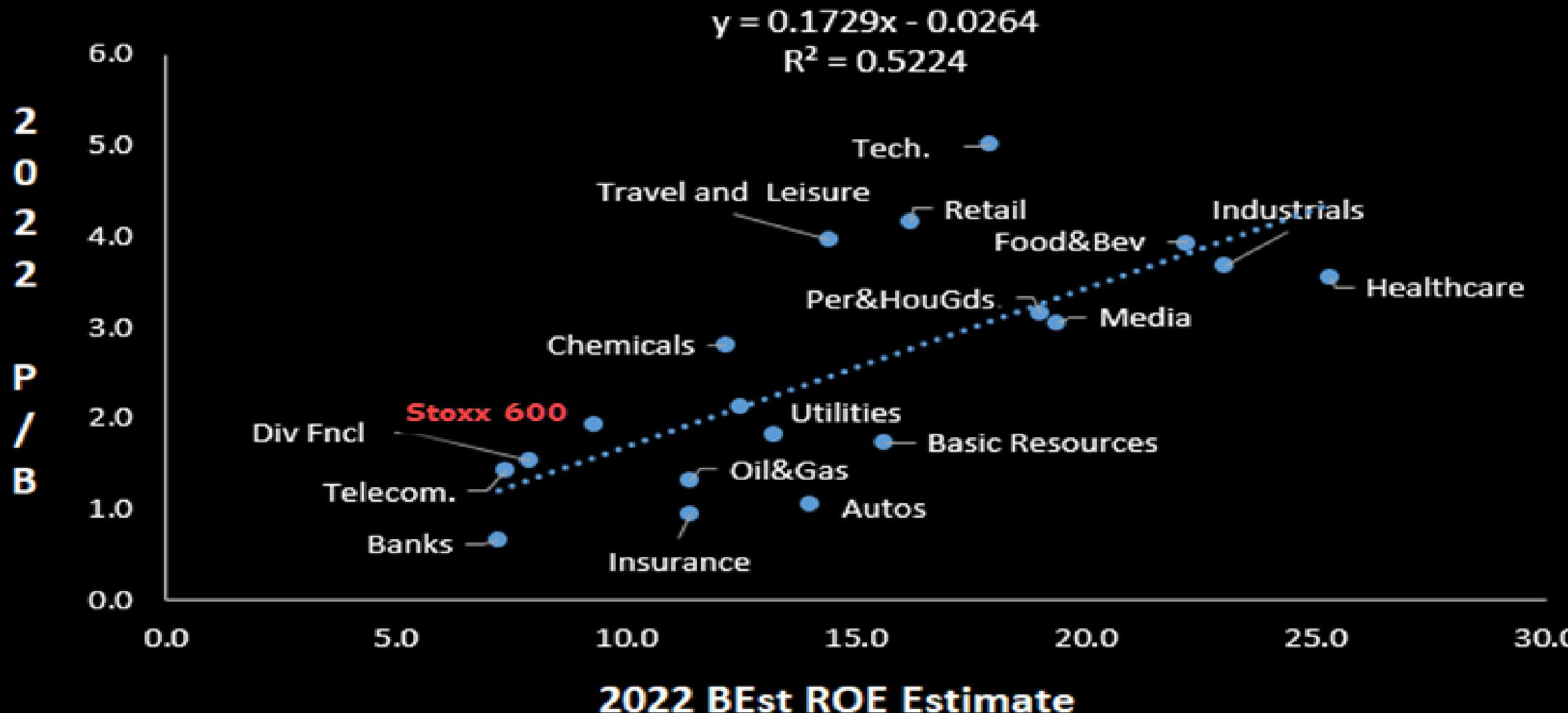
### Macro Model

	Base	Scenario Analysis	
		Bull	Stagflation
2Y Yield %	-0.50	-0.3	-1.0
2Y10Y Spread (bps)	60.0	100.0	0.0
BAA Spread (%)	0.70	0.50	1.50
NTM EPS Growth % *	11.0	15.0	-15.0
Estimated ERP %	6.5	6.0	8.7
Estimated NTM PE	16.7x	17.4x	13.0x

