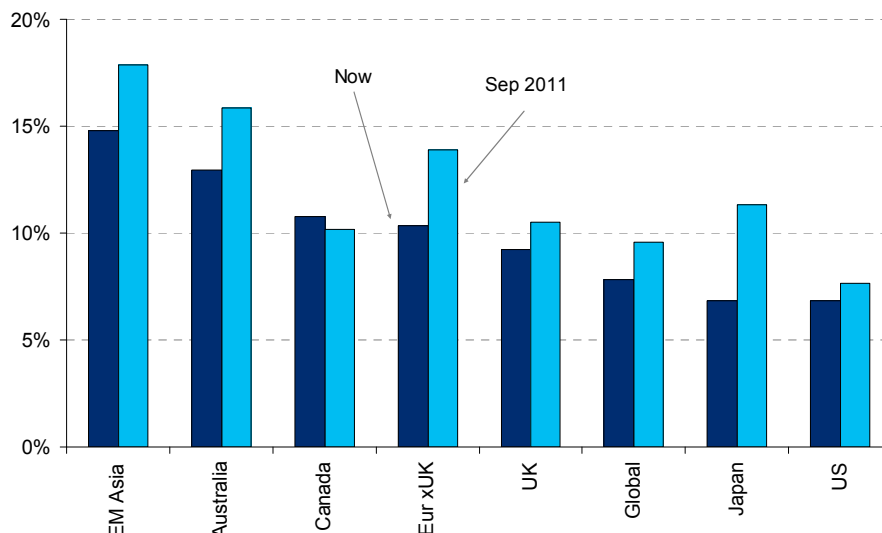


Global Equity Strategist

The Profitless Rally

- **Global Equities Up, EPS Flat** — There has just been the biggest mid-cycle re-rating of global equities in over 40 years. Stock prices have rallied 30% since the 2011 lows while EPS are flat. The largest re-ratings have been in Continental Europe, Japan and Australia.
- **Dividends Help Fill the Gap** — While EPS have been flat, DPS have increased. So the re-rating on dividend yields has not been as great. In-fact CEEMEA, LatAm and Global Tech have become cheaper for income investors.
- **Back to Average Valuations** — Global equities have re-rated back to around long-term averages on PEs and look slightly expensive on dividend yields. While equities still look cheap compared with bonds and cash, they no longer look cheap compared with their own history.
- **Less Impressive Returns from Here** — We expect markets to make further gains supported by moderate EPS growth and dividend increases. But valuations imply less impressive gains from here. Current dividend yields suggest through-the-cycle 10-year returns should be highest for Asia ex Japan and Australia. The weakest returns are expected for Japan and the US.

Figure 1. 10-Year Forward Annual Total Return Forecasts Based on Current Dividend Yields



Source: MSCI, Citi Research

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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The Profitless Rally

Stock prices up, EPS flat

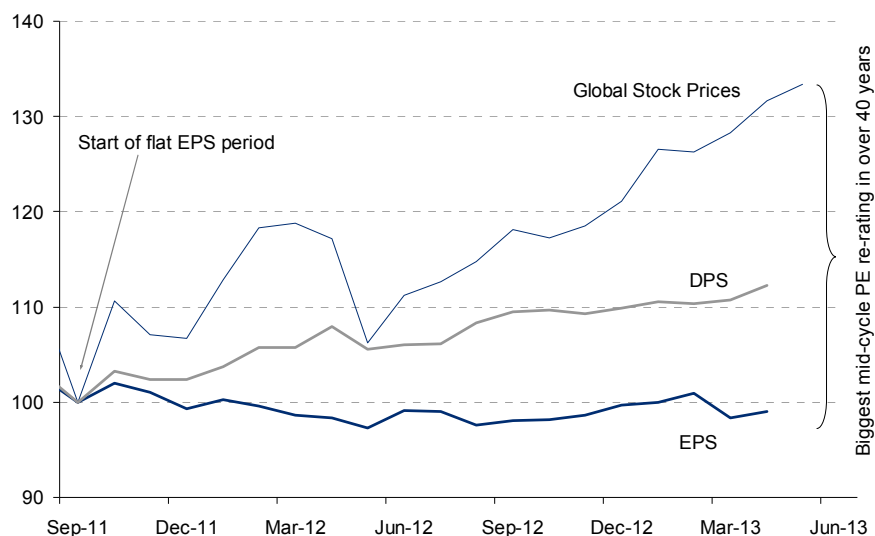
Global equities have rallied more than 30% since the 2011 lows but EPS have been flat. Re-ratings like this are normal during the start of market recoveries like 2009, but are unusual during mid-cycles. In fact we have just had the biggest mid-cycle re-rating in over 40 years. Stock market valuations still look cheap relative to bonds and cash, but they no longer look exceptionally attractive relative to their own history. The re-rating over the last 18 months means that investors should expect weaker through-the-cycle returns from here. Current dividend yields suggest the biggest 10-year forward returns will be in Asia and Australia and the weakest in Japan and the US.

