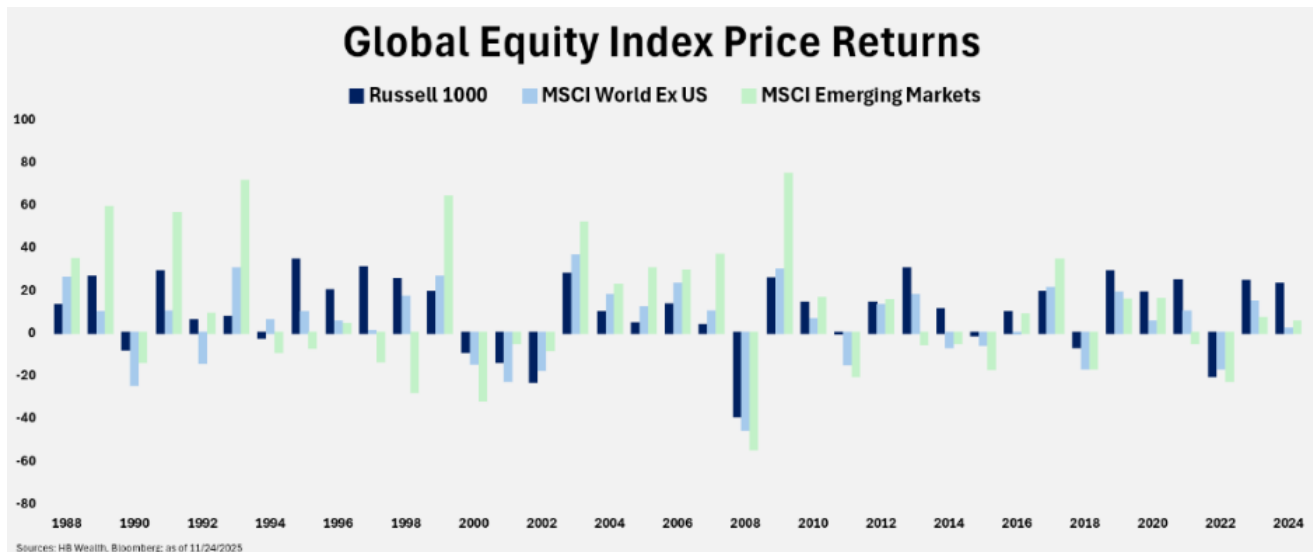


Market Sense – Relative Outlook for Global Shares Remains Supportive

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International stocks are on their way to their first year of outperforming domestic stocks since 2017, and strengthening earnings, discounted valuations, and dollar depreciation may all continue to make the case for global shares to perform well into 2026.

U.S. stocks (represented by the Russell 1000) are up 13% so far this year but have been outpaced by international counterparts. Emerging and developed market (ex-US) equities (represented by MSCI indices) are up 27% and 24%, respectively. Emerging markets are on pace for their best year since 2019 while developed markets outside of the US are set for a gain last matched in 2017.

US stocks have been outpaced by either emerging markets or developed markets in just 2 of the last 12 years, making 2025 appear as a relative anomaly. But several signals, including earnings, valuations, and the dollar all suggest this year may mark the beginning of a new performance dynamic in global equities.

Earnings growth was a support to many nondomestic markets in 2025 that may persist in 2026.

Emerging markets at large are on track to post more than 12% earnings growth in 2025, despite modest growth in China, and developed markets like Canada likewise topped US growth. While analysts expect US growth to strengthen from about 10% this year to 13% in 2026, a strengthening earnings recovery in China could carry Emerging market growth to 18% next year. Canada, Germany, France and Italy are all likewise expected to post growth faster than the US.

Meanwhile, valuations still point to discounts available in international equities, while the US trades at an extraordinary premium. Emerging market equities trade at 12.9X forward estimates while developed market shares outside the US command 15.3X, both still well below the US multiple of 21.4X. Despite the relative strengthening in earnings prospects outside of the United States, international stocks still trade at a discount 1.7 standard deviations below 20-year average when compared to the US market.

Dollar depreciation has also historically correlated with excess global equity market returns, and easing policy at the Fed, escalating debt and budget deficit, and uncertainty over the trade policy landscape all may make a case for continued dollar weakness in the year ahead. The US dollar has been negatively correlated to Emerging Markets equities 80.5% of the time and Developed Markets equities 90.7% of the time over rolling 60-day periods since March 2010.

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