

**Bloomberg Intelligence**

# **2024 Global Equity Market Outlook**

# Bloomberg Intelligence

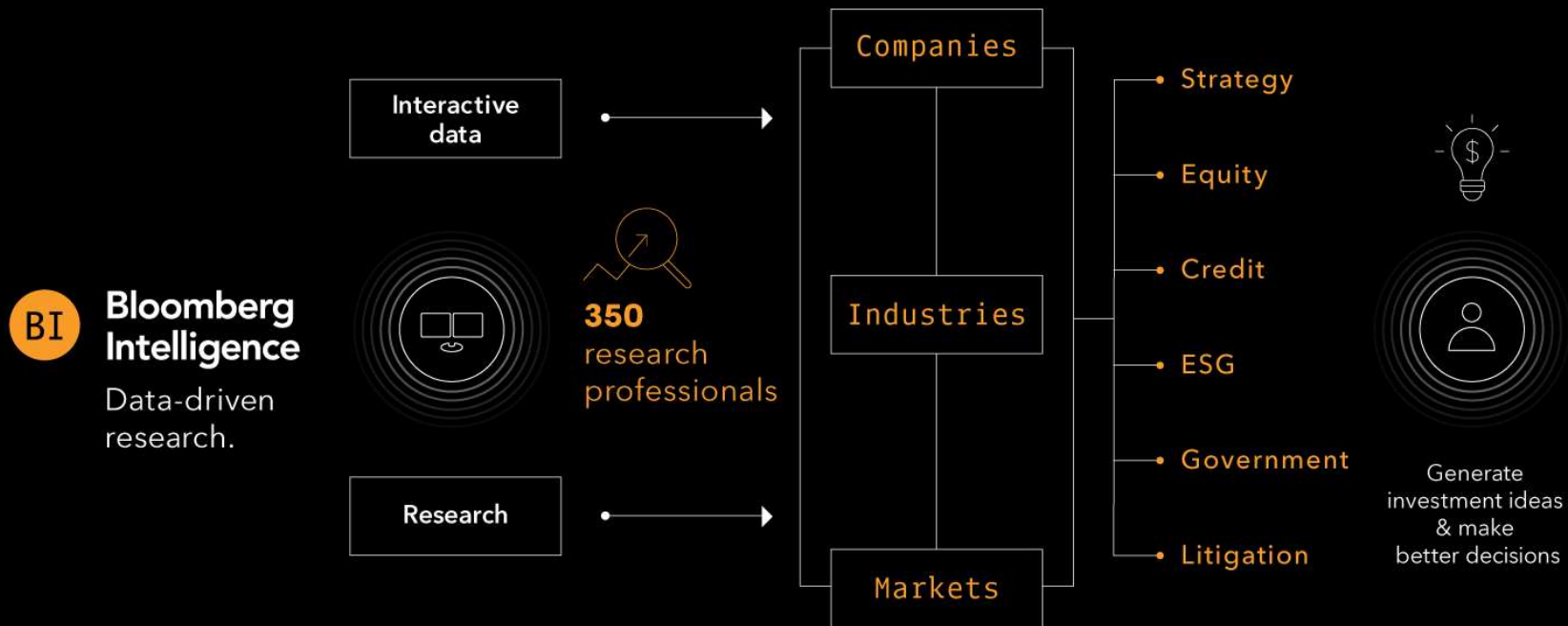
**500+**  
data contributors

**135+**  
industries

**2,000+**  
companies

**15yrs**  
avg. analyst experience

Bloomberg Intelligence (BI) research delivers an independent perspective providing interactive data and investment research on companies, industries and global markets. Our team of 350 research professionals help our clients make informed decisions in the rapidly moving investment landscape.



# Global Strategy

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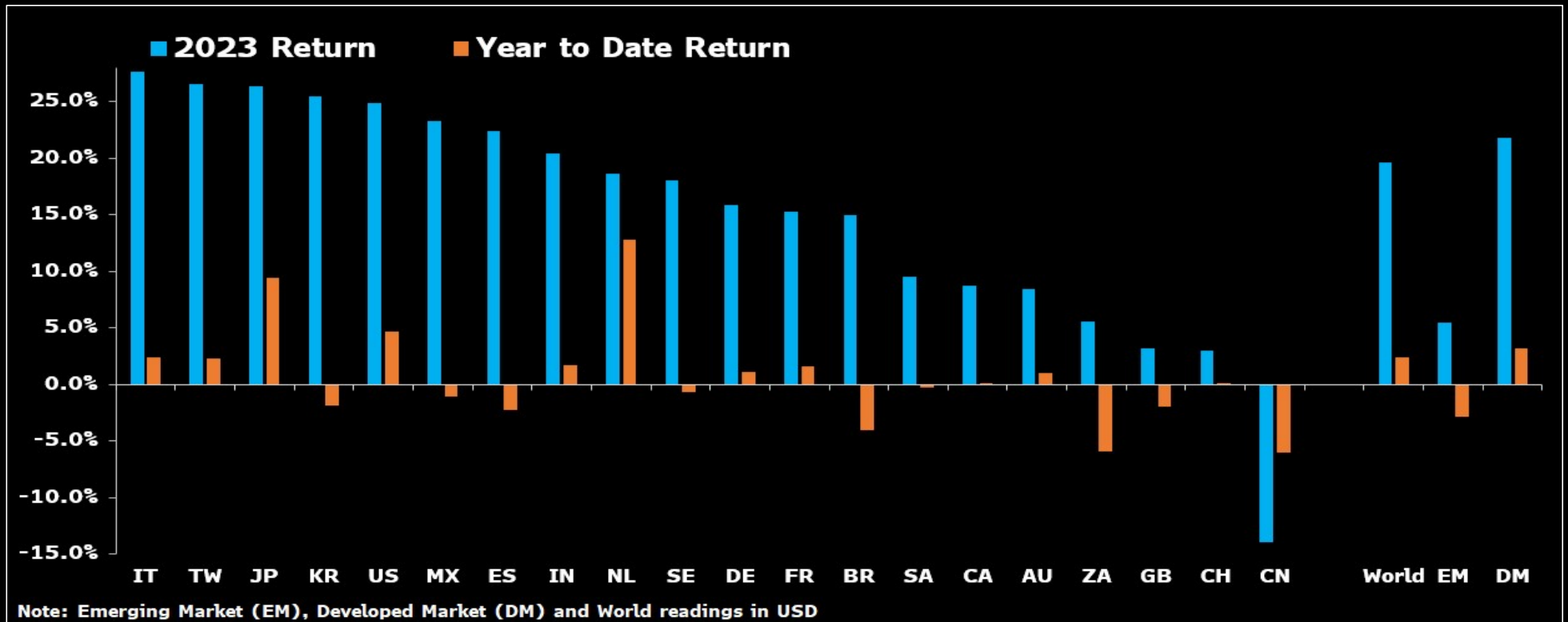
**Not Much Distinguished Leaders and Laggards in Major Regions in 2023 – Inflation Could be Key in 2024**

**Emerging Markets Narrowly Top the Crowd: ERC Portfolio Strategy for Emerging Markets**

**U.S. Could be a Story of Broadening as Cycle Turns**

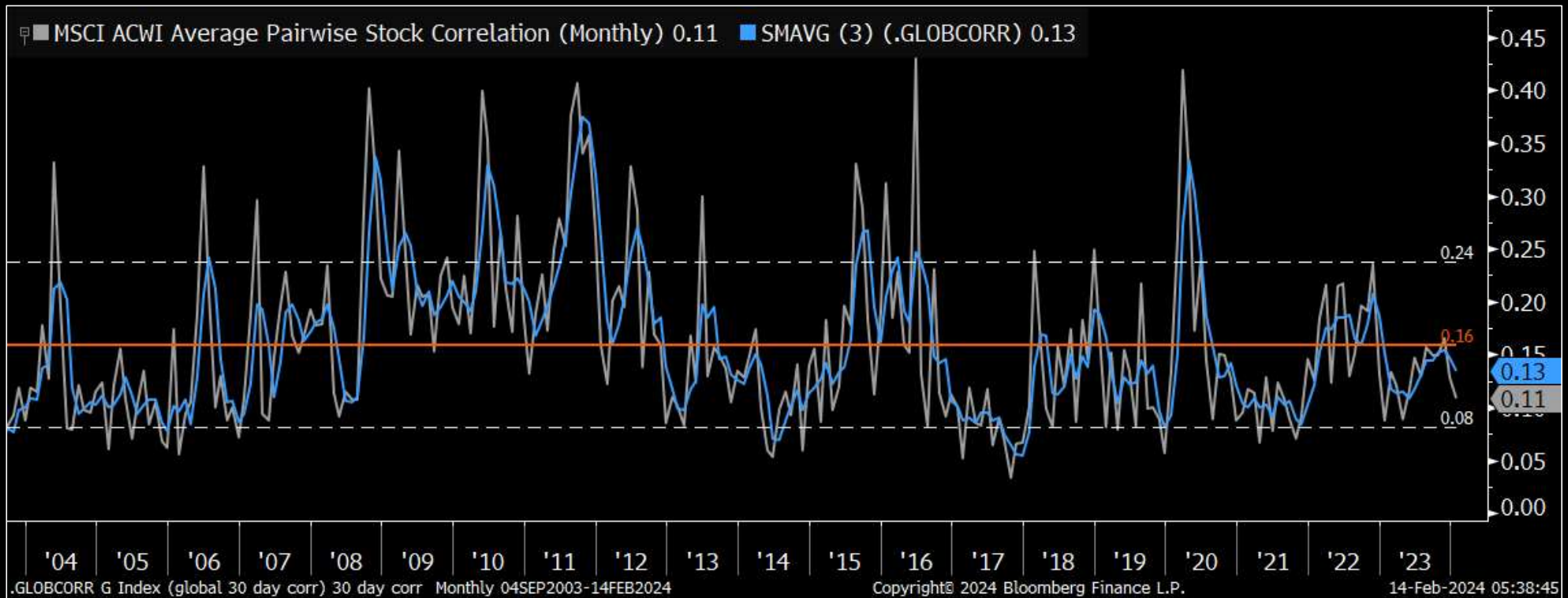
**Developed Markets – Commodities Propel Canada**

# 2023 Gains Were Very Broad Based



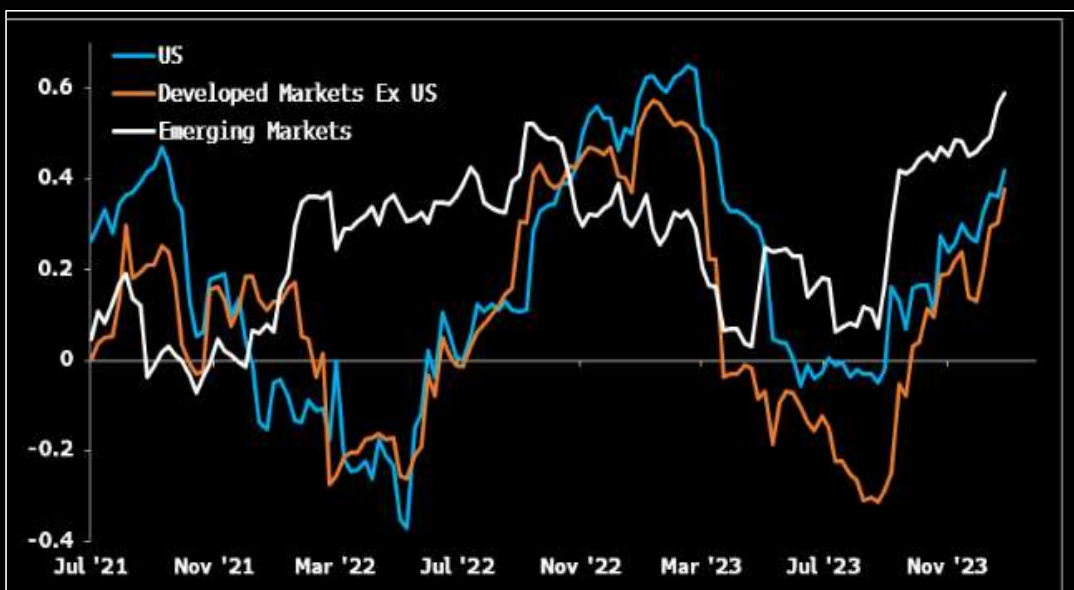
\* Source: Bloomberg Intelligence

# Pairwise Correlations Ended the Year at Average



# Markets Appear Singularly Focused on Yields

6 Month Correlation Forward P/E VS 1 Year Forward 1 Month Rate



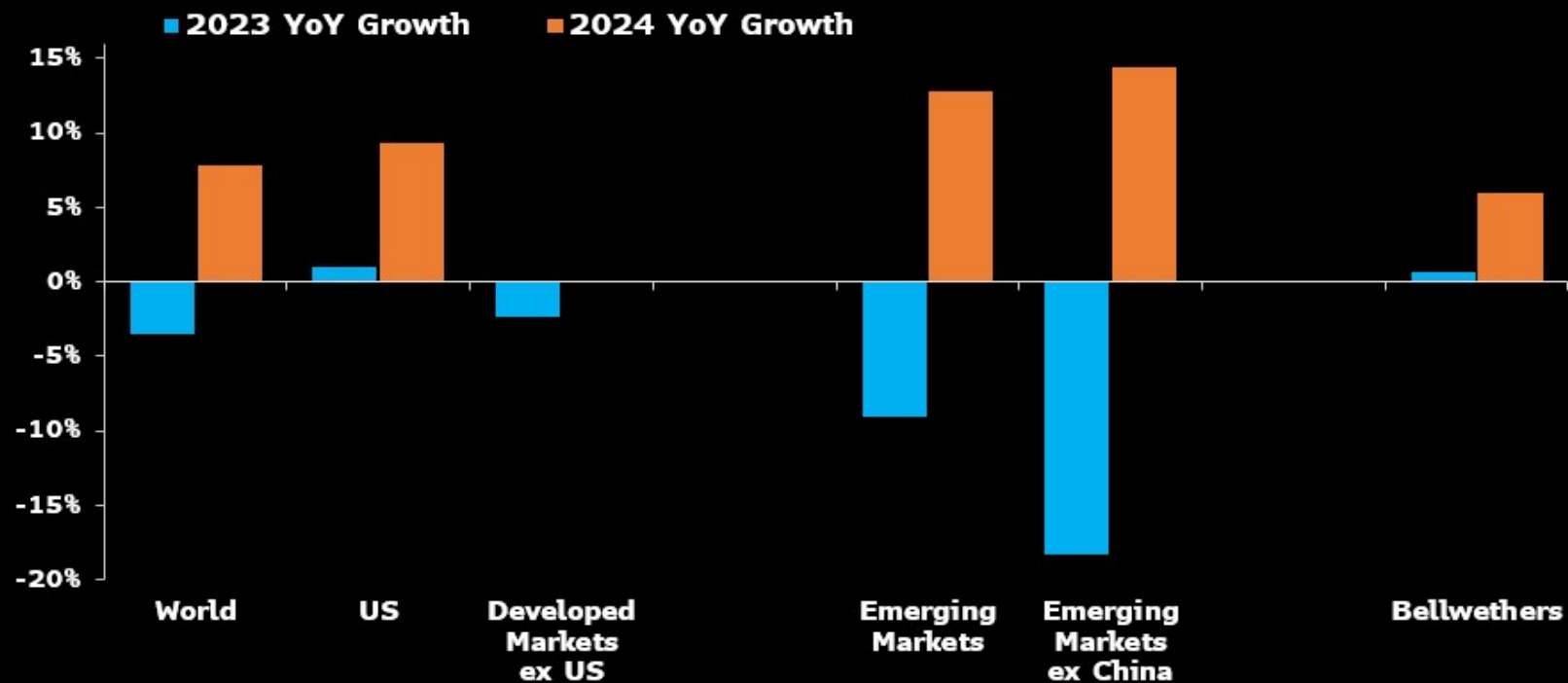
Note: Developed ex US rate expectations a weighted combination of 1 year forward 3 month rate in Japan, U.K. France, Switzerland, & Canada. Emerging market rate expectations a weighted combination of 1 year forward 3 month rate in China, India, Korea, Mexico, Brazil, & South Africa.

