

## Section 9: Global Valuation Chartbook (near) Record Cheap Equity Valuations

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### Section 9: Valuation Overview

*While absolute valuation has limited use for timing cyclical bull and bear markets (see structural asset allocation no 14, May 2006: "Does Valuation Matter"), it does provide insights into market sensitivities to challenging (or indeed positive) economic environments. Added to that, relative valuation can be particularly insightful – especially as a key building block for allocating between asset classes and geographies. This is why we dedicate a section of the quarterly global asset allocation to the analysis of valuation metrics.*

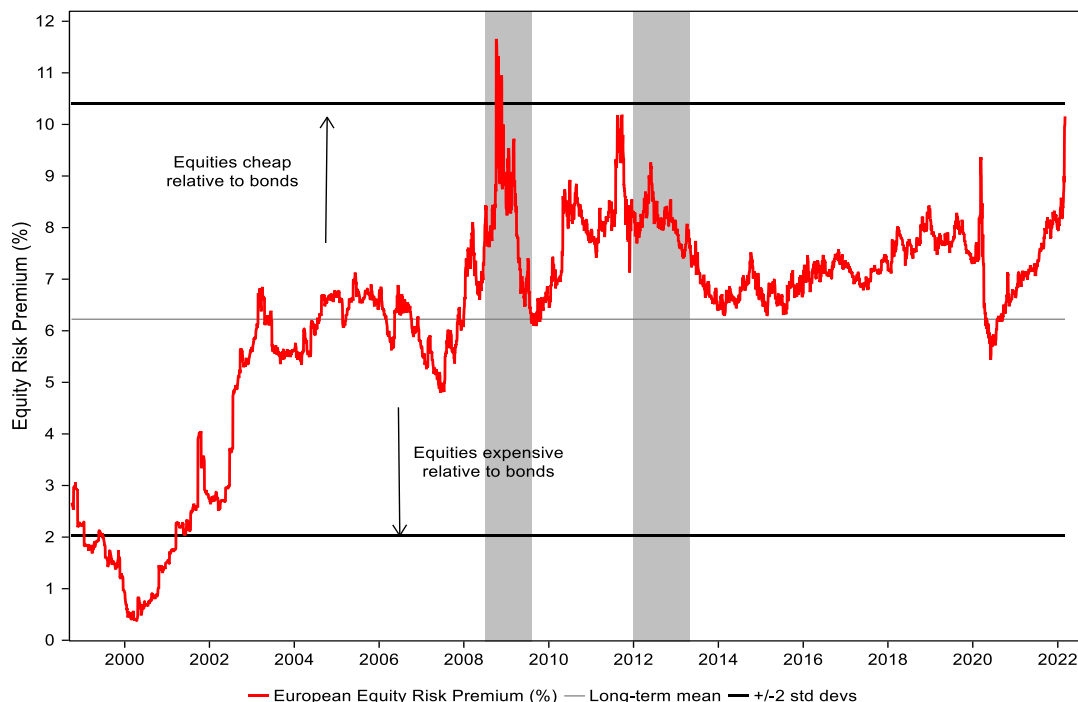
### Equities – Cheap Again

“De-risking” is the buzzword du jour on Wall Street, where hedge funds and their ilk are cutting positions, selling stocks and covering shorts. So-called degrossing activity in U.S. single stocks has climbed to the highest in a year, according to prime-broker data from Goldman Sachs Group Inc.

**Source:** Bloomberg news, 8<sup>th</sup> March 2022, [LINK to article](#)

Markets are obsessively focussed at this point on the Russian-Ukrainian conflict. Its impact on commodity prices and the associated SELL-off in equities, and other risk assets, has been dramatic. Not surprisingly ‘de-risking’ of portfolios has followed as investors have reacted to the changing situation (see quote above).

**Fig 9:** European Equity Risk Premium (earnings yield less real bond yield)



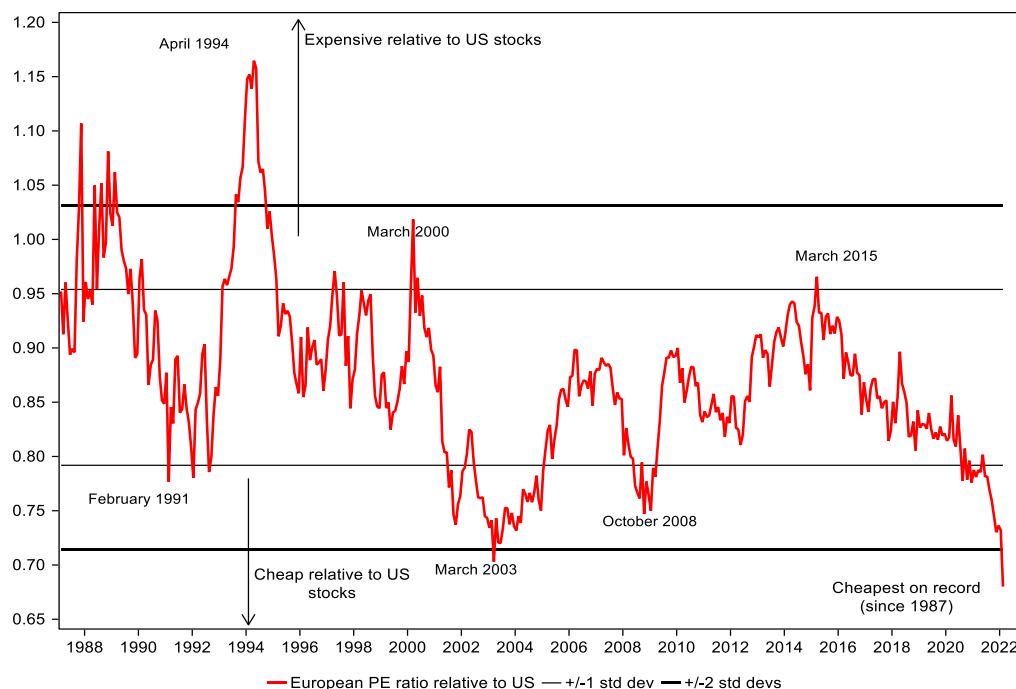
Source: Longview Economics, Macrobond

In various recent publications we have outlined the high levels of fears currently priced into these markets (and associated energy price risks). Key Longview market timing models, though, now have **some of their strongest BUY signals of the past decade**. Equally various commodity prices are up double, or even triple, digit percentages in only a few months (albeit many were off sharply yesterday). Whilst the conflict is ongoing, the risk of energy sanctions (and an associated further leg lower in equities) remains. The positioning of the models, though, highlights that this is likely the BUYing opportunity of 2022.

That message, importantly, is reinforced by the shift in equity market valuations over recent months. Whilst the market has been distracted by the conflict, **equities have become notably attractive relative to certain other asset classes**. Fig 9 above shows the equity risk premium for European equities. Rather than using a dividend discount model (which requires multiple assumptions about growth rates etc), we infer the ERP by deducting the real bond yield from the stock market's earnings yield (EY). The maths behind that assumption is laid out in a 2004 research publication (see structural Asset Allocation Research no. 2, June 2004: "EY – a Real Ratio", available on request).

**The European stock market is now therefore offering as much value (relative to the bond market) as it was during the depths of the Euro crisis (fig 9).** Real bond yields (RBY) have moved sharply lower since mid-February (as market participants have paid up for inflation protection). Equities have also, of course, fallen (=> higher EY). As such, the ERP (which measures the gap between EY & RBY) has widened significantly (currently ~10%).

**Fig 9i:** European (STOXX 600) PE ratio relative to US (S&P 500)



Source: Longview Economics, Macrobond

The marked underperformance of European equities over the past 1 – 2 weeks has also further enhanced their valuation discount relative to US equities. Fig 9i shows the relative forward consensus PE ratios of the two key markets. Europe, on this measure, is now the cheapest it has been on record (i.e. data history starts in 1987).

In the UK the situation is similar. Relative to US equities, UK markets have been cheap for a while. Against UK government bonds (real yields), the UK equity market is now also, like the European one, offering close to a record risk premium (fig 9ii).

**Fig 9ii: UK Equity Risk Premium (earnings yield less real bond yield)**

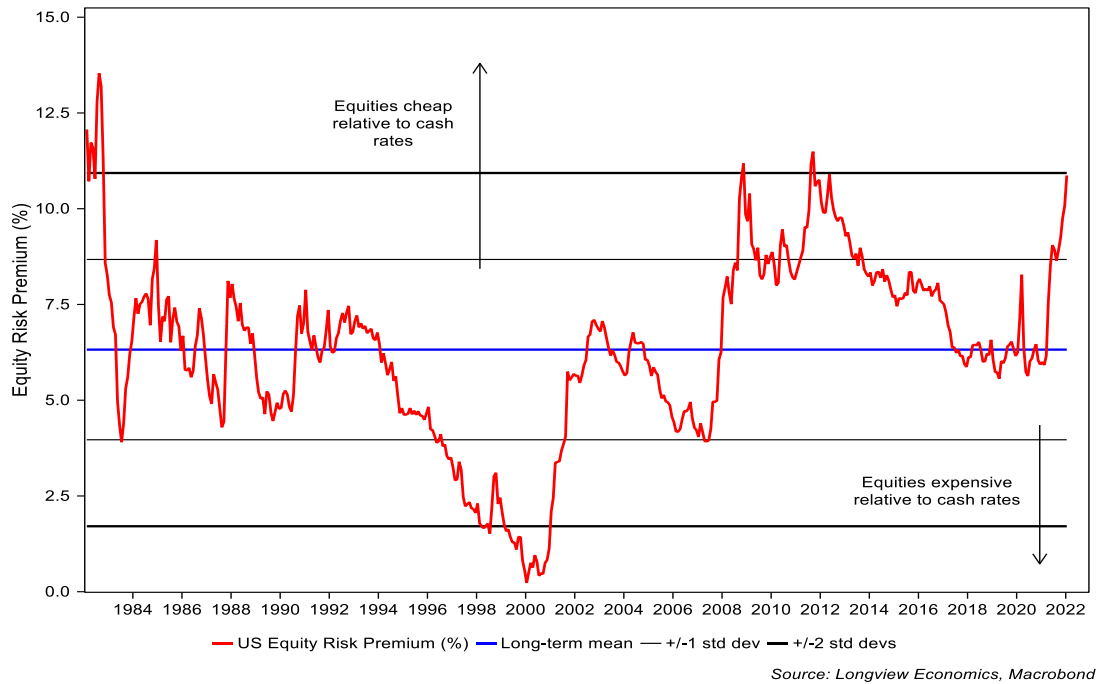


Source: Longview Economics, Macrobond

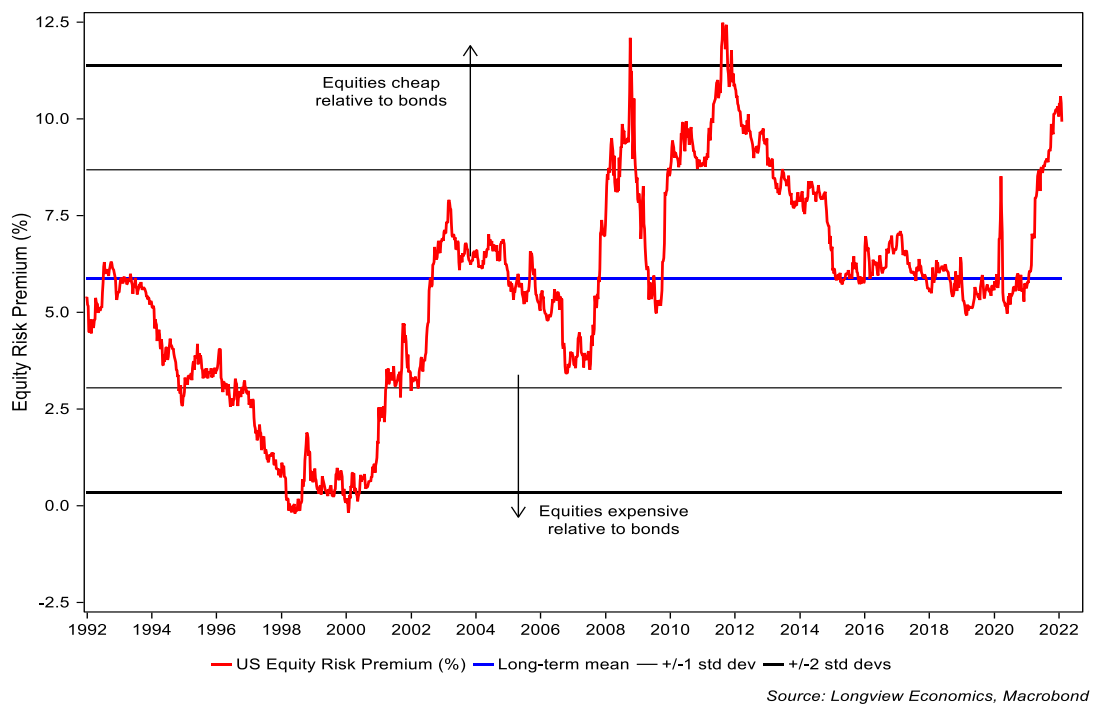
Even in the US markets (which remain somewhat expensive on stand-alone valuation metrics – see below), value for equities has appeared when measured against other asset classes (i.e. using relative valuation measures).

Fig 9iii below is a US equity risk premium, which looks at US equities relative to real cash rates (i.e. fed funds less inflation). Not surprisingly, given such high current inflation rates, equities have reached almost record attractive levels (relative to inflation adjusted cash rates). High current inflation rates, naturally, decrease the attractiveness of holding cash – and therefore reinforce the *relative* attractiveness of equities (given that companies, which generate the price increases, hold some natural ‘inflation hedge’ qualities). The situation is similar if we use inflation adjusted one year government bond yields. We do that to capture some of the future rate hikes which are already priced into the curve. Even using these higher yields, equities remain attractive on a relative basis (fig 9iv).

**Fig 9iii:** US Equity Risk Premium (earnings yield less **real cash rates**)



**Fig 9iv:** US Equity Risk Premium (earnings yield less **real 1y bond yield**)

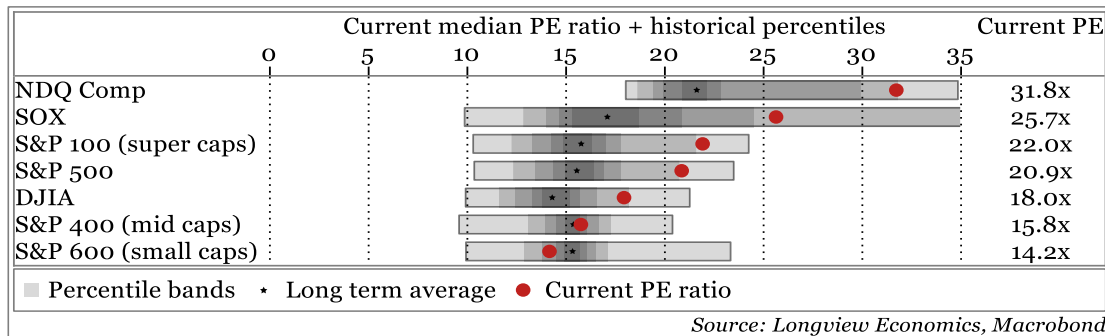


**Stand-alone valuation metrics:** Other measures of US equity market valuation, which use **stand-alone** valuation models (rather than relative ones), carry a different message. The table below shows the history of forward median PE ratios for various key US equity indices (using data back to 1999).

The red dots are the current median PERs. The grey bands are ‘decile’ bands, while the ‘\*’ are the long-term averages.

Of note, the PERs of most of the key US equity indices are still notably above historical averages and often in the top 1 or 2 deciles. The S&P600 (small caps) is the exception and the only index with a below average median PE ratio.

