

The Outlook For European Equities in 2015

Earnings Growth Rates & Price-to-Earnings (P/E) Ratios For Top European Equity Indices

Index	2015 Earnings Growth Rate Est.	2015 P/E Est.	3-Year Avg. P/E
FTSE 100 (UK)	6.55%	12.72	15.87
CAC 40 (France)	12.56%	12.70	18.67
DAX (Germany)	10.85%	11.57	15.40
Swiss Market (Switzerland)	11.15%	15.21	18.48
IBEX 35 (Spain)	21.64%	13.64	29.99
FTSE MIB (Italy)	32.11%	11.92	N/A*
OMX Stockholm 30 (Sweden)	13.74%	14.32	15.27
AEX (Netherlands)	13.14%	12.99	19.54
BEL 20 (Belgium)	16.06%	13.52	31.86
OMX Helsinki (Finland)	18.49%	15.15	29.35

Source: Bloomberg. As of 11/4/14.

*P/E ratio not applicable due to this index posting negative earnings in 2011.

View from the Observation Deck

1. Today's blog post provides some consensus 2015 earnings and P/E estimates from analysts tracked by Bloomberg. The focus is on European equities.
2. Investors funneled a net \$18.8 billion into European stock funds and ETFs for the 12-month period ended 9/30/14, and a net \$9.1 billion year-to-date, according to Morningstar.
3. Due in part to concerns over slower global growth, the potential fallout from economic sanctions between the U.S., Europe and Russia, as well as other geopolitical events, European stock funds have experienced outflows of late.
4. Investors liquidated a net \$4.7 billion from European stock funds and ETFs in Q3'14, according to Morningstar. This year's high for the MSCI Europe Index was set on 6/10/14.
5. From 6/10/14-10/16/14, the MSCI Europe Index posted a total return of -15.33% (USD), but has since staged a bit of comeback. From 10/16/14-11/3/14, the index rose 4.90%.
6. While the economic recovery in Europe could be choppy at times and perhaps slower than investors would like, the figures in the chart suggest that things may not be as bad as some people think, in our opinion.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The FTSE 100 Index is a capitalization-weighted index of the most highly capitalized companies traded on the London Stock Exchange. The CAC 40 Index reflects the performance of the 40 largest equities listed in France, measured by free-float market capitalisation and liquidity. The DAX Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The SMI Index (Swiss Market) is a capitalization-weighted index of the 20 largest (represents around 85% of Swiss equity market) and most liquid stocks of the SPI (Swiss Performance Index) universe. The IBEX 35 is the official index of the Spanish Continuous Market and is comprised of the 35 most liquid stocks. The FTSE MIB Index consists of the 40 most liquid and capitalised stocks listed on the Borsa Italiana. The OMX Stockholm 30 Index is a market-weighted price index consisting of the 30 most actively traded stocks on the Stockholm Stock Exchange. The AEX-Index is a free-float adjusted market capitalization-weighted index of the leading Dutch stocks traded on the Amsterdam Exchange. The BEL 20 Index is a modified capitalization-weighted index of the 20 most capitalized and liquid Belgian stocks traded on the Brussels Stock Exchange. The OMX Helsinki Index includes all the shares listed on the Helsinki Stock Exchange. The MSCI Europe Index is a free-float weighted index designed to measure the performance of the developed equity markets in Europe.