Correlations Forward P/E VS 1 Year Forward 3 Month Rate

Market	6/30/2023- Today	6/30/2020- 6/30/2023
South Africa	0.69	0.25
Australia	0.65	0.06
Korea	0.61	0.33
Brazil	0.55	0.39
Canada	0.54	0.12
UK	0.50	0.18
Netherlands	0.44	0.06
US	0.42	0.20
France	0.40	0.03
Germany	0.33	-0.13
Mexico	0.23	0.22
India	0.17	0.18
Switzerland	0.12	0.04
China	-0.32	-0.20
Japan	-0.37	-0.08

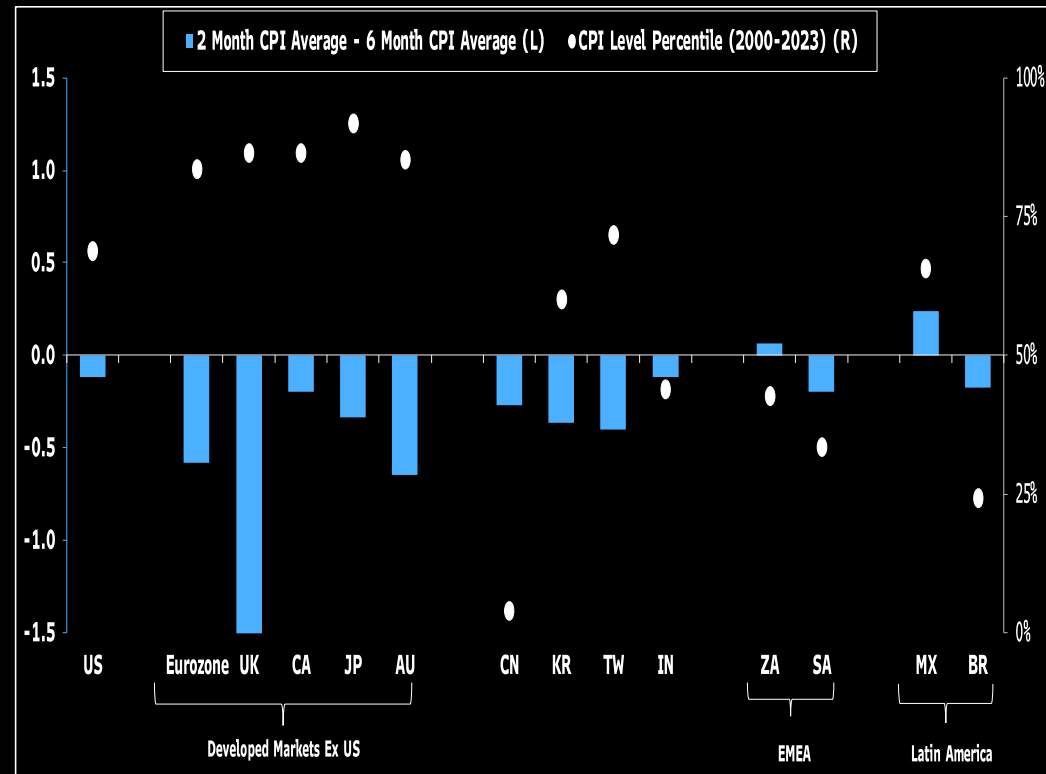
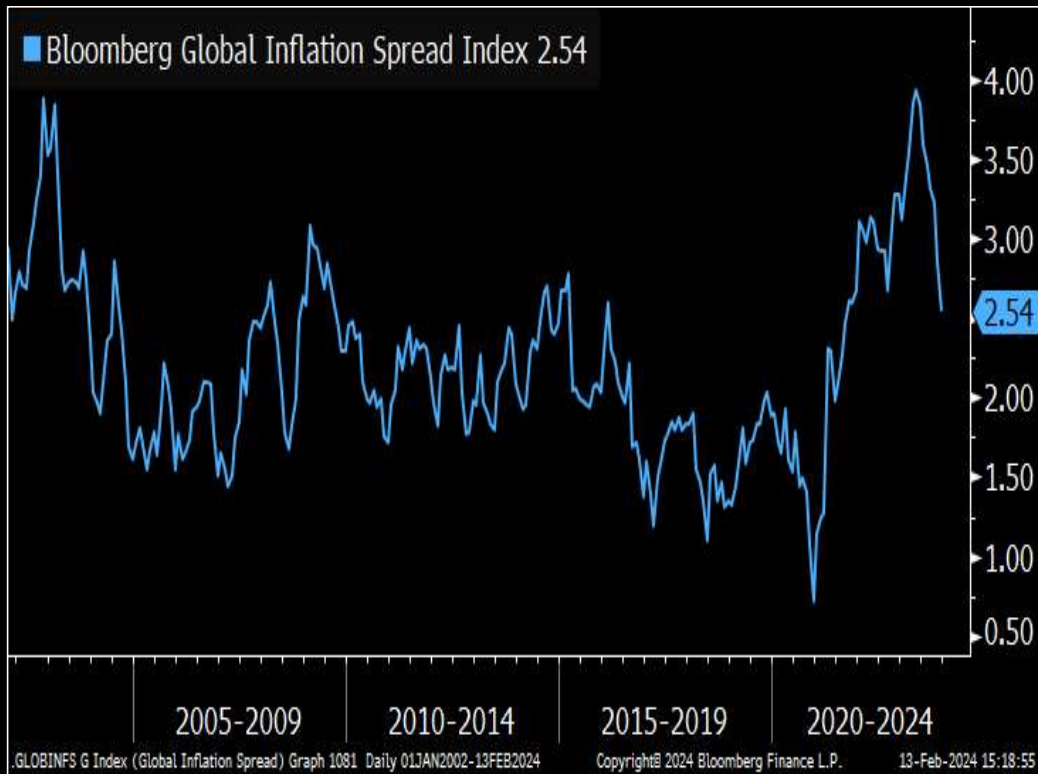
\* Source: Bloomberg Intelligence

# Consensus Forecasts Imply Broad Earnings Improvement



\* Source: Bloomberg Intelligence

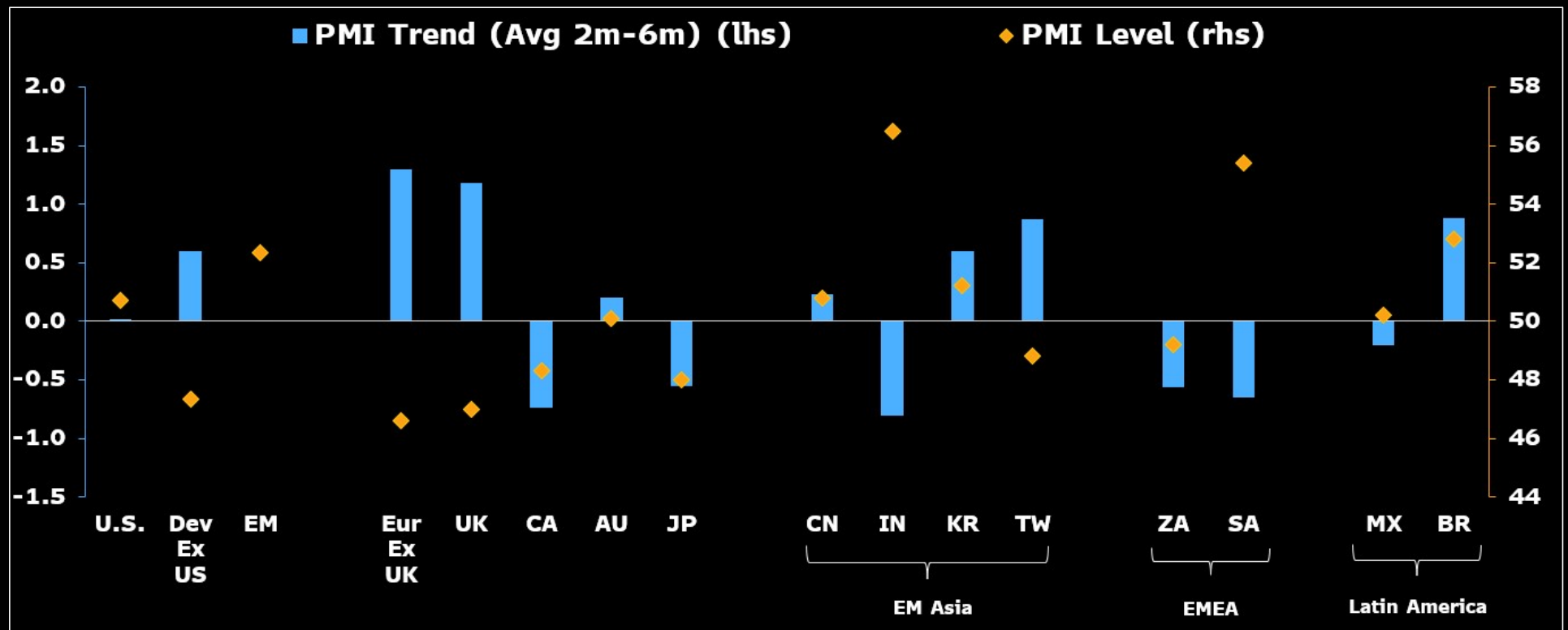
# Inflation Divergences Say its Not that Easy



\* Source: Bloomberg Intelligence

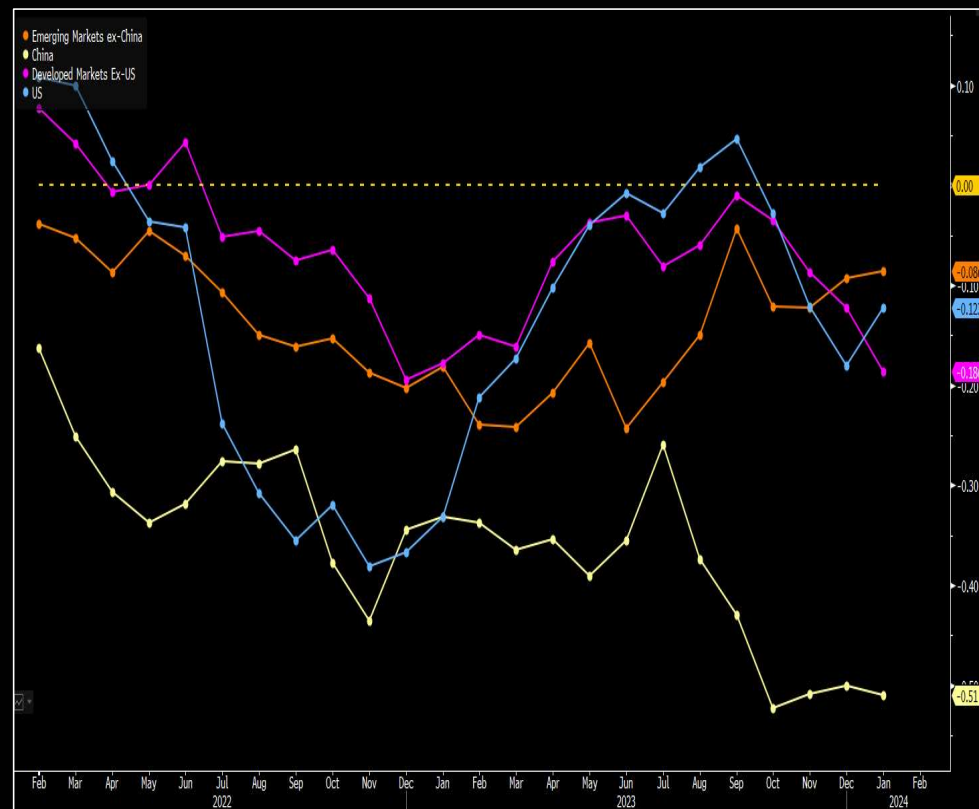
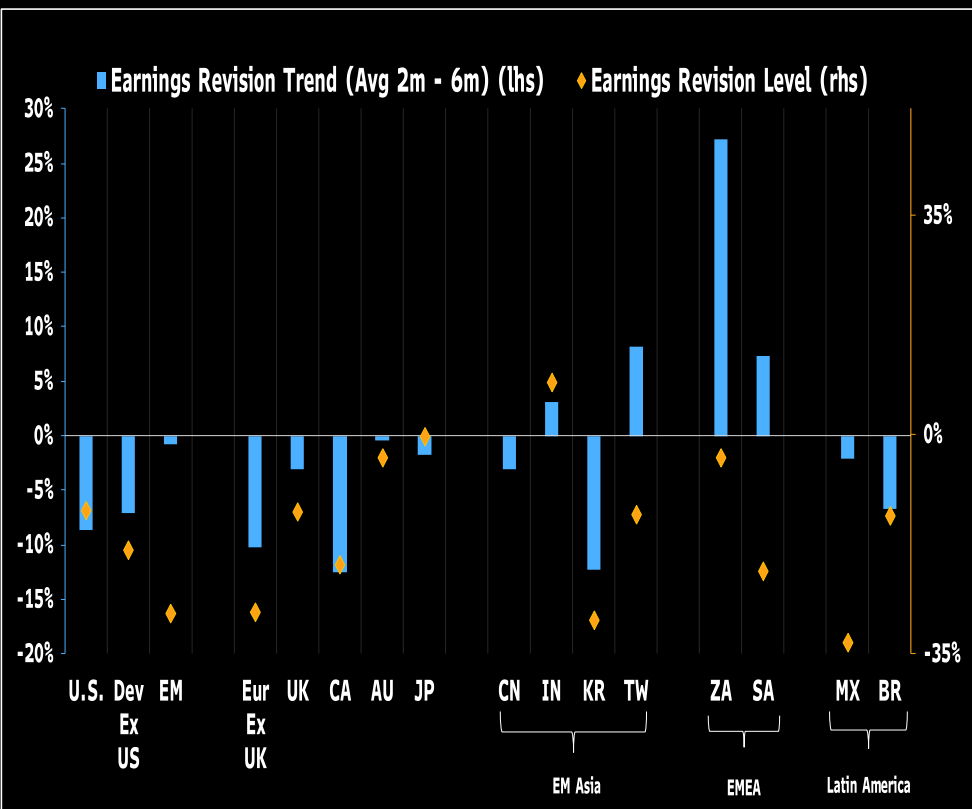


# Global PMIs Confirm Variation



\* Source: Bloomberg Intelligence

# Revisions are Weak in the Short Run



\* Source: Bloomberg Intelligence

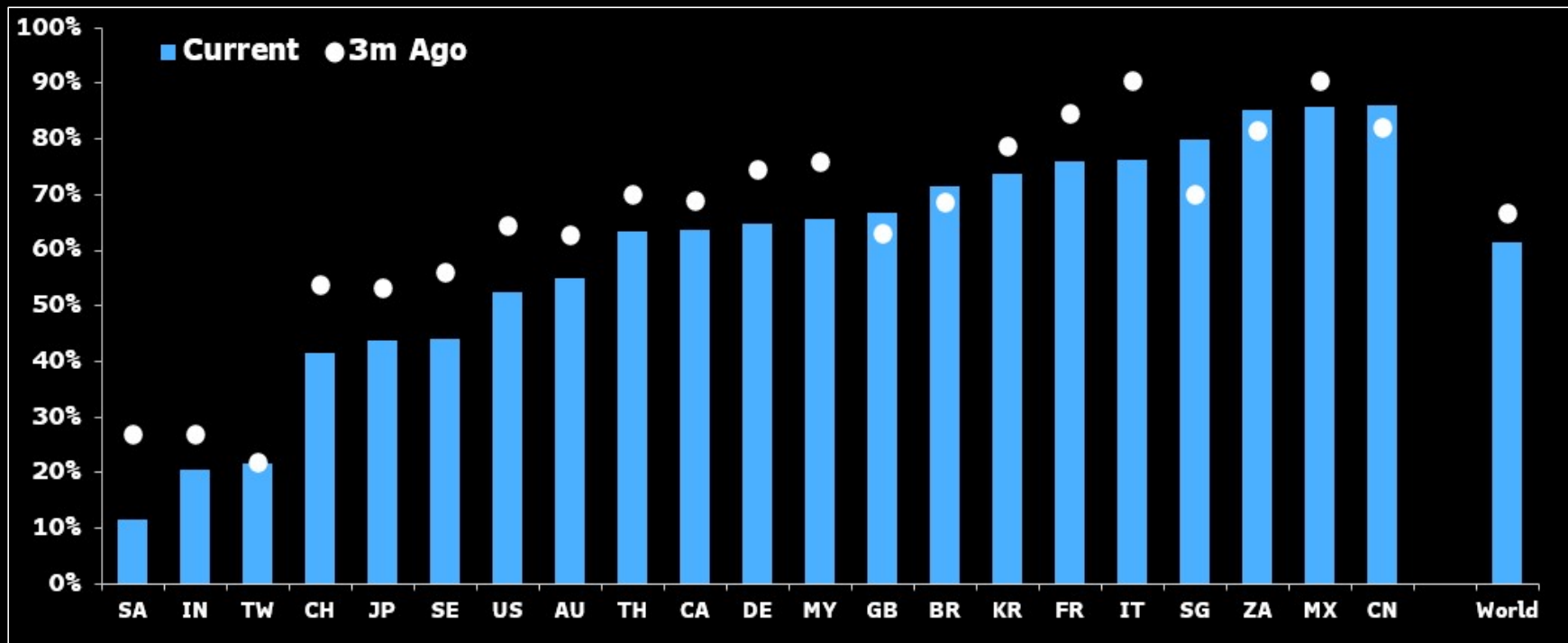
# Global Valuations Very Low Outside of the U.S.



