INVESTMENT STRATEGY

A Nightmare on Vol Street - What comes next?

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BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

A foggy morning leads to a sunny day

Key Points

- **Earnings Season recap –** The Q2 reporting season saw earnings reports generally better than expected, where EPS growth came in better than initially expected. Encouragingly, the US saw a broadening in earnings delivery beyond the Mag7. While earnings delivery in the US continues to be stronger than in Europe, the spread between the region's EPS growth has narrowed further.
- **The crash that didn't happen –** The markets were quick to recover from the yen-related flash crash. Interestingly, the Mag7 failed to reached new highs during the rebound. History tells us that future long-term performance, after such incidents, is usually above average.
- **The next few miles might still get choppy though –** Markets tend to double dip after huge spikes in the VIX. This coincides with seasonal headwinds as the second half of September is the weakest period of the year and election years often experience a correction in October.
- **The long-term picture still supports equities –** While the short-term outlook may look bumpy, the long-term backdrop of falling rates in a non-recessionary environment still looks encouraging for equities. We would see any short-term weakness as a buying opportunity, especially in our favoured markets such as the EU + UK Equities, Japan and Small Caps.

Main recommendations

Look for Japanese small caps as a way to diversify away from FX sensitive exposure while harvesting the potential of domestic economic reacceleration. High levels of cash allow for a growing shareholder return.

We downgrade Mexico to Neutral following the Judicial reform proposal the Executive sent to Congress. We believe replacing the judicial system should increase risk, Mexico's risk premia and limit Capex. That is a problem as nearshoring is reaching key bottlenecks.

EU Telecoms UPGRADE to Neutral: one of the most defensive sectors when policy risks and trade tariffs increase. We expect EPS cuts to come to an end as previous investments in fibre are now generating free cash flow and EBITDA.

EU Travel & Leisure DOWNGRADE to underweight: The YOLO (You Only Live Once) effect is fading as the services demand catch-up effect comes to an end due to the rising cost of living. Earnings estimates continue to face downgrades. Sell into strength.

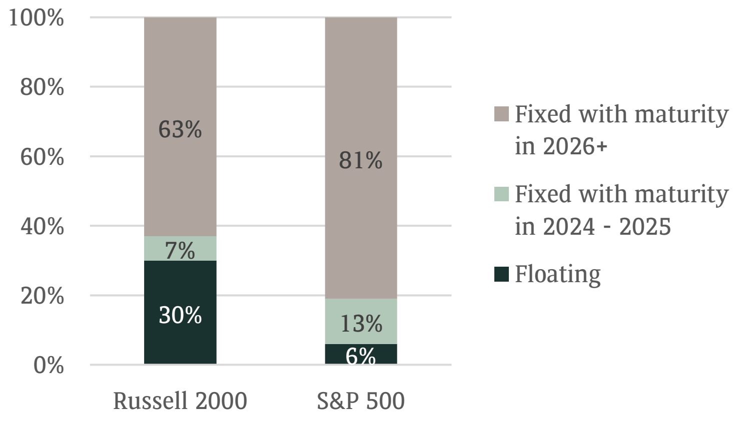
The key risks are that the markets start to reprice growth fears with central banks being perceived as "behind the curve". Increasing policy uncertainty around tariffs could weigh on sentiment, too.

EARNINGS SEASON IN A NUTSHELL

	S&P500	StoxxE 600	Topix
% cos reported	99%	85%	95%
% cos beating EPS	79%	59%	61%
EPS %y/y	11%	4%	11%
% cos beating Sales	48%	64%	58%
Sales % y/y	5%	2%	7%

Source: BNP Paribas, Bloomberg

US SMALL CAPS INSTANTLY BENEFIT FROM FALLING RATES DUE TO MATURITY PROFILE



Source: BNP Paribas, Bloomberg

Around the globe – our key convictions at a glance

WE STICK TO OUR GENERAL PREFERENCE FOR VALUE AND SMIDS

		USA	Europe	Japan	Emerging Markets
overall view		neutral	positive	positive	positive
What we (especially) like		Value SMIDs Health Care Energy Infrastructure	Value UK SMIDs Real Estate Financials	SMIDs domestically oriented exposure Financials	Asia ex China Brazil South Korea
What we don´t (really) like		Growth mega caps, particularly within consumer discretionaries	German SMIDs Autos		
preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth Equal weighted over capital weighted S&P	Semiconductors & Equipment (particularly on dips) Repower Europe (incl Renewable Energies) FTSE 250	Governance Reform achievers	APAC Tech, particularly semi materials/equipment sectors Hang Seng Technology
	Global Basis	Precious and energy transition metal miners Healthcare			

Focus on

What comes next?

The FED Put is back – don´t get spooked by short term glitches

CORPORATES SEEM TO BE MORE RELAXED THAN MARKETS

For many (college) students, it is back-to-school week, implying that we are starting a new year. And in many ways, the end of August is a bit of a new year start for markets, too, as investors return from the beaches to their desks, looking to position themselves for year-end performance capture.

Before looking forward, it makes sense to reflect a moment about the past 12 months, acknowledging just how strong a 'year' it has been. The S&P 500 is up over 25% over the past 12 months, reflecting a number of factors -- some of which markets are hardly focused on anymore. Most notably, over the past 12 months, the post-pandemic inflation impulse faded – as we expected - precipitously, culminating in August´s CPI reading of 2.9% - the first time inflation dipped below 3% in 3 years. As inflation has subsided, the prospect for the Fed to normalize (i.e. cut) rates has risen.

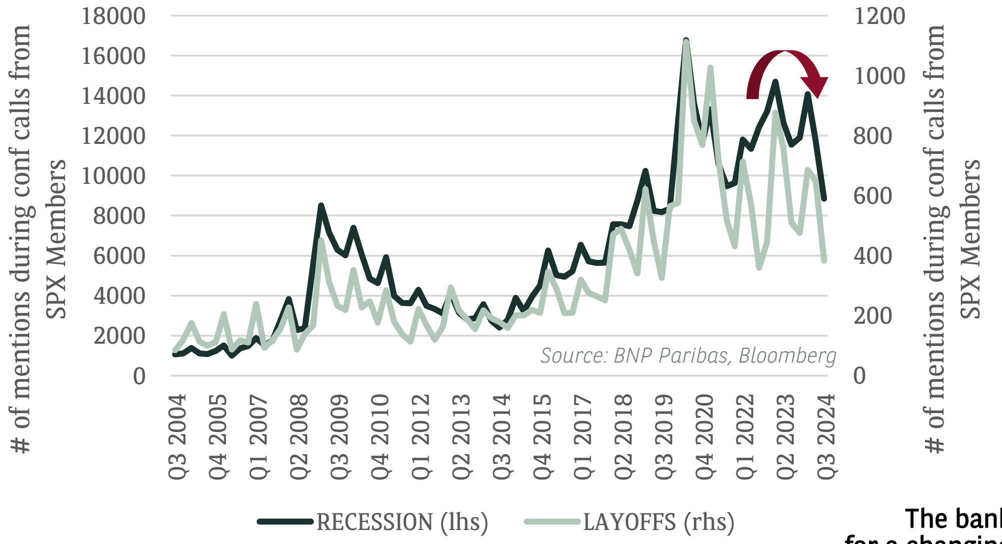
At the beginning of August, the market suddenly got spooked by some weaker economic data, pricing in a more urgent need for the FED to cut rates which, in combination with a hawkish BOJ, led to the implosion of the carry trade. We think the market reaction to those growth fears – which themselves look overblown to us – has been too extreme. we think it makes sense to lean against extreme concerns and maintain the modal view of continued – albeit slowing - expansion and decelerating inflation, rather than imminent recession fears.

This is a view which seems to be shared by companies as well. The mentioning of the term “recession” during Q2 conference calls came down by an impressive degree. The same is true for the term layoffs, providing additional evidence that the job market may be cooling but is unlikely to collapse any time soon.

FED Chair Powell reacted to the call of duty send by the markets. During his speech at Jackson Hole, he was remarkably dovish, stating that “the time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.“ While the market still prices a certain probability of a 50 bps cut in September, we still see a dovish 25 bps cut as more likely – unless a layoff-driven rise in the jobless rate or August job creation below 100k would alter that view.

While the next few weeks may be a bit difficult for various technical and seasonal reasons, the long term prospects for equities still look healthy to us. We have easing monetary conditions thanks to dovish central banks, overall beneficiary economic activity in many areas of the world and robust drivers of growth, such as nearshoring and AI. We continue to see a lot of value in the AI infrastructure theme outside the large hyperscalers, e.g. via “Powering Up” or Datacenters (including suppliers for new centers). Besides, we stick to our playbook, embracing value in European and Japanese markets while preferring SMIDs in the US. We remain buyers into any material weakness that may occur in the short term.

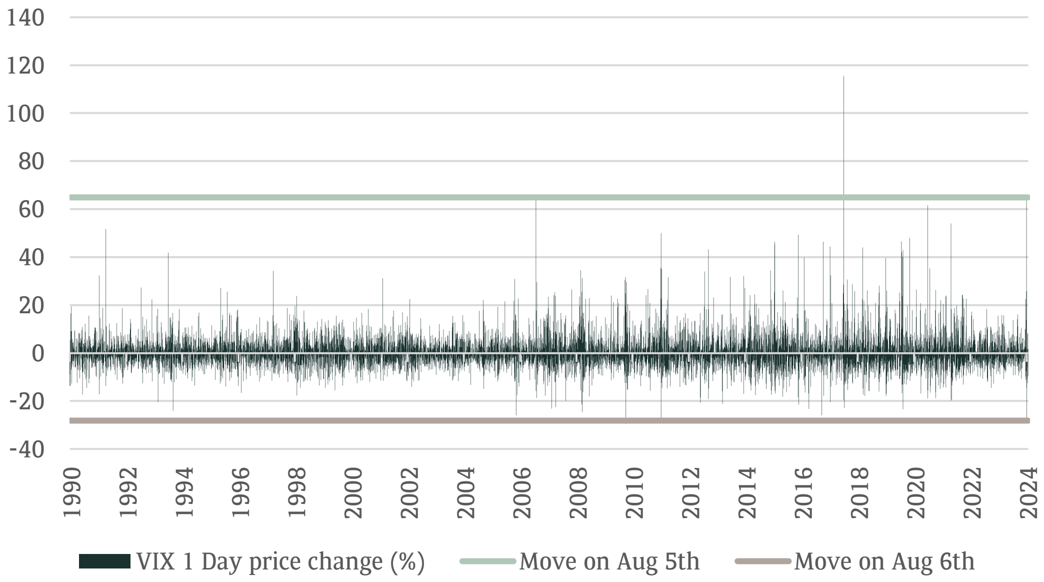
Abating fears of recession, falling need for layoffs