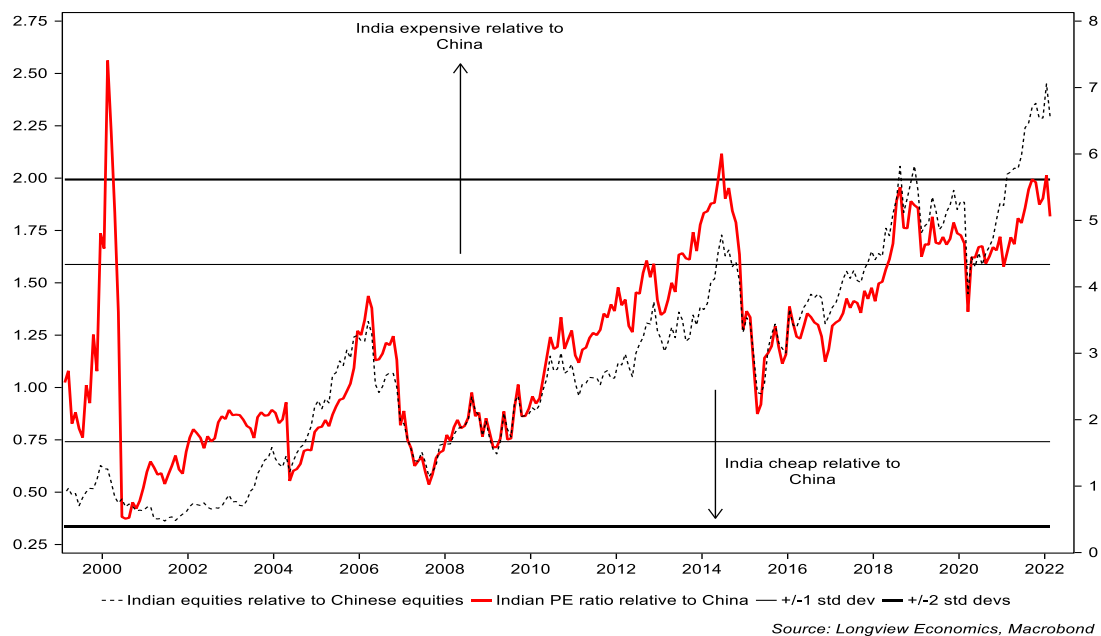
**Table 9v:** Median PE ratios (based on rolling 12m forward consensus EPS) shown with current, average & decile ranges (various US indices)



## Other Valuation Observations

Other key points/extremes on valuation metrics of note include the following:

**Fig 9vi:** PE relative (India vs. China) shown against relative performance of their stock markets

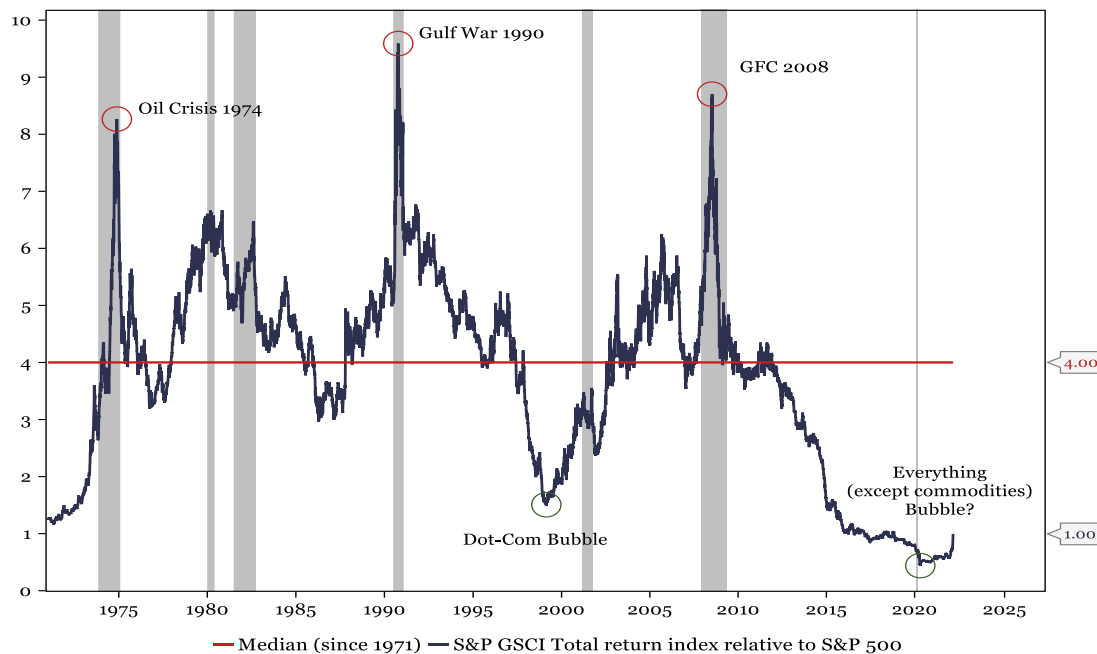


- **Indian equities are expensive relative to Chinese equities.** That’s the message of the relative forward PER of those two markets. As fig 9vi shows, that relative valuation has just reached +2 standard deviations (i.e.

India expensive relative to China). On the past three occasions that has occurred (including 2018/19 when the ratio was just shy of +2 standard deviations), Indian equities have suffered sustained underperformance over several quarters.

- Commodities are cheap relative to equities:** Whilst commodities have rallied sharply, especially in recent weeks, on a relative price chart\* they remain attractive relative to equities (fig 9vii). If our analysis is correct and we have recently started a new ‘commodity super cycle’, then we would anticipate a spike in coming years in the relative price of commodities vs. equities (equivalent to the spikes of 1974, early 1980s, 1990 gulf war and GFC – see fig 9vii). Naturally that can occur via both sharply lower equities and price spikes in commodities. NB Most commodity super cycles last 10 years or longer.

**FIG 9vii:** Commodities vs. equities (relative price\*)



Source: Longview Economics, Macrobond

\*The relative price chart is a proxy for relative valuation (albeit a poor one). It’s calculated using the S&P500 GSCI total return commodities index vs. S&P500.

- Various commodities are expensive on a stand-alone basis:** Despite that cheapness relative to equities, on a stand-alone basis (when deflated by CPI), various commodities are expensive relative to their own price history. Table 9viii shows the current price deflated by consumer price inflation and then placed into percentiles using the commodities own price history (and then also relative to all other commodities). On this approach, most of the precious metals, the base metals and the energy commodities are close to their highest ‘inflation adjusted’ prices on record (albeit that doesn’t preclude them from making new all-time highs). Agricultural commodities are the key sub-group which remain notably below their record highs.

**Table gviii: Commodity Heatmap (all commodity prices deflated by CPI)**

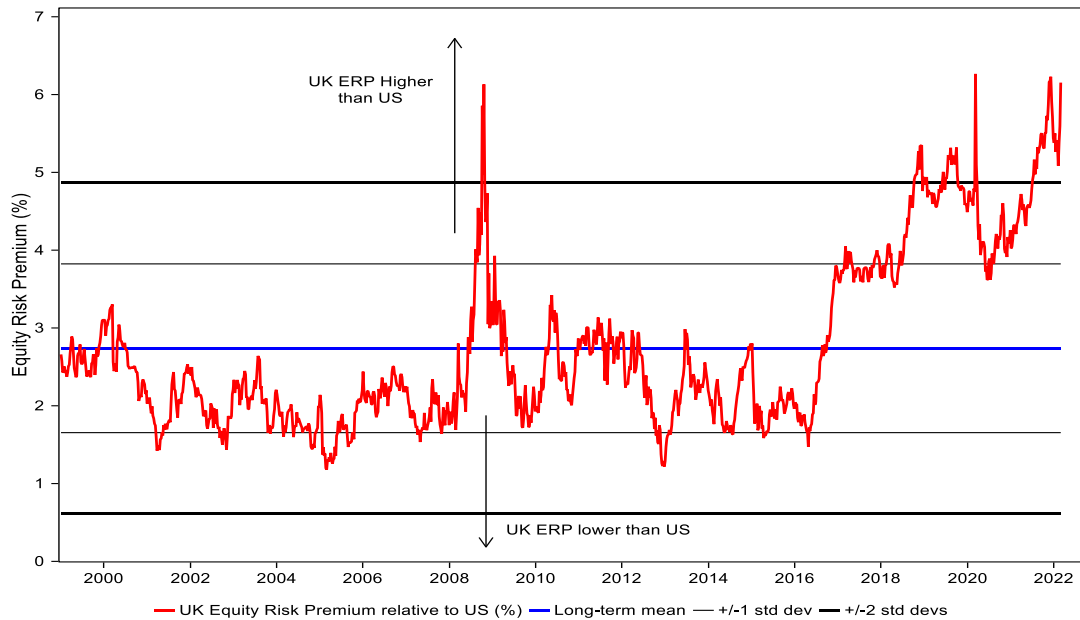
| Commodity      | Data since | Price    | vs. own history | vs. 1 | vs. 2 | vs. 3 | vs. 4 | vs. 5 | vs. 6 | vs. 7 | vs. 8 | vs. 9 | vs. 10 | vs. 11 | vs. 12 | vs. 13 | vs. 14 | vs. 15 | vs. 16 |
|----------------|------------|----------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| 1. Palladium   | 2/1/1968   | 3,158.1  | 98              |       | 94    | 98    | 95    | 91    | 95    | 95    | 94    | 93    | 98     | 95     | 92     | 96     | 69     | 88     | 93     |
| 2. Gold        | 31/1/1901  | 2,049.8  | 96              | 6     |       | 99    | 88    | 61    | 63    | 92    | 93    | 61    | 96     | 89     | 66     | 97     | 0      | 41     | 67     |
| 3. Platinum    | 31/1/1910  | 1,155.2  | 55              | 2     | 1     |       | 9     | 2     | 2     | 76    | 71    | 14    | 72     | 77     | 13     | 76     | 0      | 2      | 35     |
| 4. Silver      | 31/1/1910  | 26.4     | 87              | 5     | 12    | 91    |       | 49    | 20    | 87    | 84    | 28    | 92     | 84     | 44     | 91     |        | 31     | 63     |
| 5. Brent Oil   | 1/10/1985  | 129.2    | 79              | 9     | 39    | 98    | 51    |       | 63    | 65    | 61    | 68    | 81     | 55     | 39     | 80     | 4      | 34     | 65     |
| 6. WTI Oil     | 31/12/1900 | 126.3    | 91              | 5     | 37    | 98    | 80    | 37    |       | 90    | 89    | 39    | 90     | 87     | 50     | 93     | 6      | 39     | 68     |
| 7. Wheat       | 31/1/1901  | 11.5     | 22              | 5     | 8     | 24    | 13    | 35    | 10    |       | 26    | 16    | 70     | 40     | 14     | 73     | 6      | 37     | 53     |
| 8. Corn        | 31/1/1901  | 7.5      | 26              | 6     | 7     | 29    | 16    | 39    | 11    | 74    |       | 19    | 82     | 60     | 16     | 79     | 1      | 46     | 67     |
| 9. Natural Gas | 29/12/1922 | 4.6      | 85              | 7     | 39    | 86    | 72    | 32    | 61    | 84    | 81    |       | 85     | 84     | 50     | 86     | 27     | 43     | 59     |
| 10. Cocoa      | 1/7/1959   | 2,597.0  | 27              | 2     | 4     | 28    | 8     | 19    | 10    | 30    | 18    | 15    |        | 33     | 4      | 43     | 0      | 13     | 34     |
| 11. Cotton     | 29/8/1902  | 1.2      | 24              | 5     | 11    | 23    | 16    | 45    | 13    | 60    | 40    | 16    | 67     |        | 24     | 74     | 9      | 65     | 63     |
| 12. Copper     | 2/7/1959   | 4.7      | 84              | 8     | 34    | 87    | 56    | 61    | 50    | 86    | 84    | 50    | 96     | 76     |        | 90     |        | 36     | 67     |
| 13. Sugar      | 31/1/1901  | 0.2      | 19              | 4     | 3     | 24    | 9     | 20    | 7     | 27    | 21    | 14    | 57     | 26     | 10     |        |        | 20     | 26     |
| 14. Tin        | 9/2/2012   | 48,855.0 | 100             | 31    | 100   | 100   | 100   | 96    | 94    | 94    | 99    | 73    | 100    | 91     | 100    | 100    |        | 96     | 98     |
| 15. Zinc       | 2/1/2004   | 4,115.5  | 89              | 12    | 59    | 98    | 69    | 66    | 61    | 63    | 54    | 57    | 87     | 35     | 64     | 80     | 4      |        | 57     |
| 16. Aluminium  | 27/8/1987  | 3,500.0  | 77              | 7     | 33    | 65    | 37    | 35    | 32    | 47    | 33    | 41    | 66     | 37     | 33     | 74     | 2      | 43     |        |

These table should be read as the row header relative to the column header. Cells/Rows shaded red are more expensive on a percentile basis relative to history, while those shaded green are cheap on that relative basis. NB all relative metrics are adjusted for inflation.

*Source: Longview Economics, Macrobond*

- Finally, **UK equities** are at notably **cheap levels** relative to US equities using both forward PERs and equity risk premiums (fig 9ix).

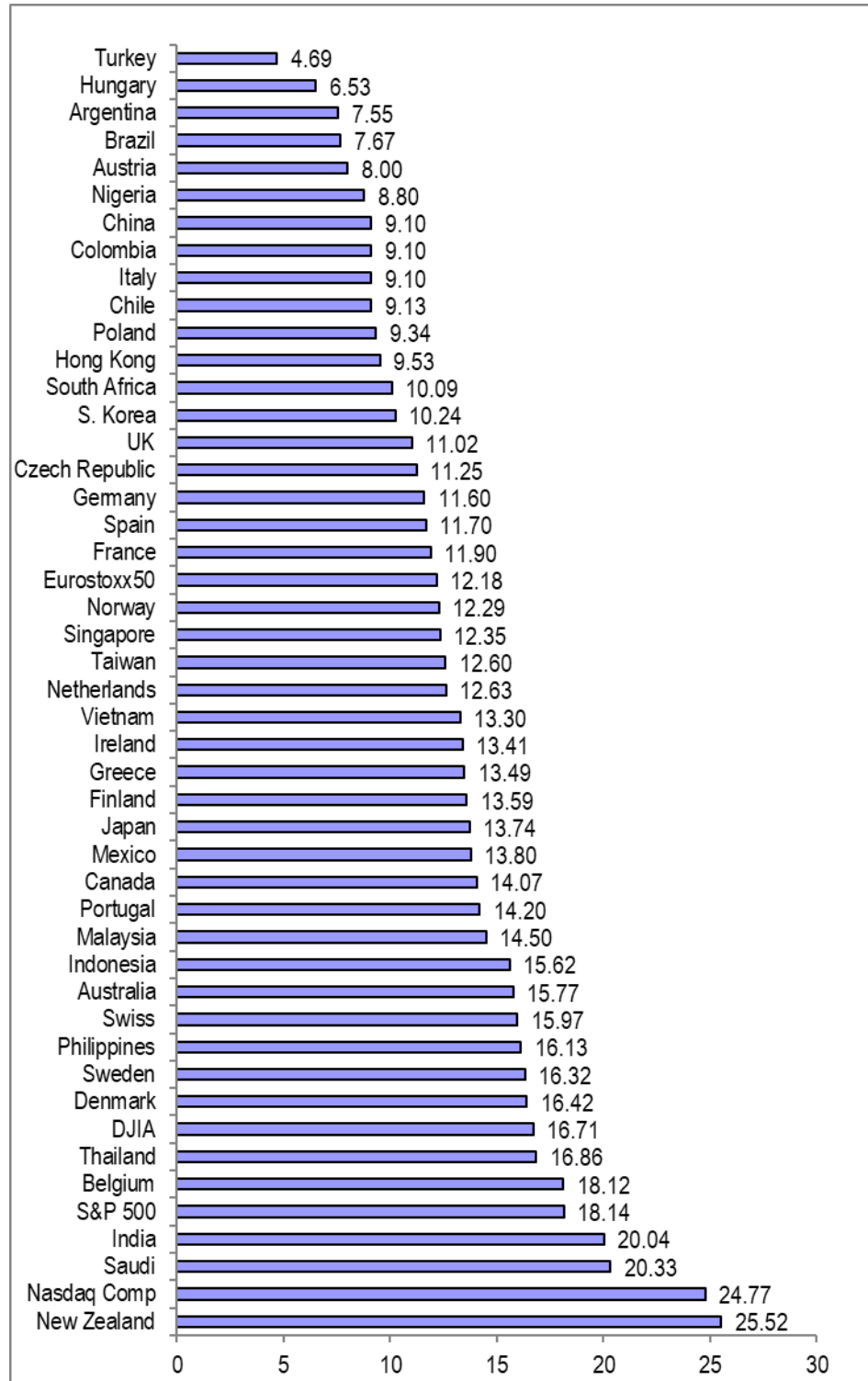
**Fig 9ix: UK ERP relative to US (pp)**



For a full update of our standard valuation models covering a range of asset classes and geographies, please see the appendix (pages 8 to 32). The implications of these valuation models will be assessed in the final published front section of this quarterly global asset allocation publication (due out later this month).

**Section 9a:** Headline Country PE ratios

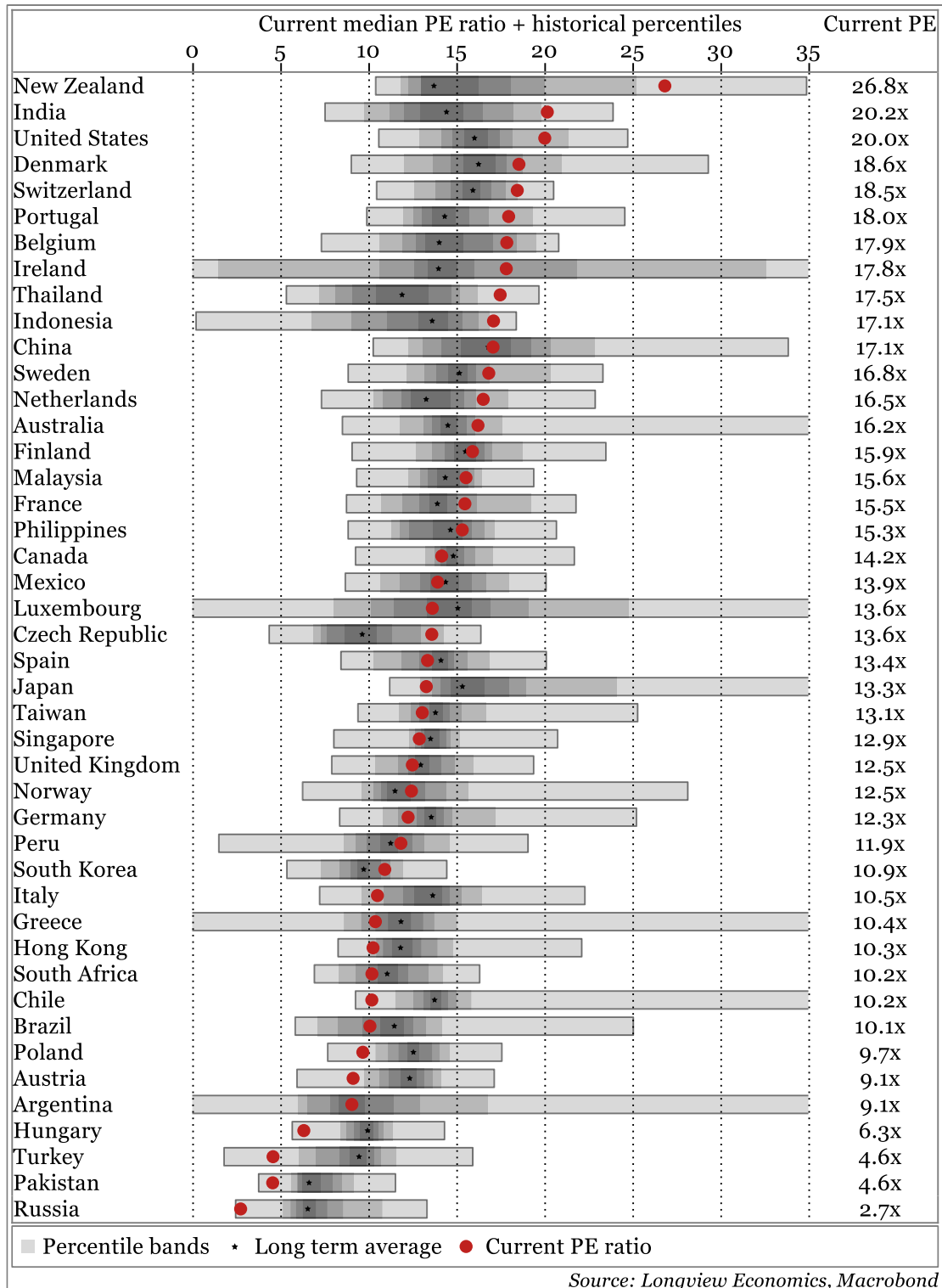
**Fig 9ai:** Standalone **standard** PE ratios – various country indices (based on 12m forward EPS)