\* Source: Bloomberg Intelligence

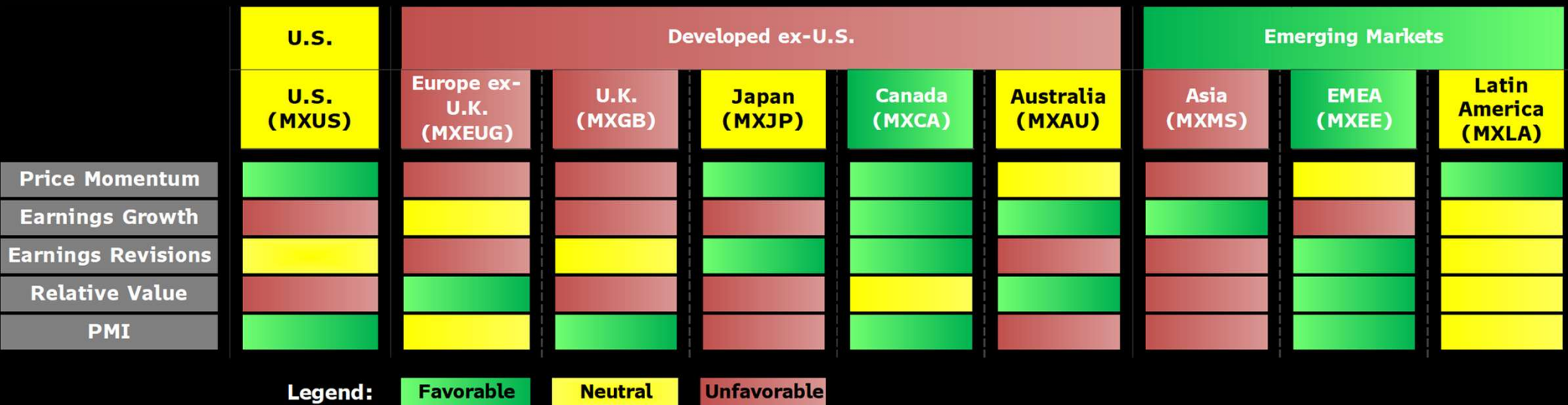
# Discounts are Still Relatively Widespread

% of Equities Trading Below Their Pre Pandemic Median Forward P/E



\* Source: Bloomberg Intelligence

# Global Scorecard Leans Into Emerging Markets



Bloomberg 

\* Source: Bloomberg Intelligence

# Returns Ranks (Local Currency) Each Year

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sweden	South Africa	India	Japan	India	Netherlands	Brazil	China	Brazil	Netherlands	Korea	Saudi Arabia	India	Italy
Korea	U.S.	Germany	U.S.	South Africa	Italy	Canada	India	Saudi Arabia	U.S.	China	Netherlands	U.K.	Taiwan
Mexico	Mexico	Mexico	Saudi Arabia	Taiwan	France	U.K.	Korea	India	Taiwan	Taiwan	Sweden	South Africa	Japan
South Africa	U.K.	South Africa	Germany	U.S.	Japan	Taiwan	South Africa	Australia	Brazil	U.S.	France	Australia	Korea
India	Switzerland	Japan	Switzerland	Switzerland	Germany	Korea	Brazil	U.S.	Switzerland	India	India	Spain	U.S.
Germany	Saudi Arabia	Netherlands	Netherlands	Sweden	Mexico	U.S.	U.S.	Taiwan	France	Netherlands	U.S.	Brazil	Mexico
Canada	Canada	China	Sweden	Canada	India	Netherlands	Japan	Sweden	Italy	Sweden	Taiwan	Japan	Spain
U.S.	Korea	France	France	Japan	Sweden	Saudi Arabia	Taiwan	Switzerland	Sweden	Japan	Canada	Saudi Arabia	India
Saudi Arabia	Australia	Australia	Spain	China	U.S.	Australia	Switzerland	France	China	Mexico	Switzerland	Canada	Netherlands
U.K.	Spain	Switzerland	Australia	Netherlands	Korea	Sweden	Netherlands	Canada	Germany	Brazil	Italy	France	Sweden

\* Source: Bloomberg Intelligence

# Sharpe Ranks (Local Currency) Each Year

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Korea	South Africa	Mexico	U.S.	India	Netherlands	Canada	China	Saudi Arabia	Switzerland	China	Saudi Arabia	India	India
Mexico	U.S.	India	Saudi Arabia	Taiwan	France	Brazil	India	Brazil	U.S.	Taiwan	Canada	U.K.	U.S.
Sweden	Mexico	South Africa	Japan	U.S.	Japan	U.K.	U.S.	India	Canada	Korea	Sweden	South Africa	Taiwan
India	U.K.	Germany	Switzerland	Switzerland	Italy	Taiwan	Korea	U.S.	Netherlands	U.S.	France	Australia	Japan
South Africa	Switzerland	Australia	Sweden	South Africa	Germany	Korea	South Africa	Taiwan	Taiwan	India	Switzerland	Brazil	Italy
Canada	Saudi Arabia	Switzerland	Germany	Canada	Mexico	U.S.	Taiwan	Australia	France	Netherlands	Netherlands	Spain	Mexico
U.S.	Korea	Japan	Netherlands	Sweden	India	Australia	Japan	Sweden	Sweden	Sweden	U.S.	Japan	Spain
Germany	Spain	U.S.	Australia	Japan	Sweden	Netherlands	Switzerland	South Africa	Italy	Japan	India	Saudi Arabia	Korea
Saudi Arabia	Sweden	Netherlands	U.K.	Netherlands	U.S.	Mexico	Netherlands	Switzerland	Australia	Mexico	Mexico	France	Germany
U.K.	France	China	France	China	Switzerland	Saudi Arabia	Brazil	France	Brazil	Brazil	Taiwan	Canada	France

\* Source: Bloomberg Intelligence

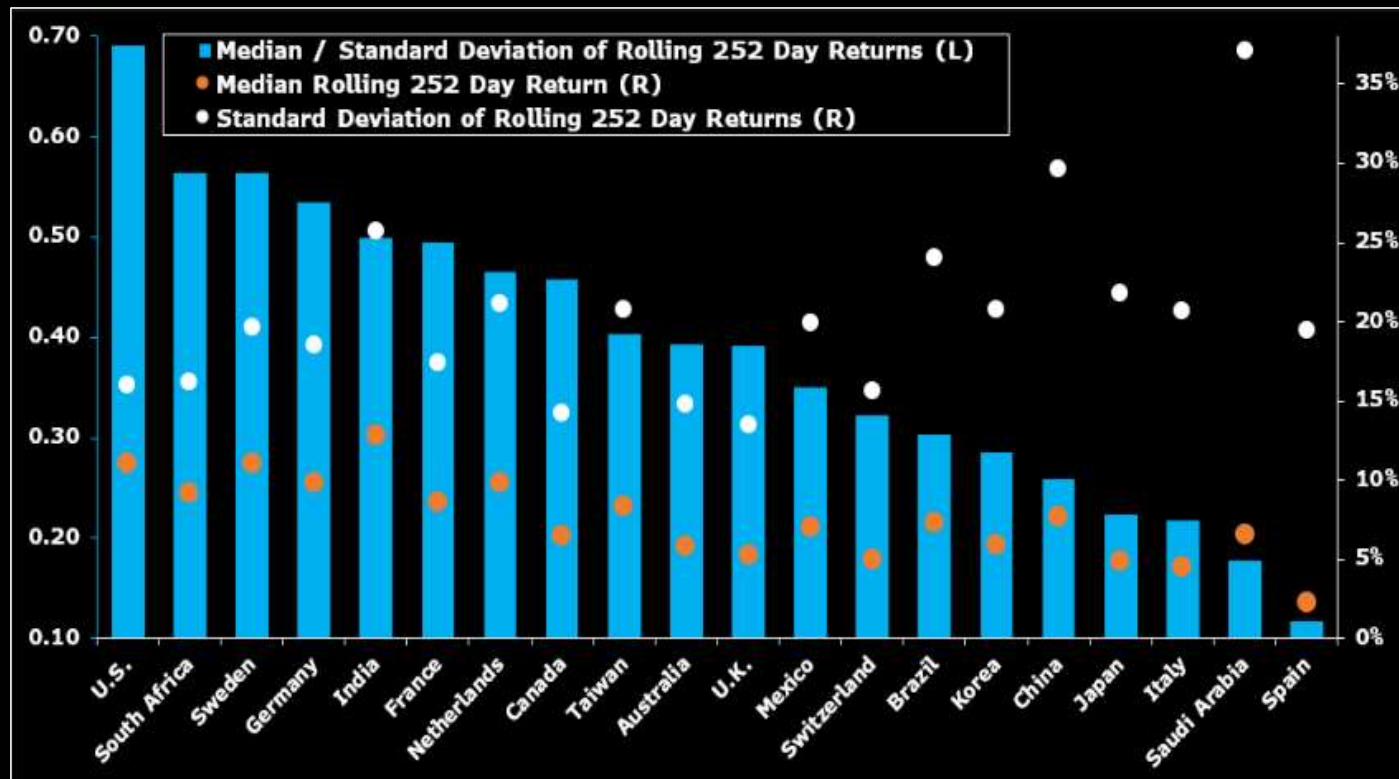
## Rankings Based on Rolling 252-Trading-Day Periods

	% of Periods Ranked First	% of Periods Ranked Last	Median Rank (of 20)
<b>Saudi Arabia</b>	19.0%	20.7%	11
<b>China</b>	15.5%	12.0%	11
<b>India</b>	13.0%	1.2%	5
<b>Brazil</b>	9.8%	8.0%	10
<b>Japan</b>	7.4%	9.2%	12
<b>Mexico</b>	7.2%	4.9%	7
<b>South Africa</b>	5.1%	3.6%	7
<b>Italy</b>	3.6%	9.2%	15
<b>Korea</b>	3.5%	4.1%	9
<b>Taiwan</b>	3.3%	4.0%	11
<b>Netherlands</b>	3.3%	1.4%	10
<b>U.S.</b>	1.8%	1.8%	8
<b>Sweden</b>	1.6%	2.9%	9
<b>Switzerland</b>	1.4%	1.3%	12
<b>Germany</b>	1.2%	0.5%	12
<b>Spain</b>	1.1%	12.2%	14
<b>France</b>	0.9%	0.0%	11
<b>U.K.</b>	0.4%	2.3%	13
<b>Australia</b>	0.4%	0.3%	12
<b>Canada</b>	0.3%	0.6%	11

\* Source: Bloomberg Intelligence



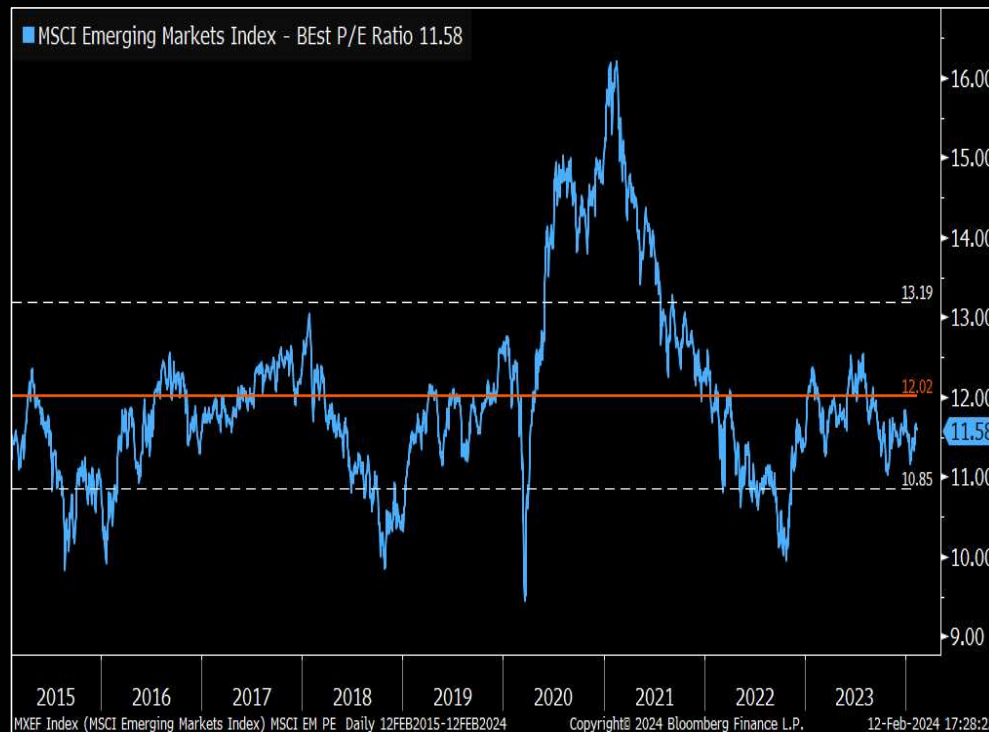
# Median Rolling 252 Day Returns Adjusted by Volatility



