

## Sector Valuations: Europe vs. U.S.

Europe stocks have outperformed U.S. stocks month-to-date, having returned 4.07% vs. 1.99% for U.S. stocks. Euro and Pound are still cheap relative to their 10-year average.

Valuations vs. U.S. stocks are slightly cheap vs. the 5-year average. Top 3 most expensive sectors based on forward price to earnings ratio in Europe are Information Technology, Consumer Discretionary and Industrials while the 3 cheapest are Real Estate, Communication Services and Financials. Top 3 most expensive sectors based on forward price to earnings ratio in the U.S. are Energy, Real Estate and Consumer Discretionary while the 3 cheapest are Utilities, Health Care and Financials.

Europe Sectors	Forward P/E Ratio	5-Year Average Forward P/E Ratio	P/E Premium (Forward P/E Ratio vs. 5-Year Avg.)	U.S. Sectors	Forward P/E Ratio	5-Year Average Forward P/E Ratio	P/E Premium (Forward P/E Ratio vs. 5-Year Avg.)
Information Technology	27.8	19.8	1.40	Energy	108.5	42.4	2.56
Consumer Discretionary	24.0	13.2	1.82	Real Estate	45.5	39.0	1.17
Industrials	21.5	16.2	1.33	Consumer Discretionary	36.7	19.8	1.86
Energy	21.5	14.3	1.51	Information Technology	24.8	17.8	1.39
Consumer Staples	18.7	18.7	1.00	Industrials	23.6	16.8	1.41
Materials	18.5	15.0	1.23	<b>U.S.</b>	<b>21.6</b>	<b>17.0</b>	<b>1.27</b>
<b>Europe</b>	<b>17.7</b>	<b>14.4</b>	<b>1.23</b>	Materials	21.2	16.7	1.27
Health Care	17.3	16.1	1.07	Communication Services	20.0	14.0	1.43
Utilities	16.3	14.2	1.15	Consumer Staples	19.5	19.2	1.01
Real Estate	15.6	18.3	0.85	Utilities	17.2	17.4	0.99
Communication Services	14.7	15.3	0.96	Health Care	16.4	15.6	1.05
Financials	11.7	10.7	1.09	Financials	14.2	13.0	1.09

Source: Bloomberg Finance L.P. Data as of 06/30/2020

### Definitions:

**Europe:** MSCI Europe Net Total Return USD Index is a free-float weighted equity index designed to measure the equity market performance of the developed markets in Europe.

**U.S: S&P 500 Index:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization

**Forward price to earnings (P/E) ratio:** Ratio calculated by dividing the price of the security by the forward 12-month earnings per share estimate.

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