International Equity Strategy

JUNE 2025

Global Market Update

The ACWI ex. U.S. Total Return Index rose more than 468 basis points (bps) in May, the strongest month since December 2023. The index has increased by over 140 bps during four of the first five months this year. Among the strongest performing markets were Austria, Taiwan, Greece, Ireland, and Indonesia, while the largest underperformers included Saudi Arabia, Thailand, Colombia, Turkey, and Malaysia.

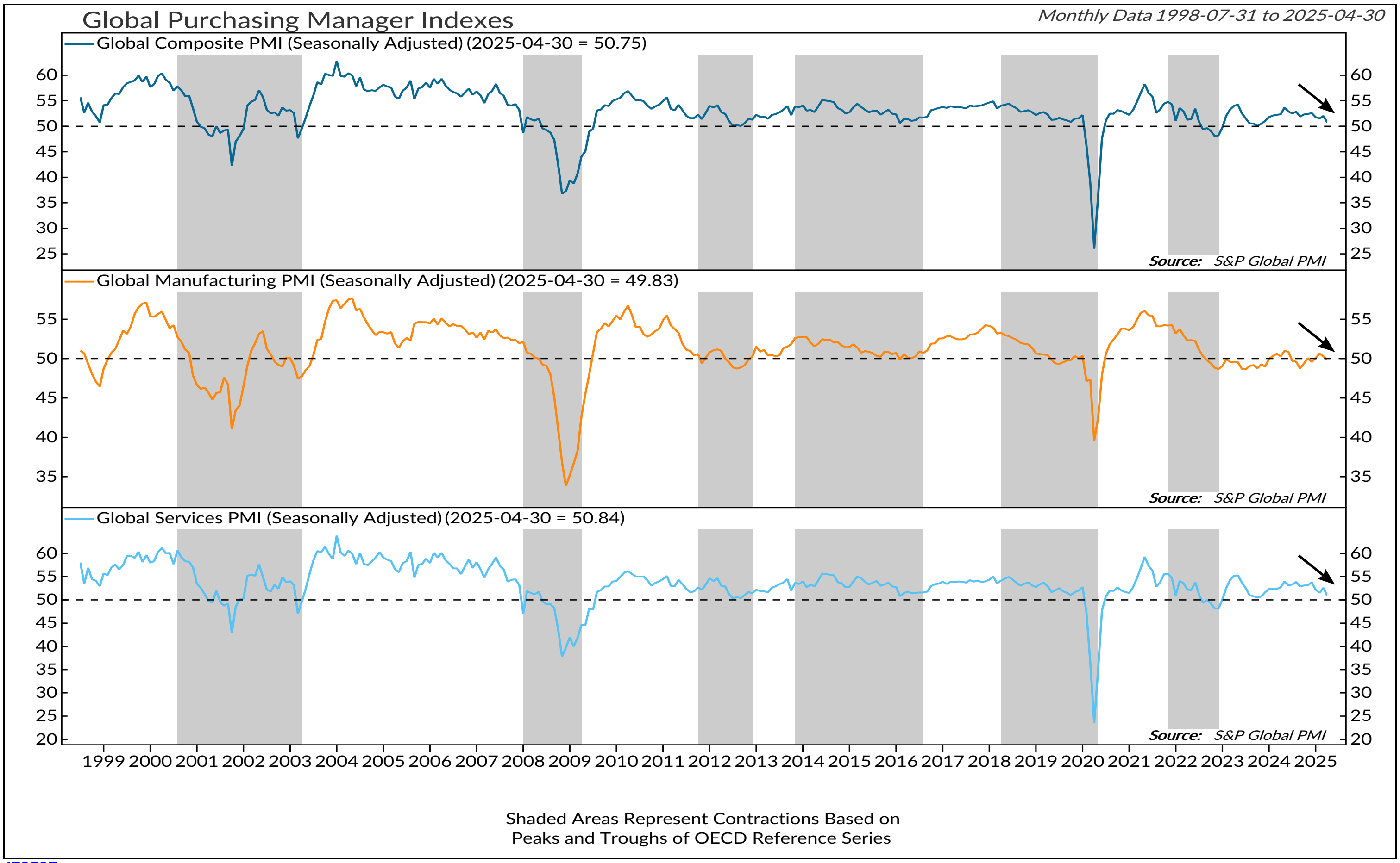
The global economy slowed markedly in April, as measured by the global composite (services and manufacturing) Purchasing Managers' Index (PMI). This data provided our first reading of semi-hard data since the April 2 tariff announcement. The global composite (services and manufacturing) PMI slumped to a 17-month low (chart bottom). Both the manufacturing and services sectors experienced setbacks in April.