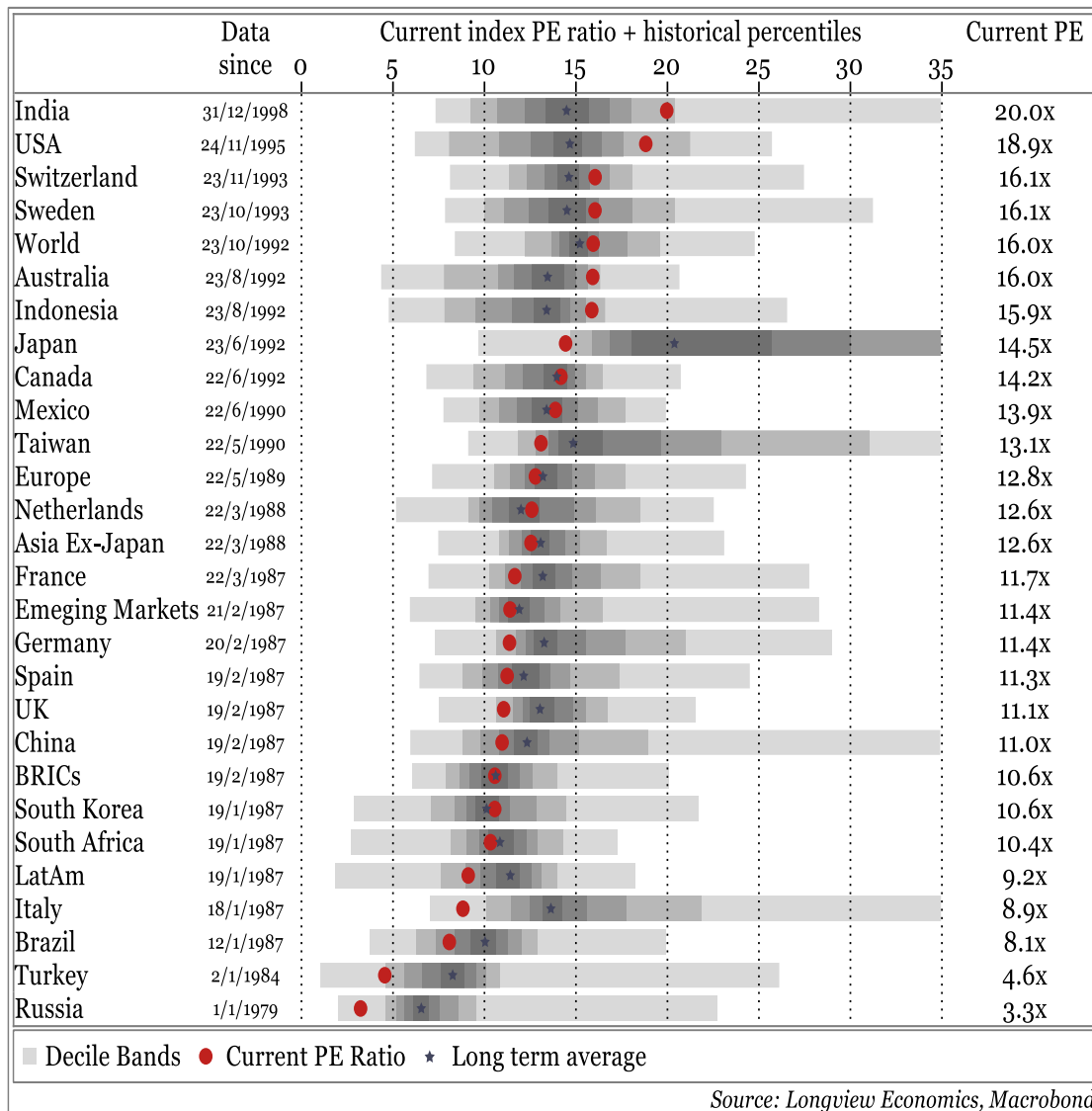
Source: Longview Economics, Bloomberg



**Fig 9a11:** Standalone **median** PE ratios – various country indices (based on rolling 12m forward EPS)



**Fig 9aiii:** Standalone **standard** PE ratios (banded relative to their available history)



**Source:** Longview Economics, Bloomberg

Fig 9aiv Cross-country PE heatmap

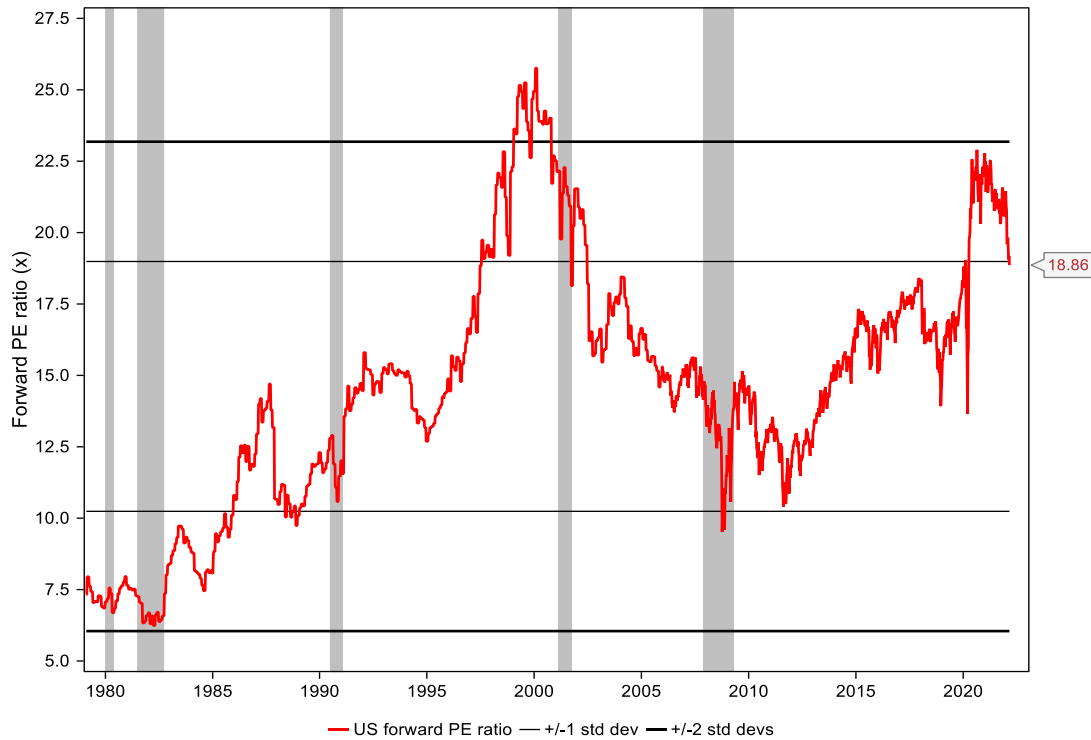
| 10/03/2022      | Australia | Canada | France | Germany | Italy | Japan | Netherlands | Spain | Sweden | Switzerland | United Kingdom | United States | Brazil | China | India | Indonesia | Korea | Mexico | Russia | South Africa | Taiwan | Turkey | World | EM  | BRIC | Asia Ex-Japan | LatAm | Europe | EMU | Emerging Europe | Average |
|-----------------|-----------|--------|--------|---------|-------|-------|-------------|-------|--------|-------------|----------------|---------------|--------|-------|-------|-----------|-------|--------|--------|--------------|--------|--------|-------|-----|------|---------------|-------|--------|-----|-----------------|---------|
| Australia       | 11        | 1      | 1      | 1       | 1     | 12    | 12          | 31    | 33     | 1           | 60             | 12            | 22     | 77    | 56    | 26        | 27    | 1      | 9      | 11           | 5      | 42     | 10    | 15  | 18   | 7             | 3     | 4      | 3   | 18              |         |
| Canada          | 90        | 12     | 14     | 1       | 9     | 40    | 24          | 71    | 69     | 6           | 87             | 32            | 40     | 92    | 83    | 62        | 63    | 2      | 30     | 32           | 8      | 54     | 51    | 53  | 47   | 26            | 27    | 23     | 3   | 40              |         |
| France          | 100       | 89     | 36     | 1       | 24    | 89    | 69          | 97    | 98     | 29          | 101            | 46            | 62     | 99    | 93    | 75        | 73    | 8      | 55     | 52           | 23     | 89     | 67    | 75  | 68   | 44            | 98    | 79     | 11  | 64              |         |
| Germany         | 100       | 87     | 65     | 6       | 18    | 80    | 69          | 99    | 100    | 53          | 101            | 51            | 60     | 100   | 98    | 85        | 71    | 9      | 63     | 56           | 27     | 100    | 77    | 73  | 80   | 50            | 88    | 81     | 13  | 68              |         |
| Italy           | 101       | 100    | 100    | 95      | 64    | 97    | 100         | 100   | 101    | 98          | 101            | 68            | 81     | 101   | 100   | 97        | 94    | 15     | 91     | 81           | 33     | 101    | 94    | 96  | 97   | 70            | 100   | 100    | 20  | 86              |         |
| Japan           | 100       | 92     | 77     | 83      | 37    | 81    | 79          | 98    | 100    | 72          | 100            | 59            | 68     | 100   | 99    | 97        | 74    | 16     | 72     | 82           | 30     | 100    | 93    | 83  | 95   | 60            | 87    | 85     | 24  | 77              |         |
| Netherlands     | 89        | 61     | 12     | 21      | 4     | 20    | 30          | 81    | 81     | 9           | 90             | 37            | 50     | 89    | 76    | 65        | 57    | 4      | 31     | 38           | 17     | 63     | 52    | 63  | 48   | 31            | 31    | 25     | 5   | 44              |         |
| Spain           | 89        | 77     | 32     | 32      | 1     | 22    | 71          | 85    | 92     | 25          | 97             | 45            | 57     | 93    | 81    | 63        | 65    | 5      | 45     | 45           | 20     | 80     | 59    | 62  | 59   | 42            | 58    | 47     | 7   | 54              |         |
| Sweden          | 70        | 30     | 4      | 2       | 1     | 3     | 20          | 16    | 47     | 6           | 71             | 34            | 29     | 88    | 68    | 49        | 46    | 2      | 26     | 16           | 13     | 47     | 29    | 38  | 31   | 25            | 10    | 9      | 6   | 29              |         |
| Switzerland     | 68        | 32     | 3      | 1       | 1     | 1     | 20          | 9     | 54     | 1           | 74             | 30            | 26     | 81    | 69    | 46        | 47    | 2      | 25     | 17           | 8      | 35     | 27    | 37  | 25   | 20            | 4     | 4      | 4   | 27              |         |
| United Kingdom  | 100       | 95     | 72     | 48      | 3     | 29    | 92          | 76    | 96     | 100         | 100            | 47            | 68     | 96    | 98    | 81        | 81    | 8      | 59     | 55           | 22     | 93     | 72    | 76  | 74   | 44            | 96    | 77     | 10  | 68              |         |
| United States   | 41        | 14     | 1      | 1       | 1     | 11    | 4           | 30    | 27     | 1           | 29             | 21            | 67     | 48    | 32    | 39        | 2     | 23     | 7      | 7            | 2      | 21     | 25    | 15  | 24   | 1             | 1     | 3      | 17  |                 |         |
| Brazil          | 89        | 69     | 55     | 50      | 33    | 42    | 64          | 56    | 67     | 71          | 54             | 72            | 54     | 91    | 89    | 78        | 78    | 4      | 64     | 55           | 20     | 68     | 66    | 76  | 67   | 44            | 61    | 58     | 7   | 59              |         |
| China           | 79        | 61     | 39     | 41      | 20    | 33    | 51          | 44    | 72     | 75          | 33             | 80            | 47     | 92    | 85    | 70        | 66    | 9      | 56     | 50           | 10     | 70     | 64    | 67  | 65   | 45            | 48    | 46     | 3   | 52              |         |
| India           | 24        | 9      | 2      | 1       | 1     | 12    | 8           | 13    | 20     | 5           | 34             | 10            | 9      | 41    | 10    | 14        | 1     | 8      | 4      | 7            | 16     | 6      | 4     | 5   | 9    | 6             | 6     | 5      | 10  |                 |         |
| Indonesia       | 44        | 17     | 8      | 3       | 1     | 2     | 25          | 20    | 33     | 32          | 3              | 53            | 12     | 16    | 60    | 17        | 22    | 1      | 9      | 3            | 9      | 31     | 8     | 16  | 14   | 9             | 13    | 13     | 6   | 17              |         |
| Korea           | 75        | 39     | 26     | 16      | 4     | 4     | 36          | 38    | 52     | 55          | 20             | 69            | 23     | 31    | 91    | 84        | 48    | 3      | 33     | 12           | 16     | 56     | 28    | 39  | 37   | 19            | 34    | 31     | 9   | 35              |         |
| Mexico          | 74        | 38     | 28     | 30      | 7     | 27    | 44          | 36    | 55     | 54          | 20             | 62            | 23     | 35    | 87    | 79        | 53    | 1      | 24     | 39           | 7      | 54     | 37    | 46  | 37   | 8             | 38    | 36     | 6   | 37              |         |
| Russia          | 100       | 99     | 93     | 92      | 86    | 85    | 97          | 96    | 99     | 99          | 93             | 99            | 97     | 92    | 100   | 100       | 98    | 100    | 100    | 97           | 56     | 99     | 100   | 100 | 99   | 98            | 97    | 95     | 37  | 93              |         |
| South Africa    | 92        | 71     | 46     | 38      | 10    | 29    | 70          | 56    | 75     | 76          | 42             | 78            | 37     | 45    | 93    | 92        | 68    | 77     | 1      | 38           | 13     | 64     | 51    | 66  | 49   | 21            | 57    | 47     | 6   | 52              |         |
| Taiwan          | 90        | 69     | 49     | 45      | 20    | 19    | 63          | 56    | 85     | 84          | 46             | 94            | 46     | 51    | 97    | 98        | 89    | 62     | 4      | 63           | 23     | 86     | 72    | 63  | 80   | 44            | 62    | 57     | 13  | 60              |         |
| Turkey          | 96        | 93     | 78     | 74      | 68    | 71    | 84          | 81    | 88     | 93          | 79             | 94            | 81     | 91    | 94    | 92        | 85    | 94     | 45     | 88           | 78     | 86     | 86    | 91  | 84   | 81            | 82    | 78     | 26  | 81              |         |
| World           | 59        | 47     | 12     | 1       | 1     | 1     | 38          | 21    | 54     | 66          | 8              | 99            | 33     | 31    | 85    | 70        | 45    | 47     | 2      | 37           | 15     | 15     | 26    | 39  | 30   | 28            | 17    | 5      | 6   | 32              |         |
| EM              | 91        | 50     | 34     | 24      | 7     | 8     | 49          | 42    | 72     | 74          | 29             | 80            | 35     | 37    | 95    | 93        | 73    | 64     | 1      | 51           | 29     | 15     | 75    | 60  | 63   | 17            | 43    | 41     | 7   | 47              |         |
| BRIC            | 86        | 48     | 26     | 28      | 5     | 18    | 38          | 39    | 63     | 64          | 25             | 76            | 25     | 34    | 97    | 85        | 62    | 55     | 1      | 35           | 38     | 10     | 62    | 41  | 52   | 11            | 40    | 35     | 4   | 41              |         |
| Asia Ex-Japan   | 83        | 54     | 33     | 21      | 4     | 6     | 53          | 42    | 70     | 76          | 27             | 86            | 34     | 36    | 96    | 87        | 64    | 64     | 2      | 52           | 21     | 17     | 71    | 38  | 49   | 27            | 45    | 38     | 8   | 45              |         |
| LatAm           | 94        | 76     | 57     | 51      | 31    | 41    | 70          | 59    | 76     | 81          | 57             | 77            | 57     | 56    | 92    | 92        | 82    | 93     | 3      | 80           | 57     | 20     | 73    | 84  | 90   | 74            | 68    | 60     | 8   | 64              |         |
| Europe          | 98        | 74     | 3      | 13      | 1     | 14    | 70          | 43    | 91     | 97          | 5              | 101           | 40     | 53    | 95    | 88        | 67    | 63     | 4      | 44           | 39     | 19     | 84    | 58  | 61   | 56            | 33    | 21     | 8   | 50              |         |
| EMU             | 97        | 78     | 22     | 20      | 1     | 16    | 76          | 54    | 92     | 97          | 24             | 101           | 43     | 55    | 95    | 88        | 70    | 65     | 6      | 54           | 44     | 23     | 96    | 60  | 66   | 63            | 41    | 80     | 10  | 56              |         |
| Emerging Europe | 98        | 98     | 90     | 88      | 81    | 77    | 96          | 94    | 95     | 97          | 91             | 98            | 94     | 98    | 96    | 95        | 92    | 96     | 64     | 95           | 88     | 75     | 95    | 94  | 97   | 93            | 93    | 93     | 91  | 91              |         |
| Average         | 83        | 61     | 37     | 33      | 15    | 24    | 57          | 47    | 72     | 74          | 33             | 84            | 42     | 49    | 91    | 84        | 66    | 64     | 8      | 49           | 41     | 20     | 69    | 54  | 60   | 56            | 37    | 51     | 45  | 10              |         |

On a relative valuation basis (i.e. using forward PE ratios) compared with other indices since 1980 (data permitting) and then scored by percentile. Turkey is the world's cheapest major equity market. India is the most expensive by this metric. NB this table should be read as 'column header' relative to 'row header' - i.e. Australia is in its 90th most expensive percentile relative to Canada (compared to history).