A Nightmare on Vol Street

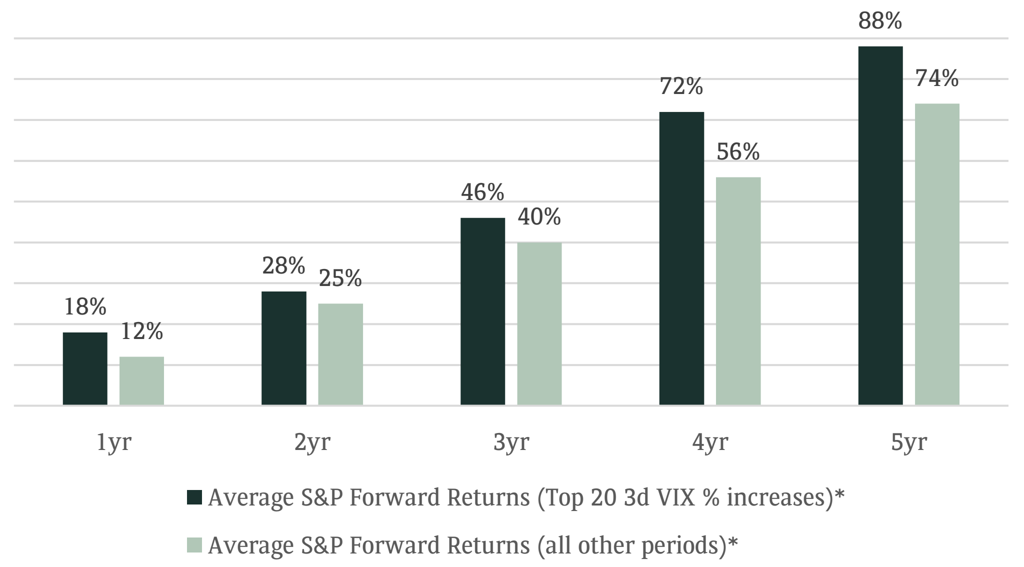
WAS THE CARRY TRADE UNWIND FLASH CRASH NOTHING BUT A BAD DREAM?

THE VIX SAW ITS 3RD BIGGEST SPIKE ON AUG 5TH IMMEDIATELY FOLLOWED BY ITS 2ND BIGGEST DECLINE



Source: BNP Paribas, Bloomberg

PANIC HAS HISTORICALLY BEEN A GOOD MOMENT TO BUY

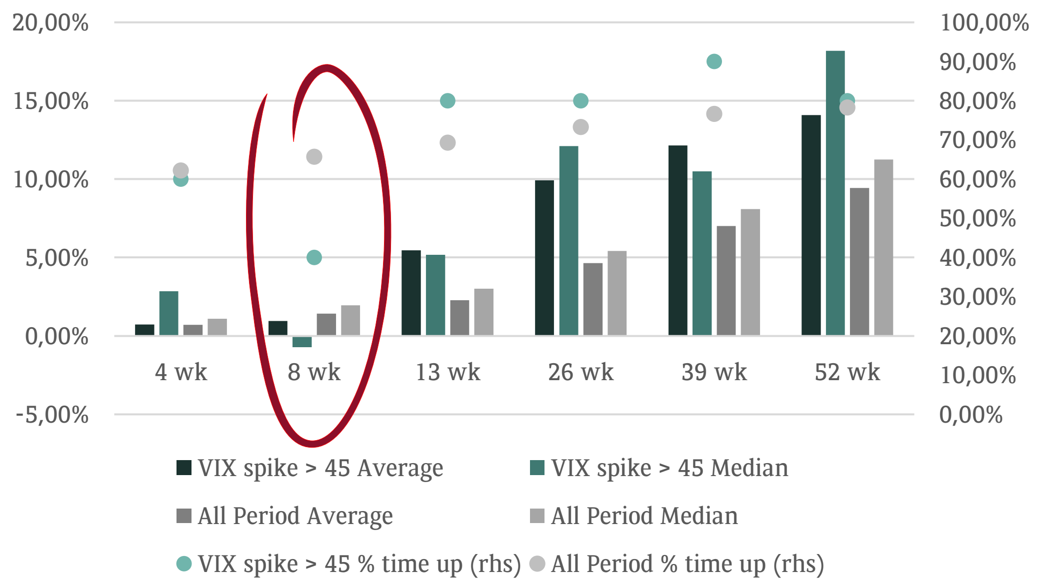


Source: BNP Paribas, Bloomberg ** since 1990*

History suggests that some bad nights are still ahead

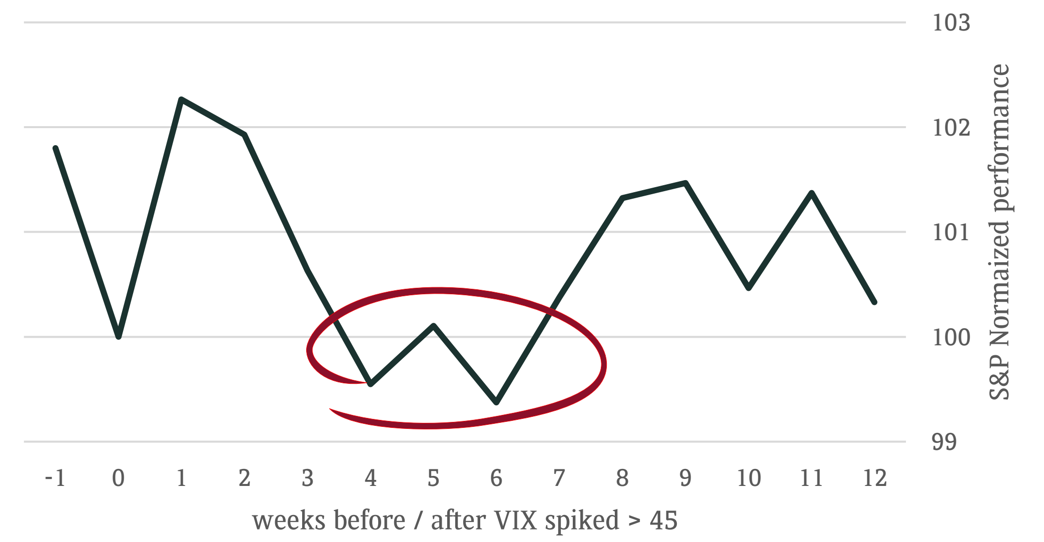
WHILE LONG TERM RETURNS AFTER HUGE MOVES IN VOLATILITY ARE ENCOURAGING, SHORT TERM RETURNS ARE NOT

THE MARKET TENDS TO SHOW BELOW AVERAGE RETURNS OVER THE 8 WEEK WHICH FOLLOW A SPIKE IN VOL.….



Source: BNP Paribas, Bloomberg — Data since 1992

….AS THERE IS A TENDENCY FOR DOUBLE DIPS

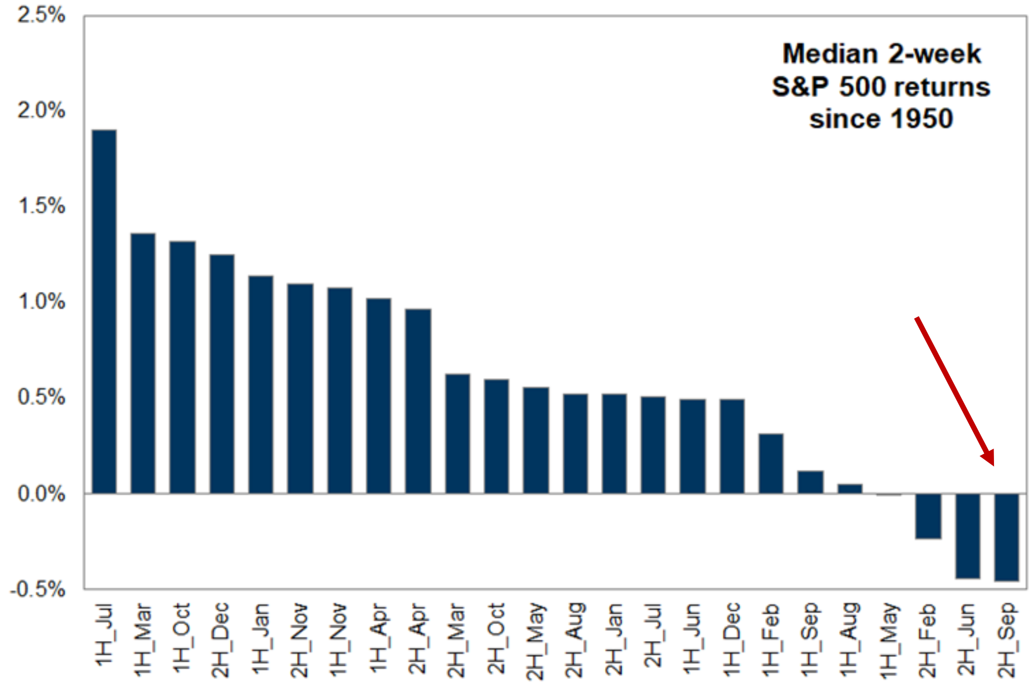


Source: BNP Paribas, Bloomberg — weekly data since 1990 ex GFX & Covid

Seasonality may spook markets until election day

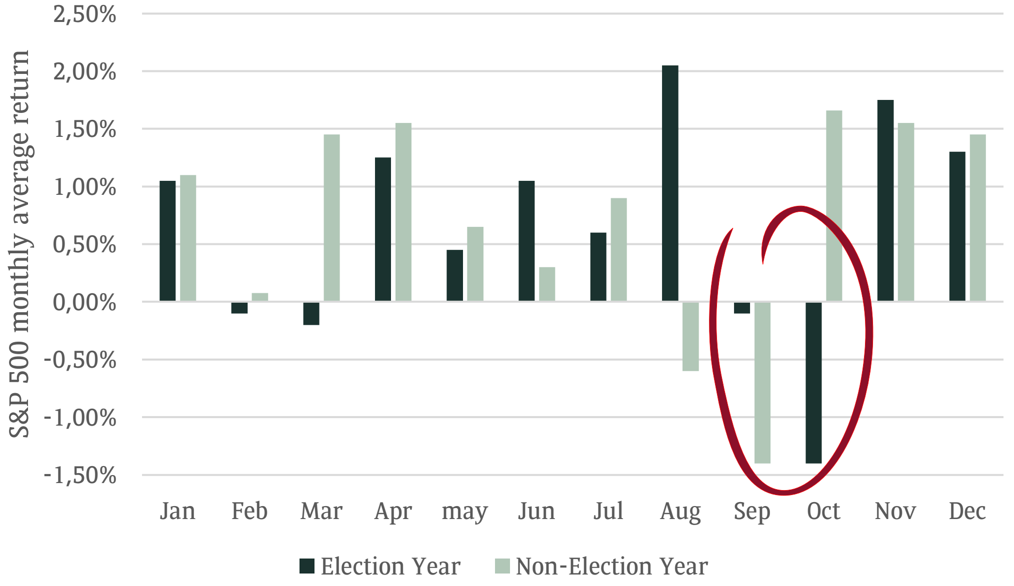
WE ENTER THE MOST DIFFICULT SEASON FOR MARKETS IN ELECTION YEARS

THE SECOND HALF OF SEPTEMBER IS THE SINGLE WORST TWO WEEK PERIOD OF THE YEAR.….



