

WHAT IS OUR OUTLOOK FOR EUROPEAN EQUITIES HALFWAY INTO 2018?

by Mark DENHAM
Head of European Equities
18.07.2018

In the European team, we are primarily bottom-up investors, but we also have to consider the environment within which we choose stocks and what the market environment is.



We believe the outlook for investing in European stocks remains positive

We believe the outlook for investing in European stocks remains positive, notwithstanding investors' increasing concerns regarding political developments in Italy or Germany, and withdrawal of liquidity by central banks.

Indeed, when we come to consider the market, we find European equities are in good shape: for the second year in a row, profits for European stocks are likely to grow, albeit at a lower rate than the mid-teens level of 2017. This year we expect profit growth of about 7% to 8%, partly reflecting decent underlying momentum in the European and global economy but at a lower rate than last year because while economic growth is slowing from extended levels, leading economic indicators remain expansionary¹.

Valuations are also appealing from a long-term standpoint. For instance, the average dividend yield on European markets stands at 3.8% - an appealing return compared with still low interest rates. Price-to-earnings ratios (P/E) are likewise in line with 30-year averages despite a relatively better earnings outlook².

Overall, even though we are mindful of the prospect of trade dispute escalation with the US, as well as of political considerations in Europe, we believe that from a long-term perspective, the current background for

European equities is reasonably supportive and valuations are not extended.

Discover our European fund range:

- [Carmignac Portfolio Grande Europe](#)
- [Carmignac Euro-Entrepreneurs](#) and [Carmignac Portfolio Euro-Entrepreneurs](#)
- [Carmignac Long-Short European Equities](#) and [Carmignac Portfolio Long-Short European Equities](#)

(1) Sources: BofA Merrill Lynch European Equity & Quant Strategy, IBES, 18/05/2018. (2) Sources: MSCI, IBES, Morgan Stanley, 01/06/2018.

Source: Carmignac, June 2018. This article is intended for professional clients. This article may not be reproduced, in whole or in part, without prior authorisation from the management company. This article does not constitute a subscription offer, nor does it constitute investment advice. The information contained in this article may be partial information, and may be modified without prior notice. Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. Past performance is not necessarily indicative of future performance. Access to the Funds may be subject to restrictions with regard to certain persons or countries. The Funds are not registered in North America, in South America, in Asia nor are they registered in Japan. The Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a "U.S. person", according to the definition of the US Regulation S and/or FATCA. The Funds present a risk of loss of capital. The risks and fees are described in the KIID (Key Investor Information Document). The Funds' prospectuses, KIIDs and annual reports are available at www.carmignac.com, or upon request to the Management Company. The KIID must be made available to the subscriber prior to subscription. In Switzerland, the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.ch, or through our representative in Switzerland, CACEIS (Switzerland) SA, Route de Signy 35, CH-1260 Nyon. In the United Kingdom, the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This article was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013).