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Investment opportunities in Europe: The good lies so near

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Even though the focus of financial markets has recently been primarily on US technology stocks, good investment opportunities are also opening up in Europe and Switzerland, where we favor quality companies with solid earnings growth, given the reasonable valuations.

Few will deny that the spotlight in the financial markets over the past quarters has been mostly on the much-quoted magnificent seven protagonists from the US. In contrast, the top companies on the other side of the Atlantic have made far fewer headlines. However, a closer look reveals that the MSCI stock indexes of the US and Europe are roughly on par this year. At the time of writing this report, both markets recorded a gain of around 15%. In contrast, the Swiss stock market is somewhat lagging behind—on the one hand, because the strong Swiss Franc affected corporate earnings at the end of last year, and on the other hand, because the euro and US dollar have been able to make significant gains against the franc this year.

In Europe's stock markets, we identified a group of seven "magnificent" stocks a few weeks ago. According to consensus estimates, our selection of Europe's "magnificent seven" can boast better or similarly good growth prospects for the current year and beyond compared to their counterparts in the US. Their stock prices may have lagged behind the US's "magnificent seven" last year. However, over the last three years, they have outperformed them. In our assessment, Europe's magnificient seven are highly profitable and innovative global market leaders in their respective sectors, with high, sustainable profits and free cash flows.

We recommend investors with an eye on Europe to seize opportunities beyond the technology sector. This includes European quality companies: We focus on high-quality stocks to navigate the current phase of geopolitical challenges and economic uncertainty well. Especially compared to their US counterparts, we think the current valuations are an attractive entry point for investors seeking long-term stakes in quality companies in Europe. Moreover, we prefer European companies with solid earnings growth. For the MSCI EMU (Eurozone) stock index, we expect earnings growth of 3% this year. Against this backdrop and in light of falling interest rates, we see attractive opportunities in companies that can demonstrate positive earnings momentum. You can find these and other investment themes in the latest edition of our publication *Equity Radar*.

And last but not least, Switzerland is also located in Europe, and the local stock values are even closer to our home audience. Here, we focus on leaders in earnings growth. For this theme, we selected Swiss stocks that are likely to achieve earnings growth per share of 10% or more this year and next. In our opinion, the fundamental data of all stocks in this basket are robust, and the valuations are attractive. We have compiled further investment recommendations for investors who are not only interested in stocks but also in other asset classes such as bonds or real estate, in our current edition of the publication *Investing in Switzerland*—all in keeping with the motto inspired by Johann Wolfgang von Goethe: See, the good lies so near. You can also subscribe to *Investing in Switzerland*—like any of our research publications—by email.

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