Stock Markets Rally, EPS Stalls

New highs

The current risk-on phase in global equities has pushed many equity indices to new highs. Most celebrated have been the new highs in US stock indices. But we also find the major indices in Germany, India, Indonesia, Malaysia, the Philippines, South Africa, Thailand, Turkey and the UK are at or above previous peaks. Global equities are up more than 30% from their 2011 lows. While the rally in equity markets has been significant in its strength, EPS growth has been absent.

Figure 2. Price up, EPS Flat = Biggest Mid-Cycle Re-rating in Over 40 Years



Source: MSCI, Citi Research

Biggest mid-cycle re-rating

The 30% increase in stock prices has been against a backdrop of flat EPS (Figure 2). Global equities traded on 12x trailing EPS in Sep 2011 versus 16x now. Re-ratings of this magnitude (30%) are normal during early stages of a market recovery like in 2009, but are unusual during mid-cycle periods like now. In-fact, this has been the biggest mid-cycle re-rating in over 40 years. So why have stock prices increased even though EPS have not? Much of the gain could be down to simple reversion-to-the-mean re-rating. At 12x PE global equities traded on a 30% discount to the long-run average; now they trade pretty close to averages.

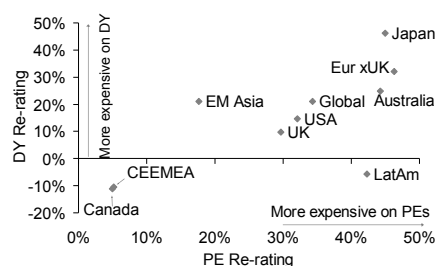
Also, [the global search for yield](#) has been another obvious driver. Investors have drifted out of low yielding assets into equities where yields are higher. Companies have attempted to fulfill the requirements of these new equity investors by raising dividends, even though EPS have been flat. As we show in Figure 2, global DPS have increased by an average of 12% over this period and have helped to fill the gap between prices and EPS. The global re-rating on PEs has been large, the re-rating on dividend yields has been less so.

+40% re-ratings for Japan and Continental Europe

Biggest Re-rating in Continental Europe and Japan

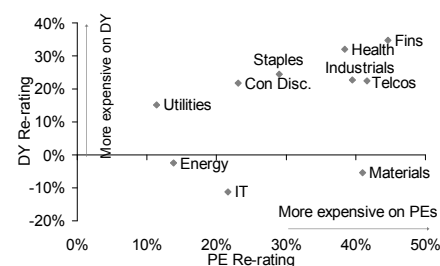
Amongst the regions the re-ratings have been greatest in Continental Europe and Japan. As we show in Figure 3 both markets have PEs that are at least 40% higher and dividend yields that are 30% lower than they were in September 2011. The re-rating in Japan has come via rising prices, whereas much of the re-rating for Europe ex UK PEs has come from falling EPS. The markets that have re-rated the least on PEs have been Canada and CEEMEA. In fact, both have de-rated on dividend yields as DPS have risen more than prices. In LatAm we have had the unusual mix of a big re-rating on PEs but a de-rating on DYs. LatAm companies have raised their DPS even though EPS has fallen significantly.

Figure 3. Region PE and DY Re-rating Sep-2011 to Now



Source: MSCI, Citi Research

Figure 4. Global Sector PE and DY Re-rating Sep-2011 to Now



Source: MSCI, Citi Research

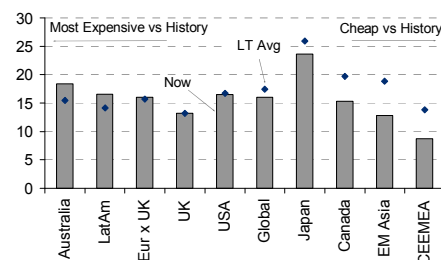
A mix of both cyclical and defensive sectors — Financials, Health Care, Industrials and Telecoms — have re-rated the most during the period of stalling global EPS (Figure 4). Energy, Materials and IT have de-rated on dividend yields. All three sectors have managed to increase DPS more than prices. The biggest DPS increase was in IT (40%). Perhaps the most impressive, however, was Materials, where EPS fell by 35% but DPS rose by more than 10%.