The manufacturing sector contracted for the first time in four months, reflecting waning export demand. The decline in new orders was led by the sharpest fall in export orders since August 2023. The decrease in export orders was broad-based by economy, with only 14% showing expansion, the weakest since December 2022.

Tariff woes also managed to seep their way into the larger services sector, which also grew at its slowest pace in 17 months. Despite not being the focus of U.S. tariffs, new business growth in the services sector also slowed markedly, led by a plunge in export demand. The future activity index for the services sector fell almost as much as its manufacturing counterpart.

While tariffs and uncertainty continue to provide downside risks, this is partly offset by most economies adopting an expansionary monetary and fiscal stance. Almost 80% of the world's central banks are in easing cycles, hovering around the best level since 2021.

Entering June, the non-U.S. equity Core model overweighted Germany, France, Canada, and China while underweighting Australia, Japan, Switzerland, and the U.K. The Explore model favored Brazil, Chile, Malaysia, Philippines, and Turkey.



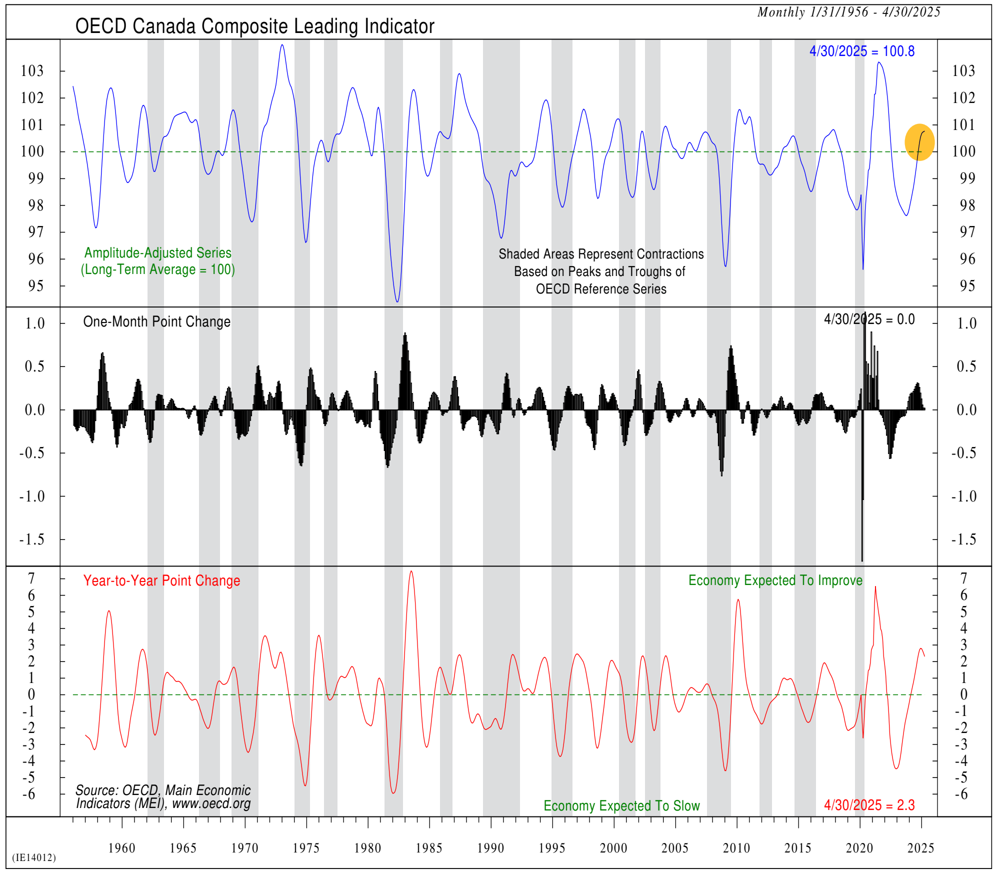
IE250E

Core Allocations

Canada remained at overweight status for May, as the majority of its internal indicators were bullish. Canada's real GDP grew a more-than-expected 2.2% annualized pace in Q1. However, the increase was mostly due to net exports and inventory accumulation, as the economy prepared for U.S. tariffs and counter tariffs.

The OECD Composite Leading Indicator suggests a continuation of the expansion, as the index remains at its best level since 2022 (chart right).

Analysts have responded by raising their expectations. Earnings estimates have improved within the region as more than 70% of companies received upward revisions.



Customized version of EUR1022

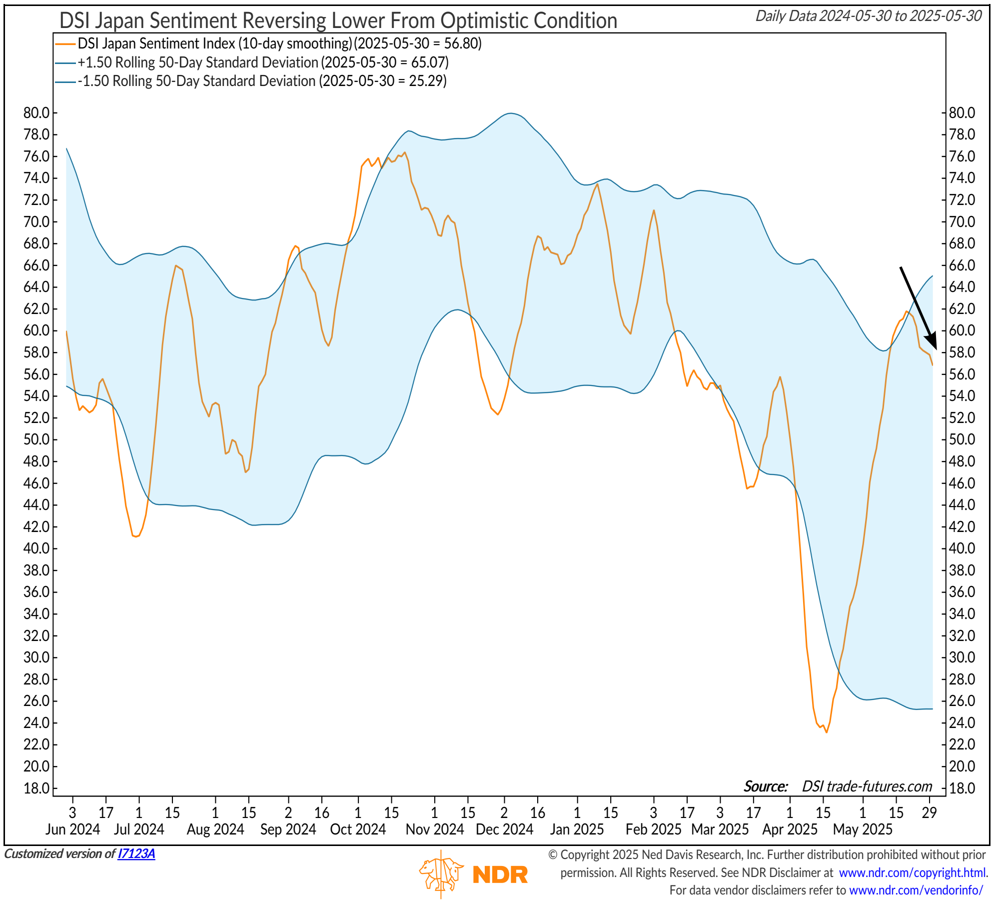
France and Germany are above benchmark weigthing as only two indicators are bearish across both markets.