Source: Goldman Sachs Global Investment Research, Daniel Chavez as of 8/26/24. Past performance is not indicative of future returns.

….WHILE OCTOBER USUALLY SEES A MEANINGFUL CORRECTION IN ELECTION YEARS

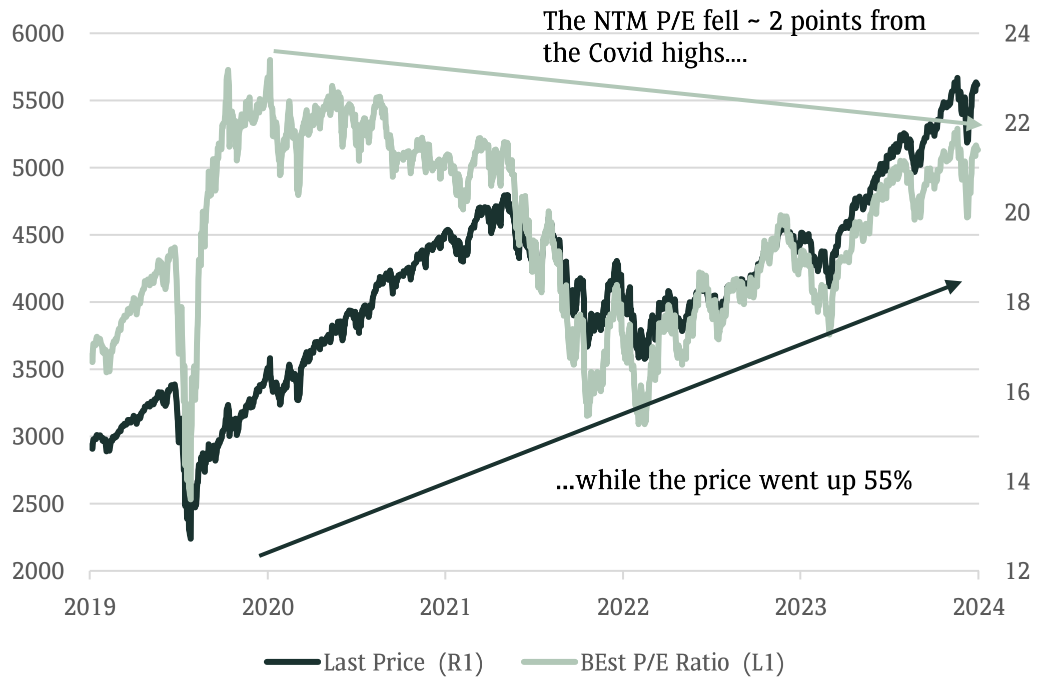


Source: BNP Paribas, Bloomberg

US Equities – growing concerns about large caps (i)

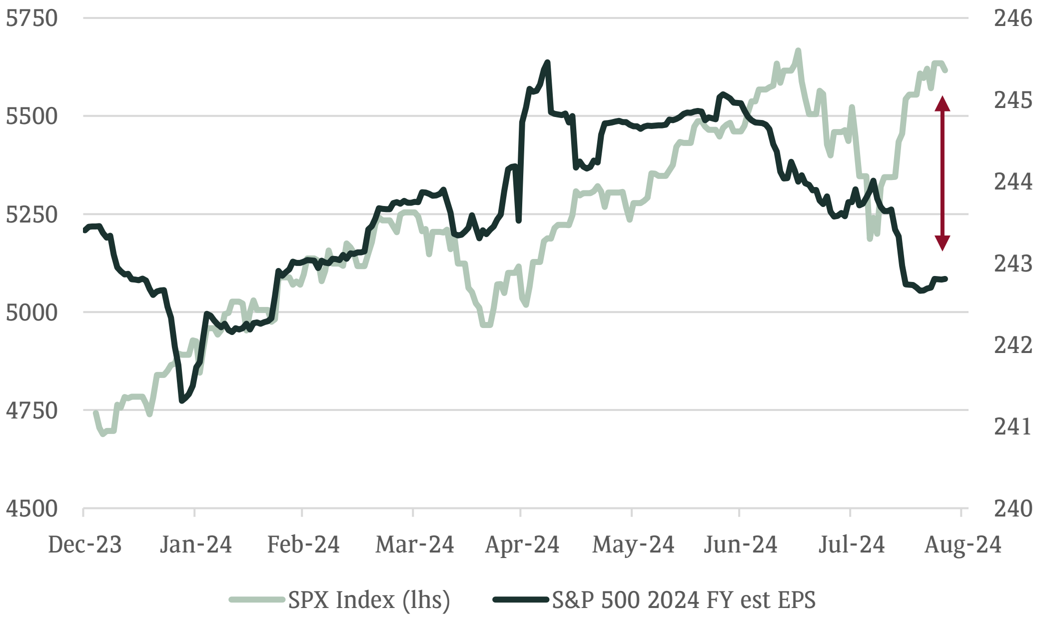
HOW LONG CAN EARNINGS SUPPORT CURRENT VALUATIONS

WHILE THE S&P 500 IS FAR FROM CHEAP, IT´S HARD TO DENY THAT THE CURRENT BULL MARKET IS NOT BACKED BY EARNINGS GROWTH



Source: BNP Paribas, Bloomberg

THERE IS A GROWING DISCONNECT BETWEEN PRICE AND EARNINGS EXPECTATIONS

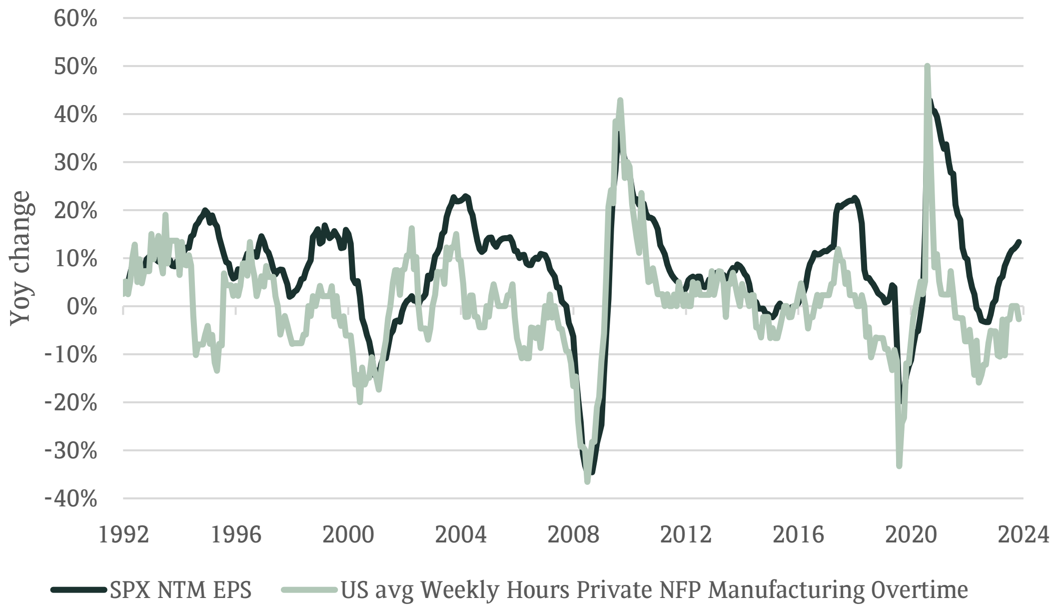


Source: BNP Paribas, Bloomberg

US Equities – growing concerns about large caps (ii)

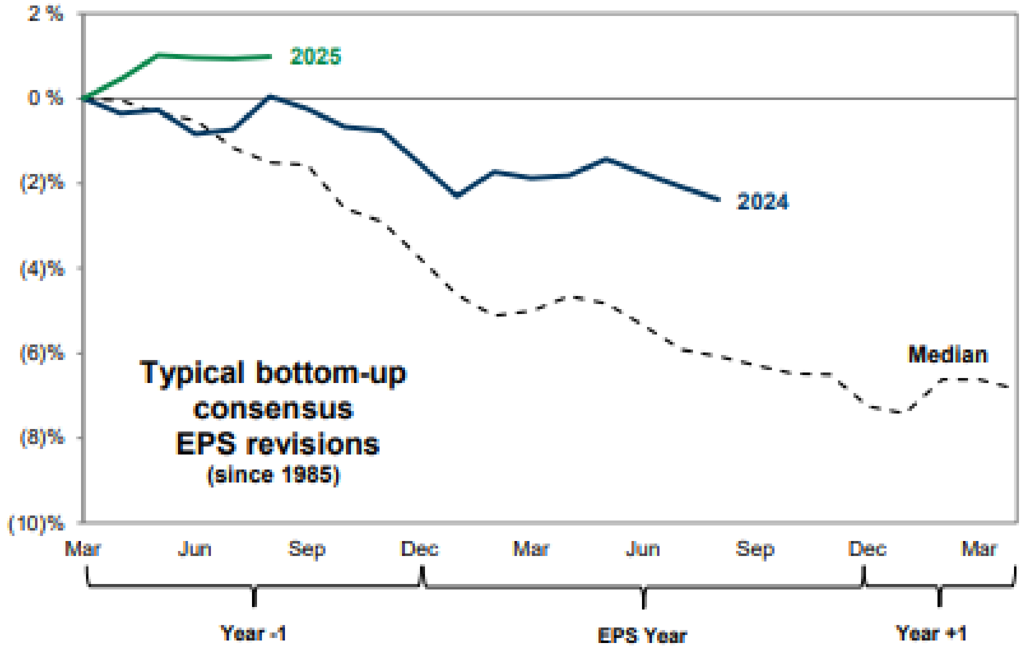
ARE EPS ESTIMATES TOO OPTIMISTIC?