Back to Average Valuations

No longer exceptionally cheap vs history

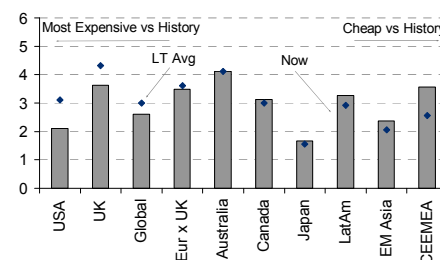
So there have been re-ratings in most major markets and sectors over the last 18 months. Where does that leave valuations now compared with history? While global equities look cheap compared with bonds and cash, they no longer look as attractive when compared with their own history. Global equity valuations have moved back closer to 40-year averages. On PEs global equity valuations look a little cheap (Figure 5) and on dividends they look a little expensive (Figure 6). Back in 2011 they looked much cheaper on PEs and dividend yields were in line with averages. The big PE re-rating for Australia, LatAm and Europe ex UK means that these markets now look slightly expensive on PEs. The cheapest markets on trailing PEs are CEEMEA and Asia.

Figure 5. PEs Now vs LT Avg (x)



Source: MSCI, Citi Research

Figure 6. Div Yield Now vs LT Avg (%)



Source: MSCI, Citi Research

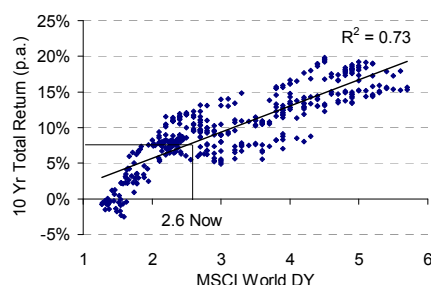
On dividend yields all developed markets, except Japan and Canada, now look expensive against their history. Conversely, dividend yields for all three EM regions are higher than the longer-term average. So it seems as though investors are anticipating further dividend increases in most DM markets but less so in EM.

Lower Return Expectations

Less impressive LT returns

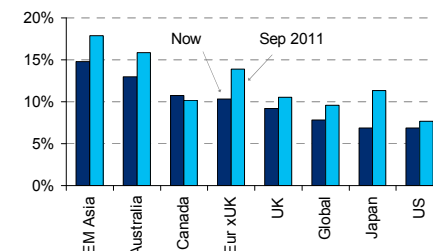
As valuations are one of the best forward indicators of through-the-cycle returns, the recent re-rating means that long-term investors should expect less impressive gains from here. For example, the global dividend yield of 3.1% on Sep-2011 was consistent with 10-year forward total returns of 9-10% p.a., based on historical relationships. The lower yield of 2.6% now is consistent with 10-year forward returns of 6-7% p.a. (Figure 7). So valuations are less supportive of long-term returns than they once were. Among the individual regions, the historical relationship suggests investors should expect the best returns for Asian and Australia equities over the next 10 years. By comparison, current dividend yields suggest the weakest returns in Japan and the US.

Figure 7. Spot DY vs 10 Yr Forward Annual Total Return



Source: MSCI, Citi Research

Figure 8. 10 Year Forward Annual Total Return* Forecasts Based on Current DYs



* Local currency. Source: MSCI, Citi Research

All other things constant

Our long-term return model implicitly assumes DPS and EPS grow in line with the historical average. If we are at the cusp of a faster growth rate, then the forecasts in Figure 8 will be too conservative. Alternatively, if higher payout ratios mean slower dividend growth over the next decade, then our return forecasts could be too optimistic¹.

¹ We do not include CEEMEA and LatAm forecasts here as the long term relationship between dividend yields and future returns has been unstable.

Strategy Outlook

Global equities have rallied 30% from 2011 lows and indices are breaking into new territory. But during the current rally EPS have been flat. This has made for the biggest mid-cycle re-rating in over 40 years. While equity markets valuations still look cheap relative to bonds and cash, they no longer look cheap against their own history. Valuations have moved back to average levels.