Sources: Bloomberg, Bloomberg Intelligence

\* Next Twelve Months EPS growth based on Bloomberg consensus

# Cyclicals Still Cheap



# Sector Scorecard: Cyclical Bias



Source: Bloomberg Intelligence, as of June 10th 2021

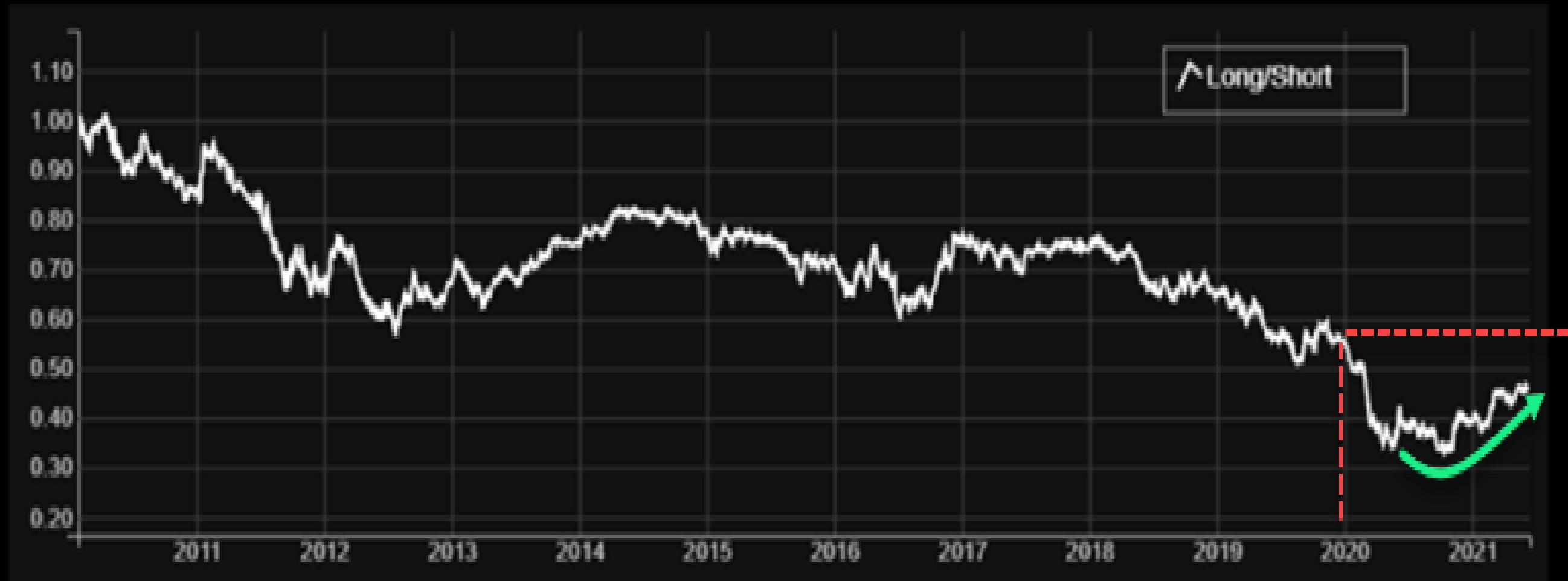
# European Factors: Value Leads; MOM, Growth Lag



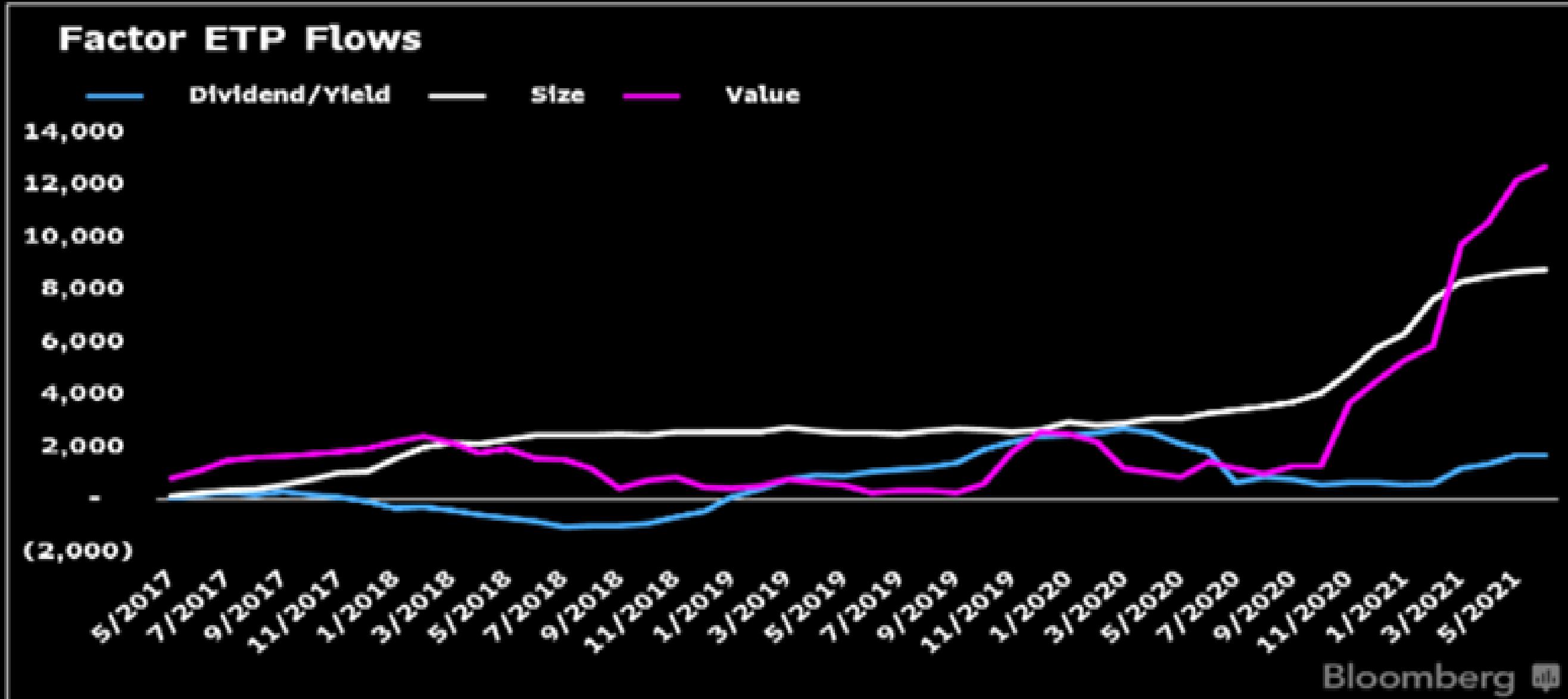
Net long-short return of equal weighted stocks in Q1/Q5. Values are negative if bottom 20% (Q5) outperforms top 20%(Q1)