Source: Longview Economics, Bloomberg

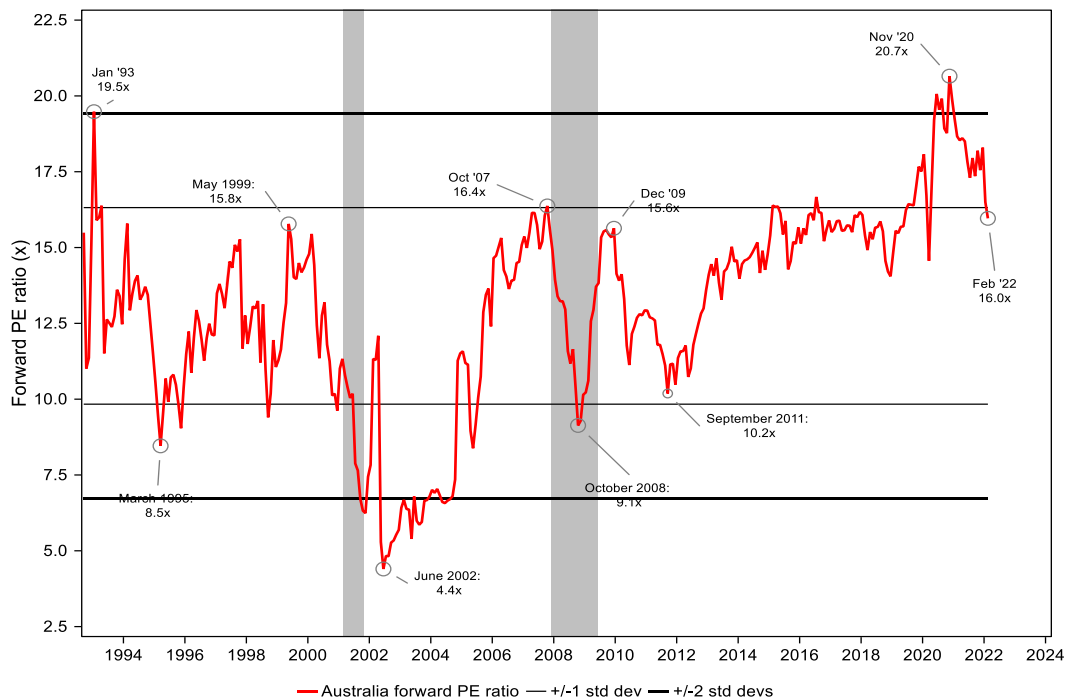
**Section 9b:** Standalone PE ratios of certain expensive/cheap countries

**Fig 9bi:** S&P500 12m forward PE ratios (based on rolling consensus EPS)



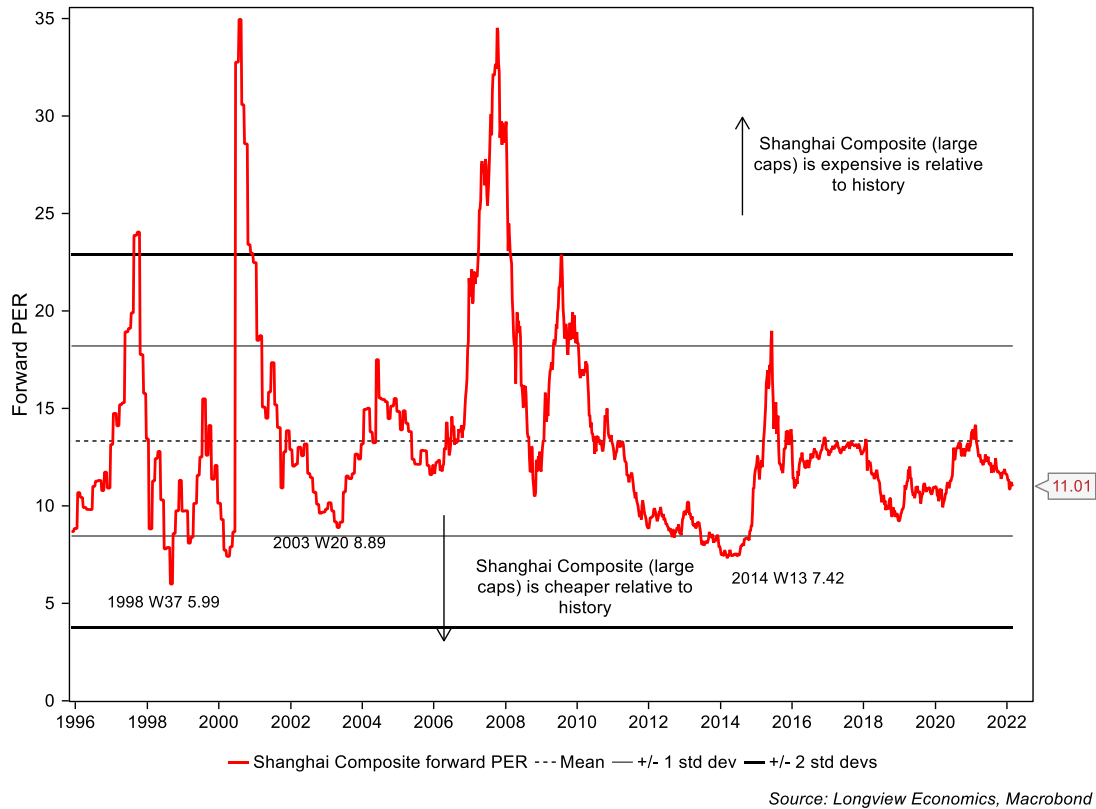
Source: Longview Economics, Macrobond

**Fig 9bii:** Australia forward PE ratio (based on rolling consensus EPS)

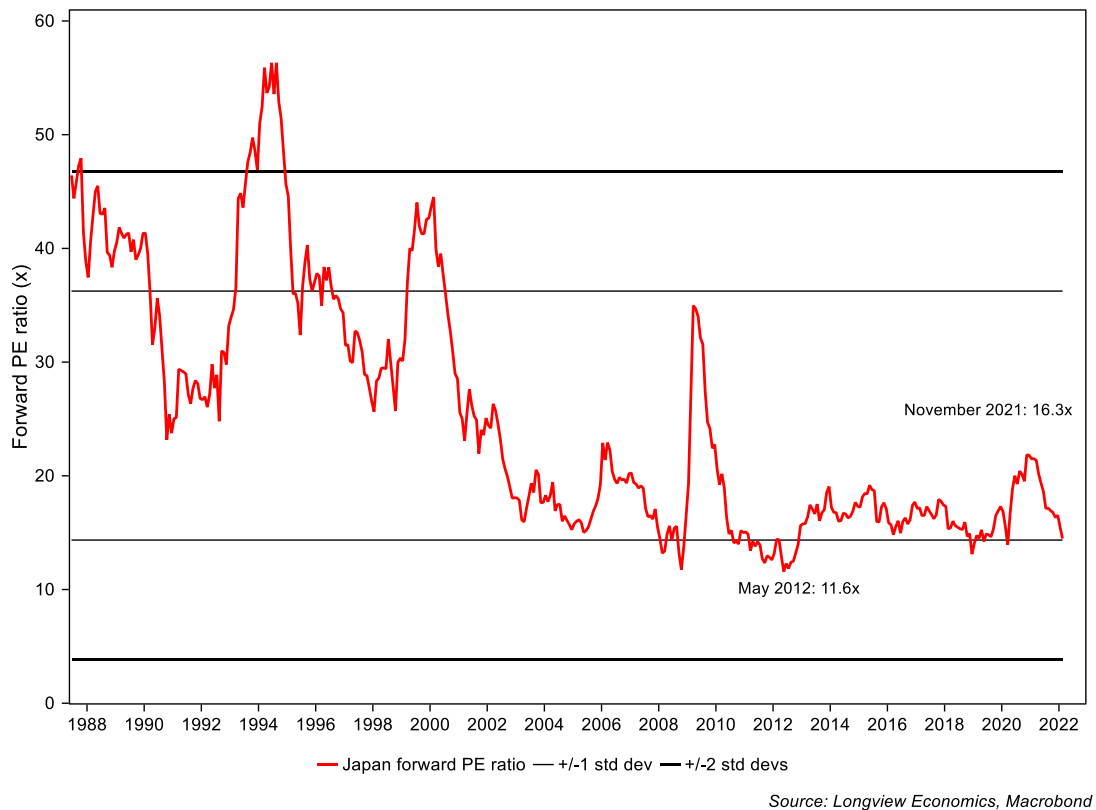


Source: Longview Economics, Macrobond

**Fig 9biii:** Chinese 12m forward PE ratios (based on rolling consensus EPS)



**Fig 9biv:** Japan 12m forward PE ratio (based on rolling consensus EPS)



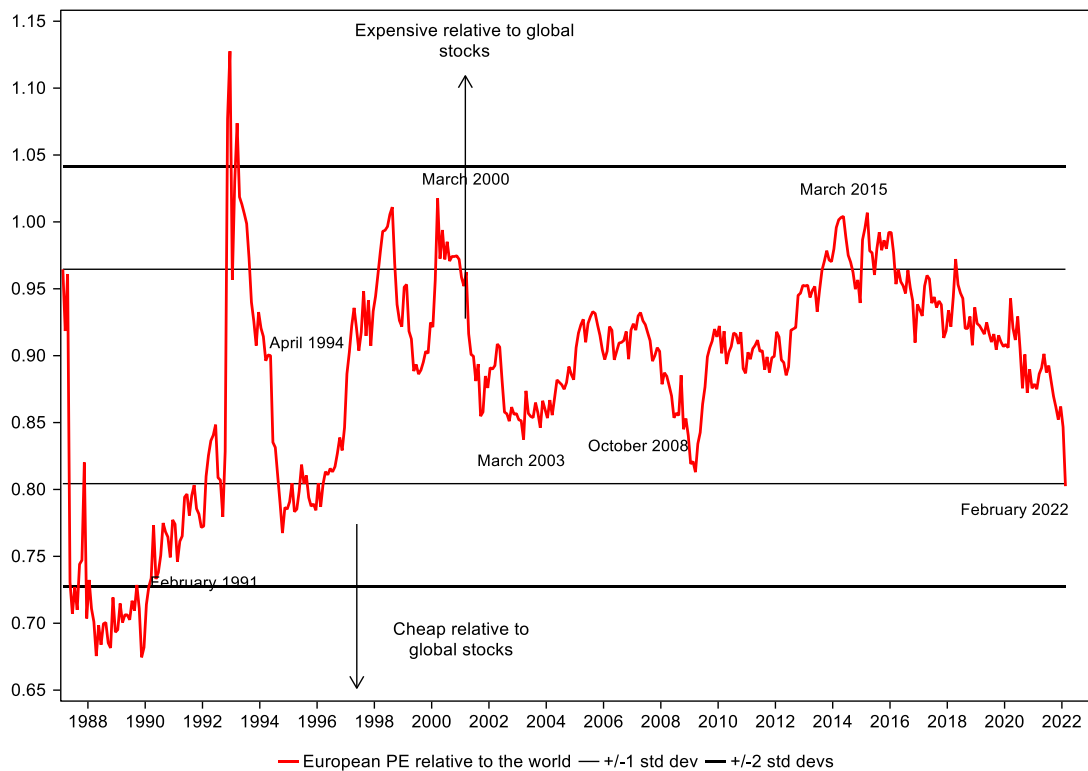
**Section 9c: Various country PER relative to global PER (both on forward EPS)**