We expect markets to make further gains supported by moderate EPS growth and dividend increases. But valuations imply less impressive gains from here. The current dividend yield suggests 10-year forward global equity returns should be nearer to 6-7% p.a. down from 9-10% 18 months ago. Dividend yields imply the best future returns should be in Asia ex Japan and Australian equities and the weakest in Japan and the US.

Global Market Intelligence

Figure 9. Global Market Intelligence by Region

10 May 13	Free MC US\$bn	Wgt %	P/E			EPS YoY %			P/B	ROE	Div Yld	CAPE	Perf % (local)		Perf % (USD)	
			12E	13E	14E	12E	13E	14E	13E	13E	13E	10Yr	Weekly	YTD	Weekly	YTD
Global	32,484	100	15.5	14.0	12.5	1.3	11.2	12.0	1.8	13.0	2.6	19.5	1.6	12.8	0.9	10.2
Developed World	28,607	88.1	15.9	14.6	13.0	2.0	10.6	12.1	1.9	13.0	2.6	19.8	1.7	14.7	0.9	11.8
Emerging World	3,877	11.9	12.6	11.1	9.9	-2.9	14.7	11.3	1.5	13.3	2.8	17.6	1.3	0.4	0.8	-0.4
North America	16,600	51.1	16.0	14.9	13.4	6.0	7.3	11.5	2.2	15.0	2.2	22.6	1.2	13.5	1.2	13.3
USA	15,371	47.3	16.2	15.0	13.5	6.7	7.6	11.4	2.3	15.4	2.1	23.0	1.2	14.6	1.2	14.6
Canada	1,229	3.8	14.5	14.0	12.4	-2.0	4.1	12.5	1.7	12.0	3.1	18.8	1.4	1.0	1.1	-0.6
Europe	7,658	23.6	14.2	13.0	11.7	-5.9	10.8	11.7	1.6	12.2	3.6	15.2	1.6	10.7	0.2	7.0
United Kingdom	2,617	8.1	13.3	12.3	11.3	-7.7	8.4	8.8	1.8	14.4	3.8	15.2	1.6	12.2	0.2	6.0
Europe ex UK	5,040	15.5	14.8	13.5	11.9	-4.8	12.2	13.4	1.5	11.2	3.6	15.3	1.6	9.9	0.1	7.5
France	1,125	3.5	14.3	12.8	11.3	-16.7	19.4	13.4	1.3	10.0	3.7	14.6	1.0	8.6	-0.1	6.9
Switzerland	1,081	3.3	18.9	15.6	14.1	-0.3	20.6	11.3	2.4	15.6	3.1	22.5	2.9	19.3	0.4	14.0
Germany	1,011	3.1	11.6	12.1	10.8	20.4	-4.6	12.2	1.5	12.1	3.2	17.7	1.2	6.7	0.1	4.9
Sweden	379	1.2	16.1	15.6	13.8	0.3	3.5	12.9	2.1	13.5	3.8	19.7	2.2	11.0	0.6	9.5
Spain	343	1.1	18.1	12.2	10.6	-48.1	60.2	15.1	1.1	9.3	6.3	9.7	-0.3	3.7	-1.4	2.0
Netherlands	290	0.9	13.7	13.1	11.6	-15.2	14.2	13.1	1.5	11.2	2.7	14.7	0.9	8.1	-0.3	6.3
Italy	251	0.8	12.9	11.8	9.9	-3.7	9.3	18.7	0.8	6.6	3.8	8.8	1.9	3.5	0.8	1.8
Belgium	139	0.4	16.9	15.9	14.2	41.1	6.2	12.3	1.8	11.5	2.9	13.9	1.8	12.2	0.7	10.4
Denmark	135	0.4	19.0	16.7	14.3	31.7	13.3	16.8	2.4	14.4	2.3	27.8	1.2	7.3	0.1	5.7
Norway	104	0.3	11.5	11.3	9.9	4.0	2.4	14.1	1.5	13.4	4.8	13.7	0.9	7.9	0.7	3.5
Finland	94	0.3	19.8	16.5	14.0	-28.9	20.0	17.7	1.6	9.9	4.1	12.0	4.1	10.1	2.9	8.3
Austria	32	0.1	11.8	11.2	9.7	84.8	5.5	15.4	1.0	8.6	3.3	9.5	1.9	2.0	0.7	0.4
Ireland	31	0.1	30.3	24.5	17.7	-22.3	23.8	38.7	1.6	8.0	2.2	7.2	-1.1	10.4	-2.2	8.7
Portugal	21	0.1	16.5	16.0	13.1	-1.4	3.1	22.5	1.4	8.6	4.3	11.3	0.3	10.5	-0.8	8.7
Greece	4	0.0	6.0	12.5	12.0	16.5	-52.1	4.6	1.9	15.4	1.8	3.0	1.3	16.0	0.1	14.1
