AMERICA FIRST

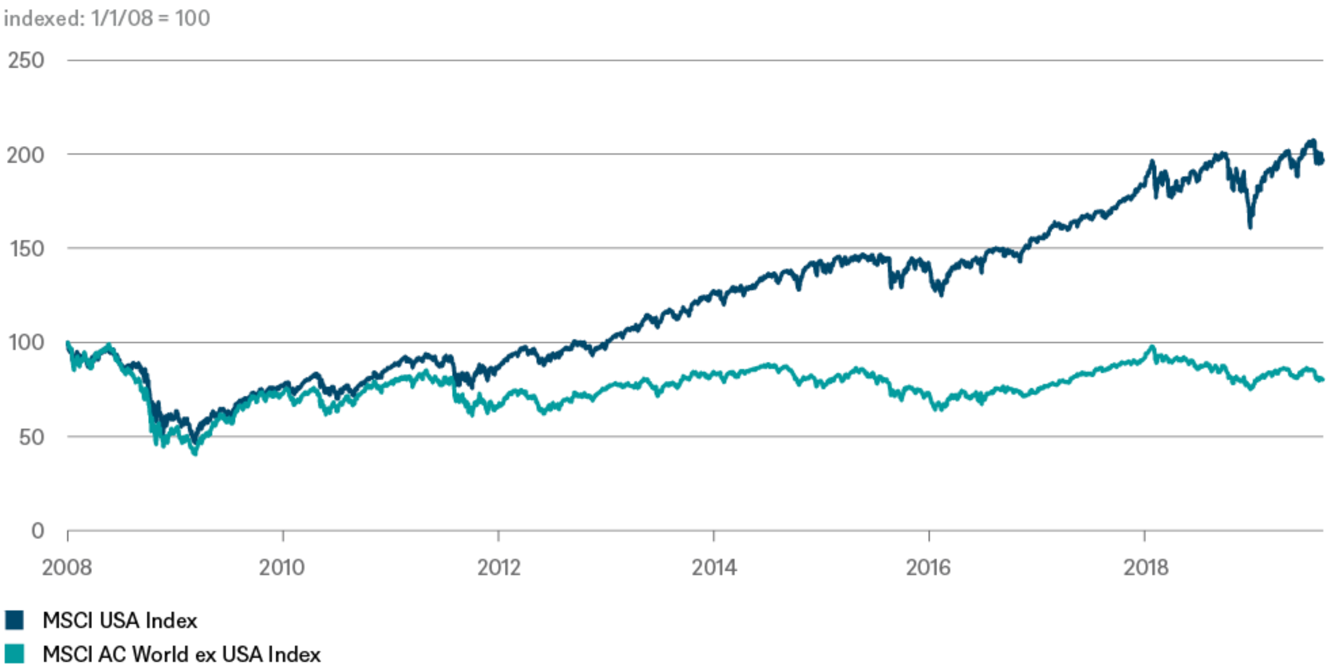
A look at the past 11 years of stock-markets returns reveals interesting divergences between the United States and the rest of the world.

In March 2009, the stock market[1] bottomed out after the financial crisis. Since then, share prices have risen again. There have been plenty of ups and downs, but the overall path has steadily been upwards. Rising stock markets are also referred to as "bull markets". The current bull market thus celebrated its tenth birthday in 2019. By historical standards, this is already an old bull market.

However, there was a striking divergence, as our "Chart of the Week" shows. Compared with the beginning of 2008, i.e. before the big crisis, U.S. equities made up for all losses after a decline of more than 50% and have since doubled. Calculated in U.S. dollars, on the other hand, non-U.S. equities are still trading below the January 2008 level. Thomas Bucher, equity strategist at DWS, explains this discrepancy with the significantly stronger earnings growth of U.S. companies. This is not the least due to the early focus on shareholder value across the pond. The industry composition also helped the U.S. market: Within U.S. indices, the service sector and especially companies with a heavy focus on digital technology are more strongly represented than, for example, in European indices.

So have investors in European stocks earned nothing for more than ten years? Of course that is not true. On the one hand, our "Chart of the Week" is U.S.-dollar based. Things look rather different from the perspective of an European investor. The dollar has appreciated by more than 30% against the euro since the beginning of 2008. Calculated in euros, non-U.S. shares have also done 30% better. In addition, dividends are excluded from the analysis. And in Europe, for example, these have historically been more lavish than in the United States. U.S. companies, by contrast, tend to distribute more money to their shareholders by buying back shares. This component is therefore reflected in share prices, rather than dividends.

[1] Stock market as measured by the MSCI USA Index and the MSCI AC World ex USA Index



Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 8/28/19

GLOSSARY

Bull market
A **bull market** is a financial market where prices are rising - usually used in the context of equities markets.

Dividend
A **dividend** is a distribution of a portion of a company's earnings to its shareholders.

Euro (EUR)
The **euro (EUR)** is the common currency of states participating in the Economic and Monetary Union and is the second most held reserve currency in the world after the dollar.

Financial crisis
The **financial crisis** refers to the period of market turmoil that started in 2007 and worsened sharply in 2008 with the collapse of Lehman Brothers.

MSCI AC World ex USA Index
The **MSCI AC World ex USA Index** captures large- and mid-cap companies across 22 developed- and 23 emerging-market countries, excluding the United States.

MSCI USA Index
The **MSCI USA Index** is designed to measure the performance of the large- and mid-cap segments of the U.S. market.

Share buybacks
A **share buyback** involves a company buying back its own shares.

U.S. dollar (USD)
The **U.S. dollar (USD)** is the official currency of the United States and its overseas territories.

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