**Fig 9ci: US 12m forward PE relative to global 12m forward PE**



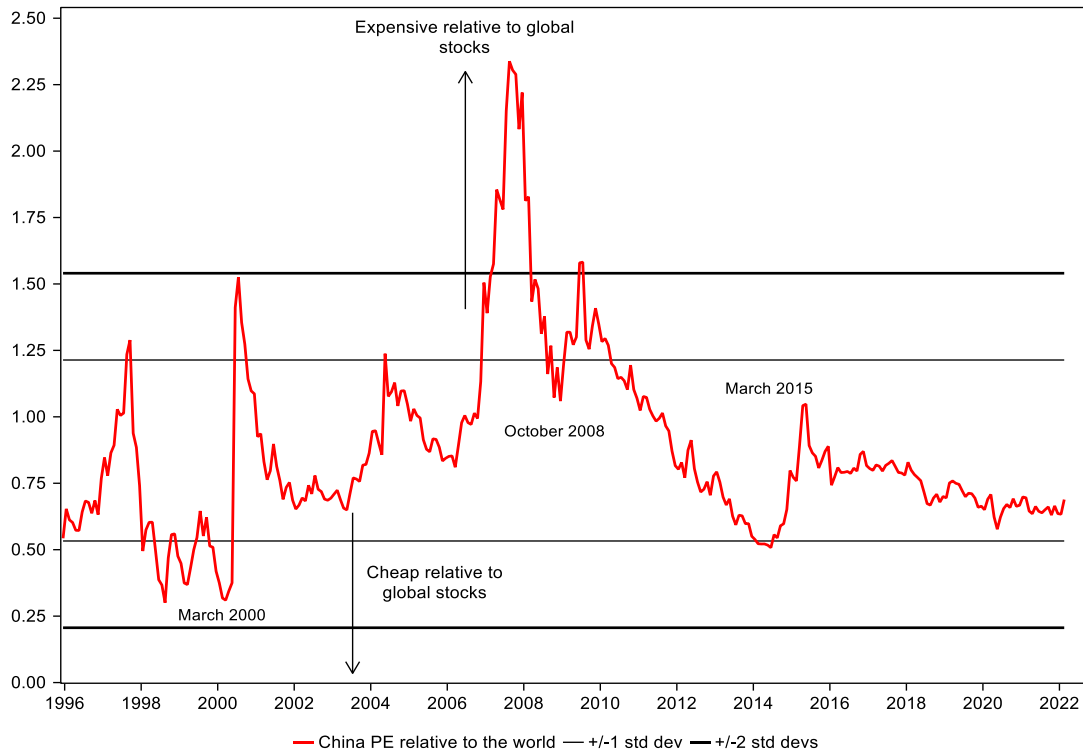
Source: Longview Economics, Macrobond

**Fig 9cii: European 12m forward PE relative to global 12m forward PE**



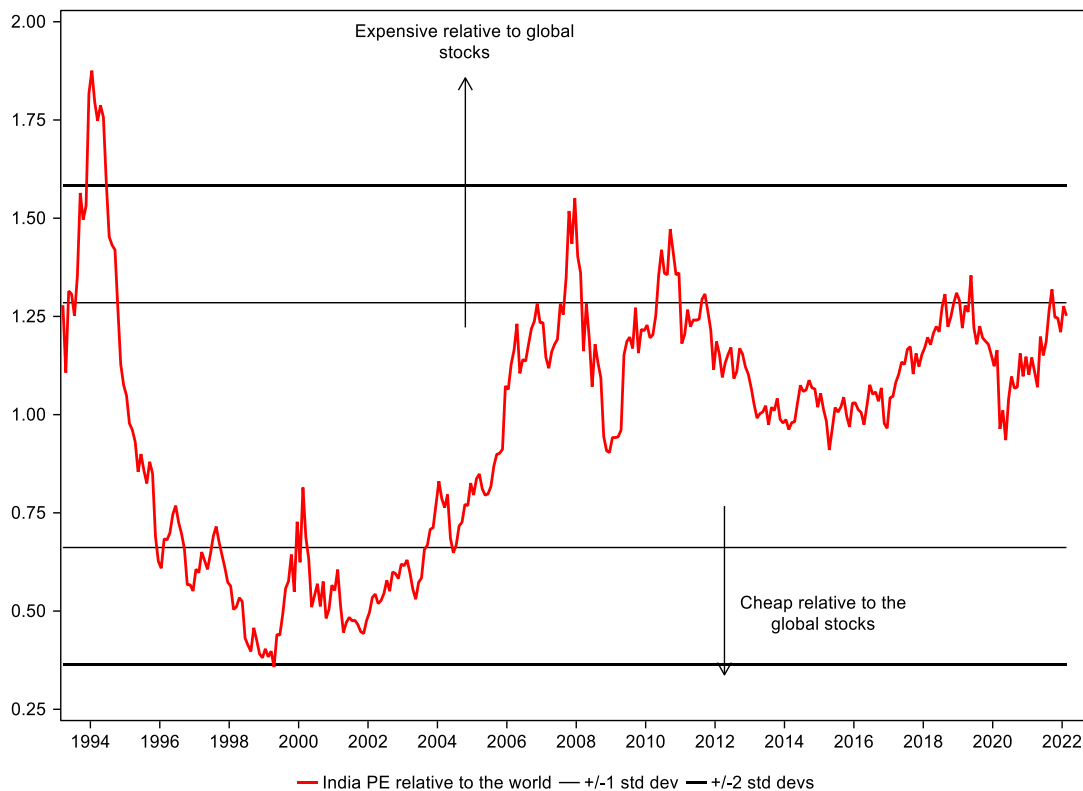
Source: Longview Economics, Macrobond

**Fig 9ciii:** Chinese 12m forward PE relative to global 12m forward PE



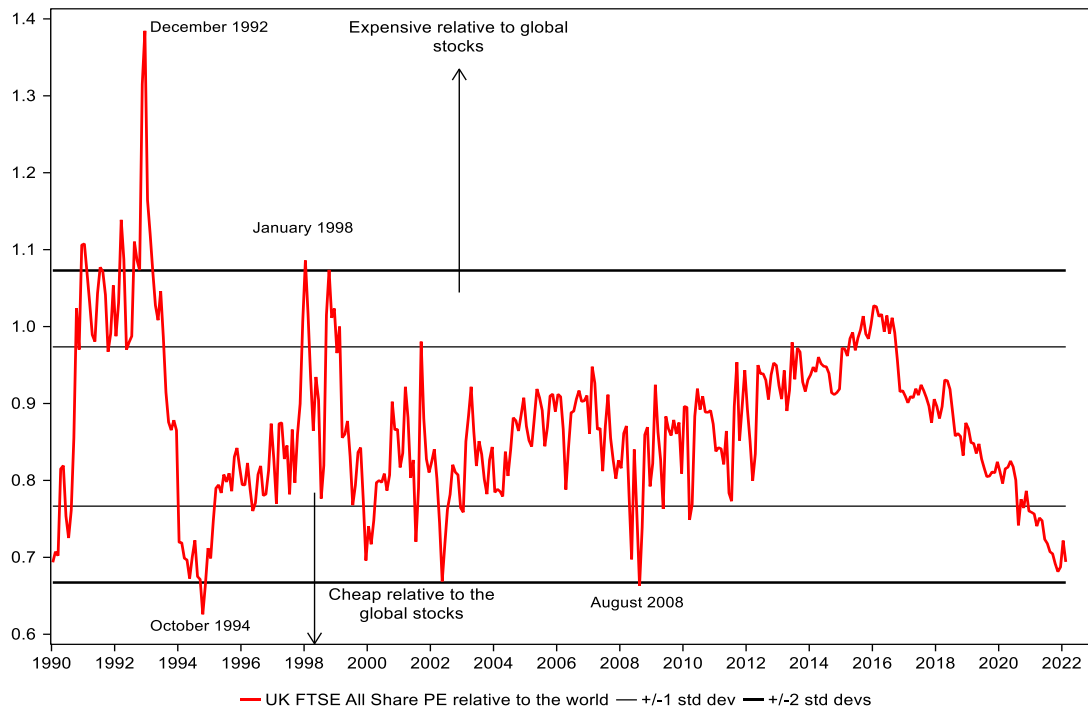
Source: Longview Economics, Macrobond

**Fig 9civ:** India 12m forward PE relative to global 12m forward PE



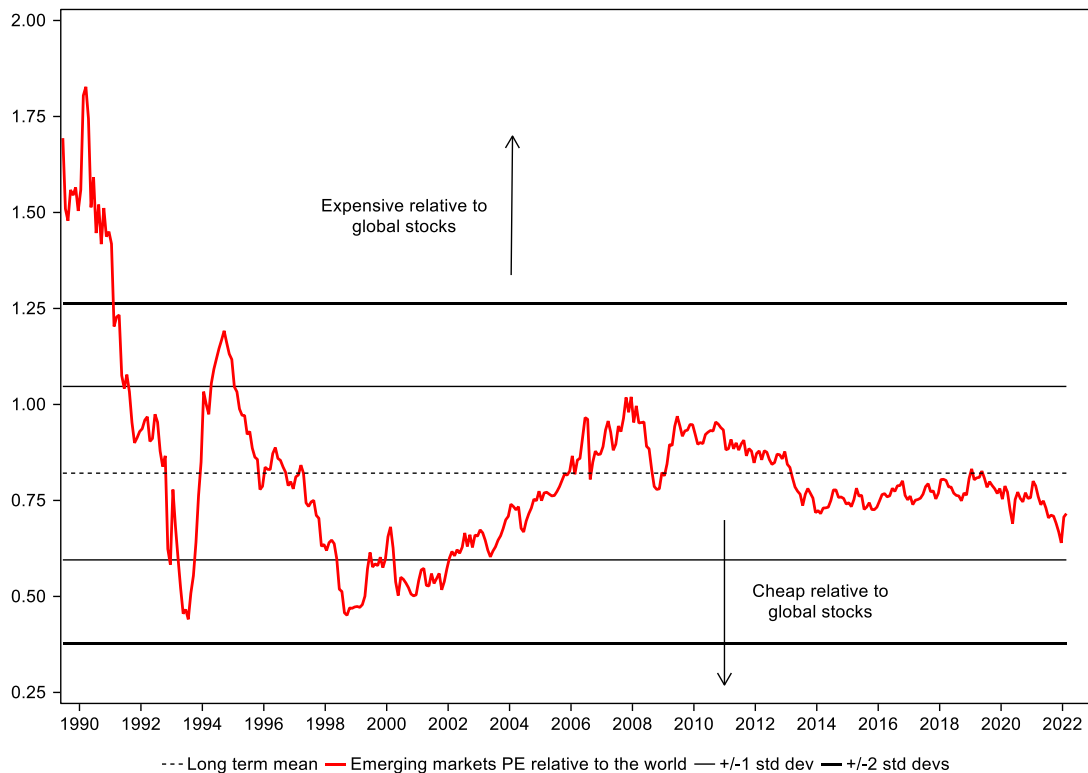
Source: Longview Economics, Macrobond

**Fig 9cv:** UK 12m forward PE relative to global 12m forward PE



Source: Longview Economics, Macrobond

**Fig 9cvi:** EM 12m forward PE relative to global 12m forward PE

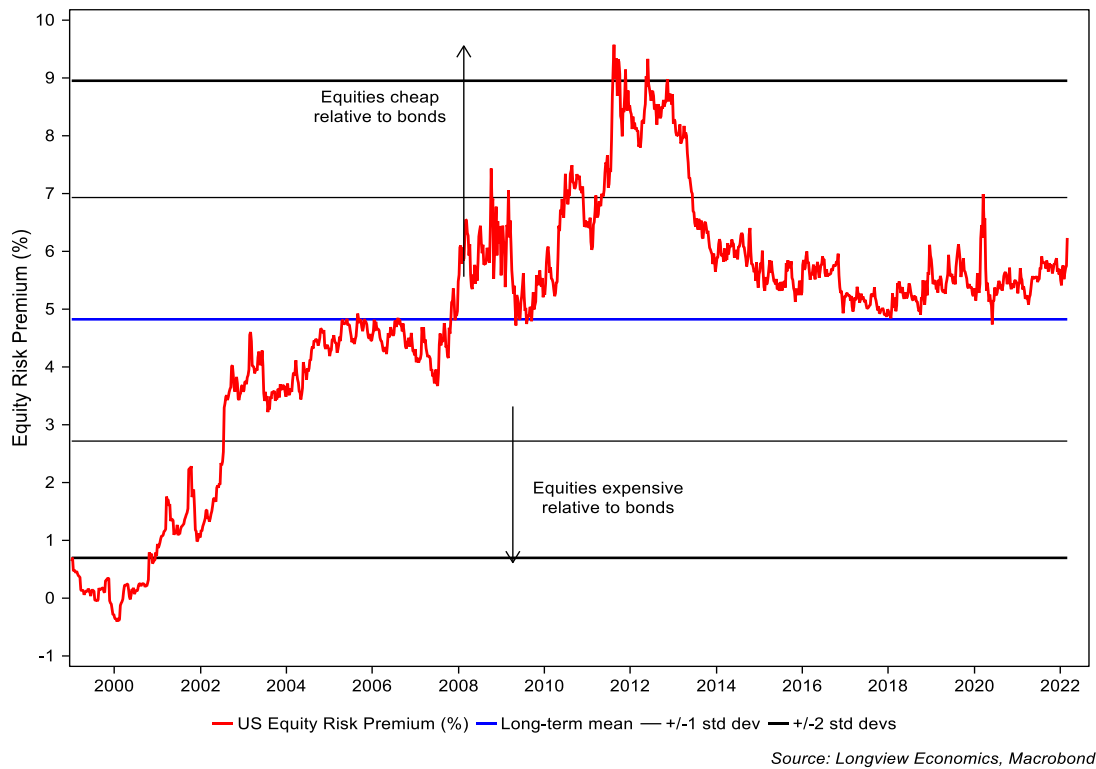


Source: Longview Economics, Macrobond

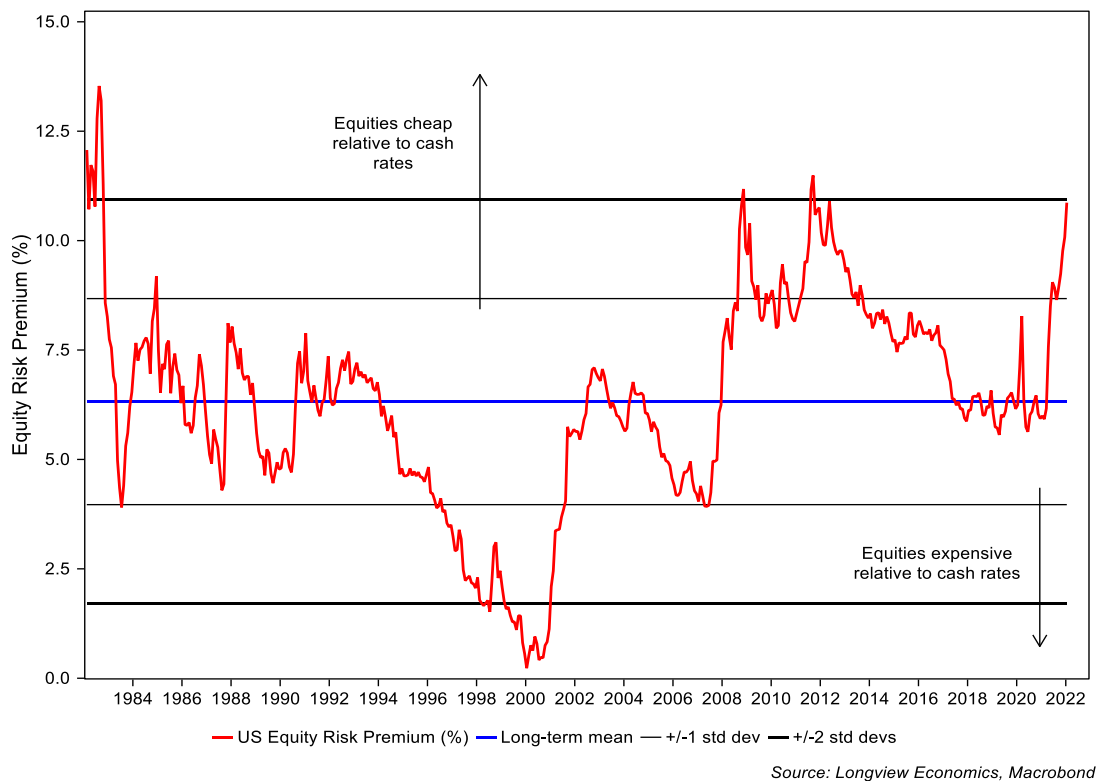


**Section 9d: US Equity Risk Premia**

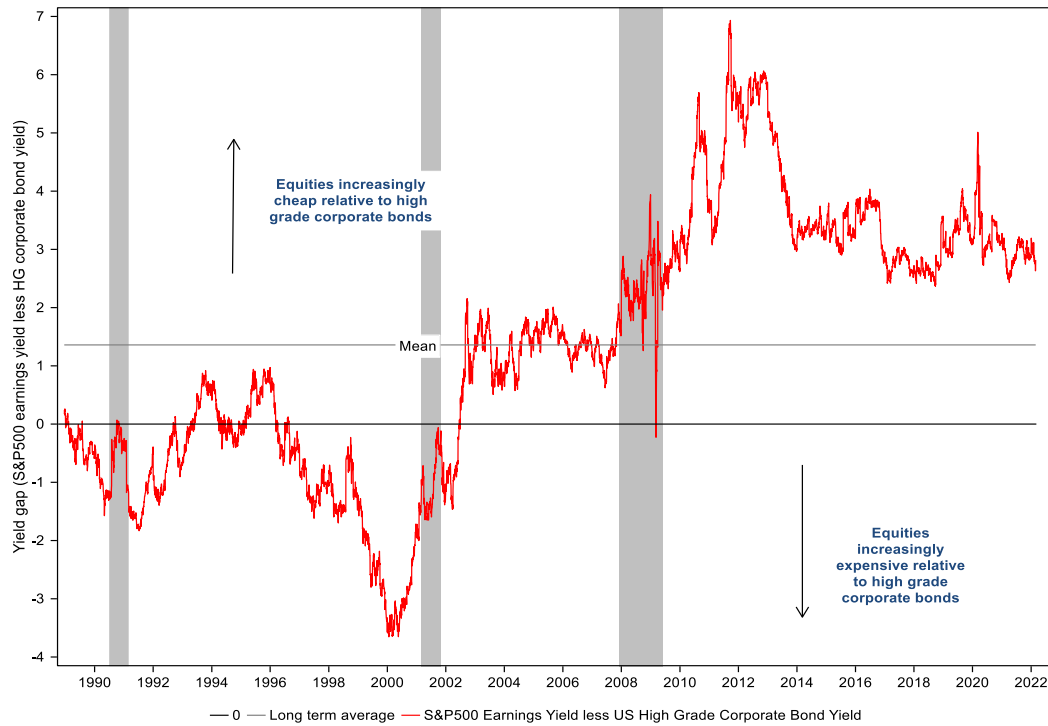
**Fig 9di: US Equity Risk Premium (earnings yield less real bond yield)**



**Fig 9dii: US Equity Risk Premium (earnings yield less real cash rates)**

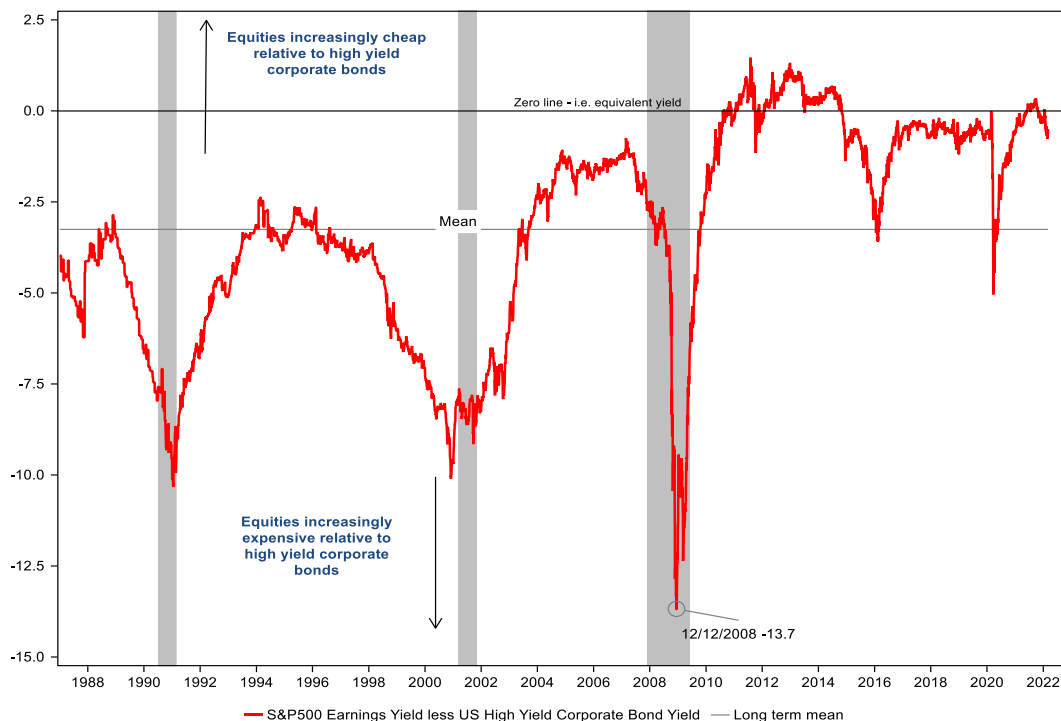


**Fig 9diii:** US Equity Risk Premium (earnings yield less **IG corp bond yield**)



Source: Longview Economics, Macrobond

**Fig 9div:** US Equity Risk Premium (earnings yield less **HY corp bond yield**)



Source: Longview Economics, Macrobond

**Section 9e: UK Equity Risk Premia**

**Fig 9ei: UK Equity Risk Premium (earnings yield less real bond yield)**



Source: Longview Economics, Macrobond

**Fig 9eii: UK Equity Risk Premium (earnings yield less real cash rates)**



Source: Longview Economics, Macrobond

**Fig 9eiii:** UK Equity Risk Premium (earnings yield less **BBB corp bond yield**)



Source: Longview Economics, Macrobond

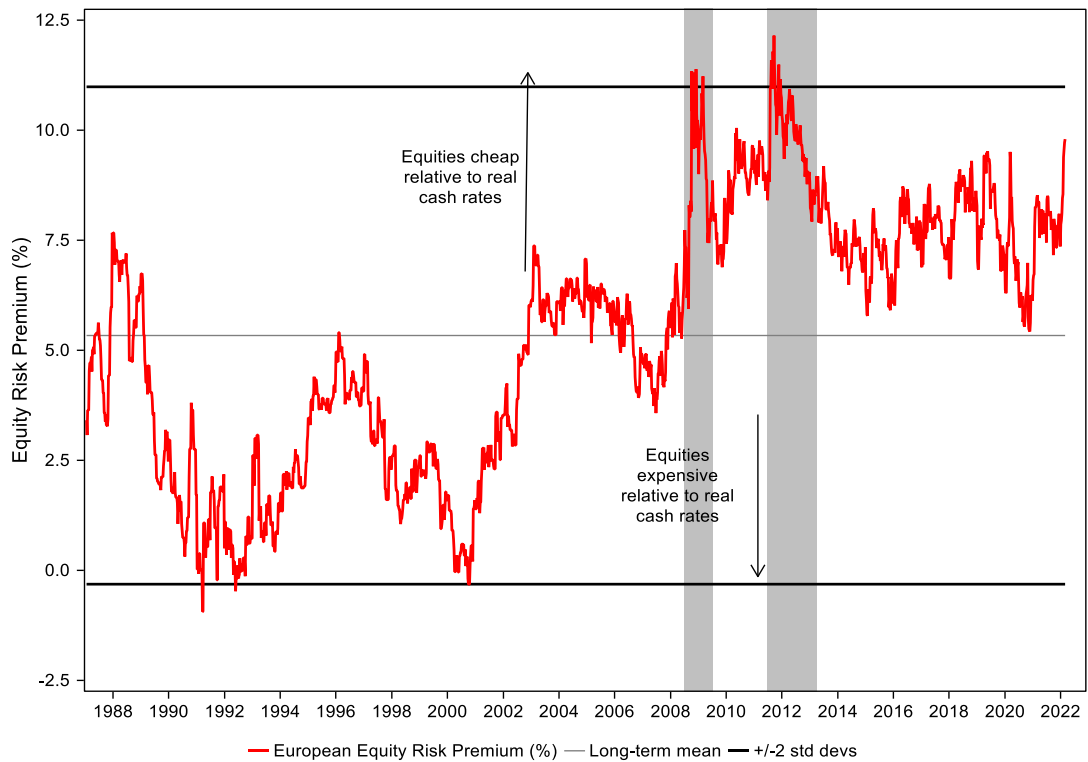
**Section 9f:** European Equity Risk Premia