Japan	2,627	8.1	24.1	17.5	14.6	16.0	51.6	19.7	1.4	8.0	1.8	25.4	5.1	40.9	2.2	19.7
Asia Pac ex Jp	4,047	12.5	14.3	12.7	11.3	2.1	13.1	11.9	1.6	12.7	3.1	19.5	1.8	5.7	0.8	4.0
Pacific ex Jp	1,664	5.1	16.1	15.4	14.1	-2.5	4.5	9.9	1.7	11.1	4.0	19.7	1.6	11.1	-0.4	8.2
Australia	1,060	3.3	16.4	15.2	13.9	-3.5	7.5	9.4	2.0	13.0	4.5	19.0	1.2	12.6	-1.8	8.5
Hong Kong	377	1.2	16.8	16.3	14.6	-6.3	2.9	11.7	1.3	8.2	2.8	23.7	2.5	8.3	2.4	8.1
Singapore	212	0.7	14.1	15.1	13.9	8.7	-6.4	8.8	1.5	10.1	3.3	17.8	1.9	8.3	1.6	6.8
New Zealand	15	0.0	19.1	17.1	15.0	-3.4	11.3	14.2	1.9	11.0	4.8	16.8	4.2	11.4	1.1	11.8
Em Asia	2,384	7.3	13.3	11.3	10.0	4.9	18.0	13.0	1.5	13.7	2.5	19.1	1.9	2.2	1.6	1.3
China	719	2.2	10.9	9.7	8.8	1.5	12.5	10.1	1.4	14.7	3.3	18.6	3.3	-0.4	3.3	-0.5
Korea	544	1.7	10.3	8.4	7.2	8.6	23.8	15.9	1.1	12.5	1.2	15.5	-1.3	-5.0	-2.1	-8.1
Taiwan	439	1.4	20.5	15.3	13.4	-1.1	34.6	13.8	1.8	11.6	3.0	19.6	2.1	8.3	1.8	6.3
India	264	0.8	16.9	15.1	13.2	9.9	11.9	14.5	2.3	15.4	1.6	27.3	2.1	2.4	0.8	2.6
Malaysia	149	0.5	16.4	15.9	14.5	9.9	3.8	9.6	2.1	13.0	3.2	23.6	5.5	6.5	7.2	9.0
Indonesia	118	0.4	18.4	16.2	13.9	5.5	13.2	16.3	3.5	21.6	2.4	31.7	3.4	16.5	3.4	15.3
Thailand	109	0.3	15.7	13.5	12.0	12.8	15.7	12.7	2.3	17.3	3.1	22.3	3.6	9.7	3.2	13.0
Philippines	42	0.1	23.8	21.9	20.2	13.0	9.0	8.4	3.2	14.9	1.9	35.0	0.7	24.4	0.1	24.2
Latin America	820	2.5	16.1	13.5	12.0	-20.3	20.1	12.2	1.7	12.3	2.9	17.6	-0.2	-3.7	-0.7	-1.5
Brazil	481	1.5	14.2	11.6	10.4	-27.7	23.7	11.2	1.4	11.9	3.4	14.3	0.9	-2.5	0.3	-1.4
Mexico	205	0.6	20.1	18.2	16.0	20.6	10.6	13.5	2.8	15.3	1.7	28.3	-1.8	-4.2	-1.9	2.7
Chile	72	0.2	24.5	18.2	15.1	-31.3	34.3	20.9	1.9	10.5	2.4	26.3	-1.3	-1.3	-2.3	-0.4
Colombia	42	0.1	17.5	16.8	15.2	-5.1	4.4	10.6	1.6	9.5	3.1	31.4	-3.4	-11.9	-3.3	-15.2
Peru	20	0.1	12.6	12.3	11.4	-8.6	1.9	8.4	2.4	19.4	2.8	20.7	0.3	-15.4	0.3	-15.4
CEEMEA	673	2.1	8.8	8.6	8.1	-5.8	3.0	6.1	1.2	13.4	3.8	14.7	1.2	-0.5	-0.2	-4.8
South Africa	273	0.8	14.8	13.5	11.9	5.1	10.0	13.9	2.1	15.8	3.6	24.0	1.3	-1.8	-0.8	-8.5
Russia	225	0.7	5.4	5.3	5.2	-11.7	1.6	1.6	0.7	12.7	4.1	8.6	1.5	-1.3	0.5	-3.5
Turkey	86	0.3	13.1	12.0	11.0	19.1	9.0	9.7	1.8	15.1	2.6	20.8	0.3	14.3	-0.2	13.1
Poland	58	0.2	9.9	12.2	11.6	-14.8	-19.3	5.4	1.2	9.9	4.8	12.1	1.8	-7.9	0.7	-10.9
Egypt	10	0.0	13.0	9.3	8.0	-10.9	39.9	16.6	1.3	14.7	4.4	15.5	2.2	-2.0	2.0	-9.7
Czech Republic	9	0.0	8.7	9.4	9.9	6.5	-6.8	-5.2	1.3	13.7	7.7	10.8	-2.4	-14.1	-4.2	-17.9
Hungary	9	0.0	9.8	8.8	7.6	5.4	10.7	15.5	0.8	9.3	4.4	9.6	0.3	5.2	0.0	2.5
Morocco	3	0.0	12.3	11.3	10.7	-2.2	9.3	4.9	2.2	19.9	4.8	17.2	-0.5	0.4	-1.1	-0.7
Israel	59	0.2	8.1	8.6	7.9	-3.9	-5.4	8.7	1.3	15.0	2.3	13.6	0.2	-1.4	-0.3	2.9