EPS GROWTH HAS A SOLID CORRELATION WITH OVERTIME WORKED. GROWTH SEEMS TO SLOW AS THE JOB MARKET COOLS



Source: BNP Paribas, Bloomberg

CONSENSUS EPS REVISIONS HAVE RECENTLY BEEN LESS NEGATIVE THAN USUAL

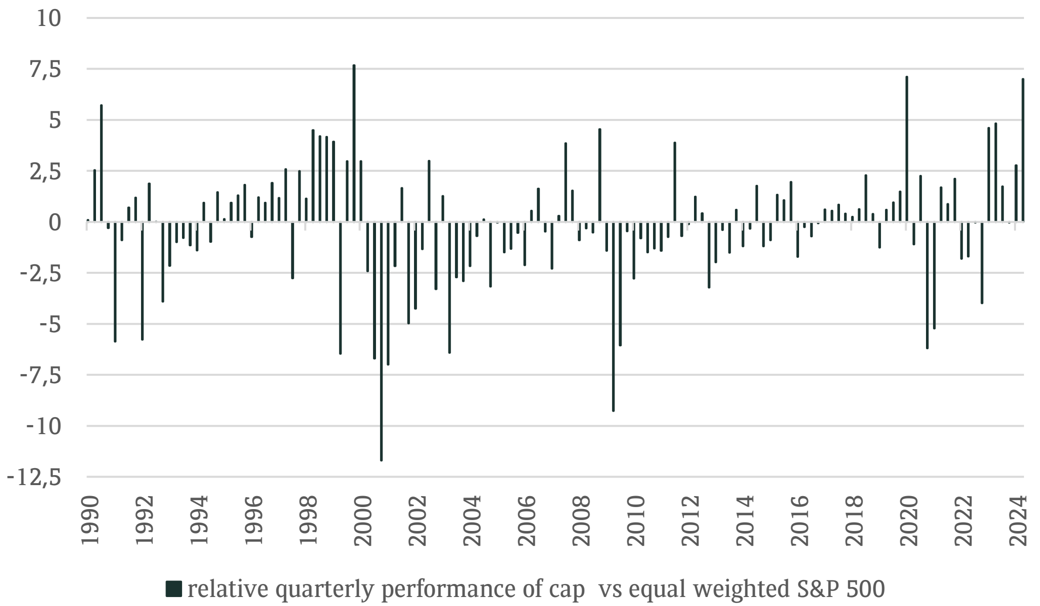


Source: FactSet, Goldman Sachs Global Investment Research

US Equities – overwhelming evidence for Small(er) Cap potential (i)

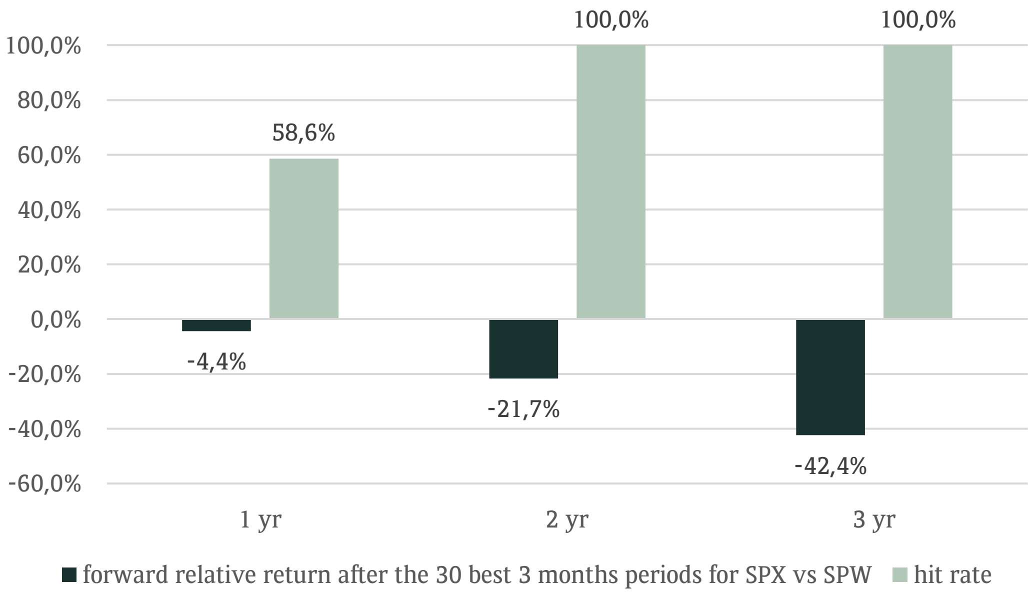
WHEN WEAKNESS TURNS INTO STRENGTH – LESSONS FROM HISTORIC PERIODS OF UNDERPERFORMANCE

Q2 2024 WAS THE 3RD BEST QUARTER FOR THE SPX RELATIVE TO THE SPW



Source: BNP Paribas, Bloomberg

THE CAP WEIGHTED S&P 500 (SPX) USUALLY UNDERPERFORMS THE EQUAL WEIGHTED S&P 500 (SPW) AFTER A STRONG RUN

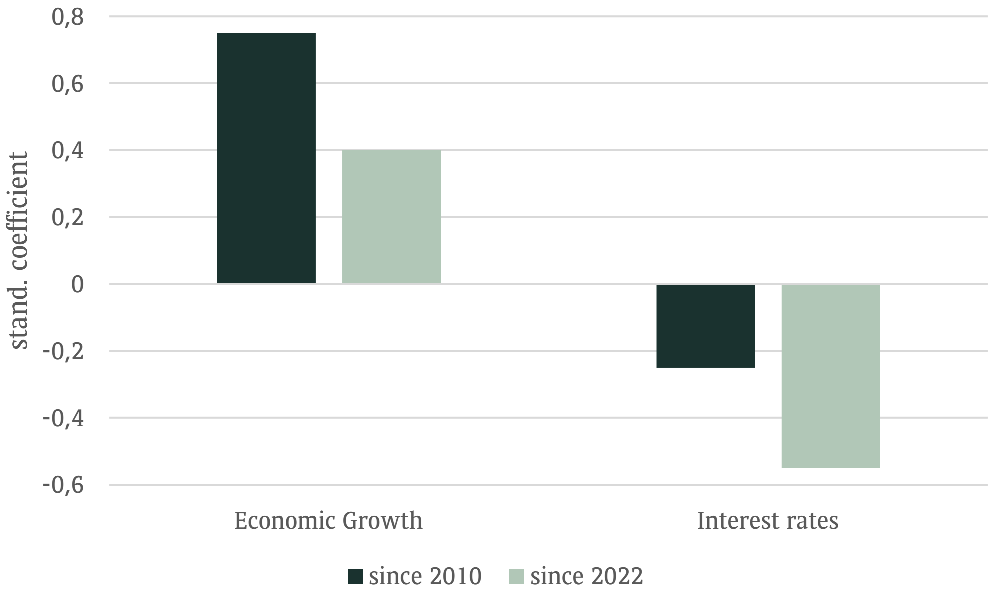


Source: BNP Paribas, Bloomberg

US Equities – overwhelming evidence for Small(er) Cap potential (ii)

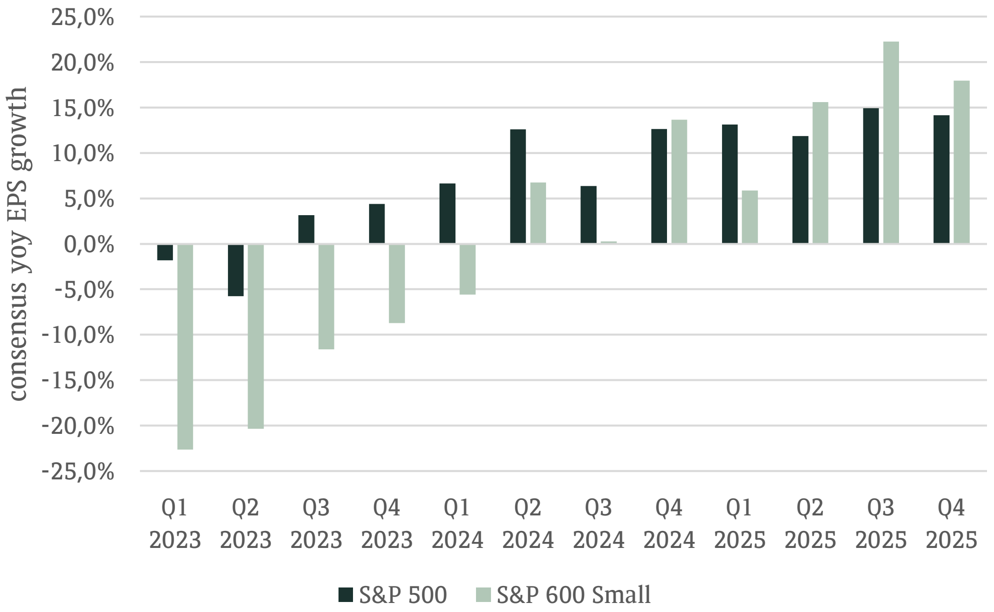
EARNINGS TRENDS AS WELL AS FALLING RATES SHOULD BENEFIT SMALL CAPS RELATIVE TO LARGE CAPS

