

Europe 'Fed Model': Stock Valuations Remain Favorable in an Extremely Low Rate Environment

What is the Fed Model?

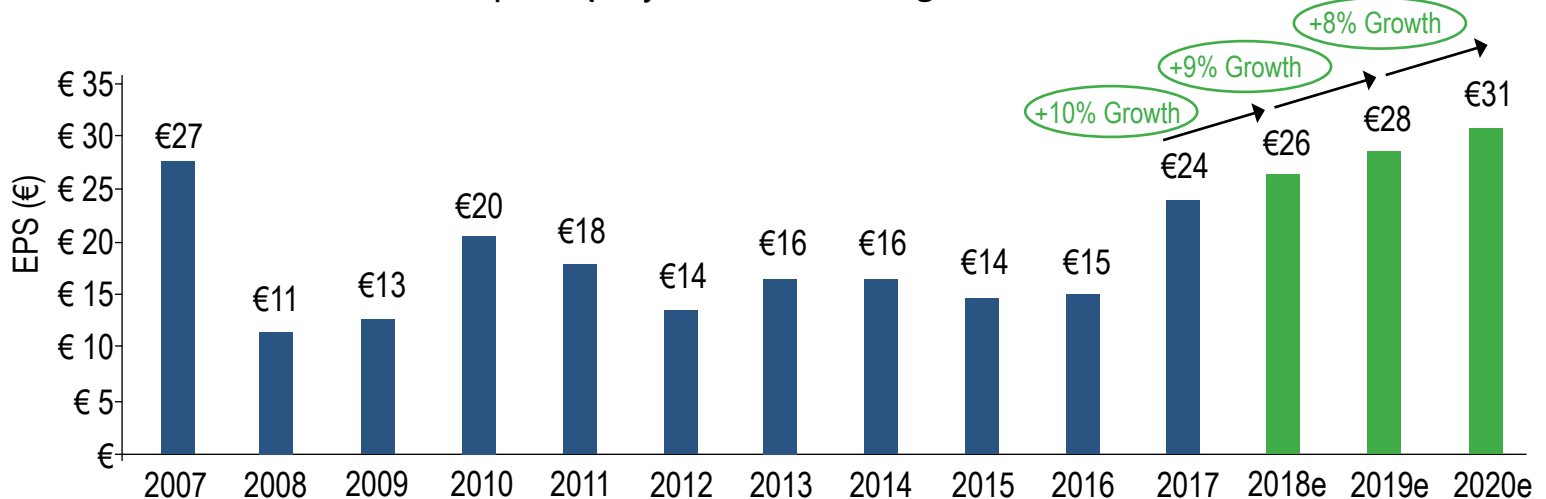
- The model compares the stock market earnings yield to long-term government bond yields.
- Stocks and bonds are considered fairly valued when the two yield measures are equal.
- Generally, when the earnings yield is significantly higher, stocks are considered attractive relative to bonds.
- German 10 year government bonds currently yield ~0.56% while European equities have an earnings yield of ~6.2%.

As a result European stocks appear attractive.

Europe 'Fed Model': Europe Equity Earnings Yield vs. Long-Term Government Bond Yield



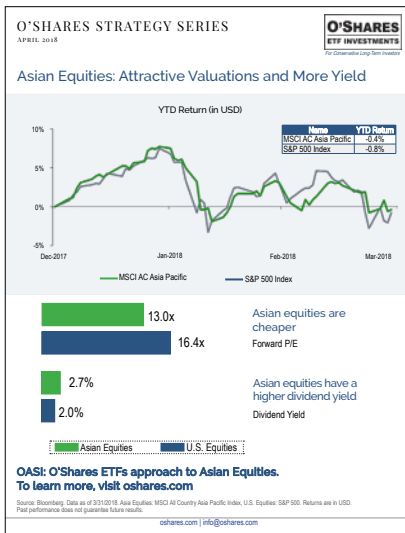
Europe Equity Index - Earnings Per Share



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Source: Bloomberg. Data as of 4/30/2018.

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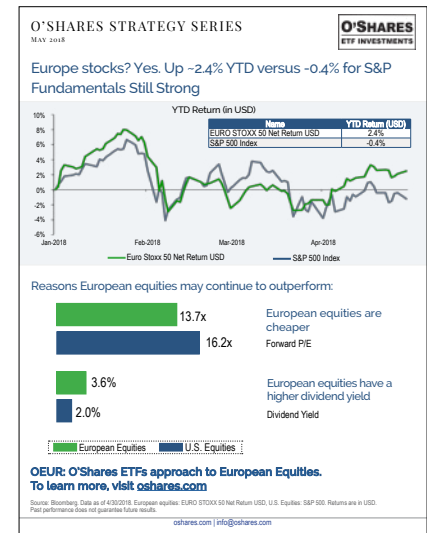
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