

A Snapshot Of European Equities

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

Index	2018 Earnings Growth Rate Est.	2019 Earnings Growth Rate Est.	2018 P/E Est.	2019 P/E Est.	10-Yr. Avg. P/E
MSCI Europe Index	9.11%	8.36%	14.49	13.37	20.33
FTSE 100 (UK)	7.77%	5.99%	13.80	13.02	23.65
CAC 40 (France)	6.61%	8.92%	14.83	13.62	17.96
DAX (Germany)	8.87%	8.78%	13.07	12.02	18.69
Swiss Market (Switzerland)	16.64%	10.29%	15.50	14.06	25.56
IBEX 35 (Spain)	5.83%	8.60%	13.03	12.00	16.79
OMX Stockholm 30 (Sweden)	7.76%	8.11%	15.45	14.29	15.79
AEX (Netherlands)	9.29%	9.04%	15.77	14.46	21.27
BEL 20 (Belgium)	0.76%	7.90%	15.70	14.55	25.11
OMX Helsinki (Finland)	7.83%	10.46%	16.75	15.17	25.42

Source: Bloomberg. Earnings growth rate estimates as of 3/29/18. P/E ratio estimates as of 4/18/18.

View from the Observation Deck

1. Today's blog post shows that European equities are trading at reasonable valuation levels based on 2018 and 2019 year-end P/E estimates, especially relative to their respective 10-year average P/Es, in our opinion.
2. The outlook for growth in corporate earnings remains positive. Most of the major indices featured in the table are expected to post EPS growth rates in the 6-9% range in 2018 and 2019.
3. In April 2018, the International Monetary Fund (IMF) released its latest forecast for global economic growth. The IMF sees year-over-year worldwide real GDP growth rising from 3.8% in 2017 to 3.9% in 2018. It sees real GDP growth in the "Euro Area" rising from 2.3% in 2017 to 2.4% in 2018.
4. For the 12-month period ended 2/28/18, U.S. investors funneled an estimated net \$271.2 billion into International Equity mutual funds and exchange-traded funds (ETFs), compared to estimated net outflows totaling \$8.3 billion for U.S. Equity and Sector Equity funds and ETFs, according to data from Morningstar.
5. The European Central Bank (ECB) is expected to close down its quantitative easing program by the end of 2018, according to *The Wall Street Journal*. The ECB began its stimulus initiative in early 2015. Originally, the ECB had planned to end it in September 2016.

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 MSCI Europe Index is a free-float weighted index designed to measure the equity market performance of the developed markets in Europe. 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 capitalization 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 Index is the official index of the Spanish Continuous Market and is comprised of the 35 most liquid stocks. 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.

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