THE RUSSELL INDEX'S SENSITIVITY TO MOVES IN RATES HAS INCREASED RECENTLY



Source: BNP Paribas, Bloomberg

THE SMALL CAP PROFIT RECOVERY IS ACCELERATING IN 2025, OUTPACING LARGE CAP EPS GROWTH

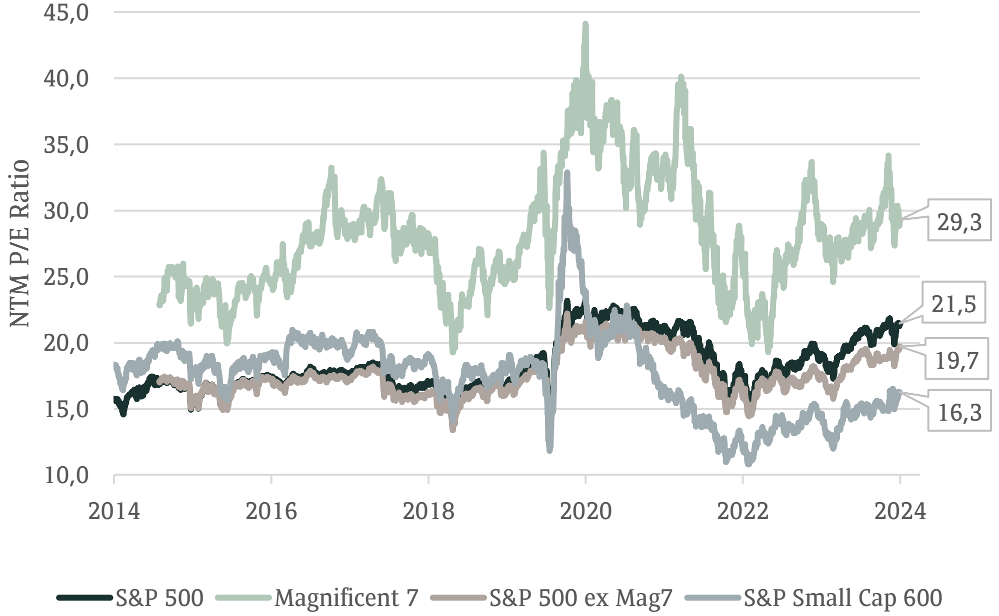


Source: BNP Paribas, Bloomberg

US Equities – Large Caps are still (too) expensive

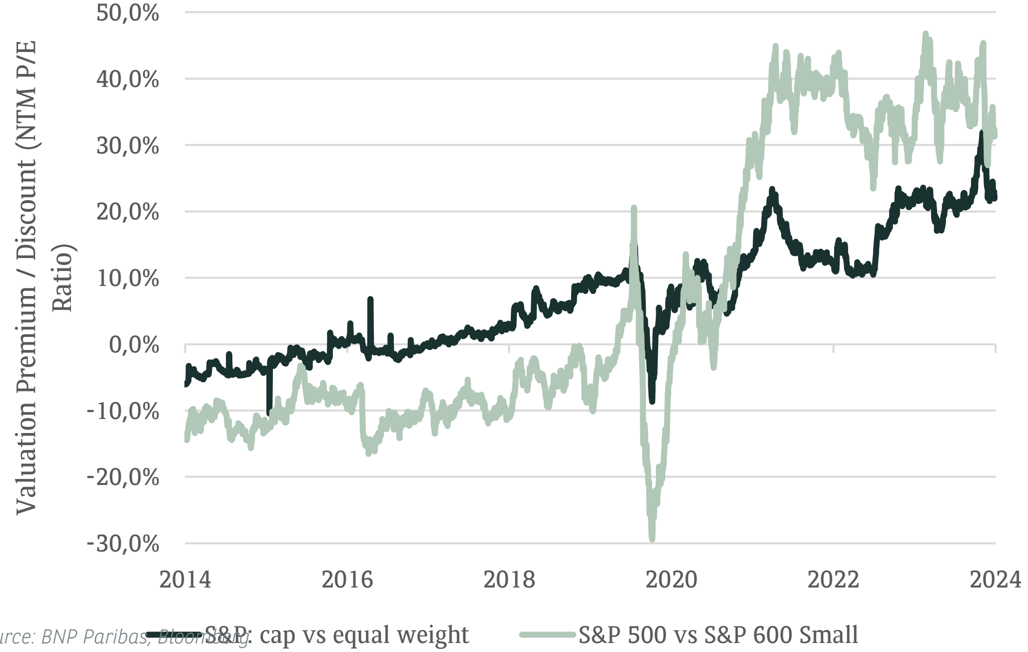
WE CONTINUE TO FAVOUR SMIDS AND WOULD STILL FADE ANY MATERIAL RECOVEREY, ESPECIALLY IN BIG TECH

THE ALREADY HIGH VALUATIONS OF US LARGE CAPS IS STILL DISTORTED BY MEGA CAP TECH. SMALL CAP LOOK MUCH MORE REASONABLY PRICED



Source: BNP Paribas, Bloomberg

THE VALUATION PREMIUM OF LARGE CAPS IS STILL ELEVATED, LEAVING PLENTY OF ROOM FOR A NORMALIZATION



Source: BNP Paribas, Bloomberg

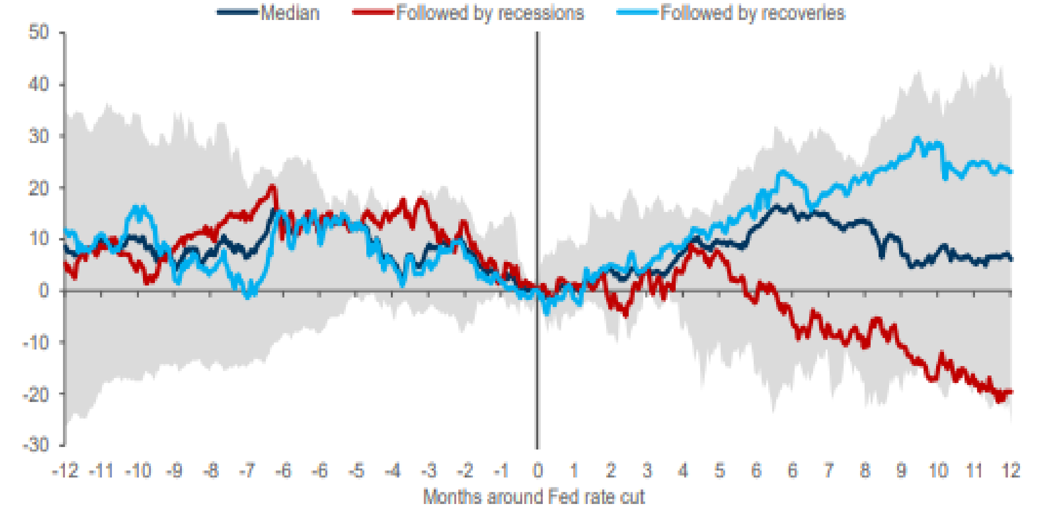
Japan – The land of the (still) rising sun

EVEN MORE ATTRACTIVE VALUATIONS AFTER THE CORRECTION SHOULD PAIR WELL WITH A SOFT LANDING US RATE CUT CYCLE

THE VALUATION DISCOUNT OF JAPANESE EQUITIES VS GLOBAL PEERS INCREASED AFTER THE RECENT FLASH CRASH

Source: BNP Paribas, Bloomberg

THE TOPIX HISTORICALLY PERFORMS WELL AFTER THE FIRST FED RATE CUT IN A NO RECESSION SCENARIO

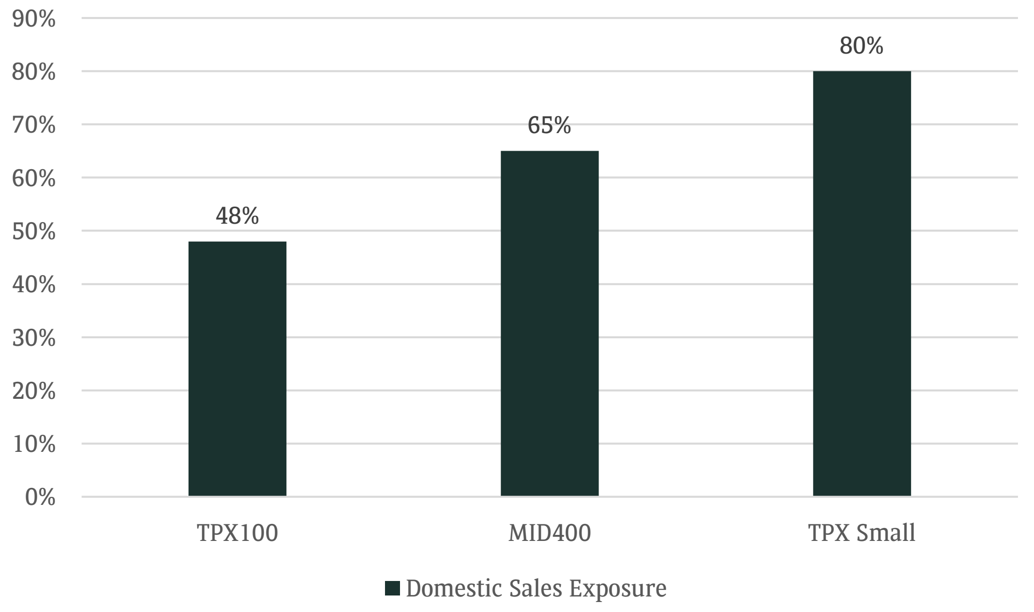


Source: FactSet, Data compiled by Goldman Sachs Global Investment Research

Japan – benefitting from a growth acceleration

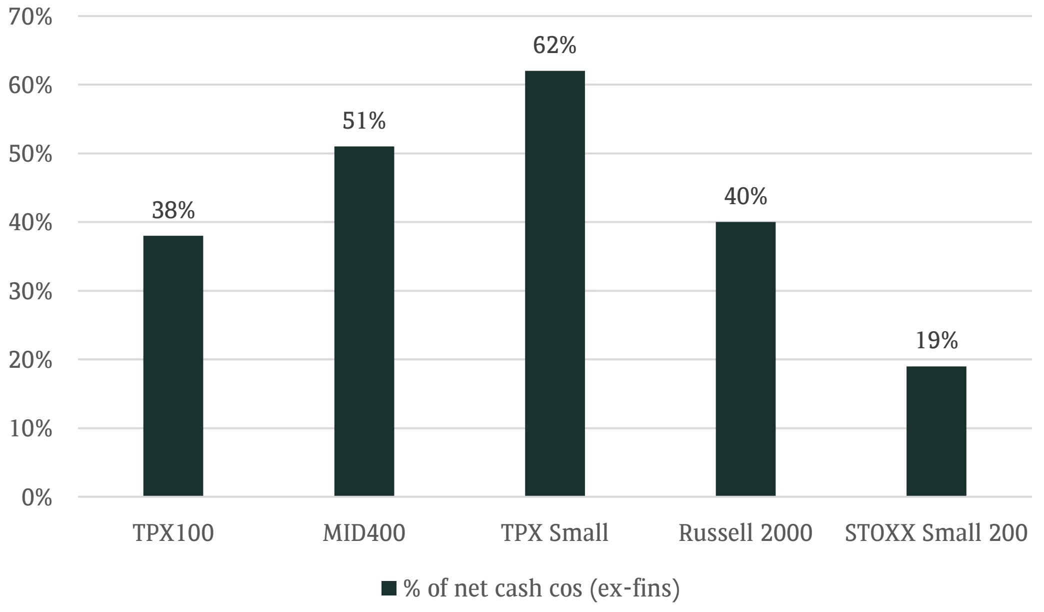
SMALL CAPS ARE LESS EXPOSED TO THE YEN WHILE ENJOYING THE FULL BENEFITS OF A GROWING ECONOMY