**Fig 9fi:** European Equity Risk Premium (earnings yield less **real bond yield**)



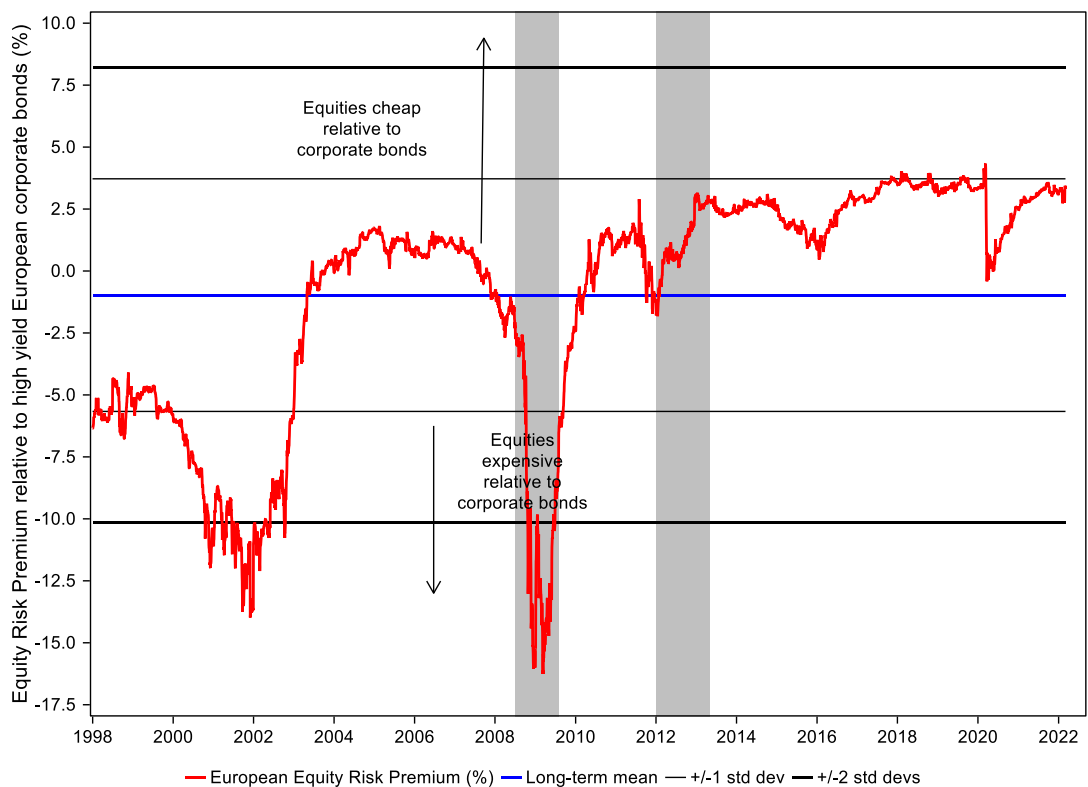
Source: Longview Economics, Macrobond

**Fig 9fii:** European Equity Risk Premium (earnings yield less **real cash rates**)



Source: Longview Economics, Macrobond

**Fig 9fiii:** European Equity Risk Premium (earnings yield less **HY corp yield**)



Source: Longview Economics, Macrobond

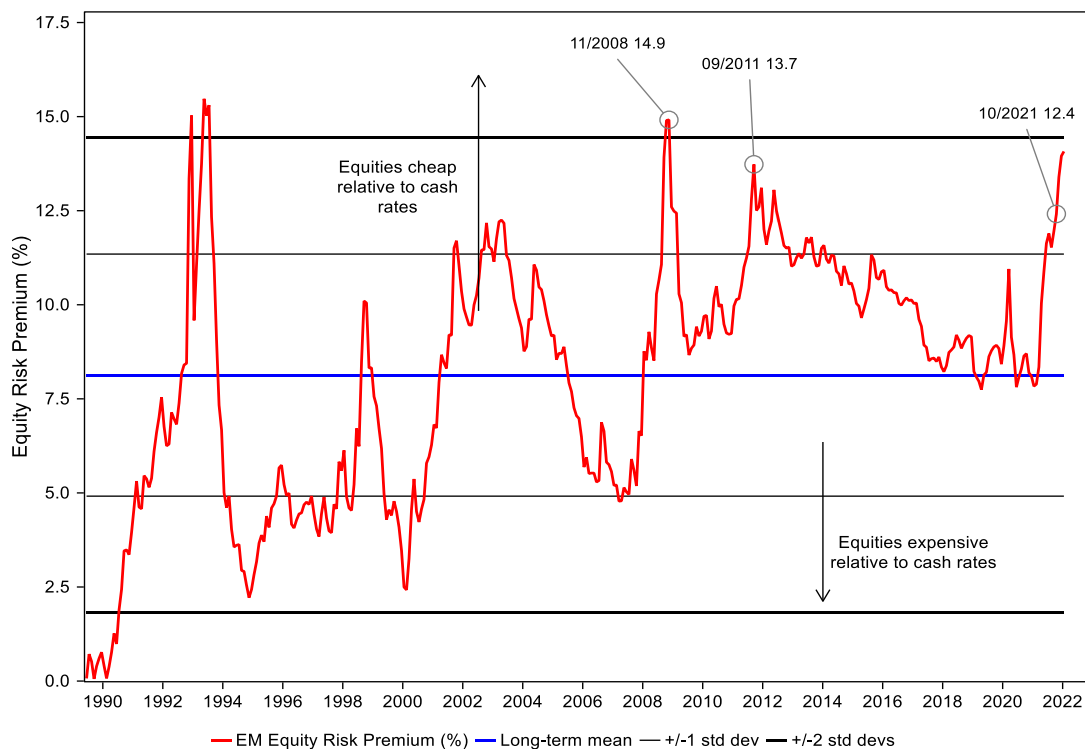
**Section 9g: EM Equity Risk Premia**

**Fig 9gi: EM Equity Risk Premium (earnings yield less real bond yield)**



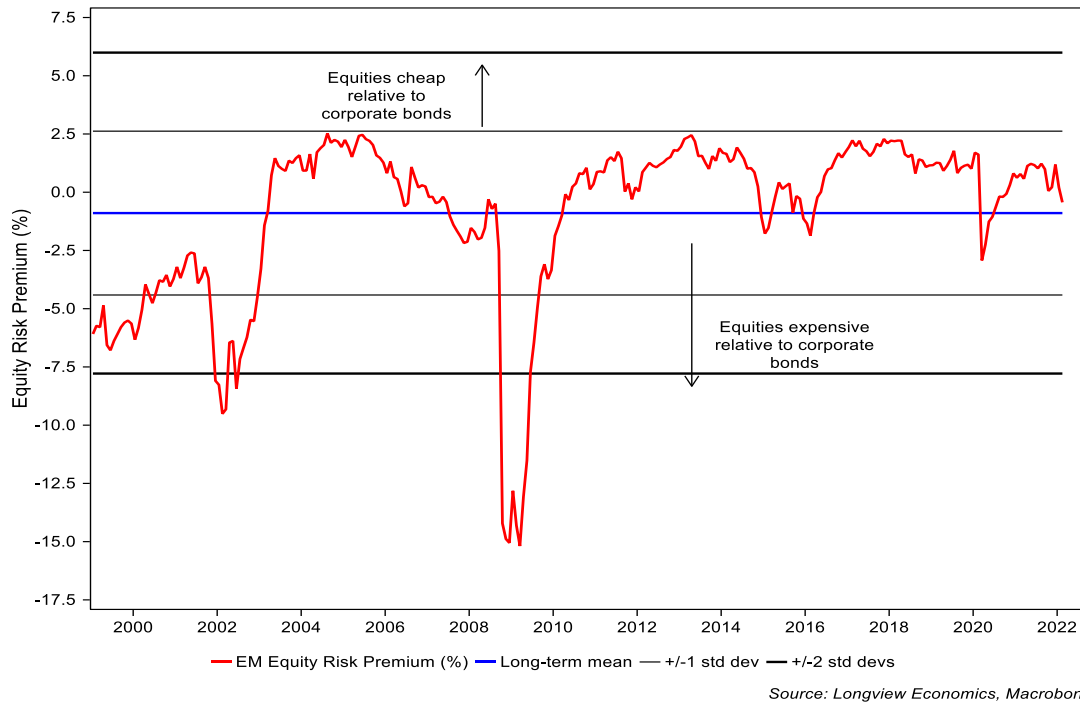
Source: Longview Economics, Macrobond

**Fig 9gii: EM Equity Risk Premium (earnings yield less real cash rate)**



Source: Longview Economics, Macrobond

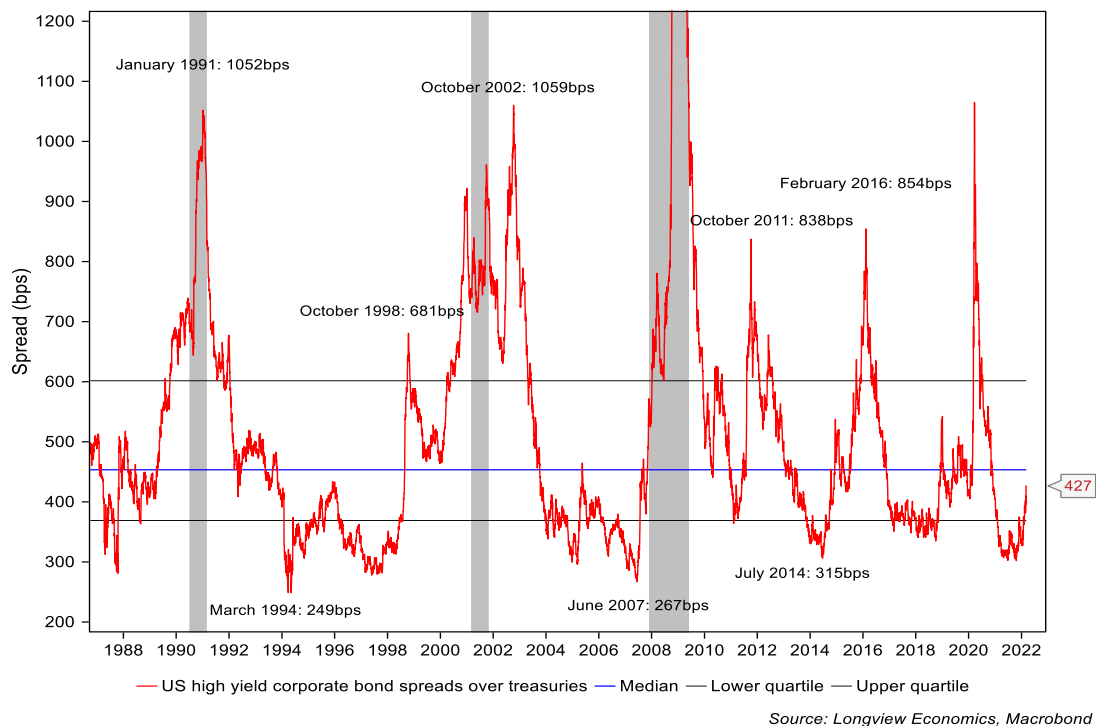
**Fig 9giii:** EM Equity Risk Premium (earnings yield less real corp bond yield)



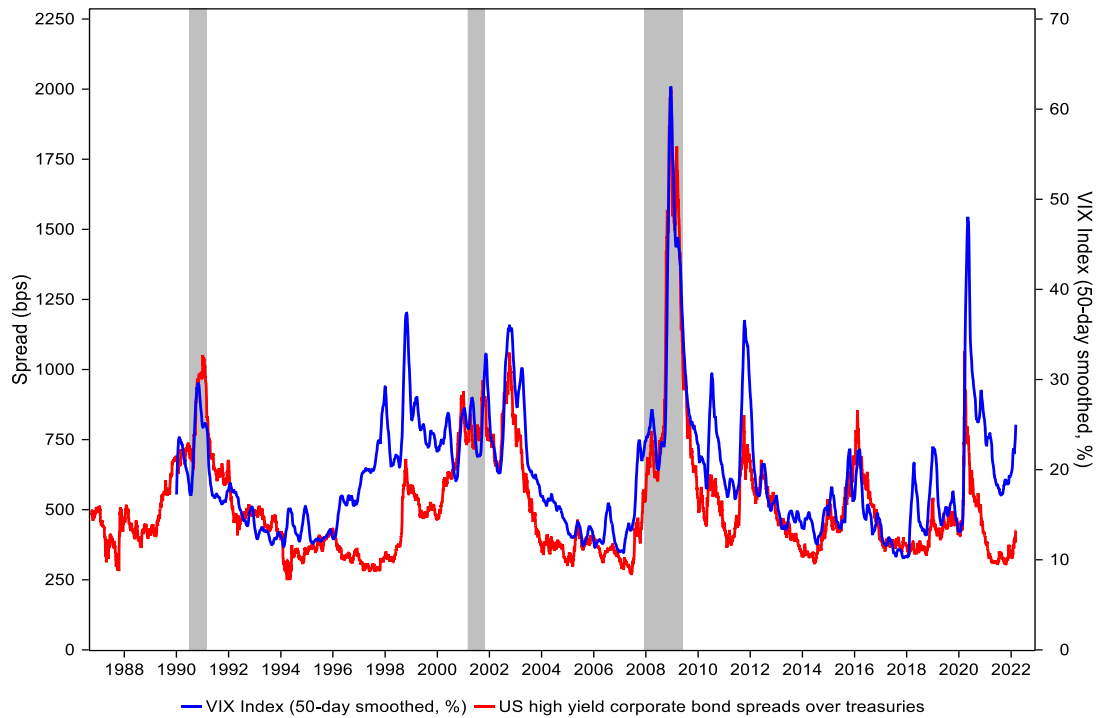
**Section 9h:** US Corporate Bond Spreads

Due to the asymmetric nature of bond spread series, we have used a median & quartile analysis instead of mean & standard deviation analysis.