\* Source: Bloomberg Intelligence

# Emerging Market Valuations Reflect China Discount

## Emerging Markets

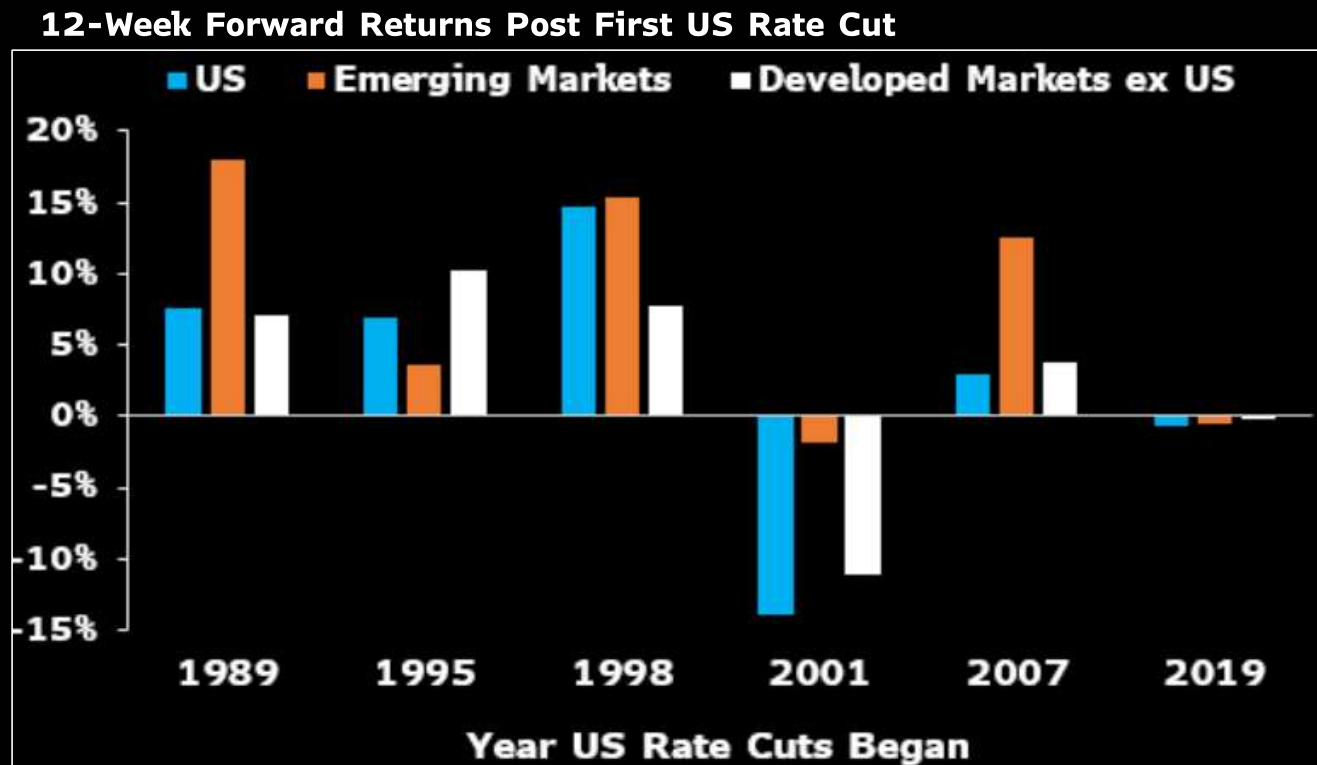


## Emerging Markets ex China



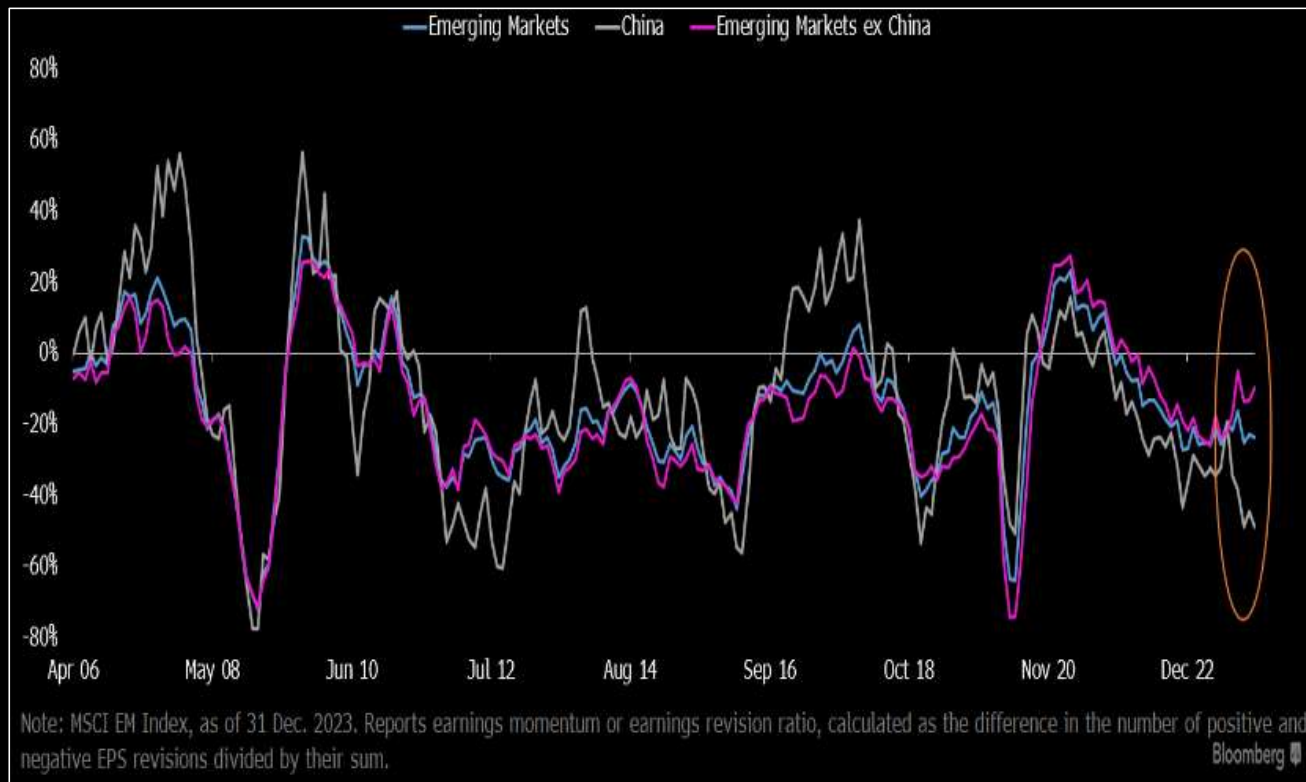
\* Source: Bloomberg Intelligence

# Emerging Markets Usually Do Best in Fed Easing Cycles



\* Source: Bloomberg Intelligence

# Emerging Market Estimate Revisions

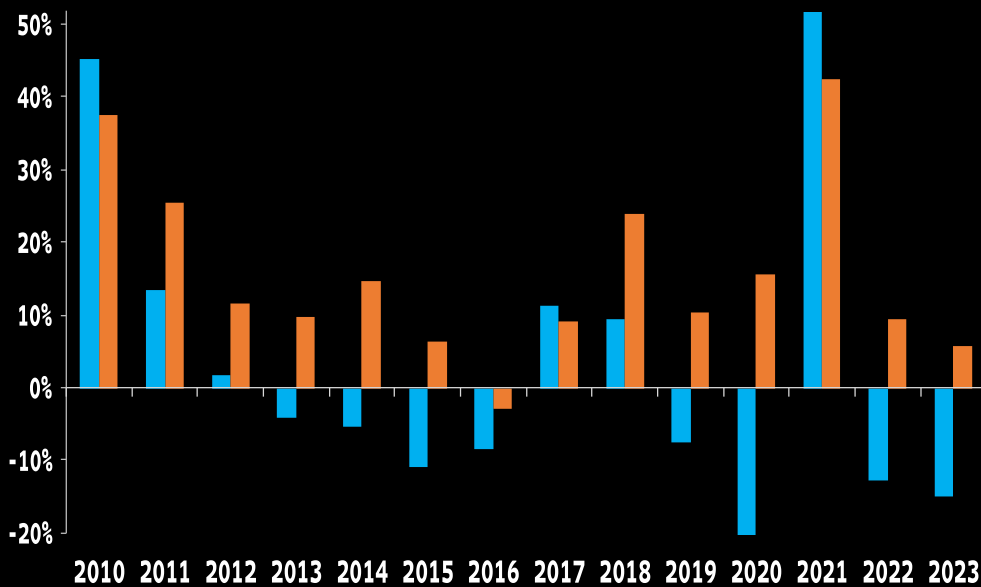


\* Source: Bloomberg Intelligence

# Analysts are Usually Too Optimistic

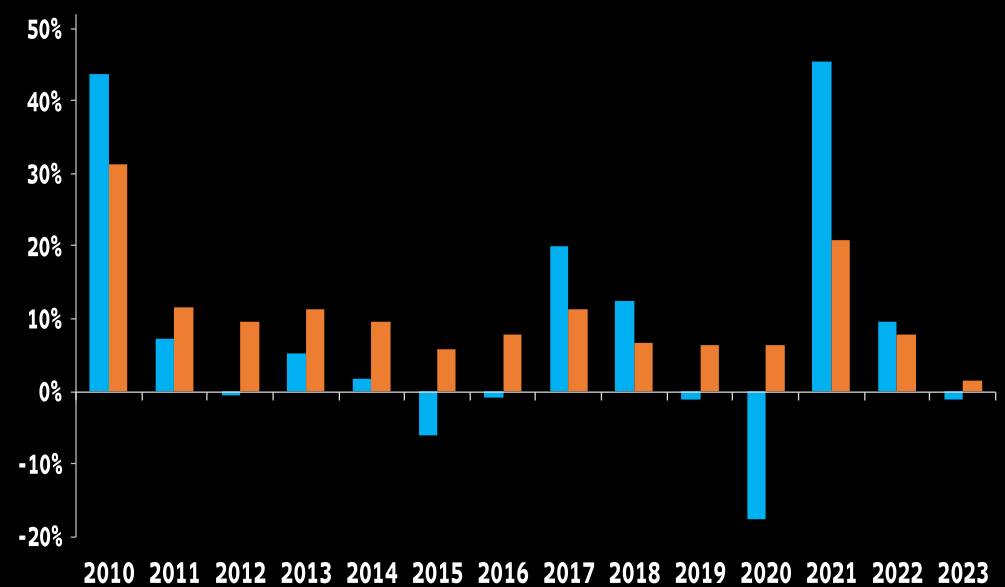
## MSCI Emerging Markets EPS Growth Estimates VS Actuals

■ Actual EPS Growth ■ Estimated EPS Growth



## MSCI Developed Markets EPS Growth Estimates VS Actuals

■ Actual EPS Growth ■ Estimated EPS Growth



\* Source: Bloomberg Intelligence

# China Fair Value Model Shows Upside in Macro

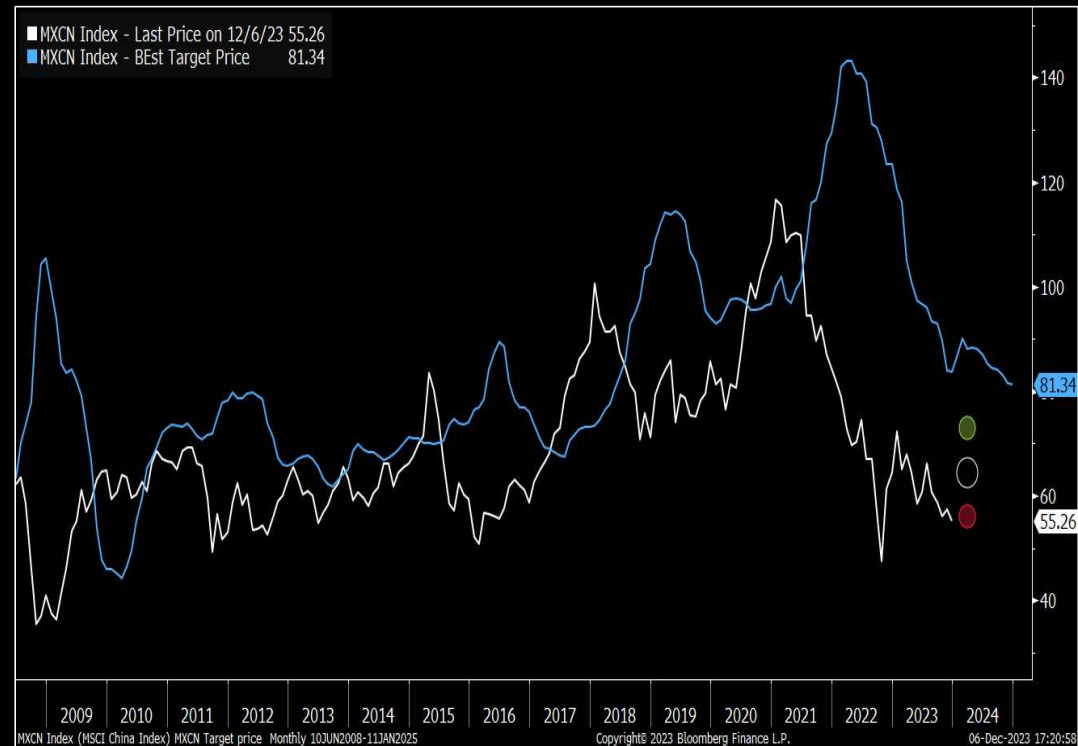
## MSCI China Regression Model

\*Numbers in Orange are changeable inputs

Macro Model			
	PE	EPS	
UST 2Y Yield	3.71	4.94	TTM EPS**
UST 10s2s	-0.11	4.80	Real GDP growth (%)
BAA Spread	2.00	3.00	CNY appreciation (%)
NTM EPS Growth*	10.00	0.20	Avg PMI Chg (pts)
		1.00	Avg Producer Price inflation (%)
Estimated S&P 500 ERP	1.426	10.89	NTM % Growth
China country risk premium	3.50		
Estimated PE	11.6x	5.47	NTM EPS Integer
Fair Value Estimate	63.38		

\* S&P 500 Estimated 12M growth 12M Forward

Sources: Bloomberg Intelligence



\* Source: Bloomberg Intelligence

# Low MSCI China Forward P/E, Even in New Normal



\* Source: Bloomberg Intelligence

# BI ERC Portfolio for EM: Long-Term Performance



\* Source: Bloomberg Intelligence



# US: A Story of Broadening in Early Cycle?

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## U.S. Macro Overview:

Is U.S. Recession Coming or Going?

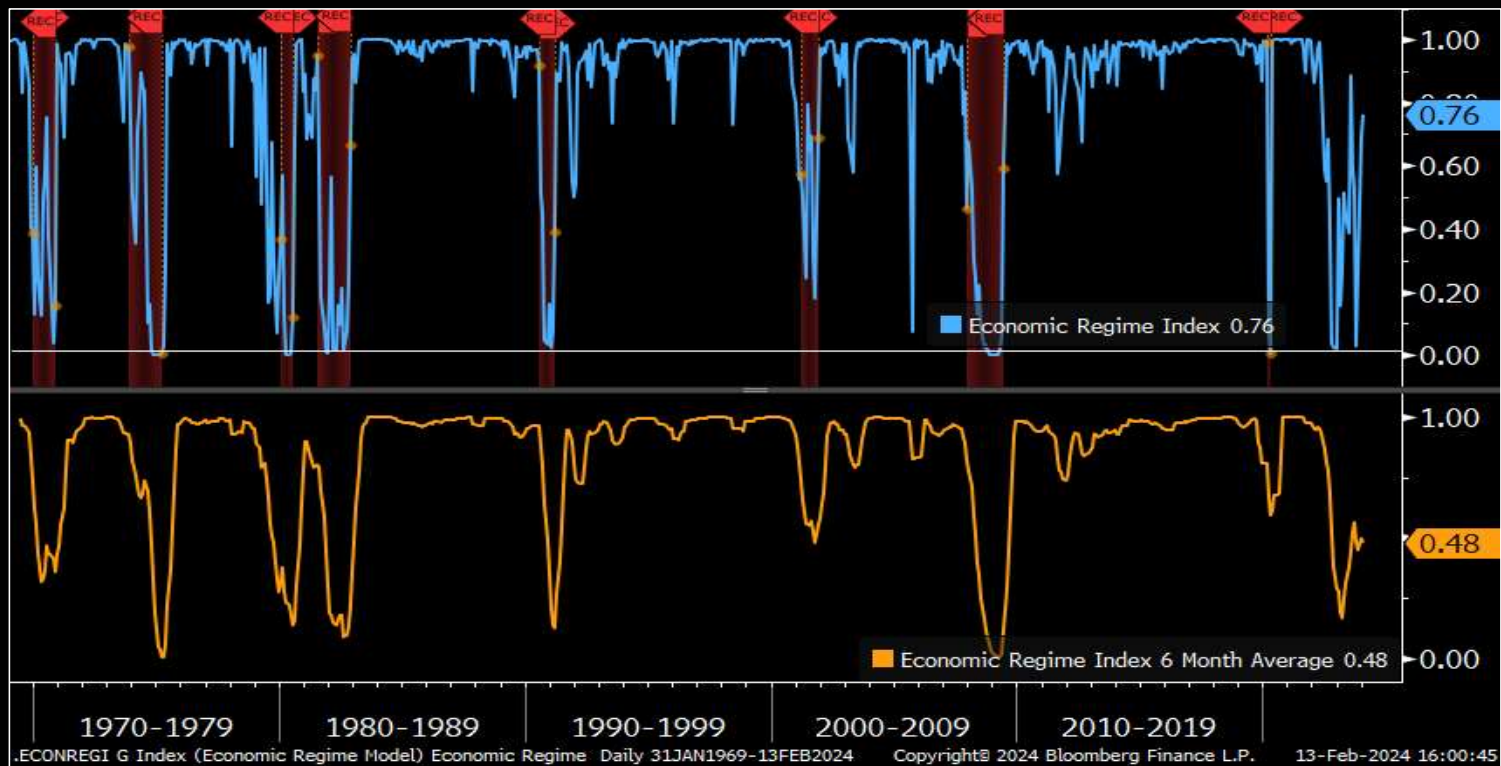
## Checklist: Earnings Vs Economy

Earnings Recovery, Fed Ease without Inflation Reacceleration are Keys to 2024

## Portfolio Strategies for the Current Climate:

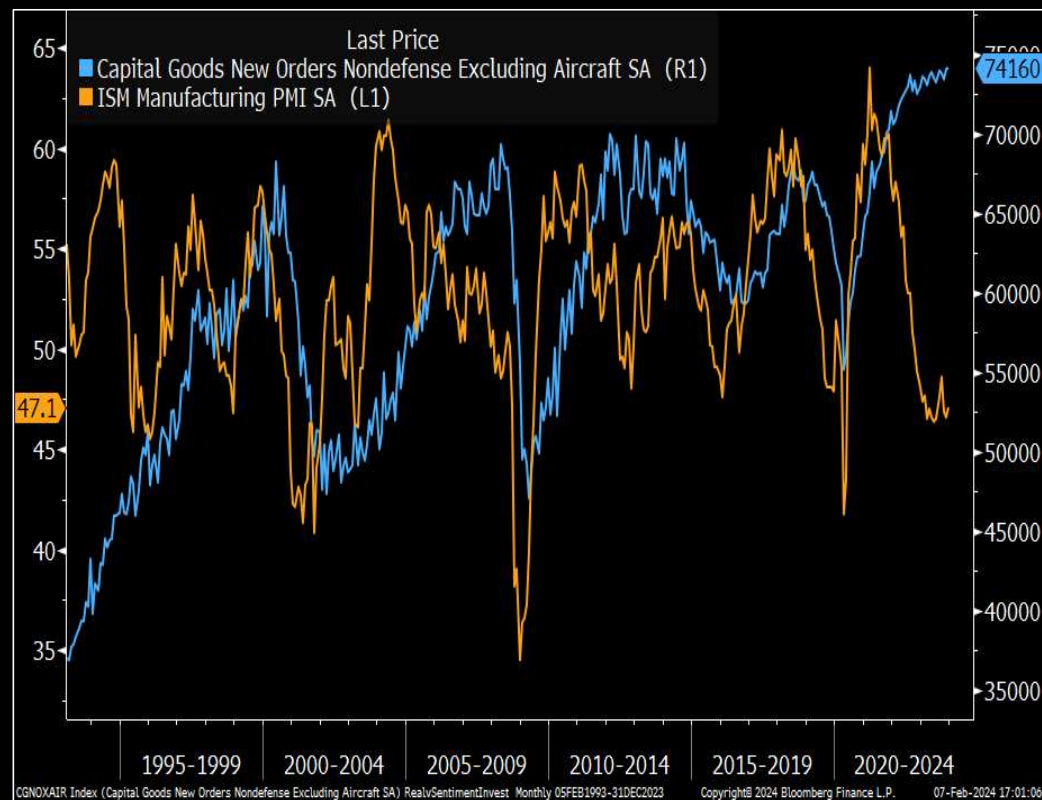
Factor Overview, MVP Portfolio  
Small Caps and Cyclical Sectors

