9/ Equity Markets Review

- Equity markets are stretched in terms of Risk/Reward. They could top out over the next few weeks and correct down into August by circa 10%.
- By mid/late Q3, we expect them to resume higher to new highs into early next year.
- Geographically, the US Dollar, which could continue to bounce into August and then resumes lower towards next year, is the main differentiator of relative performance.

	Next 2 months	**Next 3 to 6 months**
S&P500 Index	Risk/Reward is stretched on the S&P500. It may top out over the next few weeks and correct down into August between 7 and 11%.	From mid/late Summer, the S&P500 could stabilize and start to resume higher into the Fall and new highs.
EuroStoxx50 Index	Risk/Reward is stretched on the EuroStoxx50. It may top out over the next few weeks and correct down into August between 8 and 13%	From mid/late Summer, the EuroStoxx50 could stabilize and start to resume higher into the Fall and new highs.
MSCI Emerging Markets (in USD)	Emerging Markets in USD terms could be resuming lower over the next couple of weeks, probably into August and with a 10 to 15%	From mid/late Summer, the MSCI Emerging Markets Index could stabilize and start to resume higher into the Fall and new highs.
MSCI China (in USD)	The MSCI China Index in USD terms could be resuming lower over the next couple of weeks, probably into August and with a 10 to 15% downside risk.	From mid/late Summer, the MSCI China Index could stabilize and start to resume higher into the Fall and new highs.
Nikkei 225	The Nikkei 225 could also retrace into August, yet this drop could be cushioned by the stronger USD. We expect 4 to 9% of downside potential.	From mid/late Summer, the Nikkei 225 probably also resumes higher into the Fall.
S&P500 vs All country World Index (in USD)	In USD, the S&P500 should outperform the All Country World Index into August, mostly thanks to the translation effect of a stronger currency.	The ratio then resumes lower from mid/late Summer into the Fall as the USD gradually resumes lower.
Euopre Stoxx50 vs All Country World Index (in USD)	In USD terms, the EuroStoxx50 could correct down into August vs the All Country World Index, mostly due to the negative EUR/USD translation effect.	The ratio then resumes higher from mid/late Summer into Q4 thanks to a strong EUR/USD. Its more cyclical profile may however provide some headwind.
S&P500 vs EuorStoxx 600 (ccy hedged comparison)	In local currency terms, European profiles, could outperform the S&P500 during July and then retrace this outperformance into August.	In local currency, the S&P500 probably outperforms European markets into the Fall as Growth profiles resume their outperformance.
MSCI EM vs All Country World Index (in USD)	Emerging Markets should underperform quite strongly into August mostly as USD continues to rebound.	From mid/late Summer, Emerging Markets could outperform again towards next year and the ratio probably makes new highs.
MSCI China vs All Country World Index (in USD)	The MSCI China should underperform into August mostly as USD continues to rebound.	From mid/late Summer, the MSCI China reverses up as these factors also reverse (new period of Growth strength and a weaker US Dollar).
MSCI Japan vs All Country World Index (in USD)	Despite holding up quite well in local currency terms, the MSCI Japan underperforms into August due to the negative USD translation effect.	From mid/late Summer, the ratio then attempts to bounce into year-end.

Legend: Underweight | Neutral | Overweight

Note: these succinct market forecasts were compiled by taking into account both our manual and automatic analysis.