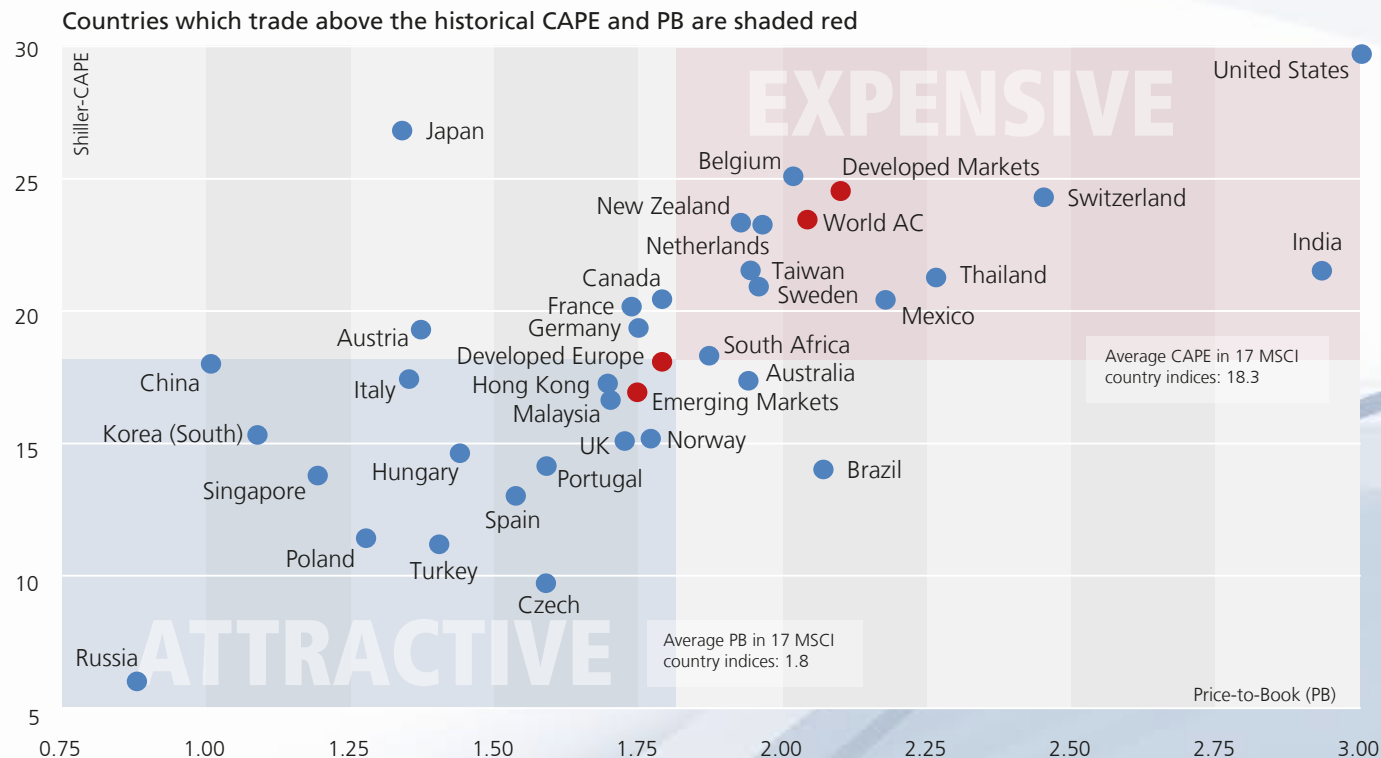


# Which countries are priced above or below historical averages?

Southern Europe and Emerging Markets attractive, highest valuation levels in US market

Valuation of the 20 largest countries

Country	CAPE	PB
Australia	17.6	1.9
Brazil	14.3	2.1
Canada	20.7	1.8
China	18.2	1.0
France	20.4	1.7
Germany	19.6	1.7
Hong Kong	17.5	1.7
India	21.7	2.9
Italy	17.7	1.3
Japan	27.0	1.3
Netherlands	23.4	2.0
Russia	6.3	0.9
Singapore	14.1	1.2
South Korea	15.6	1.1
Spain	13.3	1.5
Sweden	21.1	2.0
Switzerland	24.5	2.4
Taiwan	21.7	1.9
UK	15.3	1.7
USA	29.8	3.1
World AC	23.6	2.0
Developed Markets	24.7	2.1
Developed Europe	18.3	1.8
Emerging Markets	17.2	1.7



Our research paper "**Predicting Stock Market Returns Using the Shiller-CAPE: An Improvement Towards Traditional Value Indicators?**" has shown a strong relationship between fundamental valuation indicators like the CAPE or the Price-to-Book (PB) ratio and long-term equity returns. In the period from 1979-2015 we observed an average CAPE of 18.3 and an average PB of 1.8 in 17 MSCI country indices. Based on the assumption that these average valuation levels approximately represent a fair valuation level we highlighted expensive (red) and attractive markets (blue) in the chart.

The table shows CAPE and PB for 20 Datastream country indices with the highest market-capitalization-weight in our database. Source: StarCapital as of 03/31/2018.