# Regime Model Says Double Dip for Economy



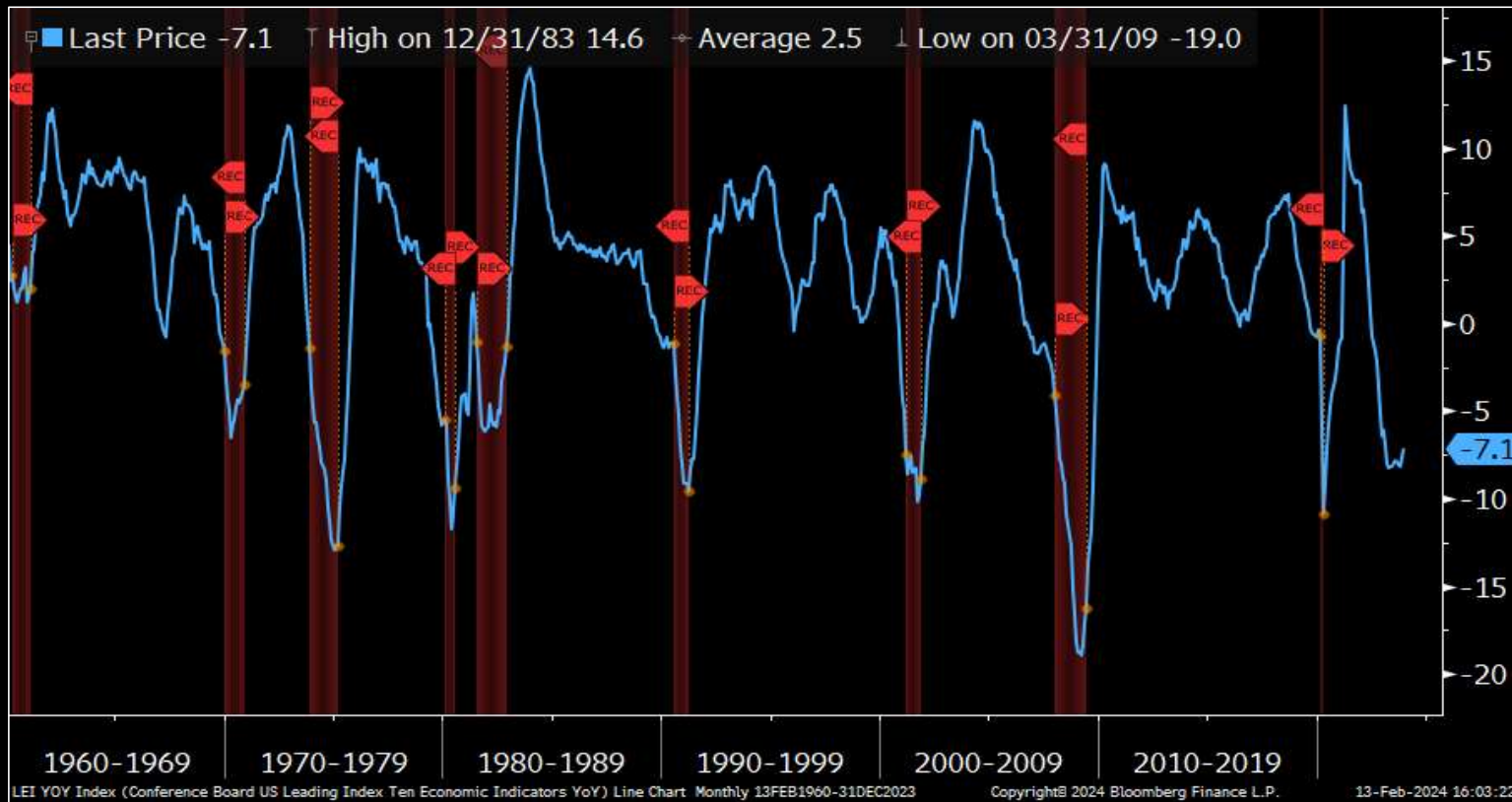
\* Source: Bloomberg Intelligence

# Regime Model Says Economic Momentum Rebounding



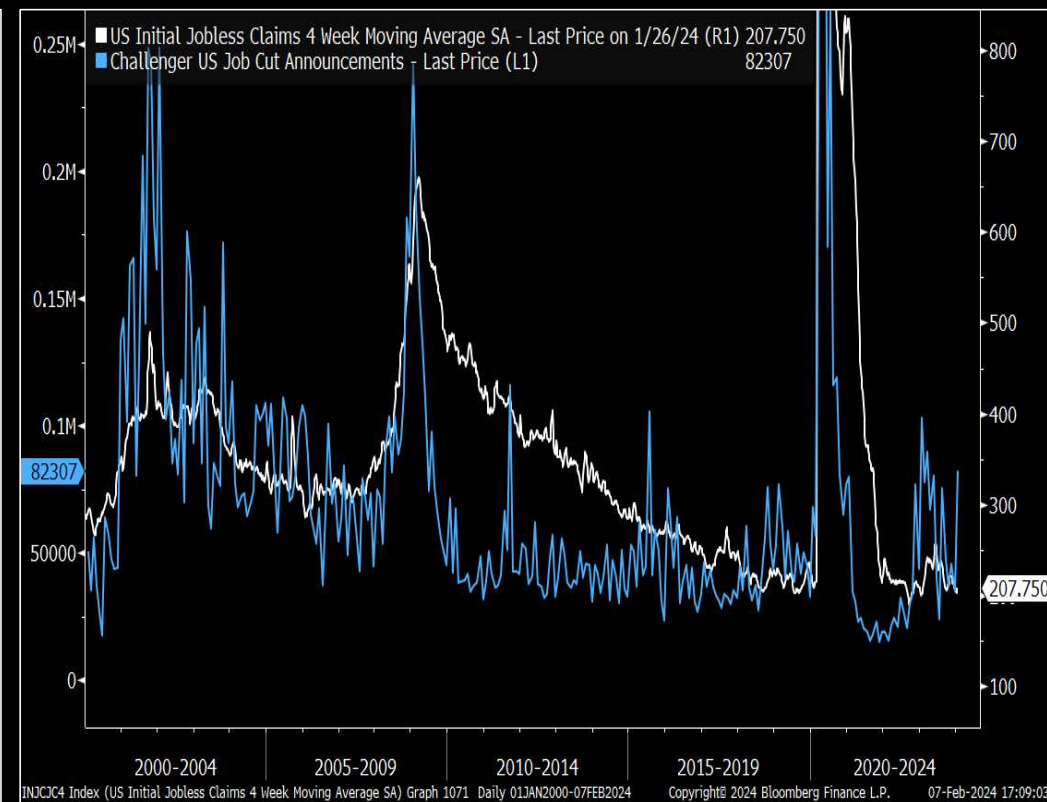
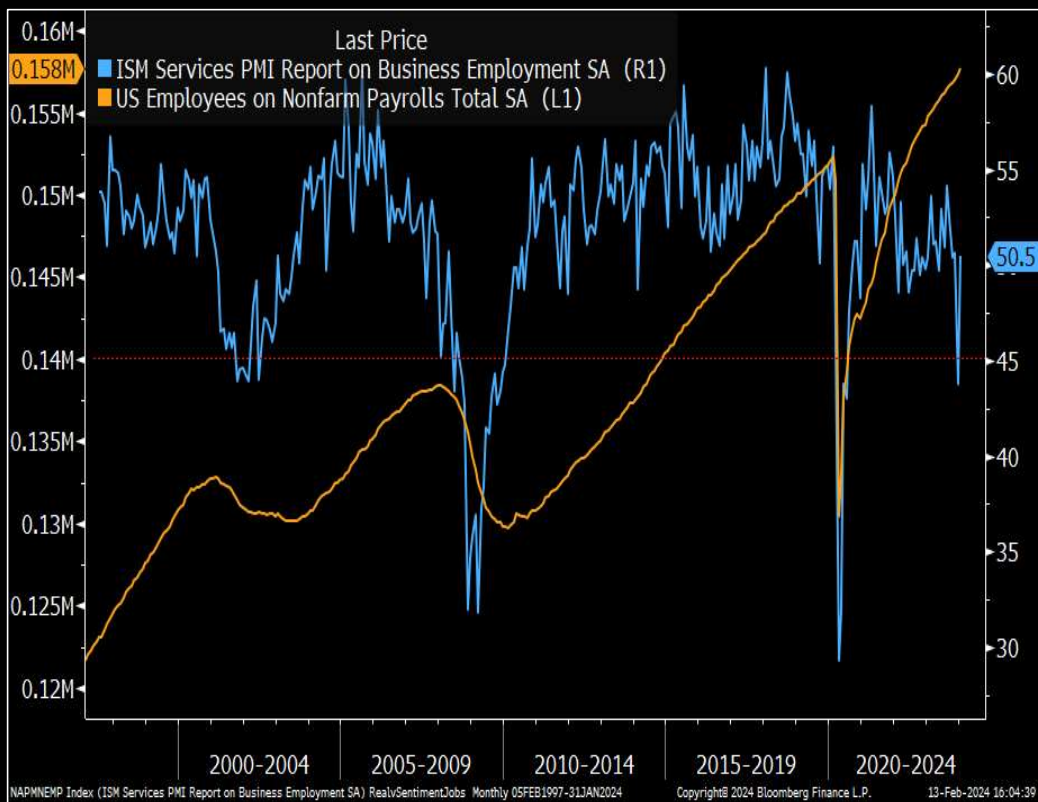
\* Source: Bloomberg Intelligence

# LEI Indicator Also Suggests Weakness in Place Since 2022



\* Source: Bloomberg Intelligence

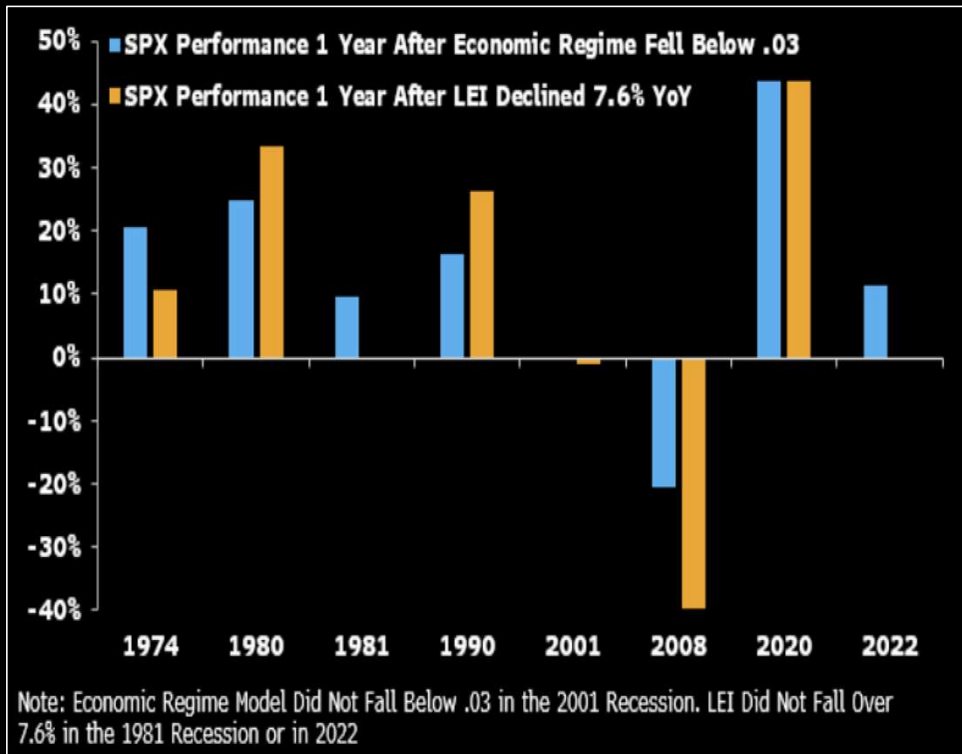
# Will Jobs Weakness be the Final Straw?