SMALL CAPS HAVE THE HIGHEST EXPOSURE TO DOMESTIC GROWTHV



Source: BNP Paribas, Bloomberg

JAPANESE SMALL CAPS ARE EXTREMELY CASH RICH ALLOWING FOR FUTURE SHAREHOLDER RETURN GROWTH

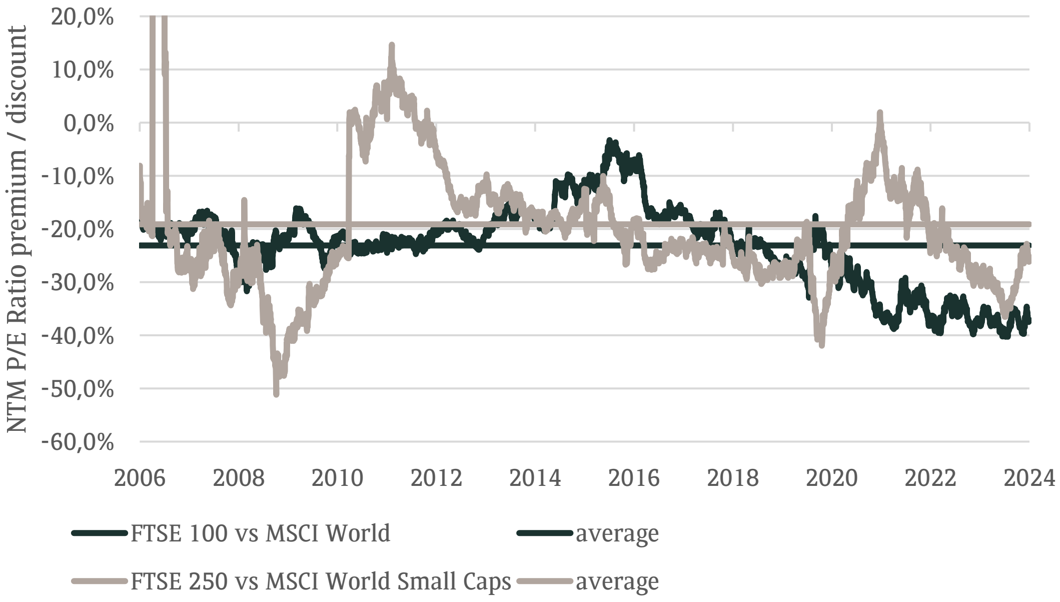


Source: BNP Paribas, Bloomberg

UK Stocks – Keep calm and carry on

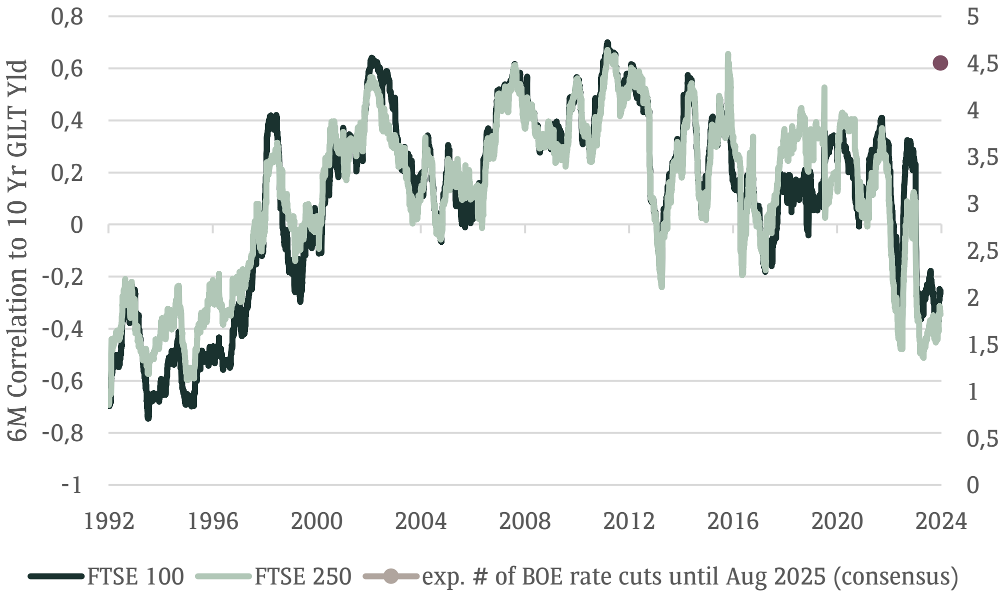
THE MARKET BENFITS FROM CHEAP VALUATIONS AND FURTHER BOE POLICY EASING

UK LARGE AND SMALL CAPS TRADE AT ABOVE AVERAGE VALUATION DISCOUNTS COMPARED TO GLOBAL PEERS



Source: BNP Paribas, Bloomberg

A CLOSE TO DECADE LOW CORRELATION TO YIELDS SHOULD SUPPORT UK EQUITIES IN THE LIGHT OF ADDITIONAL POLICY EASING FROM THE BOE



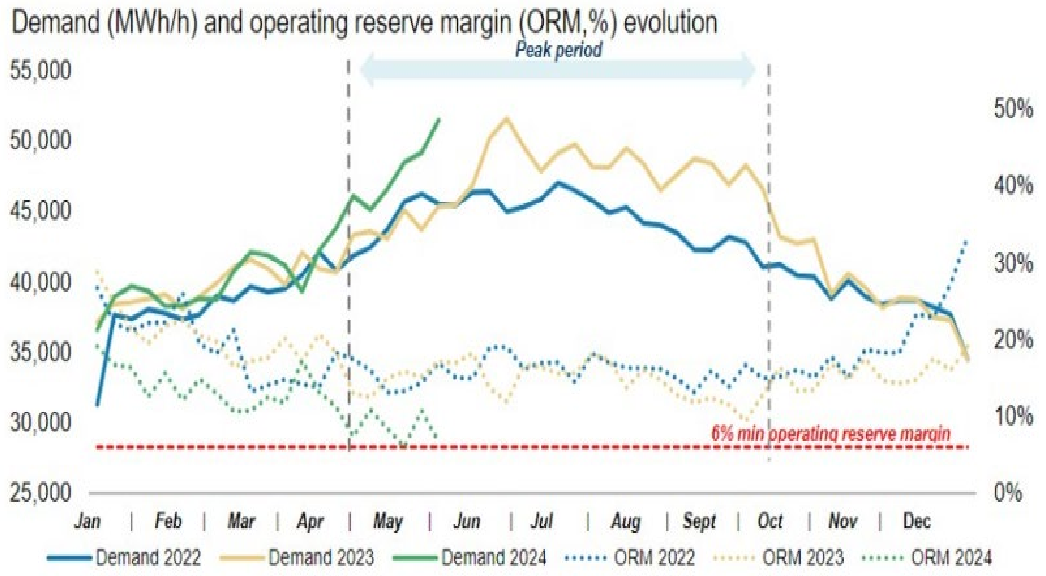
Source: BNP Paribas, Bloomberg

Mexico – risking slower growth and higher risk premia

Downgrading to neutral

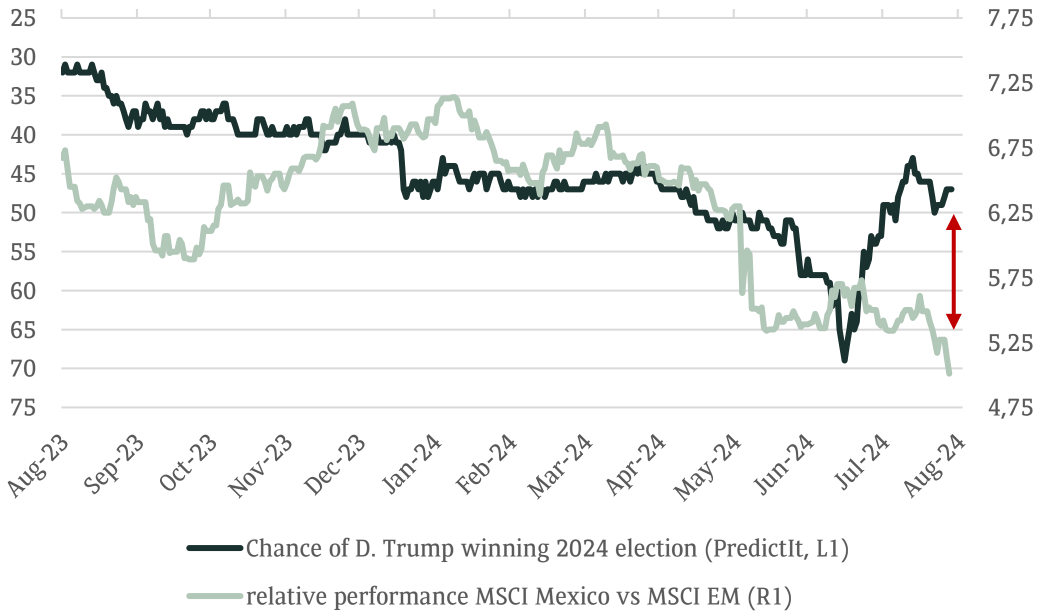
THE JUDICIAL REFORM PROPOSAL WILL INTRODUCE UNCERTAINTY TO CONCESSION, FISCAL AND COMPETITION MATTERS

ELECTRICITY IS A KEY BOTTLENECK. PRIVATE INVESTMENTS ARE LESS LIKELY WITH A WEAKENED INSTITUTIONAL FRAMEWORK



Source: CENACE, Company data, Morgan Stanley Research. Notes: ORM is the theoretical spare generation capacity available (as % of peak demand)

THE MOST RECENT UNDERPERFORMANCE WASN´T DRIVEN BY EXTERNAL POLICY RISKS



Source: BNP Paribas, Bloomberg

European Sectors in a nutshell (i)

Sector	View			YTD TRR	TTR Spread vs SXXP (in ppts)	Our view at a glance
	Underweight	Neutral	Overweight			
STOXX Europe 600 Cons. Products and Services	X			-0,02	-11,91	The sector is cyclical, exposed to Luxury and to China. It is one of the European sectors that has experienced some of the **most negative EPS revisions YTD**, and over the past month.
STOXX Europe 600 Energy		X		3,19	-8,69	Oil prices remain muted as the risk of OPEC production cut reversal remains while the US keeps producing at record levels. We remain neutral due to valuations and an **attractive shareholder yield > 11%** (at risk if oil falls further)
STOXX Europe 600 Food, Bev and Tobacco	X			2,25	-9,64	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. Valuations are broadly in line with historic averages. We don´t see any upside catalysts
STOXX Europe 600 Personal Care	X			11,95	0,07	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. While valuations are below historic averages, we don´t see any upside catalysts
STOXX Europe 600 Chemicals	X			1,12	-10,76	The sector has a **very high sensivity to global trade growth** which makes it vulnerable to US tarifs and a still sluggish Chinese economy.
STOXX Europe 600 Utilities		X		5,46	-6,42	EPS growth & revisions vs poor sector performance have led to a meaningful de-rating. **We prefer "Electrification Compounders"** which should benefit from a capex super-cycle in power grids and rising renewable returns.
STOXX Europe 600 Banks			X	25,31	13,43	**Better for Longer**: sustained P&L momentum, coupled with capital flexibility, supports ongoing earnings growth and attractive capital distribution yields through the coming years. Valuations (P/E Ratio) are still undemanding.
STOXX Europe 600 Real Estate			X	5,48	-6,41	Demographics coupled with low building activity should support **book value re-ratings** among residentials. Logistics and data center should enjoy tailwinds from growing trends in e-commerce / AI. Stay selective among office and avoid retail
STOXX Europe 600 Technology			X	8,76	-3,12	There´s a decent **discount to its US peers** despite an **excellent position** to benefit from growing AI trends, e.g. via best-in-class semiconductors or software vendors ready to capitalise on the emerging generative AI market opportunity
STOXX Europe 600 Autom. & Parts	X			2,03	-9,86	The transformation to BEVs is still hard for legacy OEMs. **The sector is heavily exposed to tariff hikes**, and China is likely to retaliate against the recent tariff hike by the EU on Chinese EVs imported into the region.

