

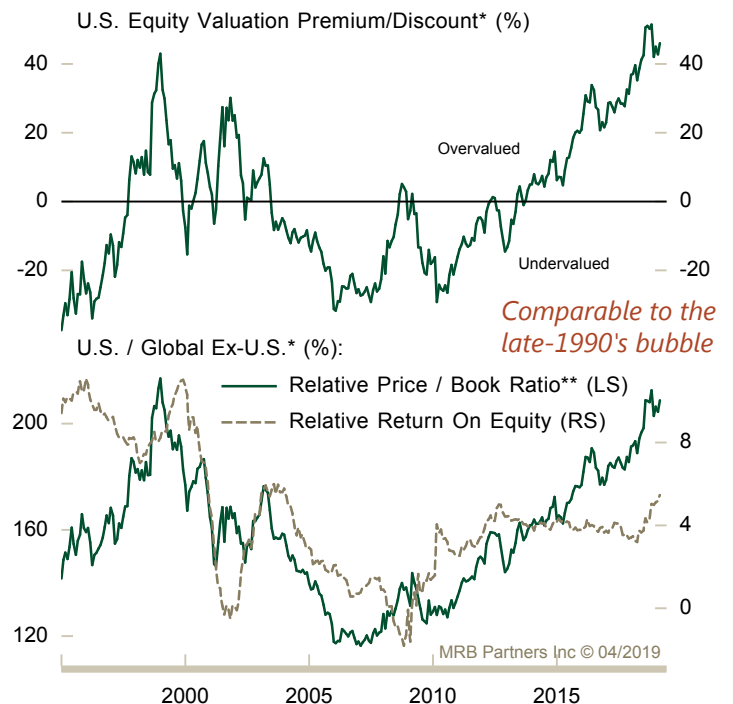
## U.S. Equities: Superior Profits, But Relatively Expensive

Last Friday's **MRB Macro Strategy Report "Still Climbing The Wall Of Worry: Part V"** addressed a number of the key topical investment issues, including a version of the "do great companies make great stocks?"

While U.S. stocks have outperformed in recent years and offer many compelling attributes (superior economic growth, more favorable sector composition, and better profitability), they do not offer good value when measured against comparative profitability. In other words, the U.S. is now comparatively expensive even adjusted for its superior profitability, with several key sectors trading at or near all-time relative valuation premiums. These premiums would be difficult to sustain if the relative earnings trend shifts away from the U.S. as global growth momentum firms anew, which is our base-case scenario.

On a 6-12 month horizon, we recommend a mild underweight in U.S. equities, with select overweights in the EM, euro area and Japanese markets.

## Investors Are Fully Paying For Superior U.S. Profitability



\* Relative to global equity benchmark; based on historical P/B ratio and return on equity  
 \*\* Percent premium (+) / discount (-); source: MSCI

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**London**

39 Houndsditch, 4th Floor  
London, EC3A 7DB, United Kingdom  
Tel +44 (0) 20 3667 2160

**Montreal**

2001, boul. Robert-Bourassa, Suite 810  
Montreal, Quebec, H3A 2A6, Canada  
Tel +1 514 558 1515

**New York**

380 Lexington Ave, Fl 17  
New York, NY, 10168, United States  
Tel +1 212 390 1148

For more information, please contact:

**Client Relations**

[clientrelations@mrpartners.com](mailto:clientrelations@mrpartners.com)

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