



Global equity indices & inflation

- The recent round of global PMI data has sharpened fears about supply bottlenecks & upward pressure on inflation.
- On current patterns, nearly every equity index globally has positive sensitivity to inflation expectations; i.e. inflation remains a tailwind rather than a headwind to equity performance. **When sensitivity flips to negative, we will see evidence of a significant regime shift** - that markets are worrying about margin compression or an earlier policy response from Central Banks.



- In pure sensitivity terms it is European markets - notably Austria [EWO](#), [Greece](#), Norway [ENOR](#), [Italy](#) & [Spain](#) - that are the biggest beneficiaries from rising inflation expectations.
- In broader macro valuation terms there is a distinct East - West split. US & European models are consistently rich to macro model value. Those that are cheap to model include both the [Nikkei](#) & [TOPIX](#) in Japan, Indonesia [EIDO](#), South Africa [EZA](#), South Korea [EWY](#) & the broader EM index [EEM](#).

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