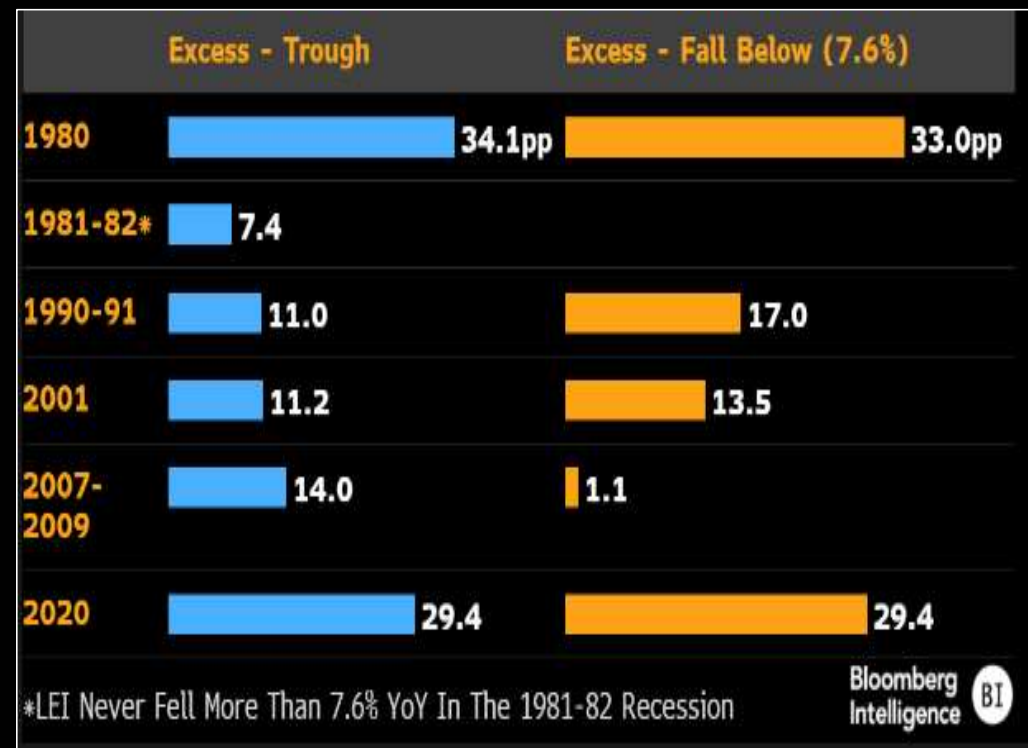
\* Source: Bloomberg Intelligence

# Market May Start to Look to Recovery in 2024

Forward S&P 500 Returns After Economic Regime Bottoms

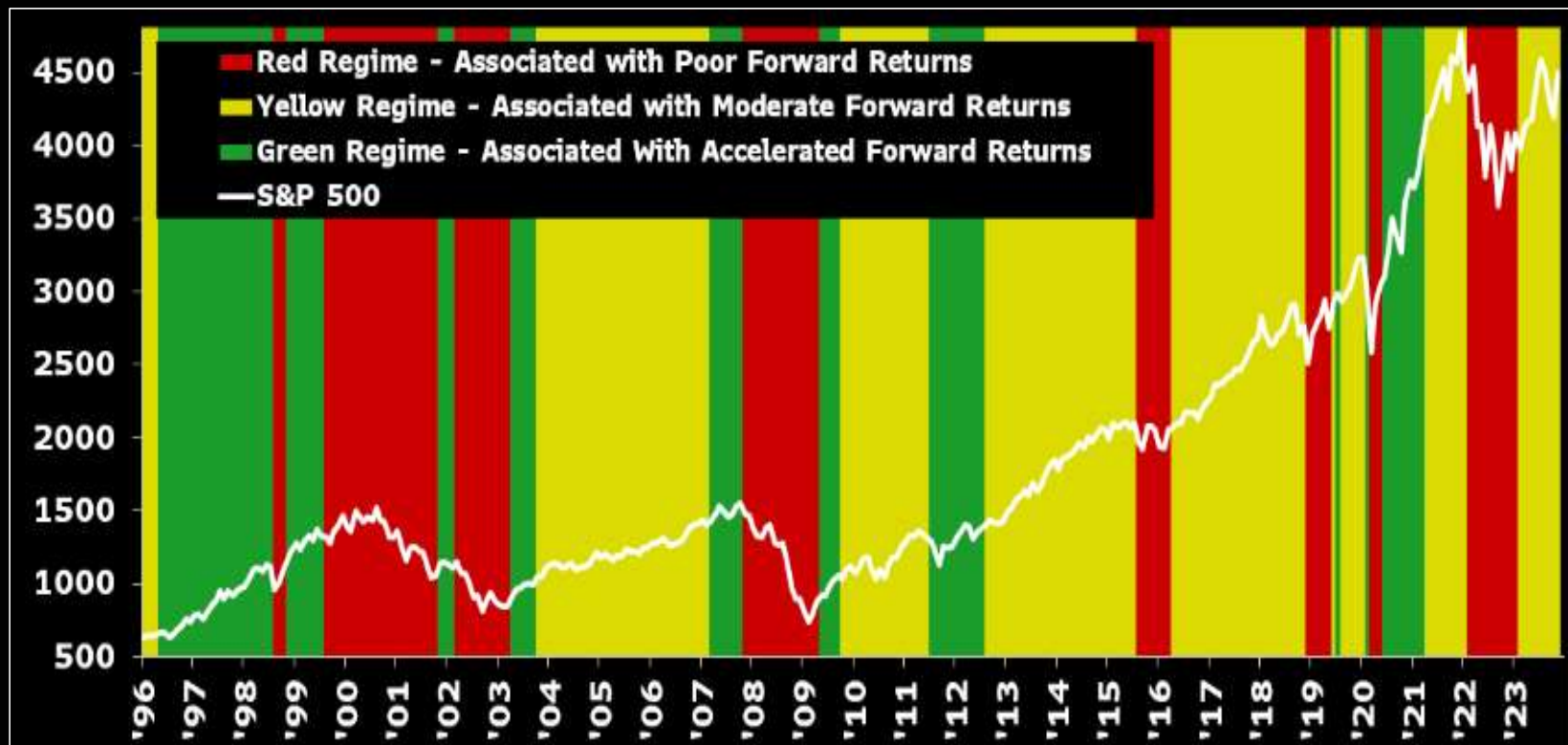


Russell 2000-S&P 500 Return (1Yr) From LEI Level



\* Source: Bloomberg Intelligence


# Market Regime Skipped the “Green” Stage



\* Source: Bloomberg Intelligence

# Checklist Shows More Supports than Weaknesses

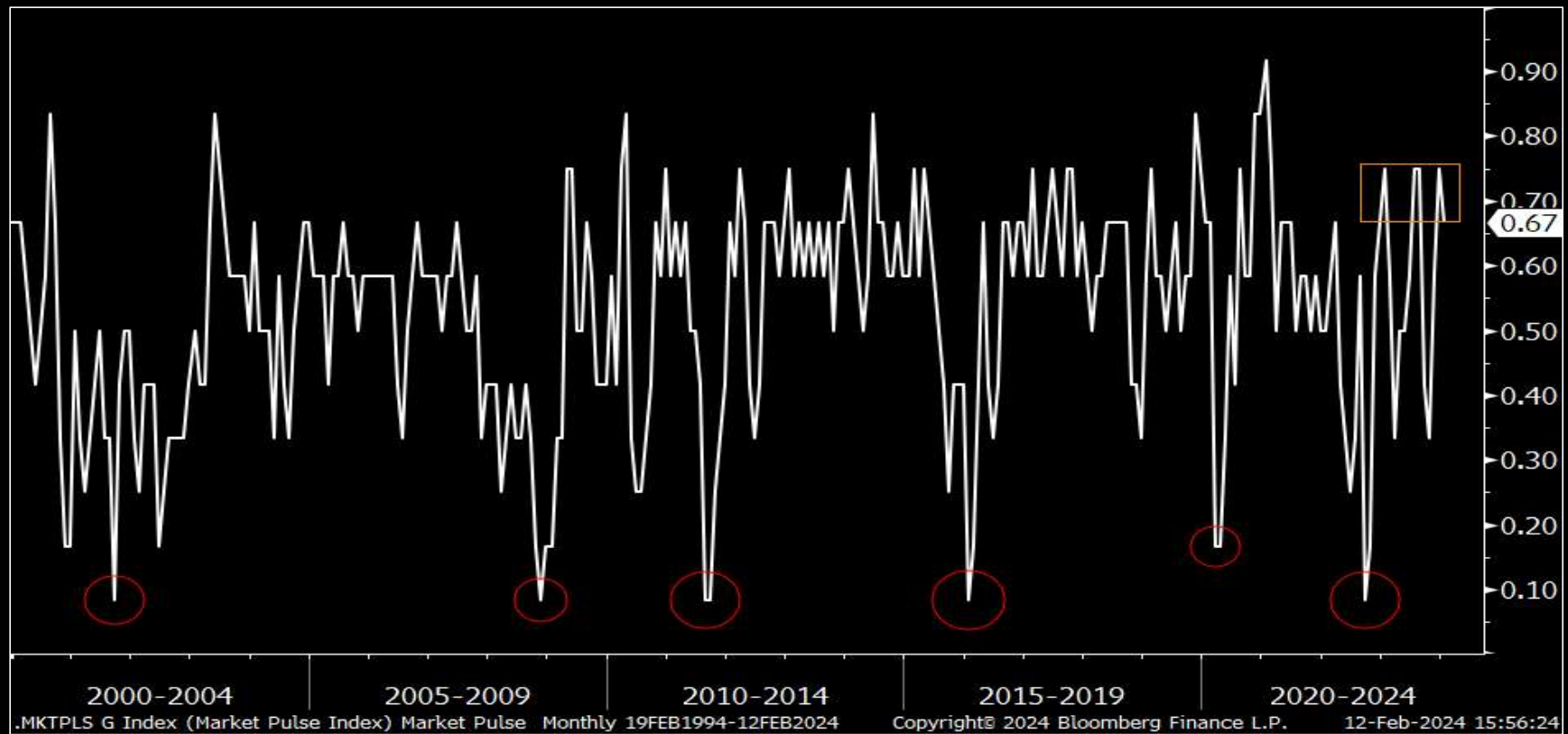
Technicals	Earnings	Bond Market	Macro
BI Market Pulse Index	Relative EPS Growth	High Yield Spreads	BI Economic Regime Model
Price Trends	EPS Cycle	Stocks/Bonds Correlation	Manufacturing PMIs
Breadth & Momentum	Earnings Breadth	Yield Curve	Employment Conditions
Sector & Industry Signals	Margin Forecast		Financial Conditions Ex-Equity
	Revision Momentum		
<b>Legend:</b>	<b>Favorable</b>	<b>Neutral</b>	<b>Unfavorable</b>

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\* Source: Bloomberg Intelligence

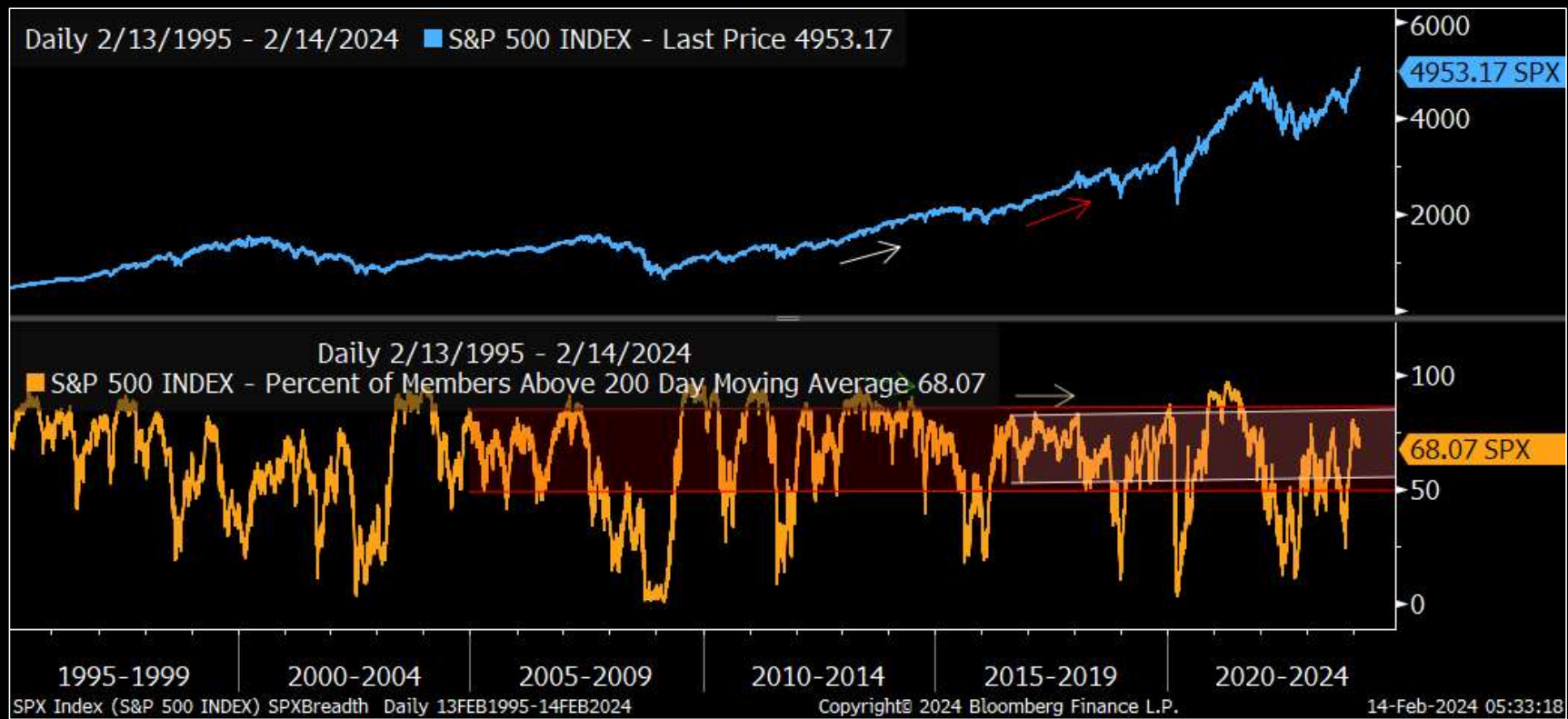


# Market Pulse Shows Sentiment Due for Cooldown

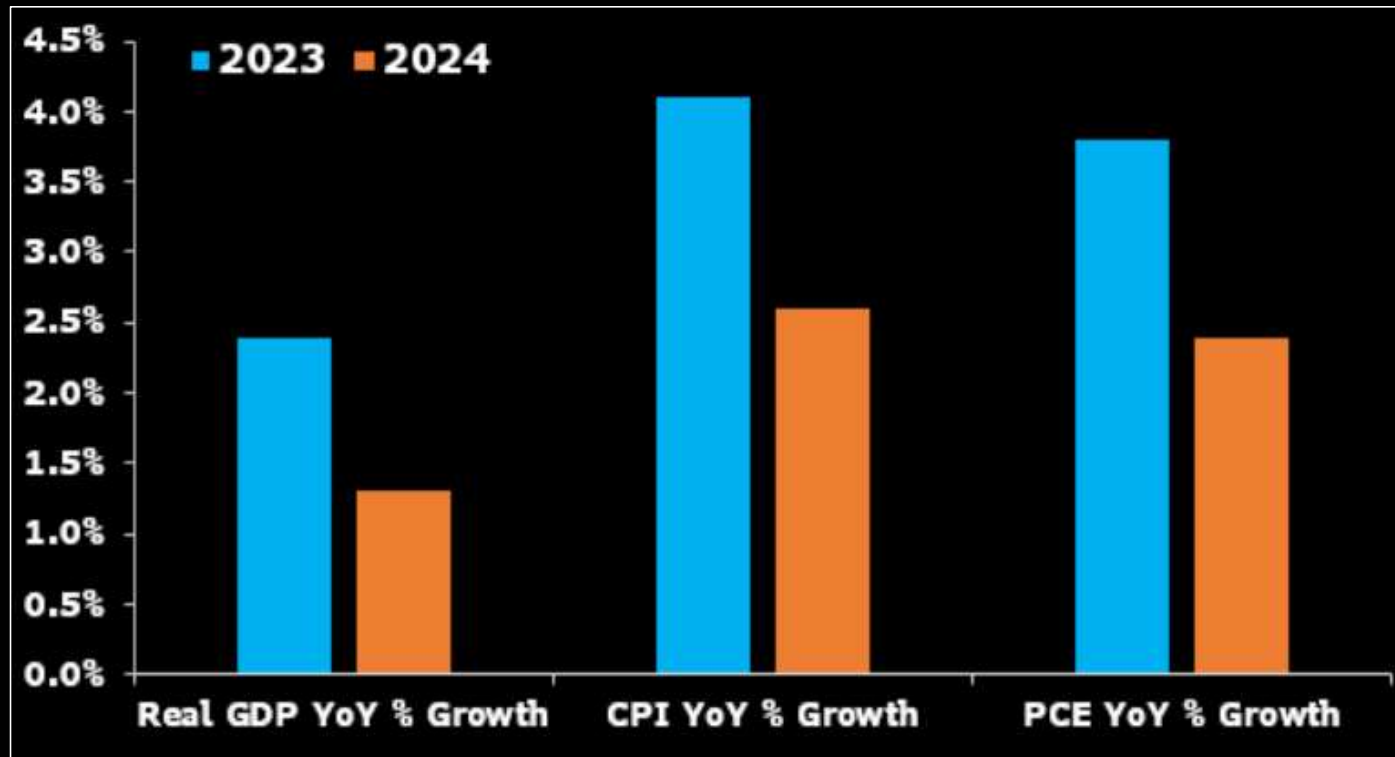


\* Source: Bloomberg Intelligence

# Breadth is Confirming Price Trend



# Growth and Inflation Are Both Expected to Decelerate



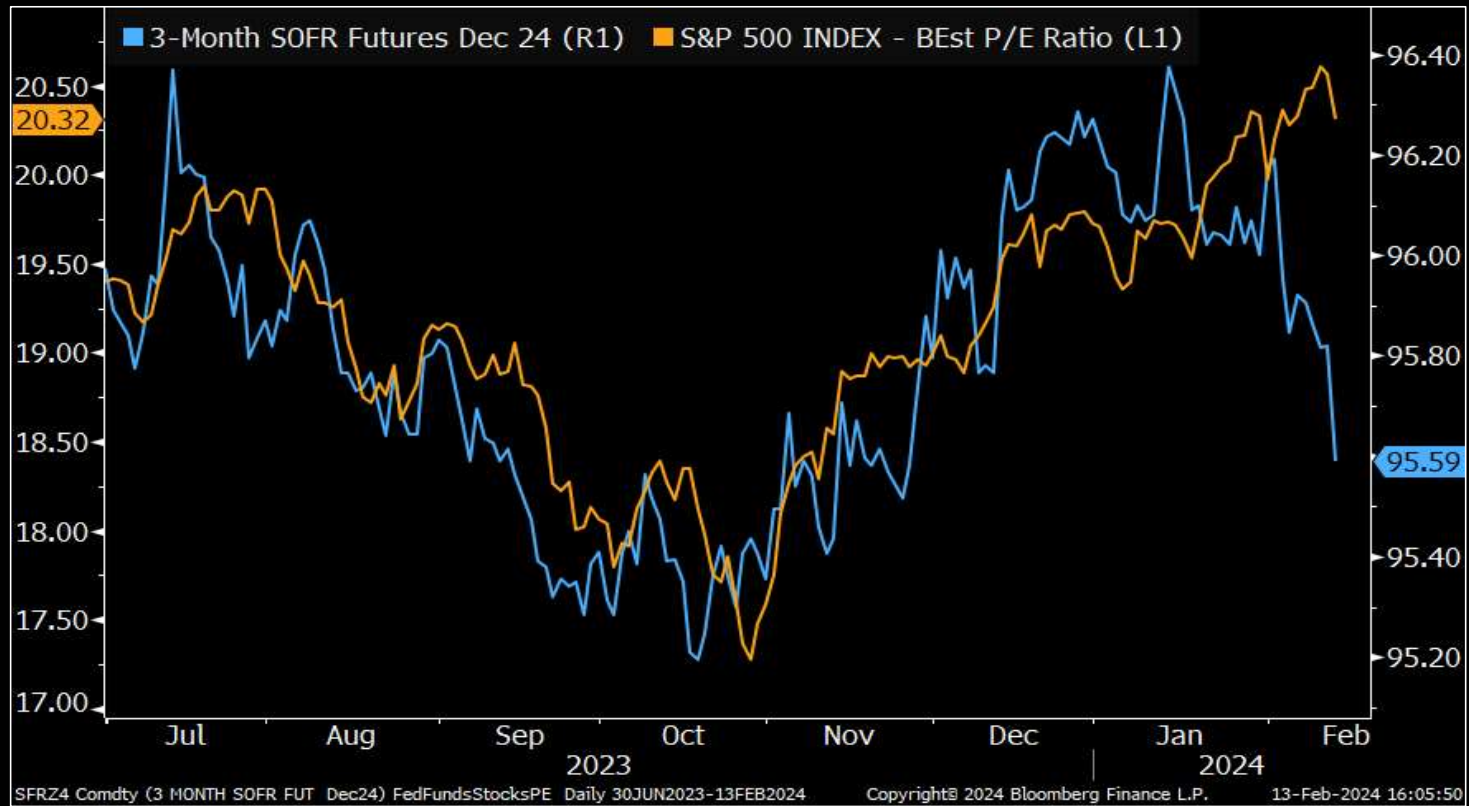
\* Source: Bloomberg Intelligence

# S&P 500 Implied EPS Growth – Outlook is Grim



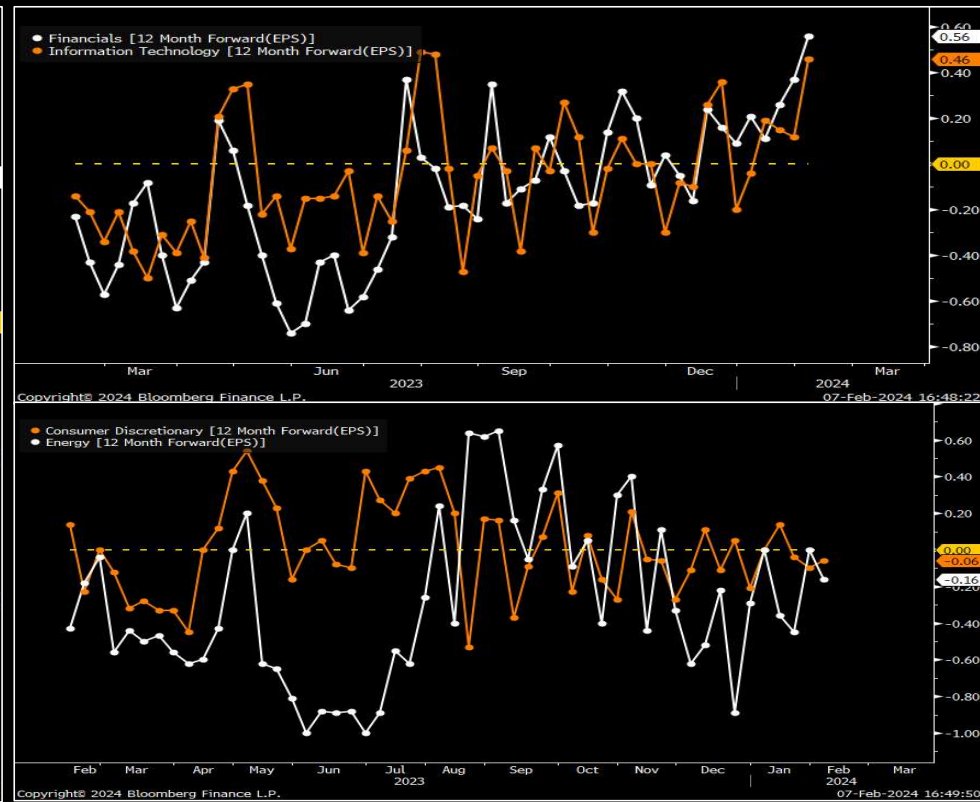
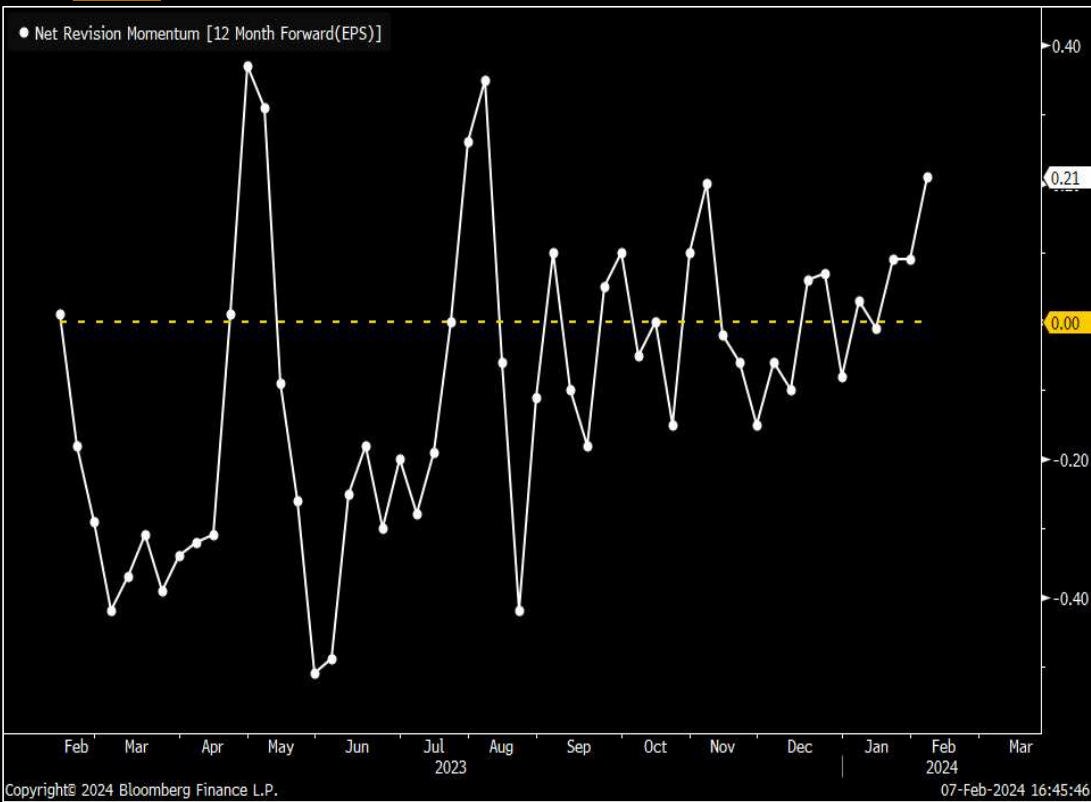
\* Source: Bloomberg Intelligence