**Fig 9hi:** US high yield corporate bond spreads over treasuries (bps)

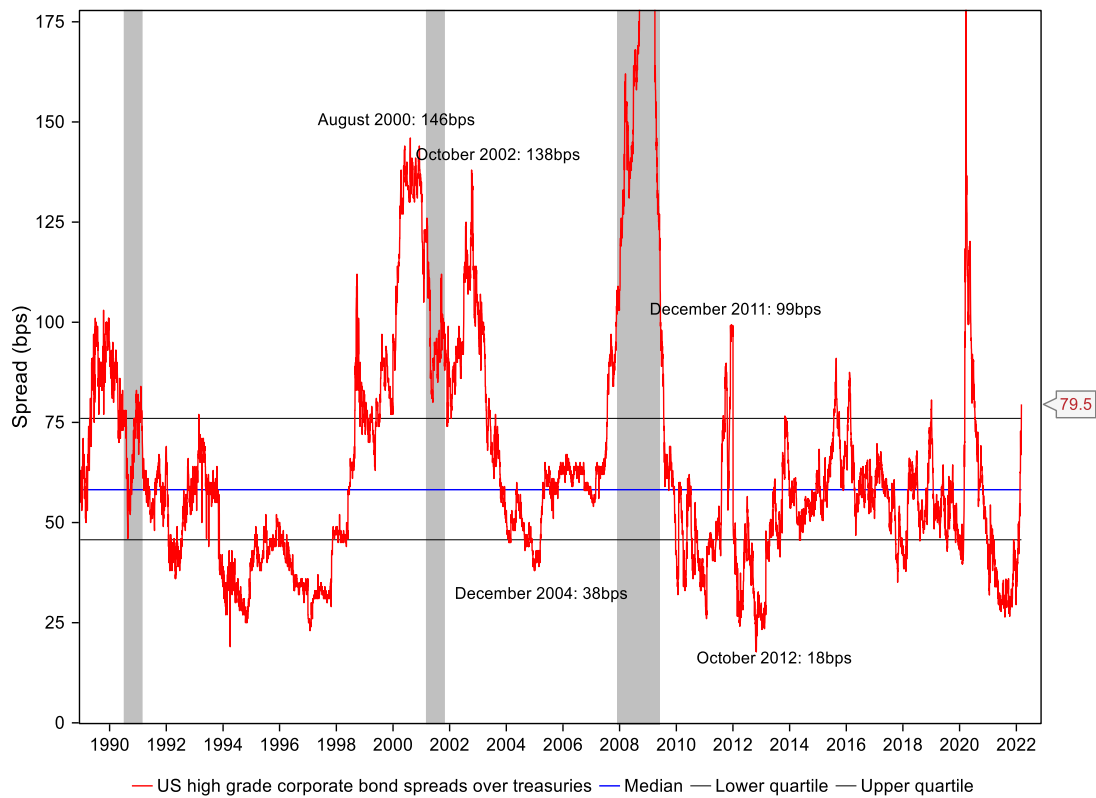


**Fig 9hii:** US high yield corporate bond spreads over treasuries (bps) vs. VIX



Source: Longview Economics, Macrobond

**Fig 9hiii:** US investment grade corporate bond spreads over treasuries (bps)

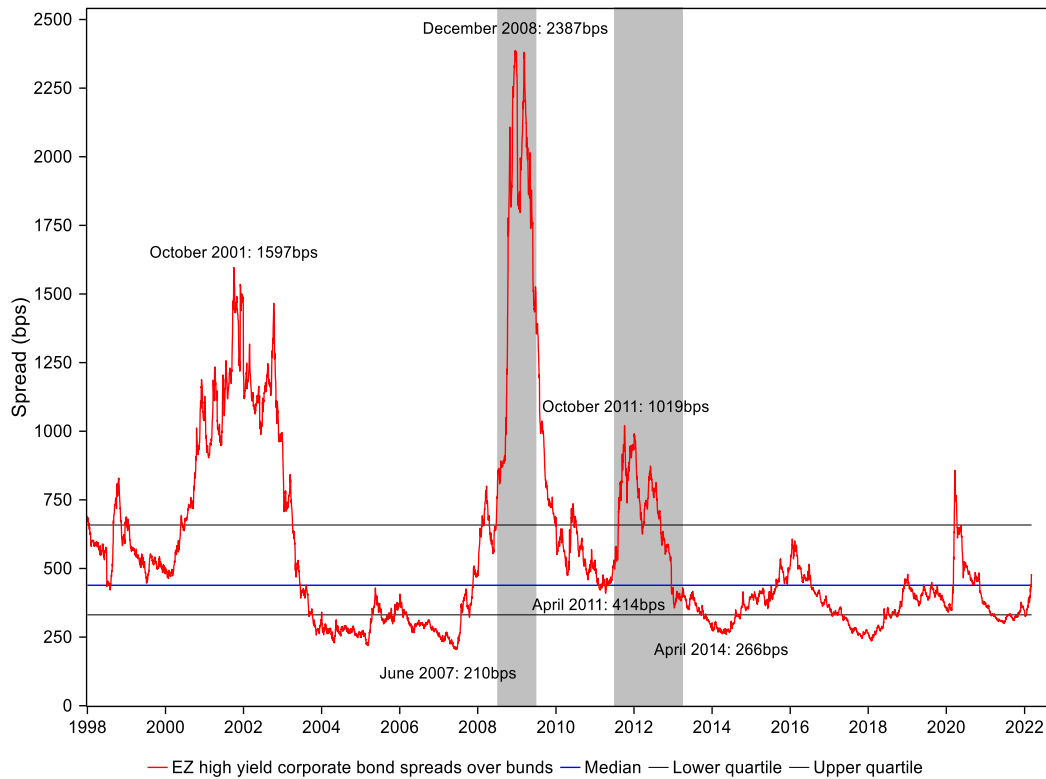


Source: Longview Economics, Macrobond



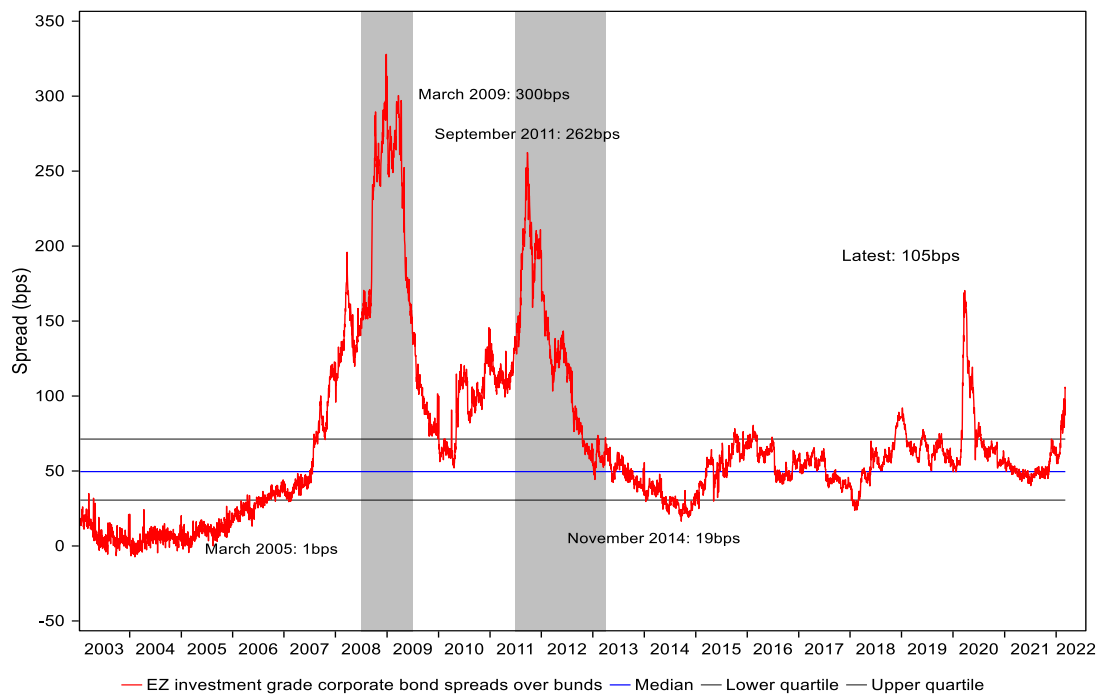
**Section 9I: Euro zone Corporate Bond Spreads**

**Fig 9Ii: EZ high yield corporate bond spreads over bunds (bps)**



Source: Longview Economics, Macrobond

**Fig 9Iii: EZ investment grade corporate bond spreads over bunds (bps)**



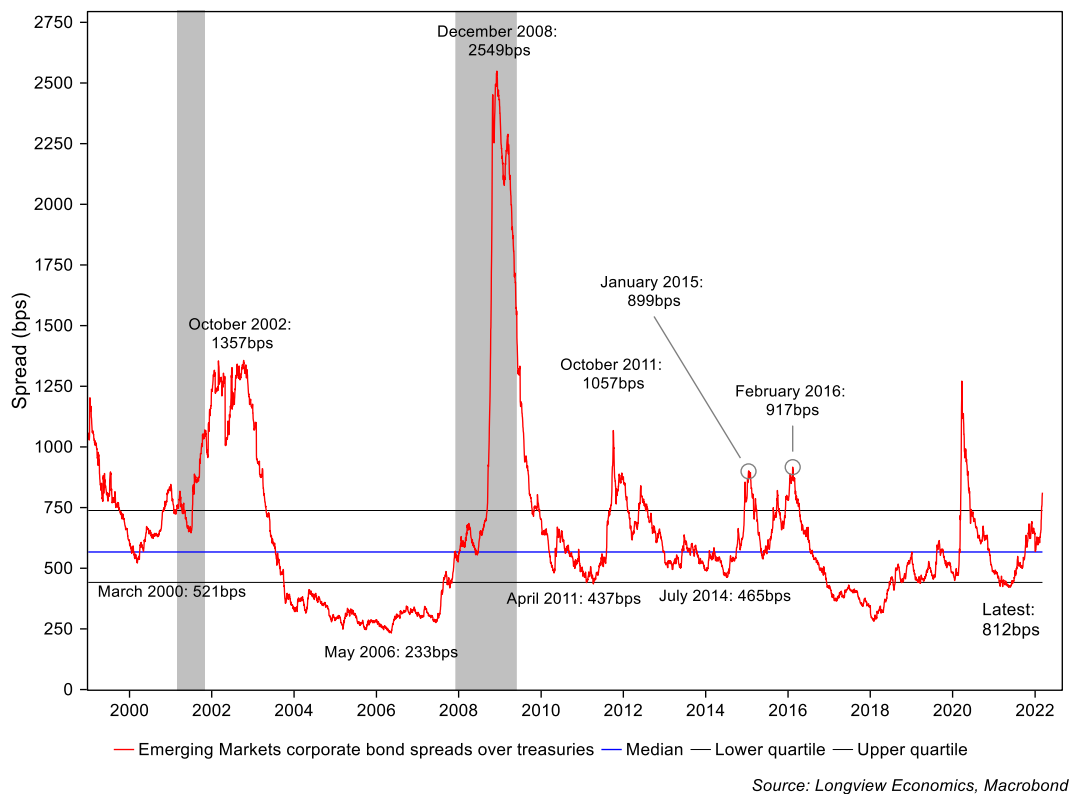
Source: Longview Economics, Macrobond

**Section 9k: Emerging Market Bond Spreads**

**Fig 9ki: EM government bond spreads over treasuries (bps)**

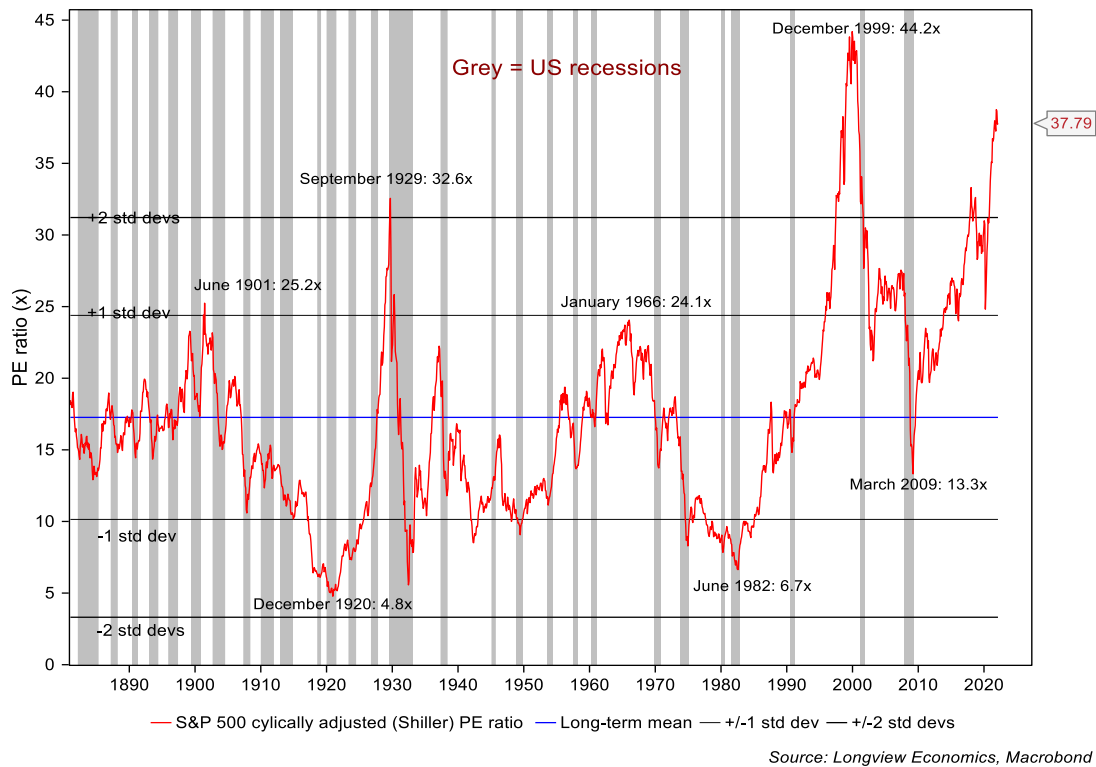


**Fig 9kii: EM corporate bond spreads over treasuries (bps)**

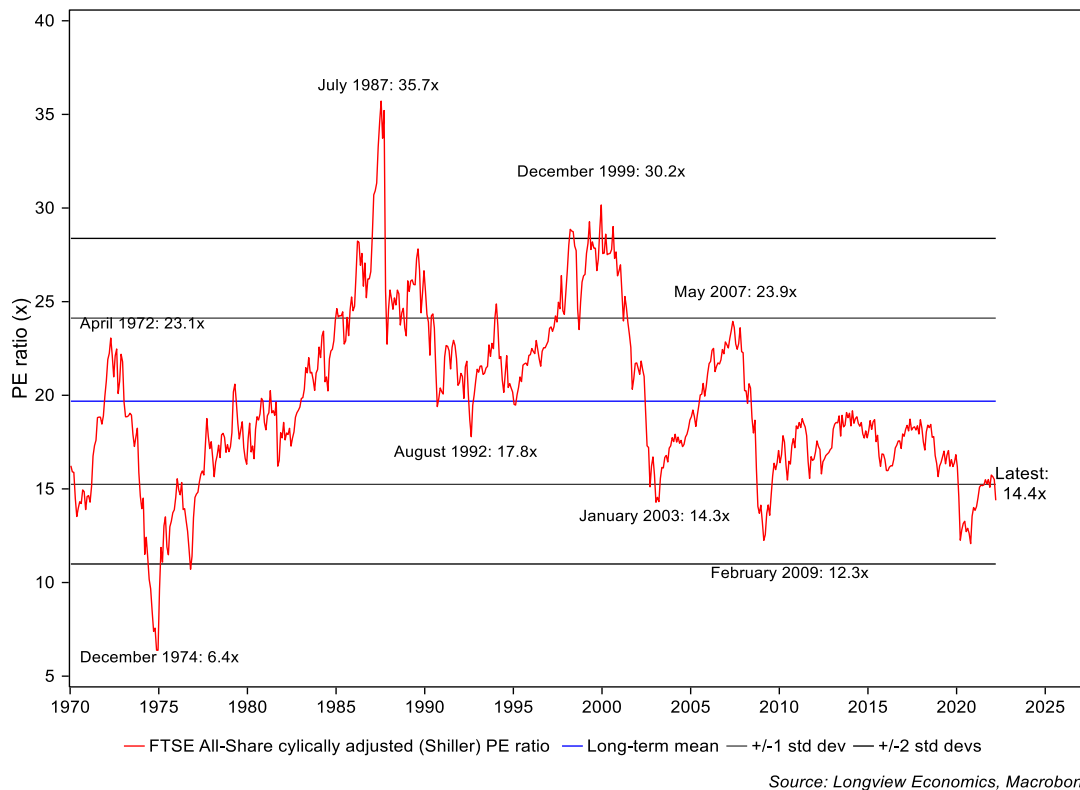


**Section 9I: Shiller PE ratios**

**Fig 9li:** Long term US S&P 500 cyclically adjusted (Shiller) PE ratio

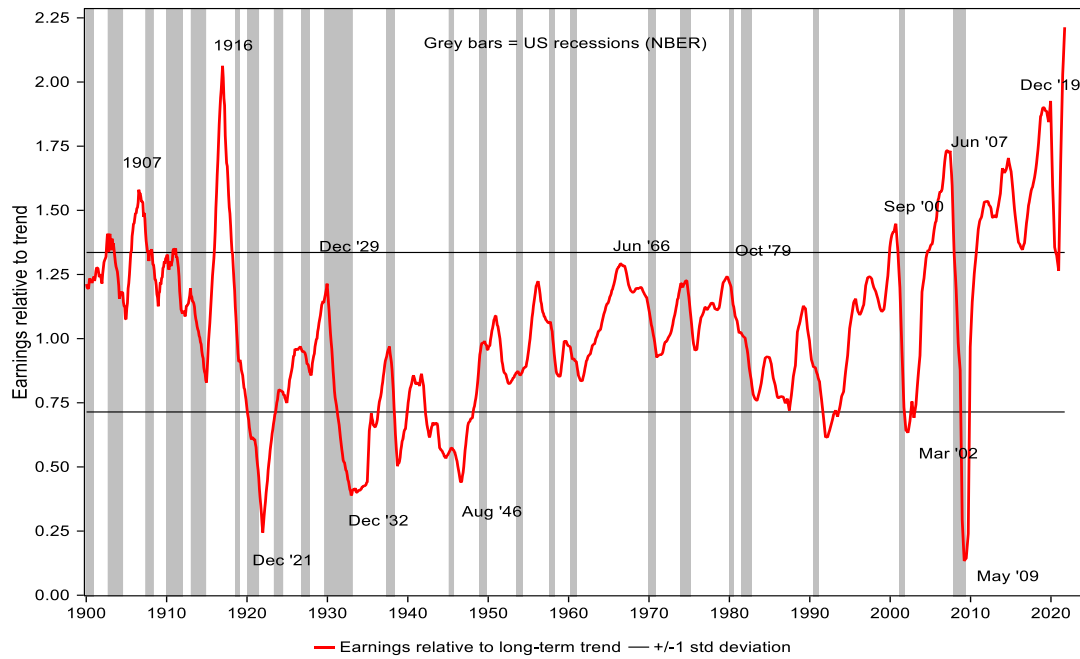


**Fig 9lii:** Long term UK FTSE All-Share cyclically adjusted (Shiller) PE ratio



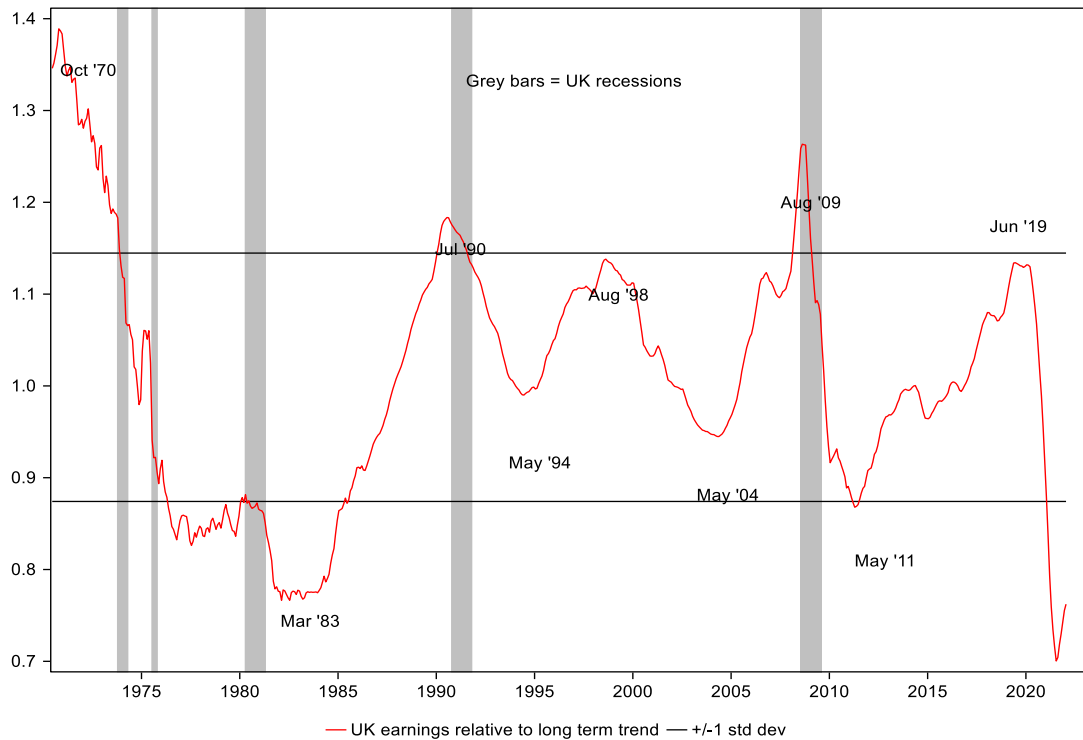
## Section 9m: Earnings

**Fig 9mi:** US earnings (EPS) relative to long-term trend



Source: Longview Economics, Macrobond

**Fig 9mii:** UK earnings (EPS) relative to long-term trend



Source: Longview Economics, Macrobond

**Section 9n: Global Sector Valuations**

NB these tables are extracts from our global sector presentation. We also have presentations centric to US and UK markets. If you would like to be added to our monthly distribution list for any of these products, please let us know.