Source: Citi Research, MSCI, World Scope, Factset Consensus estimates

Figure 10. Global Market Intelligence by Global Sectors

10 May 13	Free MC US\$bn	Wgt %	P/E			EPS YoY %			P/B	ROE	Div Yld	CAPE 10Yr	Perf % (local)		Perf % (USD)	
			12E	13E	14E	12E	13E	14E					Weekly	YTD	Weekly	YTD
Global	32,484	100	15.5	14.0	12.5	1.3	11.2	12.0	1.8	13.0	2.6	19.5	1.6	12.8	0.9	10.2

Sectors Level 1

Energy	3,253	10.0	11.3	10.9	10.1	-8.3	3.5	8.3	1.4	12.7	3.1	13.7	1.1	6.2	0.6	4.6
Materials	2,116	6.5	16.2	13.8	11.8	-28.9	17.3	17.6	1.6	11.4	2.7	16.3	2.5	-2.7	1.4	-5.5
Industrials	3,361	10.3	16.5	15.1	13.2	3.2	9.6	14.3	2.2	14.4	2.4	21.0	2.9	13.8	2.0	10.2
Consumer Disc.	3,611	11.1	17.7	16.1	13.7	18.9	15.0	17.5	2.5	15.4	1.8	27.2	2.7	18.7	1.9	15.0
Consumer Staples	3,467	10.7	19.8	18.1	16.4	5.6	9.4	10.3	3.5	19.3	2.7	28.0	0.6	16.3	-0.2	13.9
Health Care	3,233	10.0	16.3	15.7	14.4	3.7	3.8	9.1	3.0	19.4	2.3	26.1	1.4	21.0	0.7	18.6
Financials	7,044	21.7	14.3	12.4	11.2	8.1	16.9	10.5	1.2	9.6	3.0	13.8	1.8	14.9	0.9	12.0
IT	3,872	11.9	15.5	13.9	12.3	7.8	12.1	13.0	2.6	18.5	1.7	27.0	1.4	9.4	1.1	7.8
Telecoms	1,406	4.3	15.4	14.2	13.1	-4.5	8.2	9.0	2.0	14.0	4.4	17.7	1.6	13.1	0.8	10.4
Utilities	1,122	3.5	16.4	16.0	13.9	2.3	11.9	15.3	1.4	8.7	4.1	15.8	-1.2	11.2	-1.8	9.1

