



Despite “tariffs” Europe maintains its momentum



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Even though the effects of the Trump administration’s tariffs policy are beginning to materialise in the hard data¹ in the United States, investors have continued to reposition themselves towards Europe, whose outperformance in euros has been confirmed over the quarter.

A resilient U.S. economy and signs of recovery in Europe

Investors have shown a certain resilience in the face of the headwinds that emerged over the quarter. The announcements of "Liberation Day" were quickly absorbed, and the geopolitical tensions in the Middle East, which had caused a sharp rise in oil prices, ultimately had only a limited impact. In the United States, although these factors seem to weigh on the soft data, they are so far taking time to materialise in the hard data², which continues to show resilience as in the case of the unemployment rate, which remains at a very low level (4.1%³). Uncertainty still weighs on inflation prospects, prompting the Fed to maintain its rates.

In Europe, concerns related to customs tariffs have also been pushed into the background, with markets betting on a forthcoming compromise on a level of tariffs that, although higher, would be less severe than initially suggested by Donald Trump. On the macroeconomic front, while published figures still point to a sluggish economy on the Old Continent, leading indicators are picking up. In the eurozone, the manufacturing PMI

indexes ⁴ rose to 49.5 in May, although still in contraction territory, but at their highest level for 34 months ⁵.

Moreover, inflation is returning to normal in the eurozone, with the ECB returning to its target of 2% in June, enabling it to make its fourth rate cut since the start of the year. Confirmation of Germany's stimulus plan and a sharp rise in military spending should help to curb economic growth in the region from 2026 onwards. This change in trend, combined with a rise in real wages in Europe, could lead to a return of both confidence and consumption, European households have a particularly high savings rate (as a percentage of disposable income), at 15.4% compared with just 4.3% in the US ⁶.

European markets continue to outperform US markets in euros!

The S&P 500 resumed its advance, driven by the index's heavyweights, which regained their colours, with a 10.9% rise in dollars over the quarter, but only 2.0% in euros ⁶. The greenback continues to suffer, with its sharpest half-year depreciation since 1968! With a 5.3% rise in euro terms, the Eurostoxx once again outperformed the S&P 500 over the quarter ⁷. Since the start of the year, this brings the outperformance to +20% (+13.4% for the Eurostoxx, compared with -6.6% for the S&P 500) ⁶.

This trend is now set to continue, since over three years and despite the exceptional performance of the US markets in 2024, the Eurostoxx has outperformed the main US index by more than 5% in euro. It should be noted, however, that beyond the Eurozone, the European index is not benefiting from this momentum, as the UK and Switzerland are not seen by investors as beneficiaries of ReArm Europe or the German recovery plan.

In terms of sectors, Eurostoxx performance was driven by domestic sectors likely to benefit from the new European momentum. Leading the way were leisure/travel, property, construction and industrial goods. Conversely, sectors with greater exposure to the United States, such as pharmaceuticals and luxury goods, were the hardest hit.

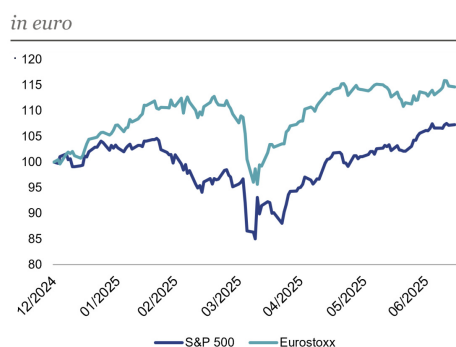
After the recent rebound, the US markets have returned to their high point of valuation at 22.1x P/E ⁷, well above their historical ⁸ median of 15.6x. Despite its strong growth, the European market is valued at a much lower 14.1x P/E, although this is also higher than its historical median (12.9x) ⁶. The valuation premium for the US market has therefore returned to its high points, and can no longer be justified by the political uncertainty that prevailed in Europe. On the contrary, the 'Big Beautiful Bill' ⁹, passed on 4 July will further increase the deficit and debt levels, at a time when the US 10-year yield is close to 4.5% ⁶.

This valuation gap is mirrored at sector level, even though EPS ¹⁰ growth forecasts over the next three years are comparable, if not higher, for most European sectors. The only exception is the defence sector, where valuations are much higher in Europe because order books are full. We can also question the consistency of these valuation levels, when the production capacity of companies to meet this strong demand raises concerns.