**Fig 9ni: Global sector valuation heatmap\***

| 09/03/2022 08:39 | Cons disc. | Cons staples | Energy | Financials | Healthcare | Industrials | Info tech | Materials | Comm. Services | Utilities | Index |
|------------------|------------|--------------|--------|------------|------------|-------------|-----------|-----------|----------------|-----------|-------|
| Cons disc.       |            | 15           | 2      | 8          | 20         | 21          | 69        | 6         | 50             | 81        | 18    |
| Cons staples     | 86         |              | 6      | 18         | 33         | 66          | 82        | 17        | 71             | 94        | 64    |
| Energy           | 99         | 95           |        | 96         | 97         | 99          | 96        | 96        | 95             | 100       | 99    |
| Financials       | 93         | 83           | 5      |            | 73         | 89          | 81        | 42        | 77             | 98        | 90    |
| Healthcare       | 81         | 68           | 4      | 28         |            | 74          | 80        | 30        | 79             | 97        | 75    |
| Industrials      | 80         | 35           | 2      | 12         | 27         |             | 73        | 7         | 62             | 90        | 41    |
| Info tech        | 32         | 19           | 5      | 20         | 21         | 28          |           | 16        | 41             | 61        | 26    |
| Materials        | 95         | 84           | 5      | 59         | 71         | 94          | 85        |           | 83             | 99        | 90    |
| Comm. Services   | 51         | 30           | 6      | 24         | 22         | 39          | 60        | 18        |                | 70        | 34    |
| Utilities        | 20         | 7            | 1      | 3          | 4          | 11          | 40        | 2         | 31             |           | 7     |
| Index            | 83         | 37           | 2      | 11         | 26         | 60          | 75        | 11        | 67             | 94        |       |

**Source:** Bloomberg Consensus Estimates, S&P, Longview Economics

\* NB This table should be read as ‘columns versus rows’ – i.e. the sector name above, relative to the sector name to the left.

**Fig 9nii: Global sector valuation metrics\***

| Name                   | Forward PE | Long Term Mean | Relative PE | Relative PE range | Over/Under Value* | Relative PE Percentile** | 56-day RSI*** | 56-day RSI Percentile** |
|------------------------|------------|----------------|-------------|-------------------|-------------------|--------------------------|---------------|-------------------------|
| S&P GLOBAL 1200 INDEX  | 15.4       | 15.8           | -           | -                 | -                 | -                        | 40.1          | -                       |
| Energy                 | 8.9        | 14.7           | 0.58        | 0.63-1.50         | -38.0%            | 2                        | 63.9          | 53                      |
| Materials              | 11.6       | 14.3           | 0.75        | 0.50-1.28         | -18.0%            | 11                       | 46.3          | 10                      |
| Industrials            | 16.6       | 16.5           | 1.08        | 0.77-1.42         | 32.4%             | 68                       | 40.5          | 27                      |
| Consumer Discretionary | 17.4       | 16.6           | 1.13        | 0.62-1.41         | 1.2%              | 51                       | 36.8          | 25                      |
| Consumer Staples       | 19.0       | 20.8           | 1.23        | 1.09-2.43         | -5.5%             | 33                       | 40.6          | 33                      |
| Healthcare             | 15.8       | 17.5           | 1.03        | 0.79-1.49         | -7.2%             | 27                       | 43.5          | 70                      |
| Financials             | 10.7       | 12.5           | 0.69        | 0.51-0.98         | -13.5%            | 12                       | 40.7          | 37                      |
| Info Tech              | 20.4       | 19.8           | 1.33        | 0.90-1.99         | 7.4%              | 74                       | 41.3          | 84                      |
| Telecoms               | 16.0       | 16.1           | 1.04        | 0.61-1.79         | 4.4%              | 67                       | 37.2          | 47                      |
| Utilities              | 18.0       | 14.1           | 1.17        | 0.49-1.35         | 27.8%             | 97                       | 49.7          | 22                      |

\* This measures how expensive the sector is relative to the index, compared to its long term history (i.e. since 1987).

**Fig 9niii: Global sector valuation (PE) heatmap**

| S&P 500 Sector            | fwd pe ratio (x) | vs. own history | vs. 1 | vs. 2 | vs. 3 | vs. 4 | vs. 5 | vs. 6 | vs. 7 | vs. 8 | vs. 9 | vs. 10 | vs. 11 | vs. Index |
|---------------------------|------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-----------|
| 1. Energy                 | 12.4             | 36              |       | 25    | 8     | 2     | 7     | 35    | 11    | 11    | 31    | 5      | 29     | 2         |
| 2. Materials              | 15.5             | 52              | 75    |       | 11    | 7     | 11    | 63    | 9     | 13    | 61    | 8      | 33     | 8         |
| 3. Industrials            | 19.3             | 83              | 92    | 89    |       | 8     | 50    | 85    | 70    | 25    | 94    | 42     | 64     | 49        |
| 4. Consumer Discretionary | 28.2             | 92              | 98    | 93    | 92    |       | 89    | 92    | 91    | 59    | 93    | 79     | 86     | 92        |
| 5. Consumer Staples       | 21.2             | 90              | 93    | 89    | 50    | 11    |       | 100   | 65    | 33    | 97    | 36     | 61     | 30        |
| 6. Healthcare             | 15.3             | 32              | 65    | 37    | 15    | 8     | 0     |       | 12    | 9     | 52    | 4      | 28     | 9         |
| 7. Financials             | 14.5             | 83              | 89    | 91    | 30    | 9     | 35    | 88    |       | 33    | 88    | 33     | 60     | 19        |
| 8. IT                     | 23.6             | 76              | 89    | 87    | 75    | 41    | 67    | 91    | 67    |       | 99    | 60     | 75     | 75        |
| 9. Communications         | 18.1             | 52              | 69    | 39    | 6     | 7     | 3     | 48    | 12    | 1     |       | 4      | 29     | 2         |
| 10. Utilities             | 19.0             | 93              | 95    | 92    | 58    | 21    | 64    | 96    | 67    | 40    | 96    |        | 75     | 62        |
| 11. Real Estate           | 20.5             | 89              | 71    | 67    | 36    | 14    | 39    | 72    | 40    | 25    | 71    | 25     |        | 48        |
| Index                     | 19.7             | 82              | 98    | 92    | 51    | 8     | 70    | 91    | 81    | 25    | 98    | 38     | 52     |           |

These table should be read as the row header relative to the column header. Cells/Rows shaded red are more expensive on a percentile basis relative to history, while those shaded green are cheap on that relative basis.

Source: Longview Economics, Macrobond

**Fig 9niv: Global sector equity risk premium heatmap**

| S&P 500 Sector            | fwd ERP (%) | vs. own history | vs. 1 | vs. 2 | vs. 3 | vs. 4 | vs. 5 | vs. 6 | vs. 7 | vs. 8 | vs. 9 | vs. 10 | vs. 11 | vs. Index |
|---------------------------|-------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-----------|
| 1. Energy                 | 8.6         | 82              |       | 64    | 77    | 92    | 77    | 58    | 85    | 74    | 61    | 84     | 65     | 83        |
| 2. Materials              | 6.9         | 85              | 36    |       | 83    | 90    | 75    | 42    | 92    | 81    | 29    | 88     | 61     | 92        |
| 3. Industrials            | 5.7         | 60              | 23    | 17    |       | 80    | 38    | 20    | 72    | 68    | 7     | 59     | 35     | 55        |
| 4. Consumer Discretionary | 4.0         | 37              | 8     | 10    | 20    |       | 16    | 13    | 28    | 57    | 6     | 36     | 20     | 22        |
| 5. Consumer Staples       | 5.2         | 64              | 24    | 26    | 62    | 84    |       | 12    | 76    | 69    | 5     | 71     | 40     | 79        |
| 6. Healthcare             | 7.0         | 78              | 46    | 62    | 85    | 92    | 92    |       | 88    | 85    | 29    | 95     | 66     | 89        |
| 7. Financials             | 7.4         | 55              | 16    | 8     | 28    | 72    | 25    | 16    |       | 57    | 10    | 55     | 32     | 48        |
| 8. IT                     | 4.7         | 46              | 34    | 27    | 41    | 51    | 39    | 19    | 51    |       | 1     | 48     | 26     | 39        |
| 9. Communications         | 6.0         | 80              | 39    | 71    | 93    | 94    | 95    | 71    | 90    | 99    |       | 95     | 62     | 97        |
| 10. Utilities             | 5.8         | 47              | 16    | 12    | 41    | 64    | 29    | 10    | 45    | 60    | 5     |        | 24     | 41        |
| 11. Real Estate           | 5.4         | 74              | 35    | 39    | 65    | 80    | 60    | 34    | 68    | 76    | 38    | 76     |        | 57        |
| Index                     | 5.7         | 61              | 18    | 10    | 47    | 79    | 22    | 14    | 53    | 69    | 3     | 60     | 43     |           |

ERP is the Equity Risk Premium (Earnings Yield less real bond yield)  
These table should be read as the row header relative to the column header. Cells/Rows shaded red are have a lower risk premium on a percentile basis relative to history, while those shaded green have a higher ERP on that relative basis.

Source: Longview Economics, Macrobond

**Fig 9nv: Global sector dividend yield heatmap**

| S&P 500 Sector            | fwd div yield (%) | vs. own history | vs. 1 | vs. 2 | vs. 3 | vs. 4 | vs. 5 | vs. 6 | vs. 7 | vs. 8 | vs. 9 | vs. 10 | vs. 11 | vs. Index |
|---------------------------|-------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-----------|
| 1. Energy                 | 3.5               | 83              |       | 88    | 90    | 92    | 79    | 86    | 80    | 76    | 88    | 87     | 87     | 91        |
| 2. Materials              | 2.0               | 21              | 12    |       | 78    | 91    | 43    | 51    | 40    | 64    | 94    | 65     | 68     | 83        |
| 3. Industrials            | 1.6               | 14              | 10    | 22    |       | 96    | 11    | 15    | 31    | 47    | 95    | 36     | 28     | 53        |
| 4. Consumer Discretionary | 0.7               | 6               | 8     | 9     | 4     |       | 6     | 6     | 10    | 11    | 57    | 17     | 21     | 12        |
| 5. Consumer Staples       | 2.5               | 36              | 21    | 57    | 89    | 94    |       | 67    | 53    | 55    | 93    | 69     | 59     | 95        |
| 6. Healthcare             | 1.7               | 20              | 14    | 49    | 85    | 94    | 33    |       | 57    | 46    | 94    | 55     | 58     | 88        |
| 7. Financials             | 2.0               | 44              | 20    | 60    | 69    | 90    | 47    | 43    |       | 56    | 89    | 64     | 65     | 87        |
| 8. IT                     | 0.9               | 34              | 24    | 36    | 53    | 89    | 45    | 54    | 44    |       | 51    | 49     | 40     | 55        |
| 9. Communications         | 0.9               | 6               | 12    | 6     | 5     | 43    | 7     | 6     | 11    | 49    |       | 6      | 7      | 7         |
| 10. Utilities             | 3.3               | 9               | 13    | 35    | 64    | 83    | 31    | 45    | 36    | 51    | 94    |        | 60     | 68        |
| 11. Real Estate           | 2.9               | 15              | 13    | 32    | 72    | 79    | 41    | 42    | 35    | 60    | 93    | 40     |        | 75        |
| Index                     | 1.5               | 8               | 9     | 17    | 47    | 88    | 5     | 12    | 13    | 45    | 93    | 32     | 25     |           |

These table should be read as the row header relative to the column header. Cells/Rows shaded red have a lower yield on a percentile basis relative to history, while those shaded green have a higher yield on that relative basis.

Source: Longview Economics, Macrobond

**Fig 9nvi: Global sector price to book heatmap**

| S&P 500 Sector            | fwd pb ratio (x) | vs. own history | vs. 1 | vs. 2 | vs. 3 | vs. 4 | vs. 5 | vs. 6 | vs. 7 | vs. 8 | vs. 9 | vs. 10 | vs. 11 | vs. Index |
|---------------------------|------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-----------|
| 1. Energy                 | 2.1              | 66              |       | 38    | 22    | 14    | 16    | 37    | 41    | 13    | 43    | 23     | 23     | 11        |
| 2. Materials              | 2.9              | 74              | 62    |       | 21    | 16    | 20    | 30    | 44    | 10    | 35    | 30     | 18     | 14        |
| 3. Industrials            | 4.7              | 93              | 78    | 79    |       | 7     | 72    | 76    | 70    | 5     | 84    | 85     | 62     | 61        |
| 4. Consumer Discretionary | 8.4              | 92              | 86    | 84    | 93    |       | 85    | 92    | 86    | 46    | 88    | 92     | 89     | 84        |
| 5. Consumer Staples       | 5.9              | 92              | 84    | 80    | 28    | 15    |       | 70    | 66    | 9     | 64    | 75     | 56     | 10        |
| 6. Healthcare             | 4.2              | 78              | 63    | 70    | 24    | 8     | 30    |       | 50    | 6     | 64    | 61     | 33     | 8         |
| 7. Financials             | 1.6              | 64              | 59    | 56    | 30    | 14    | 34    | 50    |       | 9     | 59    | 57     | 49     | 8         |
| 8. IT                     | 8.9              | 93              | 87    | 90    | 95    | 54    | 91    | 94    | 91    |       | 96    | 93     | 90     | 92        |
| 9. Communications         | 3.4              | 81              | 57    | 65    | 16    | 12    | 36    | 36    | 41    | 4     |       | 59     | 36     | 11        |
| 10. Utilities             | 2.0              | 88              | 77    | 70    | 15    | 8     | 25    | 39    | 43    | 7     | 41    |        | 19     | 18        |
| 11. Real Estate           | 4.0              | 93              | 77    | 82    | 38    | 11    | 44    | 67    | 51    | 10    | 64    | 81     |        | 27        |
| Index                     | 4.1              | 96              | 89    | 86    | 39    | 16    | 90    | 92    | 92    | 8     | 89    | 82     | 73     |           |

These table should be read as the row header relative to the column header. Cells/Rows shaded red are more expensive on a percentile basis relative to history, while those shaded green are cheap on that relative basis.

Source: Longview Economics, Macrobond

**Section 90: Global Commodities Valuations**

**Fig 90i: Commodities heatmap**

| Commodity      | Data since | Price    | vs. own history | vs. 1 | vs. 2 | vs. 3 | vs. 4 | vs. 5 | vs. 6 | vs. 7 | vs. 8 | vs. 9 | vs. 10 | vs. 11 | vs. 12 | vs. 13 | vs. 14 | vs. 15 | vs. 16 |
|----------------|------------|----------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| 1. Palladium   | 2/1/1968   | 2,924.0  | 98              |       | 94    | 98    | 95    | 91    | 95    | 95    | 94    | 93    | 98     | 95     | 92     | 96     | 69     | 88     | 93     |
| 2. Gold        | 31/1/1901  | 1,991.4  | 96              | 6     |       | 99    | 88    | 61    | 63    | 92    | 93    | 61    | 96     | 89     | 66     | 97     | 0      | 41     | 67     |
| 3. Platinum    | 31/1/1910  | 1,075.7  | 55              | 2     | 1     |       | 9     | 2     | 2     | 76    | 71    | 14    | 72     | 77     | 13     | 76     | 0      | 2      | 35     |
| 4. Silver      | 31/1/1910  | 25.8     | 87              | 5     | 12    | 91    |       | 49    | 20    | 87    | 84    | 28    | 92     | 84     | 44     | 91     |        | 31     | 63     |
| 5. Brent Oil   | 1/10/1985  | 112.0    | 79              | 9     | 39    | 98    | 51    |       | 63    | 65    | 61    | 68    | 81     | 55     | 39     | 80     | 4      | 34     | 65     |
| 6. WTI Oil     | 31/12/1900 | 110.6    | 91              | 5     | 37    | 98    | 80    | 37    |       | 90    | 89    | 39    | 90     | 87     | 50     | 93     | 6      | 39     | 68     |
| 7. Wheat       | 31/1/1901  | 10.7     | 22              | 5     | 8     | 24    | 13    | 35    | 10    |       | 26    | 16    | 70     | 40     | 14     | 73     | 6      | 37     | 53     |
| 8. Corn        | 31/1/1901  | 7.3      | 26              | 6     | 7     | 29    | 16    | 39    | 11    | 74    |       | 19    | 82     | 60     | 16     | 79     | 1      | 46     | 67     |
| 9. Natural Gas | 29/12/1922 | 4.6      | 85              | 7     | 39    | 86    | 72    | 32    | 61    | 84    | 81    |       | 85     | 84     | 50     | 86     | 27     | 43     | 59     |
| 10. Cocoa      | 1/7/1959   | 2,624.0  | 27              | 2     | 4     | 28    | 8     | 19    | 10    | 30    | 18    | 15    |        | 33     | 4      | 43     | 0      | 13     | 34     |
| 11. Cotton     | 29/8/1902  | 1.2      | 24              | 5     | 11    | 23    | 16    | 45    | 13    | 60    | 40    | 16    | 67     |        | 24     | 74     | 9      | 65     | 63     |
| 12. Copper     | 2/7/1959   | 4.6      | 84              | 8     | 34    | 87    | 56    | 61    | 50    | 86    | 84    | 50    | 96     | 76     |        | 90     |        | 36     | 67     |
| 13. Sugar      | 31/1/1901  | 0.2      | 19              | 4     | 3     | 24    | 9     | 20    | 7     | 27    | 21    | 14    | 57     | 26     | 10     |        |        | 20     | 26     |
| 14. Tin        | 9/2/2012   | 44,305.0 | 100             | 31    | 100   | 100   | 100   | 96    | 94    | 94    | 99    | 73    | 100    | 91     | 100    | 100    |        | 96     | 98     |
| 15. Zinc       | 2/1/2004   | 3,919.5  | 89              | 12    | 59    | 98    | 69    | 66    | 61    | 63    | 54    | 57    | 87     | 35     | 64     | 80     | 4      |        | 57     |
| 16. Aluminium  | 27/8/1987  | 3,530.0  | 77              | 7     | 33    | 65    | 37    | 35    | 32    | 47    | 33    | 41    | 66     | 37     | 33     | 74     | 2      | 43     |        |

These table should be read as the row header relative to the column header. Cells/Rows shaded red are more expensive on a percentile basis relative to history, while those shaded green are cheap on that relative basis. NB all relative metrics are adjusted for inflation.

Source: Longview Economics, Macrobond



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