Sectors Level 2

Energy	3,253	10.0	11.3	10.9	10.1	-8.3	3.5	8.3	1.4	12.7	3.1	13.7	1.1	6.2	0.6	4.6
Materials	2,116	6.5	16.2	13.8	11.8	-28.9	17.3	17.6	1.6	11.4	2.7	16.3	2.5	-2.7	1.4	-5.5
Capital Goods	2,415	7.4	15.3	14.3	12.6	1.2	7.3	13.5	2.1	14.7	2.5	20.1	3.1	11.9	2.3	8.5
Comm Svc & Supp	272	0.8	20.9	18.8	16.8	7.0	11.5	11.5	3.0	16.2	2.3	23.2	2.3	15.6	1.2	11.8
Transport	674	2.1	20.4	17.2	14.4	12.3	19.9	19.0	2.2	12.7	2.0	24.3	2.3	20.1	1.4	15.8
Autos	874	2.7	10.8	10.6	9.1	21.1	8.5	16.3	1.4	13.3	2.1	20.6	4.2	20.4	2.6	11.7
Consumer Durables	505	1.6	33.2	20.3	15.5	49.6	134.5	30.9	2.5	12.0	1.7	27.7	2.4	18.4	1.3	14.0
Consumer Services	477	1.5	21.8	19.8	17.3	4.4	10.1	14.3	3.9	19.7	2.4	28.8	1.0	15.8	0.6	14.3
Media	825	2.5	18.2	17.7	15.3	30.5	2.5	15.4	3.0	17.8	1.7	32.7	2.5	20.8	2.1	19.5
Retailing	929	2.9	23.0	20.4	17.5	7.0	12.7	16.4	3.9	19.0	1.5	29.8	2.4	17.0	2.0	15.2
Food & Staples	752	2.3	17.6	16.4	14.8	10.0	7.2	10.7	2.4	14.4	2.5	25.2	0.2	16.2	-0.7	13.8
Food Bev & Tobac.	2,128	6.5	20.2	18.2	16.5	3.8	10.5	10.3	3.9	21.6	2.8	28.7	0.7	15.6	-0.1	13.0
Household Products	587	1.8	21.7	20.1	18.3	5.8	8.3	9.7	4.3	21.2	2.5	29.8	0.7	19.2	0.2	17.5
Health Care	813	2.5	16.2	15.3	13.9	10.8	6.1	10.2	2.4	16.0	1.2	25.5	2.7	15.7	2.4	14.7
Pharma & Biotech	2,420	7.4	16.4	15.9	14.6	1.4	3.1	8.7	3.3	21.1	2.6	26.2	1.0	22.9	0.1	20.0
Banks	3,091	9.5	12.3	10.9	9.9	1.5	13.8	10.1	1.2	10.8	3.7	11.7	1.5	12.3	0.3	8.9
Div Financials	1,561	4.8	16.2	12.5	10.9	6.1	30.3	14.4	1.0	8.4	1.8	13.9	3.0	18.7	2.4	16.9
Insurance	1,371	4.2	13.8	11.8	11.0	39.4	19.2	6.8	1.2	9.8	2.8	15.2	1.9	16.8	1.1	14.2
Real Estate	1,021	3.1	23.2	23.0	20.7	-0.6	0.9	11.2	1.6	6.8	3.2	26.6	0.7	14.9	-0.1	11.7
Software & Services	1,795	5.5	17.9	16.2	14.4	10.3	10.0	12.4	3.8	23.7	1.2	33.3	1.0	13.7	0.8	13.1
Tech	1,354	4.2	13.2	12.1	10.9	6.7	9.2	11.4	1.9	15.7	2.1	22.8	2.0	2.7	1.5	-0.1
Semi & Semi Equip	723	2.2	15.6	12.7	10.8	5.0	22.9	17.4	2.2	17.1	2.0	24.6	1.3	13.2	0.9	11.2
Telecom	1,406	4.3	15.4	14.2	13.1	-4.5	8.2	9.0	2.0	14.0	4.4	17.7	1.6	13.1	0.8	10.4
Utilities	1,122	3.5	16.4	16.0	13.9	2.3	11.9	15.3	1.4	8.7	4.1	15.8	-1.2	11.2	-1.8	9.1

Source: Citi Research, MSCI, World Scope, Factset Consensus estimates

Figure 11. 2013 P/E Estimates by Region and Sector

10 May 13

P/E 13E	Global	DM	GEM	US	Eur ex UK	UK	Jap	Dev Asia	Em Asia	Lat Am	CEEMEA
Region	14.0	14.6	11.1	15.0	13.5	12.3	17.5	15.4	11.3	13.5	8.6