TRR = total Return, Data source: Bloomberg

European Sectors in a nutshell (ii)

Sector	View			YTD TRR	TTR Spread vs SXXP (in ppts)	Our view at a glance
	Underweight	Neutral	Overweight			
STOXX Europe 600 Health Care			X	21,91	10,03	The sector benefits from **AI related efficiency gains in a structually growing market** (e.g. demographics, obesity etc). It is a defensive compounder less impacted by policy uncertainties. The valuation vs global peers is attractive
STOXX Europe 600 Financial Services			X	13,32	1,43	Recent market turmoils should have boosted on exchange volumes. The growth of AuM,mainly in ETFs continues. Falling rates should help drive P/E activities higher
STOXX Europe 600 Insurance			X	19,43	7,54	The sector still benefits from higher rates and improving economic growth. Thanks to the strenght of balance sheets we see further room to **increase shareholder returns**. Valuations are in line with history, offering further re-rating potential
STOXX Europe 600 Telecommunications	→	X		16,63	4,74	**UGRADE to neutral**: Telecoms is one of the **most defensive sectors when policy risks and trade tariffs increase**. We expect EPS cuts coming to an end as previous investments in fibre are now generating free cash flow and EBITDA growth
STOXX Europe 600 Media Price EUR		X		13,39	1,50	The sector still suffers from investors trying to make their mind how AI will impact business models. We think that a part of it is well positioned to benefit from AI as they own a lot of data. The sector is **not correlated to bond yields.**
STOXX Europe 600 Industrial Goods & Services			X	13,65	1,76	The sector should benefit from ongoing nearshoring as well as investments in data centers and renewable energy projects. **Accelerating growth in Europe** should help, too.
STOXX Europe 600 Construction & Materials			X	8,28	-3,61	**Investments in energy infrastructure / energy efficient buildings** should help drive earnings alongside a recovering economy in Europe. Valuations relative to the market de-rated toward historic averages
STOXX Europe 600 Basic Resources		X		-6,09	-17,97	The sector suffered from recent growth concerns and sluggish Chinese demand. We think that a 4%+ dividend yield should provide a buffer against further deratings. **We prefer names exposed to energy transition & precious metals**
STOXX Europe 600 Retail Price EUR		X		15,57	3,68	The sector has now found some capital discipline allowing for cash distributions. We do see **lack of growth drivers** though. Valuations are in line with historic averages
STOXX Europe 600 Travel & Leisure	X	←		0,78	-11,10	**DOWNGRADE to underweight**: The YOLO-effect is fading as the services demand catch-up effect comes to an end due to rising costs of living. Earnings Estimates continue to face downgrades. Fade positions into strenght

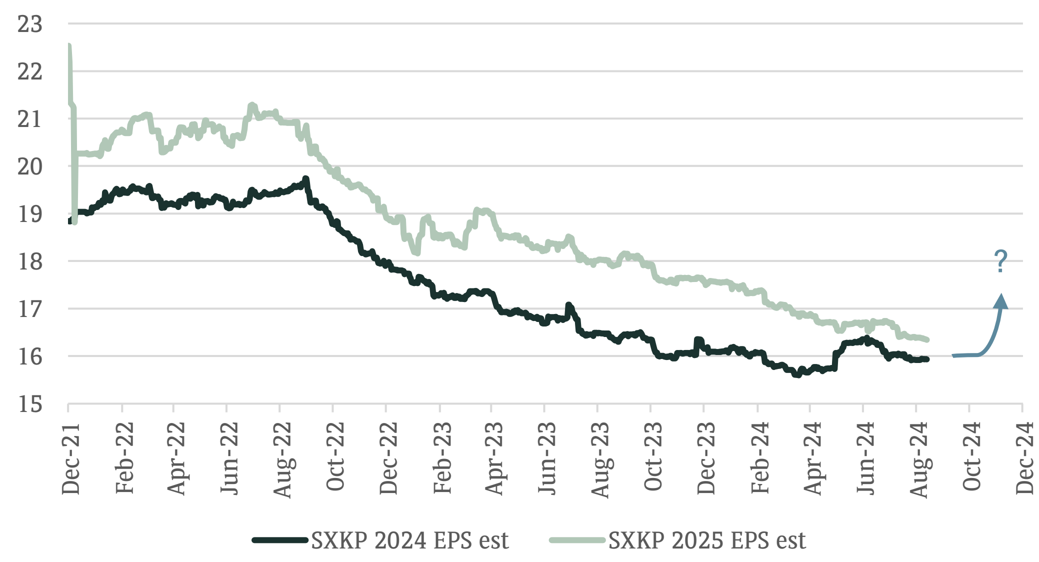
TRR = total Return, Data source: Bloomberg

Rating changes in one chart

WE PROVIDE THE MAIN REASON FOR A CHANGE IN A SINGLE CHART

Upgrading to neutral

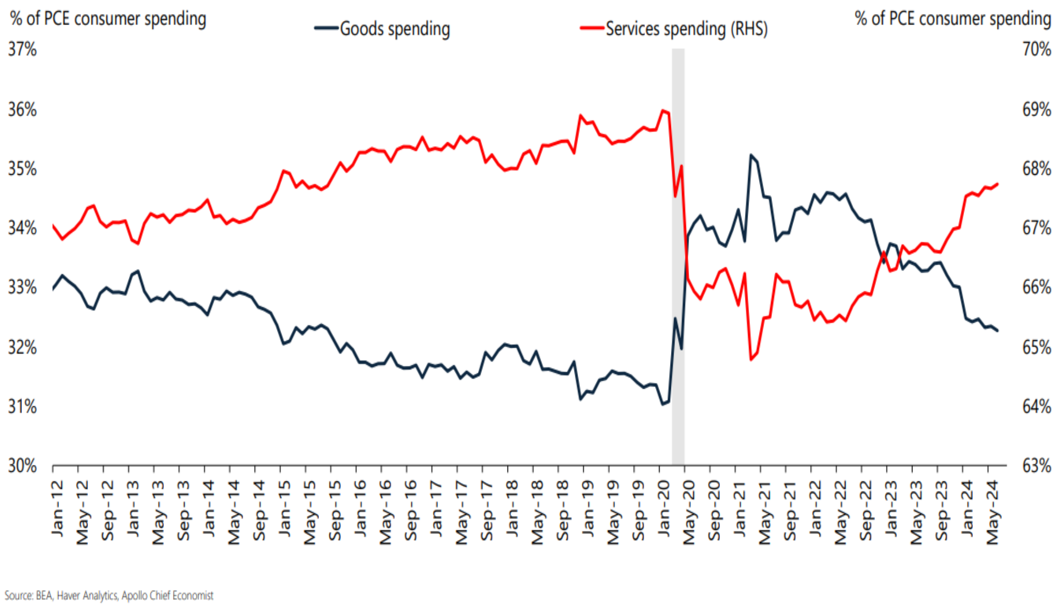
TELECOMS: WE EXPECT A CHANGE IN TREND OF EPS EXPECTATIONS AS PAST INVESTMENTS SHOULD START GENERATING PROFITS



Source: BNP Paribas, Bloomberg

Downgrading to underweight

TRAVEL & LEISURE: THE PENT-UP DEMAND BOOM FOR SERVICES IS INCREASINGLY SLOWING

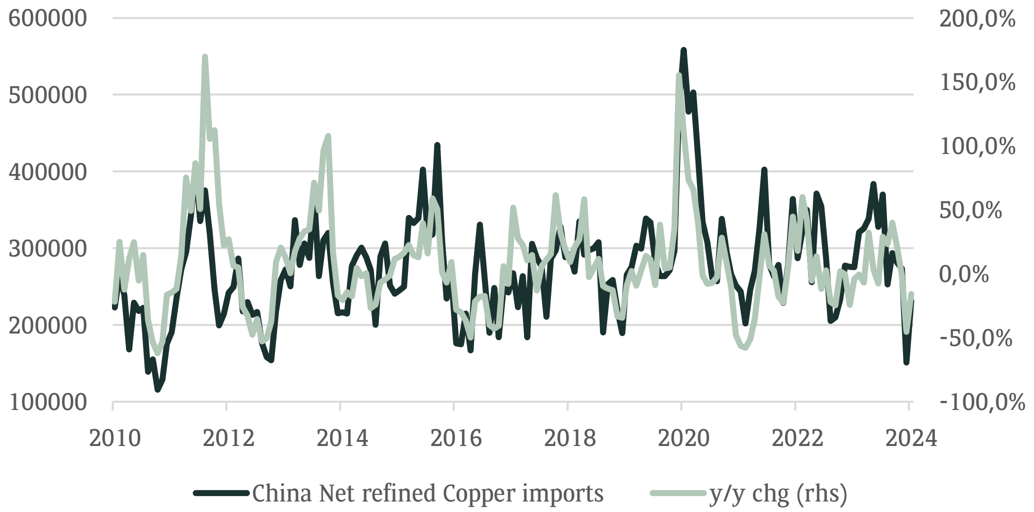


Source: BNP Paribas, Bloomberg

Bad cop, good copper

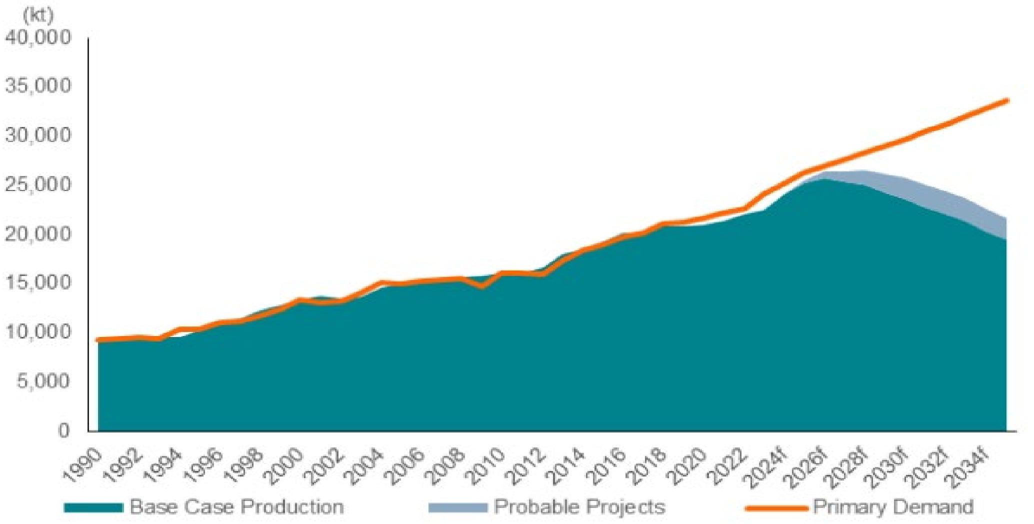
SLUGGISH CHINESE DEMAND CAUSED SOME PRESSURE ON PRICES WHILE LONG TERM PROSPECTS PERSISTS

CHINESE NET REFINED IMPORTS FELL TO 13-YEAR LOWS IN JUNE ON WEAK COPPER DEMAND AND SURGING REFINED COPPER EXPORTS



Source: BNP Paribas, Bloomberg

THIS SHOULD BE PERCEIVED AS SHORT TERM WEAKNESS GIVEN THE LONG TERM PROSPECT OF MAJOR DEFICITS IN THE MARKET



Sources: Wood Mackenzie, BNP Paribas Exane

The long-term prospects for the metals and its producers remain very favourable. We see the current weakness in copper as temporary. The NTM P/E ratio of the Solactive Global Copper Miner Index fell from 19 to 13.5 which provides an buying opportunity