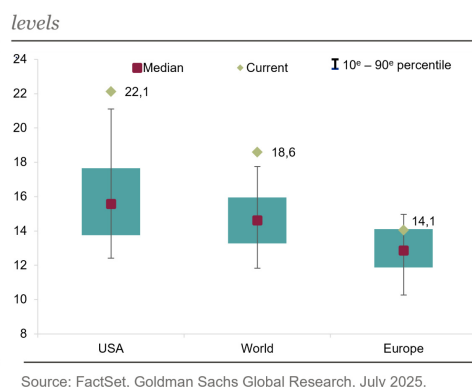
On the microeconomic front, in the short term, expectations for second-quarter earnings in Europe remain low. EPS revisions since the start of the year point to zero growth now

expected for 2025, but estimated at around 11% for 2026⁶, reflecting hopes of a recovery linked in particular to the German stimulus plan. This perspective should give a boost to European indices, which have so far risen mainly through the expansion of multiples. It is likely that investors will continue to position themselves upstream to benefit from this change in momentum.

S&P 500 and Eurostoxx YTD performance



US and Europe valuations



También cabe señalar que el rendimiento relativo superior de Europa frente a los mercados estadounidenses desde principios de año ha persistido incluso durante la corrección del mercado que siguió al «Día de la Liberación». Los mercados europeos no amplificaron la caída del mercado estadounidense. Varios factores contribuyen a explicarlo: la pérdida del estatus de «refugio seguro» del dólar estadounidense y el fin del excepcionalismo americano, el plan alemán de estímulo y remilitarización que debería apoyar el crecimiento europeo, la política del BCE -considerada más acomodaticia en un entorno menos inflacionista que en EE.UU.- y, por último, unas valoraciones más atractivas en Europa, con 12,2x P/E¹² (por debajo de la mediana histórica de 13,3x) frente a 18,6x en EE.UU. (para una media histórica de 16x).

Esperanza a pesar de la guerra commercial

De cara al futuro, seguimos confiando en que los anuncios del estímulo alemán a las infraestructuras y del plan europeo de remilitarización apoyen la economía europea a medio y largo plazo. El impacto positivo de estas medidas -que inicialmente impulsaron a los sectores domésticos y cíclicos europeos- se vio completamente borrado por los anuncios de aranceles. Aunque es evidente que los efectos tangibles de estas políticas sobre la economía no se dejarán sentir antes de 2025, representan un giro en la política fiscal dentro de Europa, liderado principalmente por la decisión de Alemania- contrariamente a Estados Unidos, donde la administración Trump sigue centrada en la reducción del déficit.

Por supuesto, la incertidumbre a corto plazo sigue siendo elevada, vinculada a las medidas arancelarias anunciadas. La situación es difícil de predecir, sobre todo porque depende de la decisión de una sola persona. ¿Mantendrá Donald Trump su postura, aun a riesgo de arrastrar a Estados Unidos -y probablemente a la economía mundial- a la

recesión? El Eurostoxx, en cualquier caso, ha borrado todas las noticias positivas de principios de año y empieza a cotizar con una ralentización de la actividad. Los aranceles afectarán sin duda a los socios comerciales de Estados Unidos, pero la Unión Europea no parece ser una prioridad para Washington. Esta situación puede permitir que el crecimiento de la región se mantenga hasta que se apliquen los estímulos alemanes. Otros catalizadores a corto plazo podrían apoyar a los mercados europeos: la resolución del conflicto entre Rusia y Ucrania, que ha pasado a un segundo plano, y un plan de estímulo chino del que Europa sería la principal beneficiaria indirecta.

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- (1) Data measuring economic activity.
 - (2) Data from surveys of economic agents.
 - (3) Source: U.S. National Bureau of Statistics, July 2025.
 - (4) Purchasing Managers' Index, an indicator reflecting the confidence of purchasing managers in a sector of activity. Above 50, it indicates an expansion in activity, below 50, a contraction.
 - (5) Source: S&P Global, July 2025.
 - (6) Source: Bloomberg, 30/06/2025.
 - (7) Price earnings ratio.
 - (8) Sources: Goldman Sachs Global Investment Research, FactSet, July 2025. Median calculated over 20 years.
 - (9) US tax law enacted by Donald Trump.
 - (10) Earnings per share.

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