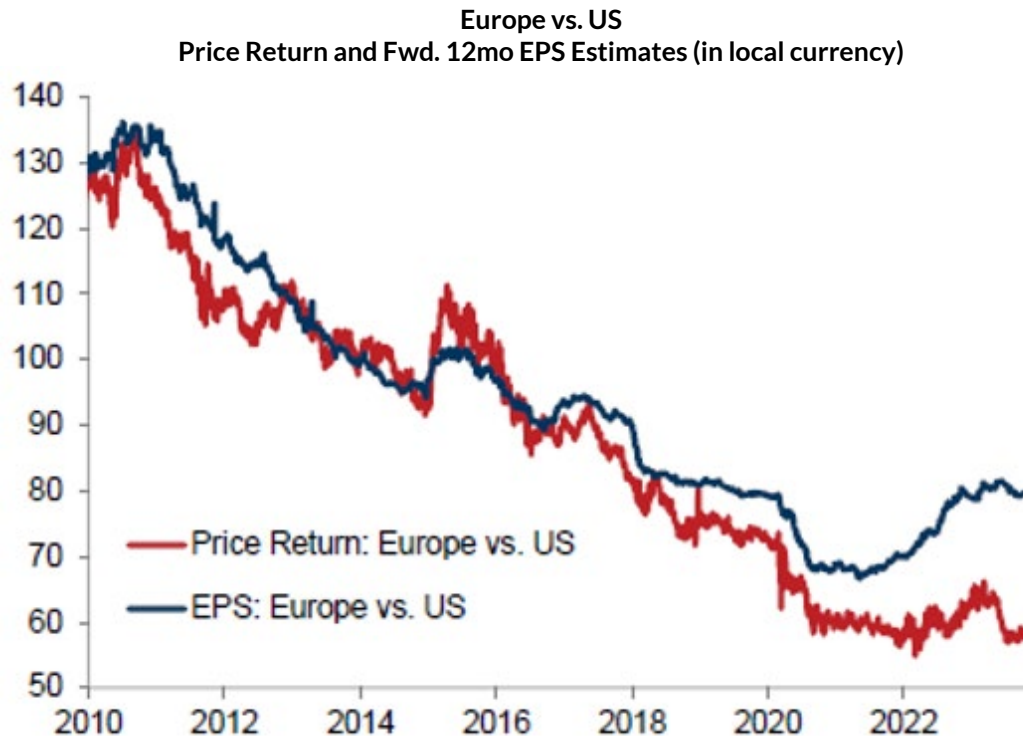


## Earnings are Making a EU-Turn



Source: Datastream, Stoxx, S&P, Goldman Sachs as of 10/30/2023

- It may come as a surprise that European stocks have actually held their own vs. the US market for the better part of the past 2 years. What is likely more underappreciated is the driver of this change in momentum... the **outperformance of European earnings.**
- At a very basic level, stock prices follow earnings over time. A durable inflection in fundamentals should be a meaningful catalyst and challenge the unrelenting outperformance US markets have enjoyed since the Great Financial Crisis. This shift is all the more interesting when considering the outsized effect the Magnificent 7 have had on US earnings growth and returns over the past few years.
- We've spilled plenty of ink over the years highlighting potential inflection points in US vs. international market performance. It will turn, when it turns. However fundamental inflections in earnings do warrant our attention. We've been more constructive on Europe than consensus as the earnings profile has dramatically improved.

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