# European Value Has More to Run

European Value Long/Short Portfolio



# EU ETF Flows: Value, Size in Vogue; DVD Yield Not



# Thank you

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## Global and U.S. Equity Strategy

- Gina Martin Adams, Chief Equity Strategist, [gmartinadam1@bloomberg.net](mailto:gmartinadam1@bloomberg.net)
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- Kaidi Meng, Associate Analyst, [kmeng15@bloomberg.net](mailto:kmeng15@bloomberg.net)

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35 UK ECO Surp	.78
36 UK Consumer ...	-16.00
37 EU 10 Yr Gvt B...	.34
38 IT 10 Yr Gvt B...	.55
39 EU High Yield	3.05
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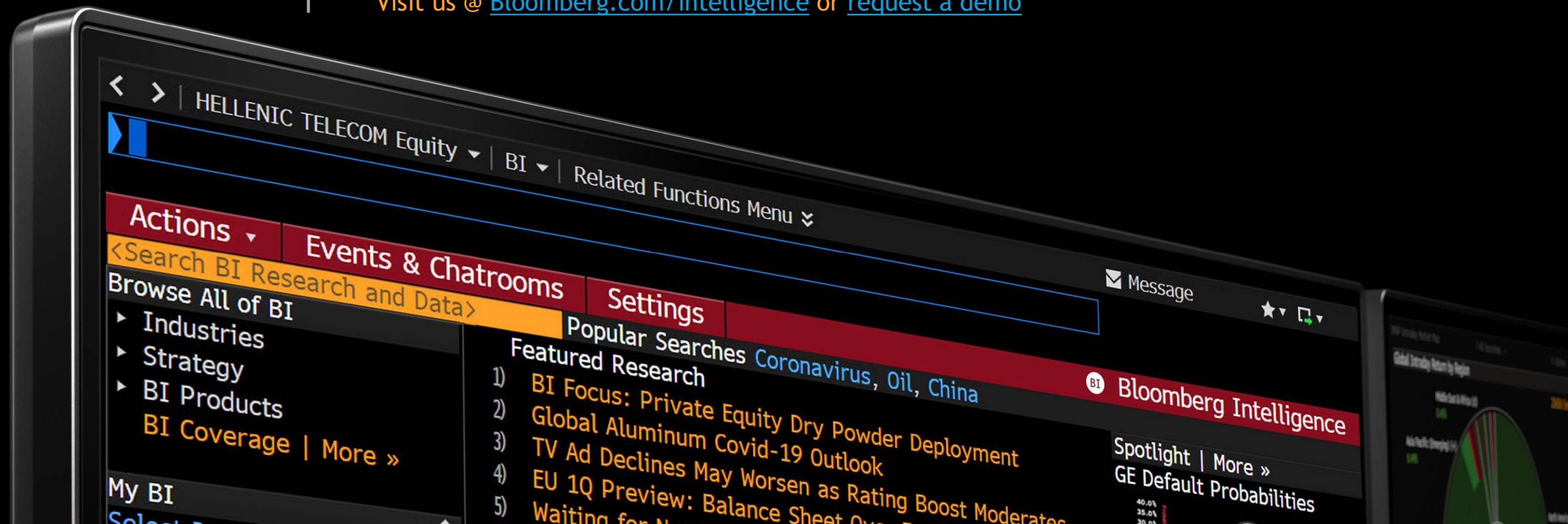
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