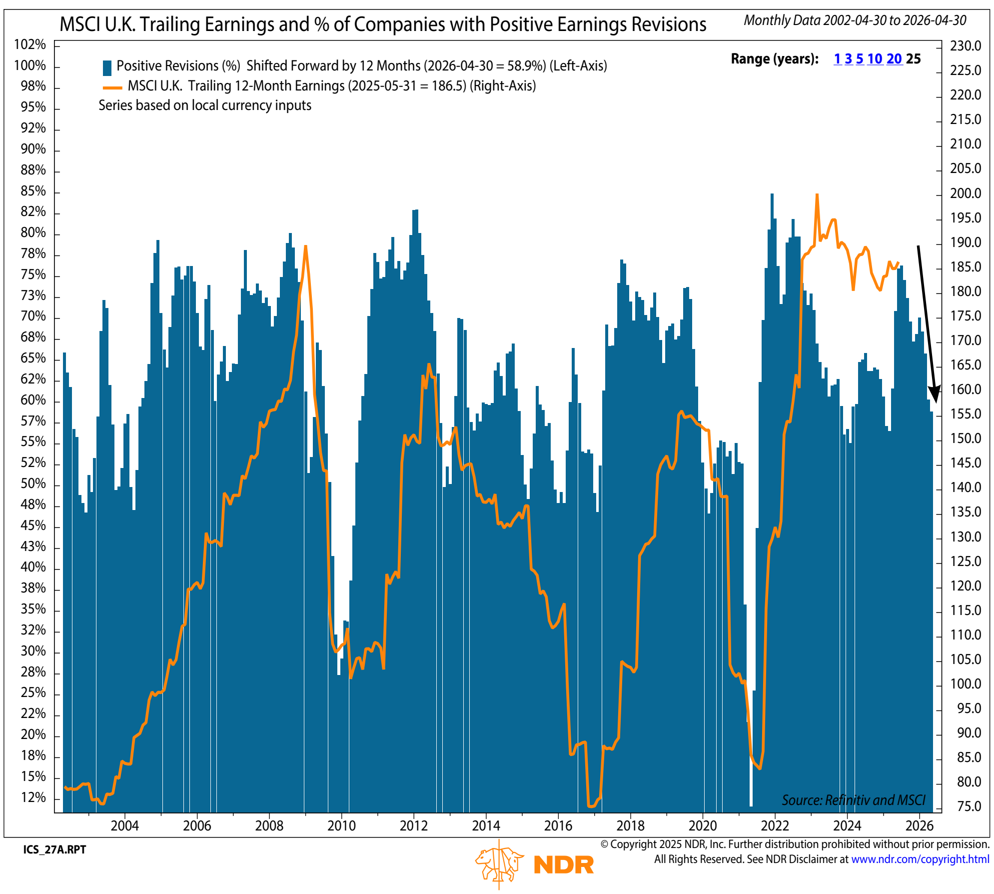
The Composite Leading Indicator for Europe ex. U.K. relative to the other regions resides in an uptrend. The European Commission's Economic Sentiment Index (ESI) for the eurozone increased a more-than-expected 1.0 point to 94.8 in May, indicating some resiliency to U.S. tariff threats and uncertainty. All subsectors either rose, led by the consumer and retail trade confidence indexes, or were flat.

Valuations, as based on relative dividend yields, reflect an attractive opportunity. Europe high yield option-adjusted spreads have narrowed over 100 bps since early April (chart left), which reflect growing risk appetite. ETFs that track Europe have responded by growing assets.

Japan remains underweight, as only one-fourth of its indicators are bullish. The trend remains lower as valuations are expensive relative to other markets, near-term earnings growth is weak, and sentiment is reversing from an optimistic condition (chart right).

Japan has been seeing below-replacement rate birth rates since the 1970s. These births are the pipeline to the future labor force. Labor force growth is also positively correlated with productivity growth, the other pillar of potential growth. Partly due to these reasons, Japan is experiencing relatively lower real GDP growth compared to other developed economies.





