



## US vs Europe

- European equities are near recent lows relative to the US. On Qi the [Euro Stoxx 600 vs S&P500](#) model is **0.7 sigma (1.2%) below macro fair value**, towards the bottom of recent ranges.



- For those who believe that the European vaccination programme has turned a corner & can trigger a broader re-opening phase, this looks an interesting entry level.
- Since 2009, buying dips at a -0.7 sigma Fair Value Gap (when in regime) has produced a **65.6% hit rate for an average return of +0.62%**. There have been 32 such instances &, on average, it's taken 17 business days to close the FVG.
- **Europe outperforms in a global cyclical upturn.** Rising commodity prices, higher inflation expectations in both the US & Europe are consistent with the SXXP/SPX ratio going up. The ratio wants tight credit spreads & lower EURUSD fx, but also is positively sensitive to Central Bank Quantitative Tightening expectations. That suggests it is relatively protected in another taper tantrum style scenario.

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