# Equity Valuations Zero In on Fed Funds Lately



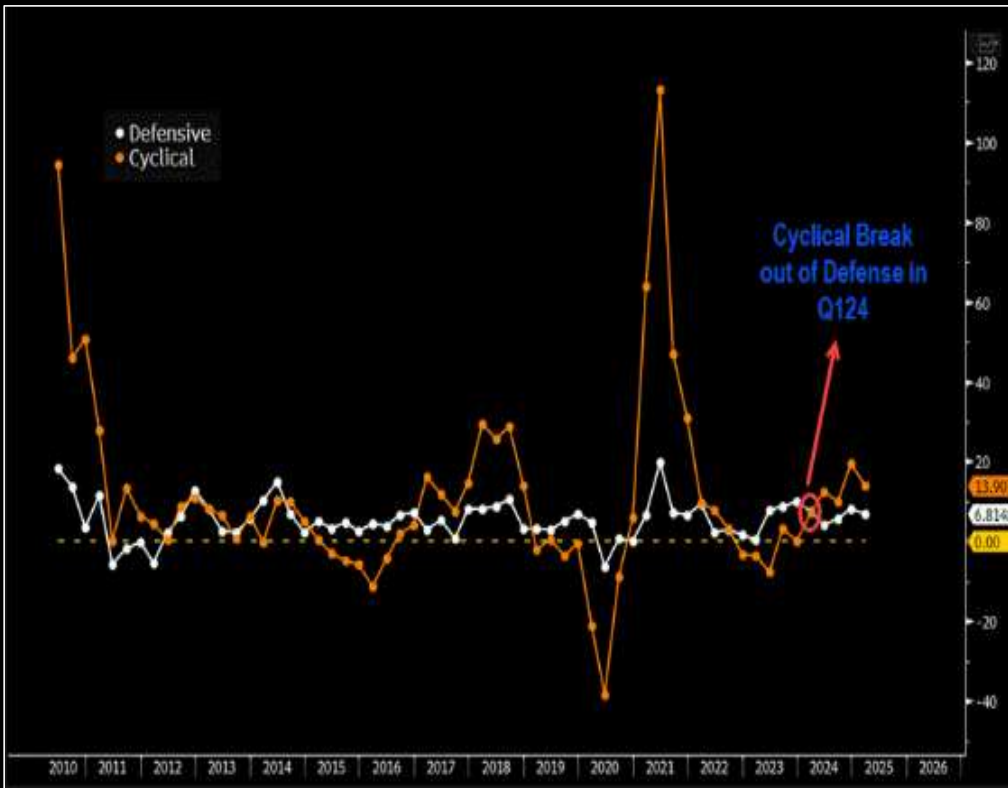
\* Source: Bloomberg Intelligence

# EPS Revisions Are Recovering



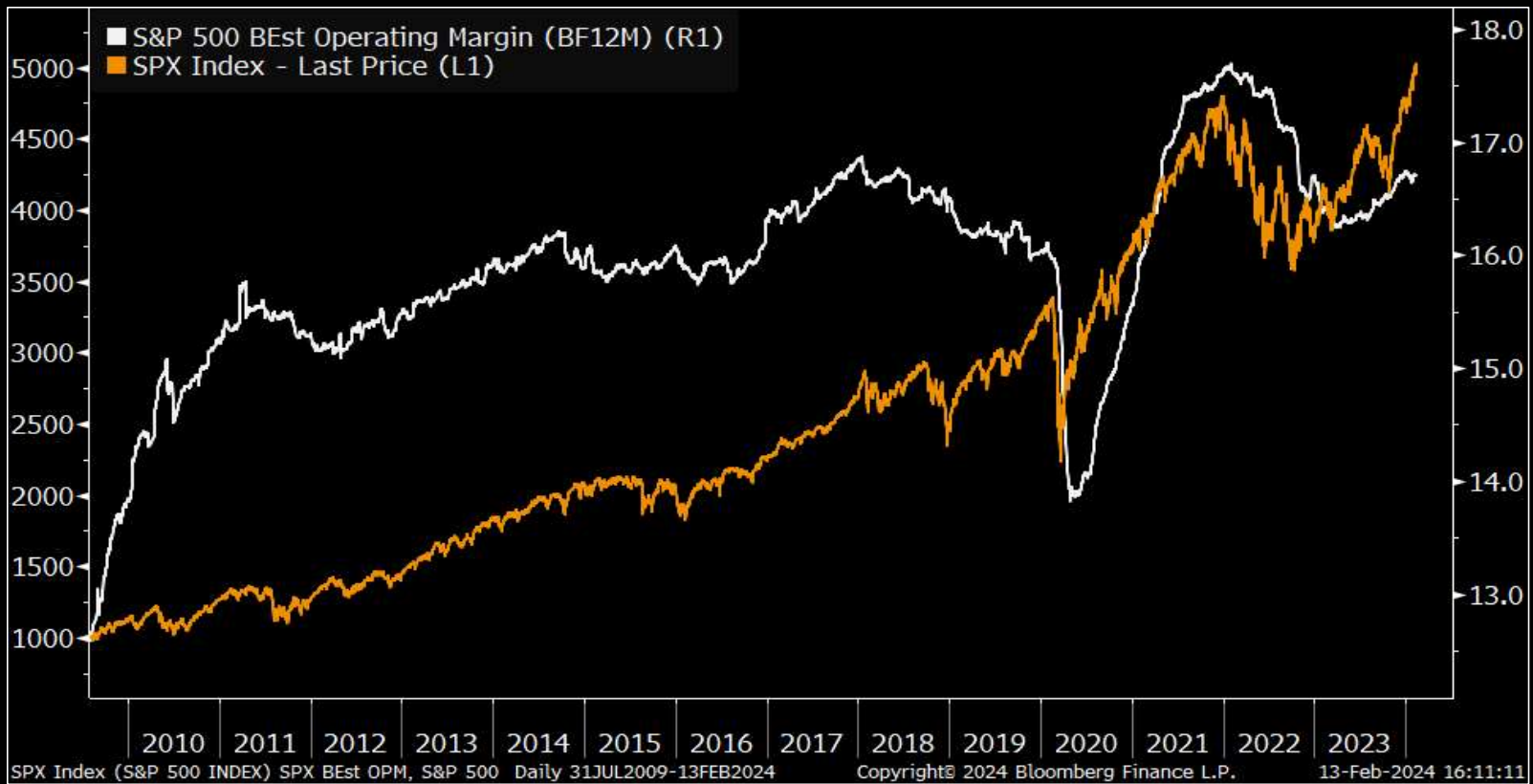
\* Source: Bloomberg Intelligence

# Earnings Cycle and Breadth



\* Source: Bloomberg Intelligence

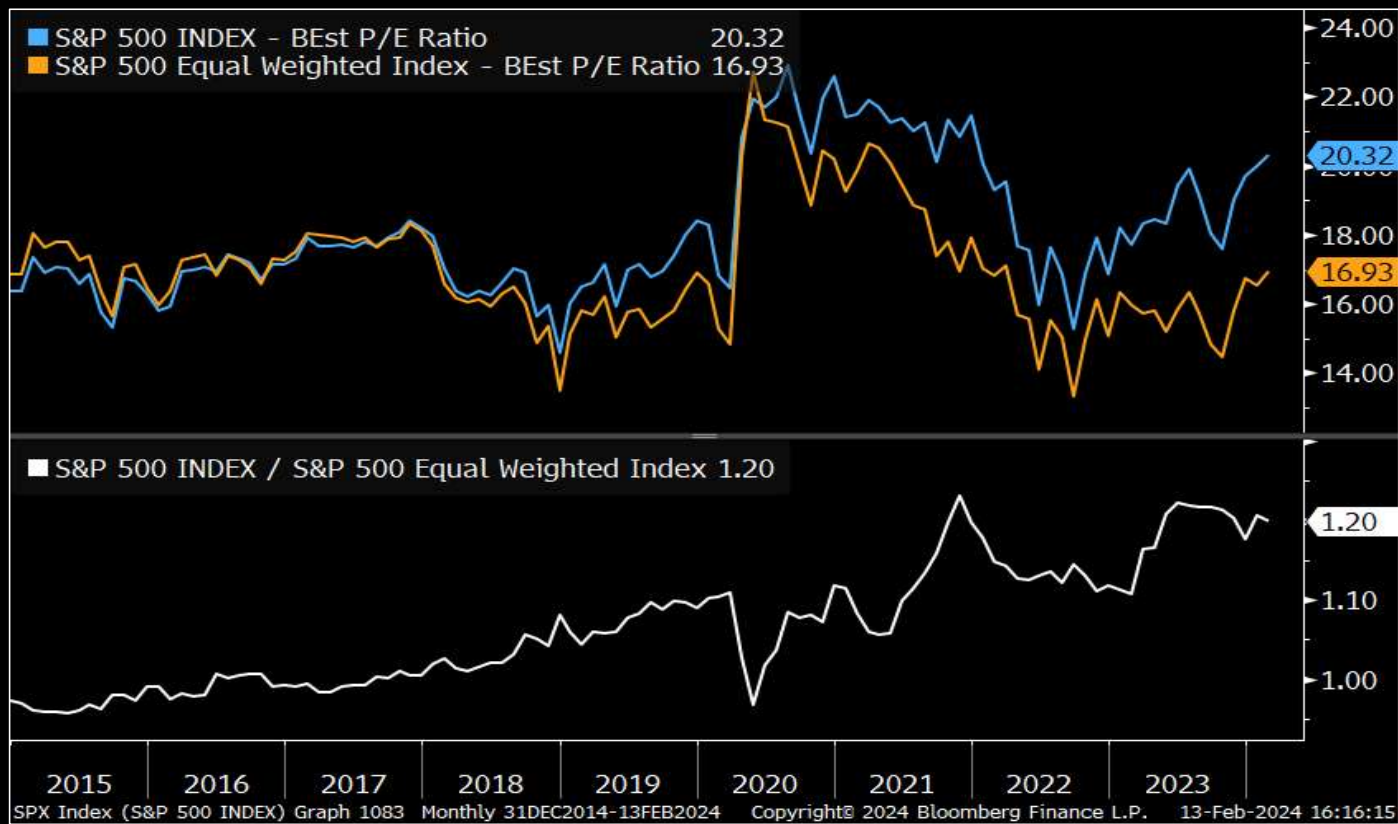
# Margin Expectations Still Rising



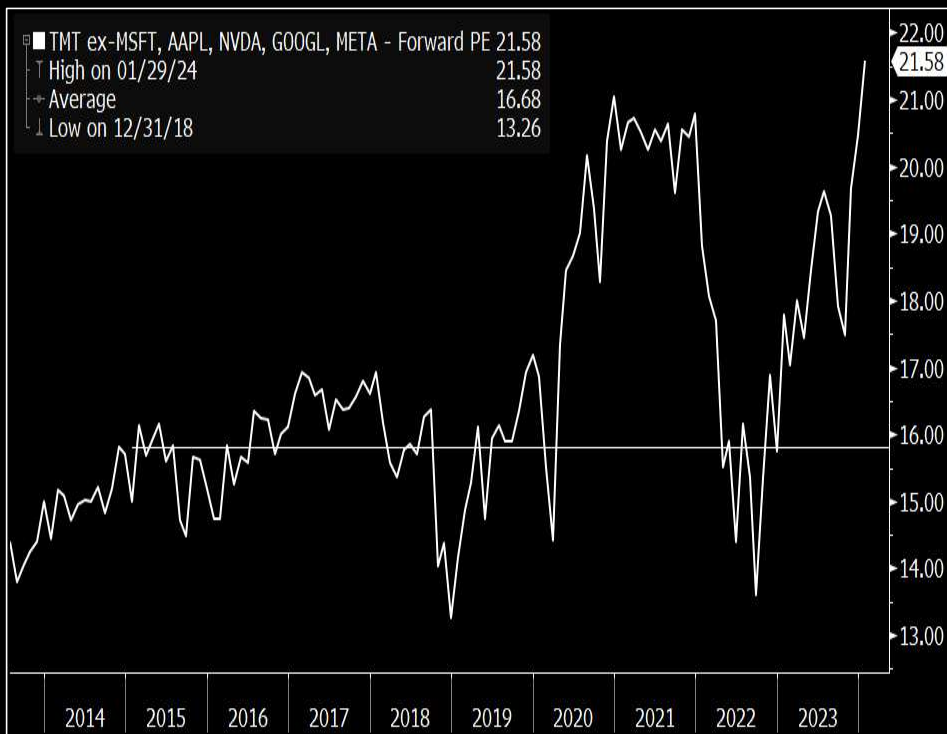
\* Source: Bloomberg Intelligence



# Valuations? S&P Market Cap Weighted VS Equal Weight

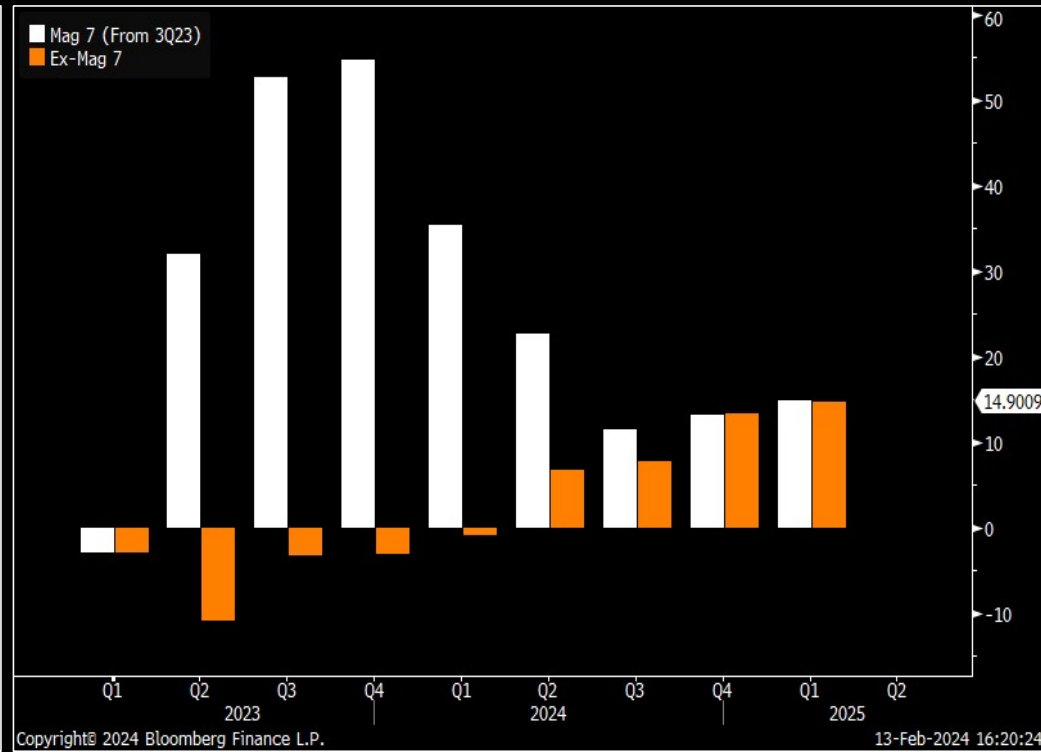
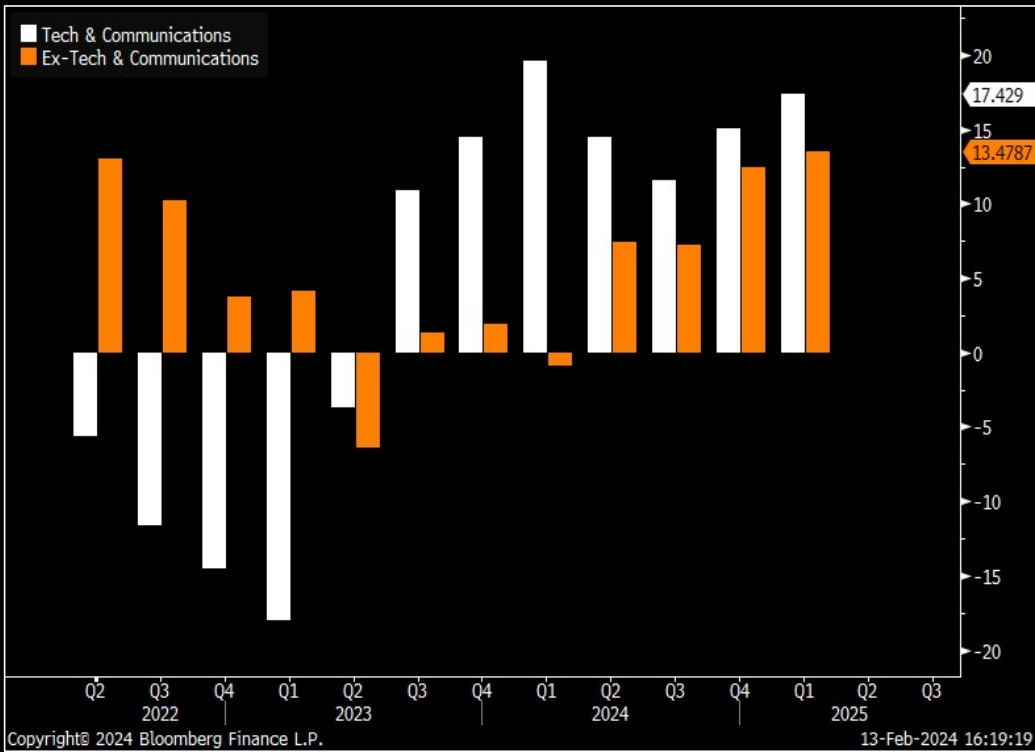