The U.K. has an underweight allocation for June. More than half of the indicators are bearish.

The region's manufacturing PMI and Now-Casting Index of Economic Activity both firmly remain in contractionary territory. Consumer expecations, as meaured by the CBI Consumer Services and Gfk Consumer Confidence and Expectations surveys, remain negative.

The U.K.'s CPI increased a more-than-expected 3.5% in April from a year earlier, up from 2.6% in the prior month, and the most in over a year. Overall, this complicates the policy path of the Bank oif England, which has a 2.0% inflation target.

The percentage of companies with positive earnings revisions has been declining as a result of the weaker economic outlook (chart left).

Explore Opportunities

Among the top ranked Explore markets are Brazil, Chile, Malaysia, Philippines, and Turkey.

- Chile has a favorable price trend as its 50-day moving average trades above its 200-day counterpart.
- All markets are more than one standard deviation oversold, which indicates mean reversion potential. Chile is significantly oversold, as it is more than three standard deviations below average (chart bottom).
- All markets have low market capitalization-to-GDP ratios, which typically indicates a favorable valuation.
- Chile, Malaysia, and Philippines have positive relative valuation spreads between their respective forward earnings yields and 10-year government bond yields.
- Philippines and Malaysia's cyclically adjusted price-to-earnings ratios are almost one standard deviation below historical tendency.
- Brazil and Turkey have expansionary Composite Leading Indicator readings.
- Philippines has expansionary manufacturing PMI data.
- Malaysia and Philippines have double digit year-over-year earnings growth.
- Chile, Philippines, and Turkey have at least 65% of their stocks with positive earnings revisions from analysts.
- Turkey has the largest one-year forward earnings growth reading, while Chile has a top ten value.