Sectors Level 1

Energy	10.9	11.9	7.1	12.6	9.7	9.2	9.5	17.0	9.8	9.8	4.7
Materials	13.8	14.2	12.4	15.3	15.5	10.8	18.2	13.5	13.3	11.9	11.5
Industrials	15.1	15.1	14.7	15.1	15.0	15.1	14.8	15.9	14.2	20.1	11.8
Consumer Disc.	16.1	16.8	11.3	18.6	12.7	14.8	16.9	18.4	9.4	20.0	17.6
Consumer Staples	18.1	17.6	23.5	17.5	18.8	16.0	20.0	17.6	23.1	24.1	22.7
Health Care	15.7	15.6	22.6	15.6	16.1	12.6	22.7	22.6	22.8	24.9	21.4
Financials	12.4	12.9	10.1	13.2	10.9	11.7	16.5	14.8	9.7	11.9	9.9
IT	13.9	14.6	10.7	13.9	20.7	34.6	18.2	19.1	10.6	17.0	9.7
Telecom Services	14.2	14.6	12.9	20.9	10.5	12.2	13.5	16.7	14.4	11.0	11.8
Utilities	16.0	16.8	12.0	16.5	10.6	14.6	-22.2	18.1	13.6	12.2	7.3

Sectors Level 2

Energy	10.9	11.9	7.1	12.6	9.7	9.2	9.5	17.0	9.8	9.8	4.7
Materials	13.8	14.2	12.4	15.3	15.5	10.8	18.2	13.5	13.3	11.9	11.5
Capital Goods	14.3	14.3	13.6	14.6	14.7	14.1	13.2	12.9	13.5	17.1	12.4
Comm Svc & Supp	18.8	18.8	18.3	19.1	18.7	17.3	22.3	18.2	18.8	17.8	
Transport	17.2	17.0	18.6	15.9	15.1		19.5	20.7	17.7	23.3	8.9
Autos & Components	10.6	11.3	7.7	11.1	8.5	10.9	13.6		7.6		13.5
Consumer Durables	20.3	21.3	12.1	19.0	17.5	18.7	92.5	9.9	14.0	10.2	8.6
Consumer Services	19.8	20.0	17.4	20.4	18.5	17.4	23.2	19.9	16.4	22.2	
Media	17.7	17.4	23.9	18.1	15.4	14.0	26.4	19.2	24.3	21.3	25.2
Retailing	20.4	20.8	16.7	21.3	21.2	13.6	24.0	15.0	14.2	24.5	15.3
Food & Staples Retailing	16.4	15.7	24.5	15.8	16.0	11.4	18.8	18.2	23.4	23.6	26.3
Food Bev & Tobacco	18.2	17.9	22.5	17.7	18.8	17.0	19.0	15.6	21.8	24.2	16.1
Household Products	20.1	19.6	26.8	19.0	21.9	17.3	27.6		27.6	24.9	
Health Care Equip & Svc	15.3	15.1	22.5	14.2	20.6	15.2	25.3	20.3	24.7	24.9	18.2
Pharma & Biotech	15.9	15.8	22.7	16.4	15.7	12.5	22.3	23.8	22.1		25.1
Banks	10.9	11.6	9.2	10.9	11.4	11.0	12.3	13.7	8.8	11.1	8.9
Div Financials	12.5	12.3	14.4	11.9	11.8	13.2	17.9	20.7	14.3	19.7	12.0
Insurance	11.8	11.6	14.2	11.6	9.3	12.0	22.3	16.2	14.5	11.3	13.7
Real Estate	23.0	25.3	11.6	37.0	17.2	21.9	35.0	15.9	10.6	19.4	14.7
Software & Services	16.2	16.1	18.4	15.9	18.0	15.8	19.6	16.9	18.8	17.0	9.7
Tech Hardware & Equip	12.1	12.1	12.2	11.0	21.9		17.0		12.2		
Semi & Semi Equip	12.7	18.6	9.0	16.4	29.7	52.7	79.3	26.7	9.0		
Telecom	14.2	14.6	12.9	20.9	10.5	12.2	13.5	16.7	14.4	11.0	11.8
Utilities	16.0	16.8	12.0	16.5	10.6	14.6	-22.2	18.1	13.6	12.2	7.3

Source: Citi Research, MSCI, World Scope, Factset Consensus estimates

Notes

Appendix A-1

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