# Tech is Still Trading at a Large Premium



\* Source: Bloomberg Intelligence

# Earnings Have Made the Case for TMT



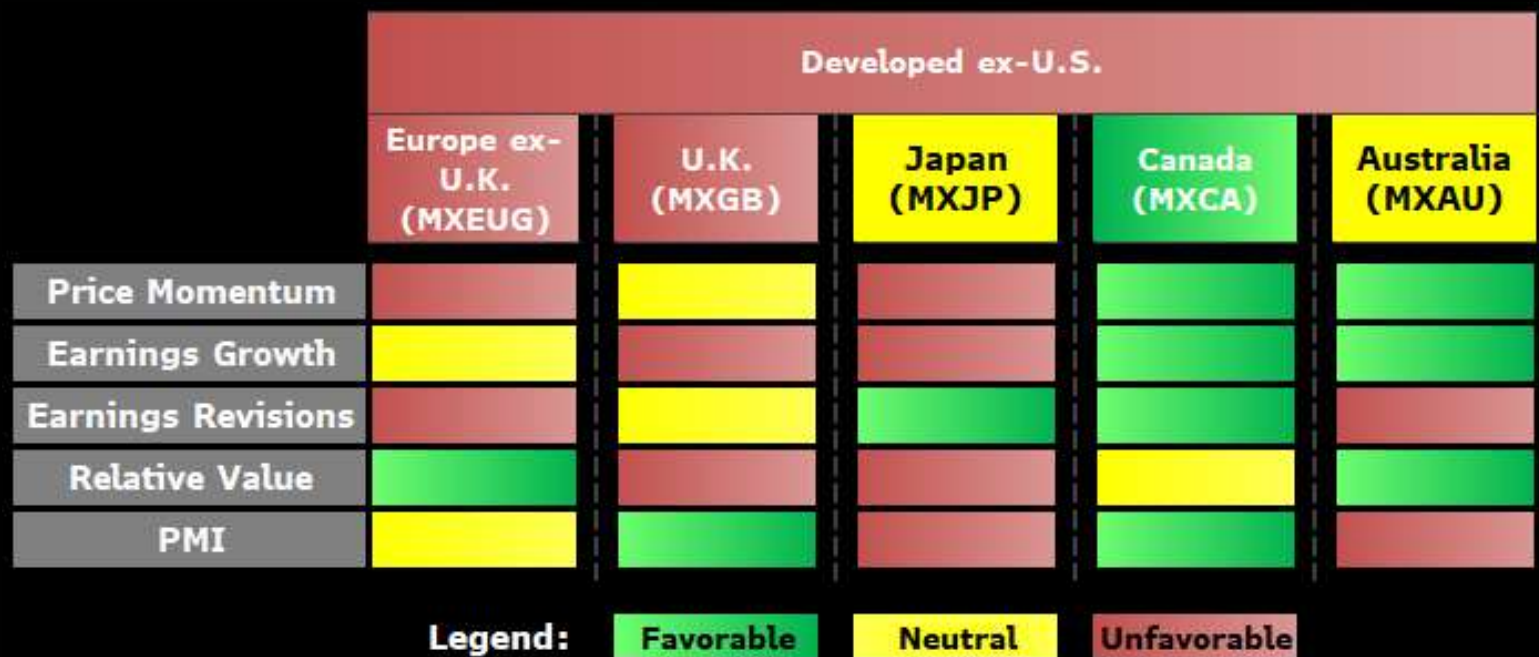
\* Source: Bloomberg Intelligence


## Developed Ex US Markets: Canada On Top


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- **Canada ranks positively on almost every pillar of our developed ex US scorecard**
  - **Canada to lead earnings growth in 2024; Japanese earnings decelerating while European earnings lag**
  - **Japanese equities discounted still relative to other developed markets, but discount is lessening**
  - **Canadian markets primed for valuation expansion into 2024**

# Canada Atop Developed ex US Scorecard – Europe in Last



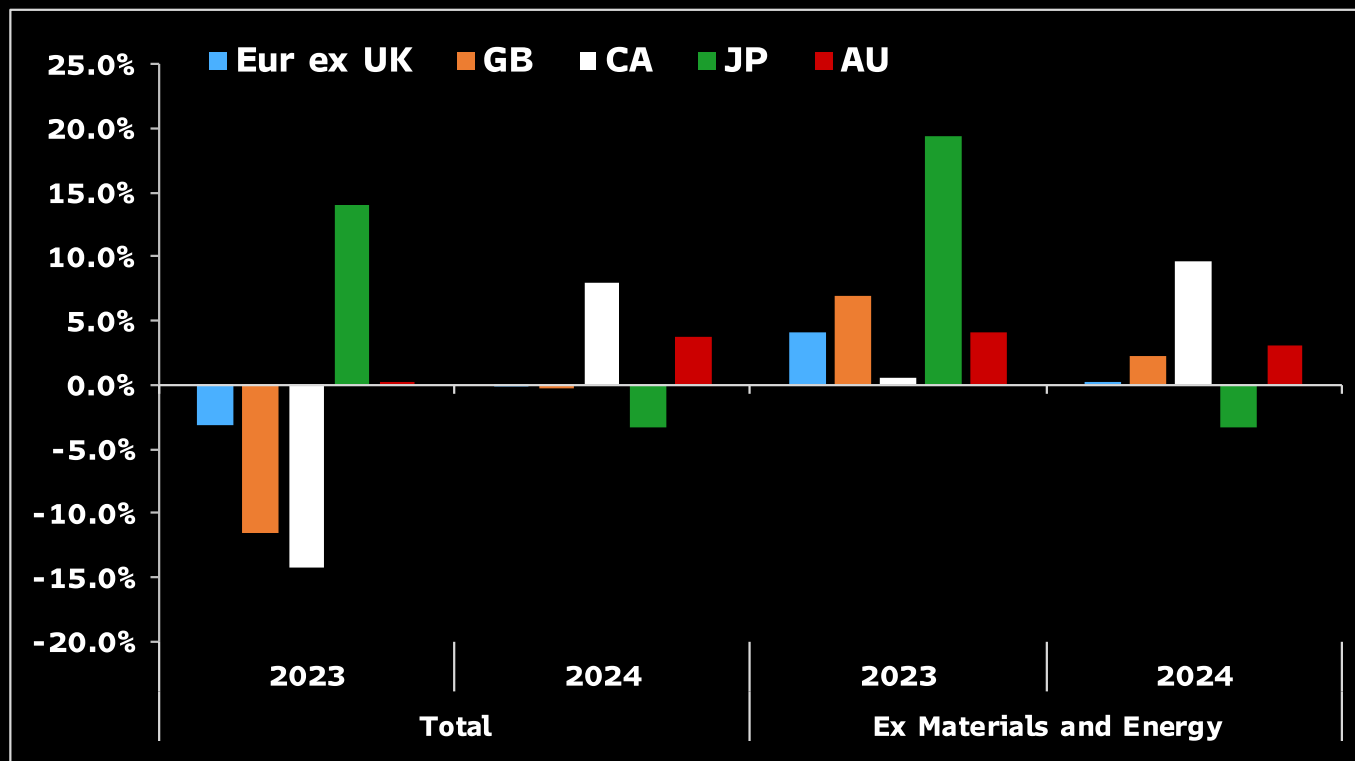
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\* Source: Bloomberg Intelligence

# Canada to Lead Developed Market Earnings Growth in 2024

## 2023 and 2024 Earnings Growth Estimates (YoY %)



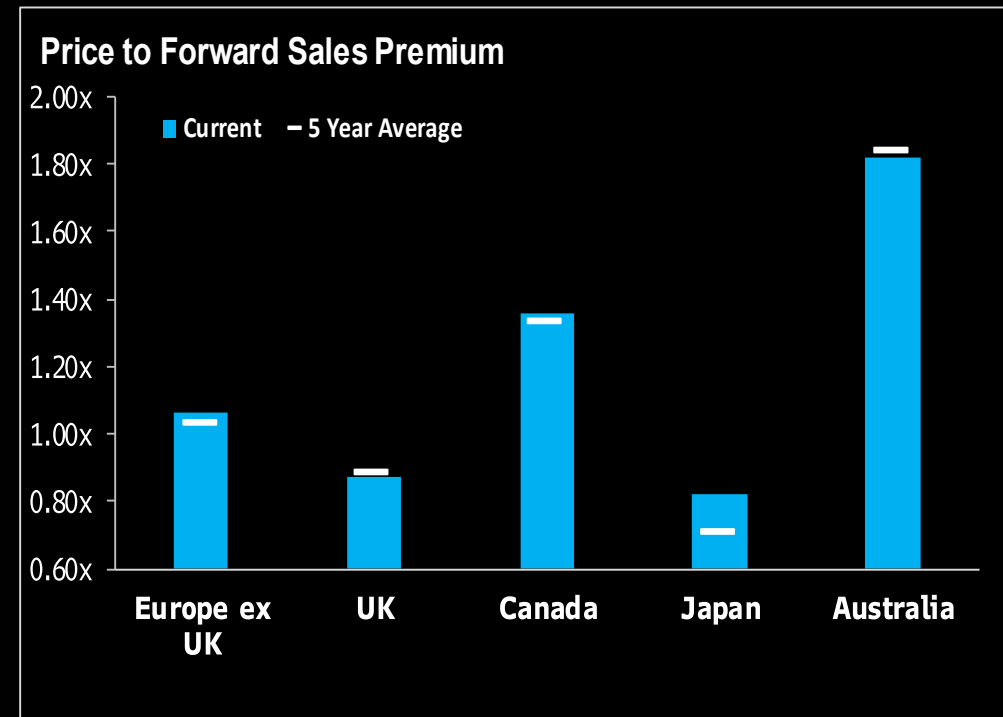
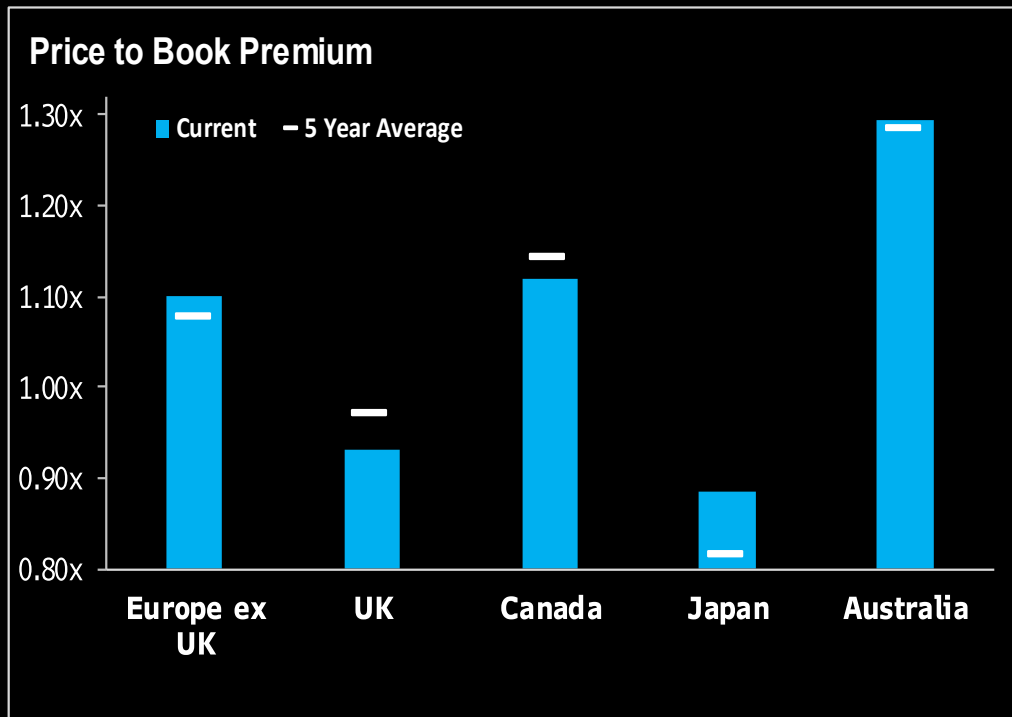
\* Source: Bloomberg Intelligence

# Almost All Sectors to Grow in Canada; Industrials Drag Japan

## 2024 Earnings Growth Estimates (% of 2023 Earnings)

	Europe ex UK	UK	Canada	Japan	Australia
<b>Communication Services</b>	20.7% (3%)	0.67% (4%)	2.5% (4%)	29% (6%)	12.2% (3%)
<b>Consumer Discretionary</b>	-0.11% (20%)	2.7% (4%)	6.6% (4%)	0.3% (23%)	8.6% (4%)
<b>Consumer Staples</b>	7.9% (7%)	3.8% (16%)	2.7% (6%)	7.6% (4%)	5.5% (4%)
<b>Energy</b>	-10.6% (7%)	-9.8% (19%)	1.2% (21%)	-29.1% (2%)	-8.2% (1%)
<b>Financials</b>	-5.4% (25%)	-1.8% (28%)	11.5% (43%)	-1.5% (16%)	-2.9% (41%)
<b>Health Care</b>	6.8% (12%)	7.7% (9%)		-4.2% (6%)	14.7% (6%)
<b>Industrials</b>	-1.8% (13%)	11.5% (6%)	4.7% (9%)	-10.2% (23%)	9.1% (5%)
<b>Information Technology</b>	-5.6% (4%)	16.1% (0%)	27% (3%)	10.9% (8%)	
<b>Materials</b>	12.6% (4%)	1.5% (11%)	9.8% (7%)	10.2% (4%)	5.6% (30%)
<b>Real Estate</b>	-5.8% (1%)	2.7% (0%)		-6.2% (3%)	5.8% (6%)
<b>Utilities</b>	2.3% (5%)	-2.8% (4%)	-7.7% (3%)	-60.2% (5%)	48.4% (1%)
Over 10% Year over Year Growth					
Between 0-10% Year over Year Growth					
Negative Earnings Growth					

# Japan Premium Well Above Historical Average



\* Source: Bloomberg Intelligence



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Mondays at 8.30AM EST

Zoom meeting ID: 992 5883 2350

Passcode: 798741

## Monthly Zoom Breakfast with BI STOX

## Weekly Equity Market Minute Video

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US Equity Outlook Fall 2023: Sticky Inflation Threatens Recovery

US stocks appear vulnerable to continued disappointment from monetary policy in the short run as inflation risk threatens to dismantle the presumed outlook. Both large- and small-cap stocks' upside is still limited by the lack of a monetary policy put this cycle, leaving both segments somewhat stuck and dependent on an uncertain earnings recovery in the near term. The earnings cycle appears to passing a near-term trough, a lagged response to last year's inflation peak, though a growth catalyst remains elusive and the late summer surge in oil prices threatens to ...

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Featured Research

- 1) BI MVP Portfolio Update, 4Q 2023
- 2) US Large-Cap Equities: Fall 2023 Outlook
- 3) US Small-Cap Equities: Fall 2023 Outlook
- 4) BI Equity Strategy: The Week in Charts, Nov. 9
- 5) US Equity Factors: Large Caps Falter After Strong 2022
- 6) Sector Scorecards Go All In on Recovery in 2024
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