US Sectors in a nutshell

Sector	View			YTD TRR (%)	TTR Spread vs SXXP (in ppts)	Our view at a glance
	Underweight	Neutral	Overweight			
S&P 500 Consumer Discretionary Sector	X			6,41	-6,39	**Rising living costs** combined with a **cooling job market** should keep discretionary spending muted. Growing levels of credit card debt (which currently charge recod rates) should provide further headwinds going forward
S&P 500 Consumer Staples Sector	X			17,69	4,88	**Rising living cost**s combined with a **cooling job market** should dampen spending on brand items. Growing levels of credit card debt (which currently charge recod rates) should provide further headwinds going forward
S&P 500 Energy Sector		X		11,35	-1,45	Oil prices remain muted while the US keeps producing at record levels. We **prefer energy infrastructure names** as they should benefit from rising transportation and storage needs while paying attractive dividends
S&P 500 Financials Sector		X		22,58	9,78	A recovery in M&A activity should support big banks earnings while a **solid economy will keep defaults in the credit books in check**. **Headwinds from falling rates** and a weakening consumer should be a bigger issue for regional banks
S&P 500 Health Care Sector			X	16,31	3,51	The sector benefits from **AI related efficiency gains** in a structually growing market (e.g. demographics, obesity etc). It is a defensive compounder less impacted by policy uncertainties and could benefit from **further deregulation** post elections
S&P 500 Industrials Sector			X	16,30	3,49	**Nearshoring and rebuilding manufacturing capabilities** inside the US are the main drivers for the sector. While the sector isn´t cheap, we think the current premium is warranted given the prospects
S&P 500 Information Technology Sector		X		27,15	14,34	**Valuations trades on a heavy premium** vs the market. Profit growth expectations are slowing, making it harder to justify the valuation premium. Sentiment is also less optimistic on mega caps as worries of AI-related overinvestments rise
S&P 500 Materials Sector			X	11,24	-1,57	While we remain cautios within subsectors in chemicals, **we do like stocks with exposure to precious metals / energy transition metals mining**. The sector is expensive vs its own history but trades at the average premium vs the market
S&P 500 Real Estate Sector		X		10,67	-2,13	We still see sluggish activity in residential RE as many owners are handcuffed by existing, low rates mortgages. New construction activity is muted. **Commercial RE looks stressed**. Those headwinds are reflected in undemanding valuations
S&P 500 Communication Services Sector		X		23,12	10,31	The sector is **dominated by 2 mega tech companies which look expensive**. The remaining index looks more reasonable priced. We prefer software and telecommunications within the sector
S&P 500 Utilities Sector		X		22,55	9,74	A capex growth cycle should support future EPS growth. We prefer names tied to the **"Powering AI" theme** and with a good renewables business as PPA prices continue to stay attractive. Valuations aren´t cheap.

TRR = total Return, Data source: Bloomberg

Q2 2024 Earnings: key points

US EARNINGS EXPECTATIONS WERE HIGH, BUT COMPANIES DELIVERED

Q2 EPS Growth:
- S&P 500: 3.5% better than expected (+11.4% earnings growth y/y), a beat quite in line with the pre-Covid time. About 80% of companies beat expectations at earnings level 50% at revenues level.

- Small caps are still in earnings recession. However, their earnings are expected to grow +20-25% in 2025, i.e. faster than large caps earnings (exp. +15% growth in 2025).

Sectors:
- Strongest results were in health care, utilities & financials sectors.
- Most disappointing results were to be found in energy, materials, industrials and comm services.

Forecasts:
- +10% in 2024, +15% in 2025 & 2026. It looks optimistic for an economy that is slowing down & considering less pricing power than in recent years.

EUROPEAN EARNINGS SEASON : EPS GROWING AGAIN IN Q2

EPS Growth:
- +3,4% yoy in Q2 (EuroStoxx50), slightly better than expected.
- the first positive rate since Q4 2022, supported by better sales and margins
- EPS was -3% in Q1 2024.

Sectors:
- Financials : much better than expected; Health Care strong.
- Consumer Discretionary, Autos, Basic Resources & Energy : quite disappointing.

Forecasts:
- Quite disappointing in aggregate, especially at European companies doing business with China and when compared with US companies' forecasts.
- Despite some recent downward revisions, expectations still look optimistic for the coming quarters (+4% earnings growth is expected in 2024) and for 2025 (+10%).

Valuations - Indices

			Forward													Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	vs. ACWI	5yr Z-Score
MSCI ACWI	827		45,64		-2,26	18,20		2,90		2,06		15,01		5,52		n.a.	n.a.
MSCI World	3631		189,39		0,80	19,26		3,19		1,95		15,55		5,22		1,06	
MSCI Emerging Markets	1097		90,72		-17,09	12,12		1,56		3,03		12,56		8,27		0,65	
S&P 500	5592		257,62		-0,39	21,71		4,46		1,43		19,10		4,61		1,24	
S&P 500 Equal Weighted	7036		396,36		-1,97	17,75		2,88		2,02		15,09		5,63		0,98	
Russell 2000	2189		77,63		-2,88	28,19		0,00		2,38		0,00		3,55		1,34	
NASDAQ 100	19351		703,14		-2,07	27,52		7,02		0,85		21,91		3,63		1,64	
MSCI USA Growth	24045		403,74		-0,71	31,99		10,64		0,43		30,51		1,68		2,02	
MSCI USA Value	14155		224,36		-0,19	17,14		2,85		2,45		15,36		1,59		0,95	
STOXX Europe 600	521		37,76		-0,59	13,79		1,95		3,61		13,47		7,25		0,75	
STOXX Europe Mid 200	539		45,62		-0,27	11,81		1,47		4,12		12,17		8,47		0,63	
STOXX Europe Small 200	342		26,12		-0,73	13,10		1,34		3,98		9,74		7,63		0,68	
DAX	18782		1423,52		-0,34	13,19		1,58		3,67		11,45		7,58		0,70	
FTSE 100	8344		710,64		-1,51	11,74		1,85		3,83		14,43		8,52		0,64	
CAC 40	7578		564,26		-1,04	13,43		1,81		3,54		13,30		7,45		0,72	
FTSE MIB	33880		3727,79		-0,08	9,09		1,29		5,93		14,12		11,00		0,49	
Nikkei 225	38364		1892,36		0,76	20,28		1,95		1,90		9,60		4,93		1,05	
Hang Seng	17577		2123,91		1,06	8,33		0,94		4,32		10,70		12,08		0,44	

Source: BNP Paribas, Bloomberg

Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Valuations – EU Sectors

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Upside to 12M Target Price*	vs. SXXP	5yr Z-Score
STOXX Europe	521		37,76		-0,59	13,79		1,95		3,61		13,47		7,25		13%	1,00	
STOXXE 600 Consumer P&S	402		17,58		-1,04	22,86		3,24		2,16		13,83		4,37		14%	1,66	
STOXXE 600 Energy	118		13,33		-2,33	8,86		1,22		4,88		14,08		11,28		22%	0,64	
STOXXE 600 Food, Bev and Tobacco	194		12,56		-1,50	15,45		2,55		3,79		15,55		6,47		12%	1,14	
STOXXE 600 Personal Care	163		10,43		0,60	15,60		2,87		3,50		17,35		6,41		7%	1,17	
STOXXE 600 Chemicals	1283		66,06		-0,78	19,42		1,78		3,25		9,64		5,15		10%	1,35	
STOXXE 600 Utilities	397		31,35		1,09	12,65		1,54		5,12		12,08		7,91		12%	0,90	
STOXXE 600 Banks	199		29,33		0,91	6,80		0,80		7,20		11,08		14,71		18%	0,48	
STOXXE 600 Real Estate	137		8,49		-0,07	16,09		0,96		6,08		5,34		6,21		6%	1,08	
STOXXE 600 Technology	813		33,13		-0,16	24,55		4,20		1,15		15,95		4,07		23%	1,83	
STOXXE 600 Autom. & Parts	605		100,86		-1,91	6,00		0,67		6,34		10,47		16,66		23%	0,42	
STOXXE 600 Health Care	1267		64,28		-0,92	19,71		4,05		2,38		16,86		5,07		7%	1,51	
STOXXE 600 Financial Services	791		46,58		-0,24	16,99		1,57		2,70		9,92		5,89		9%	1,18	
STOXXE 600 Insurance	395		34,47		-0,08	11,47		1,95		6,48		18,98		8,72		7%	0,85	
STOXXE 600 Telcos	222		16,34		-0,49	13,59		1,32		4,62		8,84		7,36		12%	0,95	
STOXXE 600 Media	453		25,11		-0,55	18,03		3,54		2,53		16,44		5,55		13%	1,37	
STOXXE 600 Ind. Goods & Services	862		50,92		0,12	16,94		3,35		2,42		18,16		5,90		11%	1,29	
STOXXE 600 Constrn & Materials	705		45,91		-0,08	15,36		2,21		3,06		14,03		6,51		12%	1,12	
STOXXE 600 Basic Resources	530		50,13		-5,22	10,57		1,20		4,35		11,05		9,46		23%	0,75	
STOXXE 600 Retail	452		26,50		-0,17	17,06		3,09		2,97		17,18		5,86		10%	1,28	
STOXXE 600 Travel & Leisure	236		16,54		-1,76	14,24		2,89		2,36		21,43		7,02		24%	1,09	

* Bloomberg Consensus TP

Source: BNP Paribas, Bloomberg

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BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

Valuations – US Sectors

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Potential Upside to 12M Target Price*	vs. S&P 500	5yr Z-Score
S&P 500	5592		257,62		-0,39	21,71		4,46		1,43		19,10		4,61		11%	1,00	
S&P 500 Consumer Discretionary	1469		64,75		-0,46	22,69		7,26		0,82		29,24		4,41		14%	1,14	
S&P 500 Consumer Staples	880		39,48		-0,04	22,29		6,33		2,45		27,74		4,49		3%	1,09	
S&P 500 Energy	685		53,38		-1,94	12,84		1,97		3,35		15,57		7,79		18%	0,57	
S&P 500 Financials	746		44,70		0,71	16,68		2,06		1,86		12,05		5,99		5%	0,72	
S&P 500 Health Care	1813		90,46		0,56	20,04		4,95		1,71		20,48		4,99		8%	0,96	
S&P 500 Industrials	1091		49,18		0,16	22,18		5,77		1,60		25,22		4,51		7%	1,07	
S&P 500 Information Technology	4285		136,47		-0,22	31,40		10,80		0,67		30,88		3,18		15%	1,61	
S&P 500 Materials	584		27,29		-1,01	21,41		2,91		1,87		12,99		4,67		9%	0,93	
S&P 500 Real Estate	271		6,93		0,93	39,16		3,19		3,36		8,12		2,55		4%	1,62	
S&P 500 Communication Services	299		16,64		-3,67	17,97		3,79		1,05		19,85		5,56		17%	0,83	
S&P 500 Utilities	381		21,06		0,36	18,10		2,11		3,13		11,65		5,53		5%	0,77	

* BBG Consensus, NOT an official target of BNP Paribas

Source: BNP Paribas, Bloomberg

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