



CIO believes the outlook is brightening for global equities, driven by the global rate-cutting cycle, robust earnings, and more resilient growth. (UBS)

Which regions shine brightest for stocks?

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Positive economic surprises in the US, more forceful policy interventions in China, and the continuation of the global rate-cutting cycle establish a more constructive backdrop for global stocks.

Exposure to US stocks—especially technology—is crucial to capture the AI opportunity, in our view, while we also see near-term opportunities in smaller European stocks and Asian ex-Japan equities.

We now judge the US market to be an Attractive one.

- US economic activity has been more resilient than expected—recent revisions to the last five years' data show that GDP growth averaged 2.5% per year since 2019.
- Earnings growth is broadening out. We continue to expect 11% S&P 500 EPS growth (to USD 250) this year and 8% growth (to USD 270) in 2025.
- We hold a December 2025 S&P 500 price target of 6,600 and like financials, technology, and utilities in particular.

We like smaller and mid-sized companies in the Eurozone

- The macroeconomic backdrop looks set to brighten with troughing growth, strong consumption, and looser financing conditions.
- This segment should benefit from transformational themes, such as increased electric power generation and decarbonization, and nearshoring (automation).
- European small and mid caps (MSCI EMU SMID) are currently trading at a 20-year low price-to-earnings ratio compared to large caps (MSCI EMU).

We also find Asian ex-Japan equities appealing.

- The region is especially sensitive to falling US and regional interest rates.
- It offers one of the most appealing earnings growth profiles for next year with our forecast for 14.8% earnings growth in USD terms in 2025.
- Indian stocks could experience 12% EPS growth in fiscal year 2025 (MSCI India) and a revival to around 14% growth thereafter.

Did you know?

- After two years of pressure, global earnings have recovered through this year, while forward earnings expectations are improving thanks to positive US growth surprises and Chinese stimulus potential. CIO's bottom-up analysis sees 10% EPS growth for MSCI AC World in 2024 and almost the same in 2025.
- Historically, when the Fed is easing policy in the context of a soft landing, US equities rise 18% on average in the 12 months after the first Fed rate cut.

Investment view

We believe the outlook is brightening for global equities, driven by the global rate-cutting cycle, robust earnings, and more resilient growth. Potential Chinese stimulus, while uncertain in size, could also boost global stocks. We particularly highlight US stocks, Eurozone SMID caps, and Asian ex-Japan equities as appealing in today's environment.

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