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Cheat Sheet

It's Too Late to Get Bearish



Emerging Markets
over Developed¹

10 positive forces

- Emerging Markets (EM) are in earlier, better stages of their cycles than Developed Markets (DM)
- EM valuations are more attractive than DM valuations
- China's fiscal and monetary policy is very accommodative
- Faster economic growth can be found across the developing world
- EM inflows are strong, and U.S. dollar strength is a risk we expect to fade

EMERGING MARKETS	+ Performance regimes	+ GeoRev exposure (China)	+ Commodities	DEVELOPED MARKETS
	+ Valuations	+ Earnings growth	+ US dollar	
	+ Fiscal policy	+ Flows	vs.	
	+ Monetary policy	+ Technicals		
	+ Economic growth	+ Long-term returns		



United States
over Japan and Europe²

6 positive forces

- The U.S. cycle is aging, not ending, and U.S. stocks continue to outperform
- Congress cut taxes and widened the deficit to support growth
- The U.S. economy is growing at a solid pace
- Geographic Revenue exposure (GeoRev) is more domestic, offering some trade war protection
- U.S. stocks have had higher risk-adjusted returns over time

UNITED STATES	+ Performance regimes	+ Long-term returns	+ Valuations	JAPAN AND EUROPE
	+ Fiscal policy		+ Monetary policy	
	+ Economic growth		vs.	
	+ GeoRev exposure (domestic)		+ Technicals	
	+ Flows			



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LC Large Caps
over Small Caps³

7 positive forces

- Based on past cycles, large caps have more room to run
- Historically tight credit spreads and low volatility favor large caps
- Large caps benefit from lower corporate tax rates
- Slowing U.S. economic growth helps large caps outperform
- Large caps have had higher risk-adjusted returns over time

SMALL CAPS	+ Valuations	vs.	+ Performance regimes	+ Flows	LARGE CAPS
	+ GeoRev exposure (domestic)		+ Credit spreads	+ Long-term returns	
	+ U.S. dollar		+ Volatility		
	+ Technicals		+ Fiscal policy		
			+ Economic growth		

Blend Growth
and Value⁴

6 positive forces

- It's difficult to make a high-conviction call on the style cycle at this juncture
- Investor preference, slowing economic growth and higher risk-adjusted returns since 2006 favor growth stocks
- Attractive valuations, inflows and oversold technical conditions favor value
- The inverted yield curve makes us style agnostic for now

VALUE	+ Valuations	vs.	+ Performance regimes	GROWTH
	+ Flows		+ Economic growth	
	+ Technicals		+ Long-term returns	

1. Please refer to page 3-17 in the Equity Strategy Playbook
 2. Please refer to page 18-30 & 44 in the Equity Strategy Playbook
 3. Please refer to page 44 in the Equity Strategy Playbook
 4. Please refer to pages 62-64 in the Equity Strategy Playbook

This must be accompanied by the Equity Strategy Playbook

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