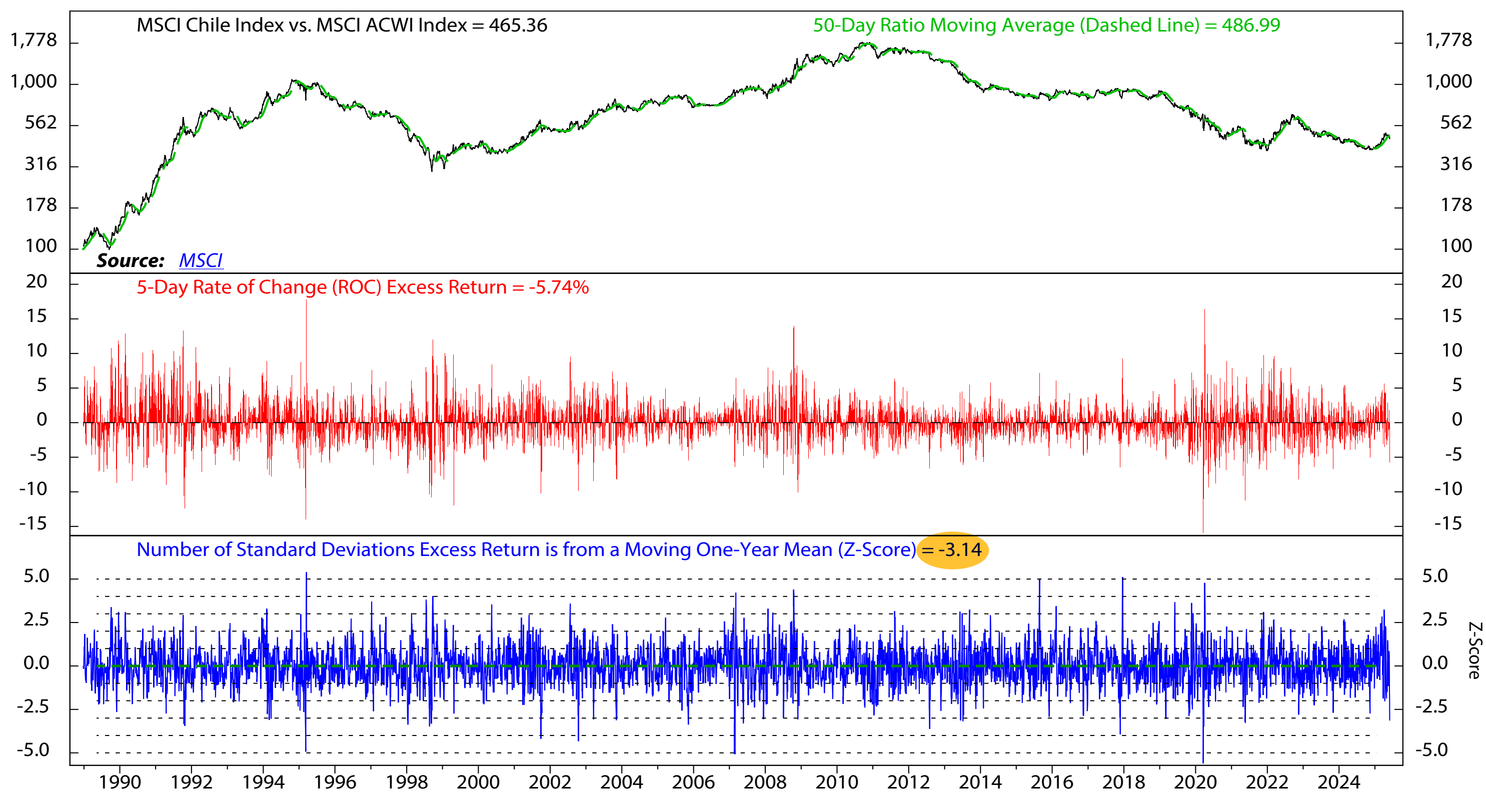
Summary

Entering June, the non-U.S. equity Core model overweighted Germany, France, Canada, and China while underweighting Australia, Japan, Switzerland, and the U.K. The Explore model favored Brazil, Chile, Malaysia, Philippines, and Turkey.

The models combine macro, fundamental, technical, and sentiment indicators to determine opportunities and identify risks in an objective, weight-of-the-evidence approach.

MSCI Chile Index vs. MSCI ACWI Index

Daily Data 1988-12-23 to 2025-05-30 (Log Scale)



Analysis Dates: 1988-12-23 to 2025-05-30		
Relative Performance when Excess Return is:	% Gain/ Annum	% of Time
At Least 3 SD Above Mean	-40.16	0.51
Within 3 SD of Mean	4.03	99.06
* At Least 3 SD Below Mean	182.62	0.43

Average Relative Percentage Gain After Z-Score of 5-Day ROC First Crosses:			
Days Later	Above 3	Below -3	All Periods
5	-0.12	-0.10	0.12
10	0.30	0.42	0.23
21	-0.51	0.38	0.49

Date Range (Years):
1 2 3 5 10 20 **Max**

Rate-of-Change Periods:
1 **5** 10 15 21

Deviation Level:
1 2 **3** 4 5

TC_MR_ACWI.RPT

NDR

Ned Davis Research Disclaimer:

The data and analysis contained within are provided "as is" and without warranty of any kind, either expressed or implied. The information is based on data believed to be reliable, but it is not guaranteed. NDR DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. All performance measures do not reflect tax consequences, execution, commissions, and other trading costs, and as such investors should consult their tax advisors before making investment decisions, as well as realize that the past performance and results of the model are not a guarantee of future results. The NDR International Equity model is not intended to be the primary basis for investment decisions and the usage of the model does not address the suitability of any particular investment for any particular investor.

Using any graph, chart, formula, model, or other device to assist in deciding which securities to trade or when to trade them presents many difficulties and their effectiveness has significant limitations, including that prior patterns may not repeat themselves continuously or on any particular occasion. In addition, market participants using such devices can impact the market in a way that changes the effectiveness of such devices. NDR believes no individual graph, chart, formula, model, or other device should be used as the sole basis for any investment decision and suggests that all market participants consider differing viewpoints and use a weight of the evidence approach that fits their investment needs.