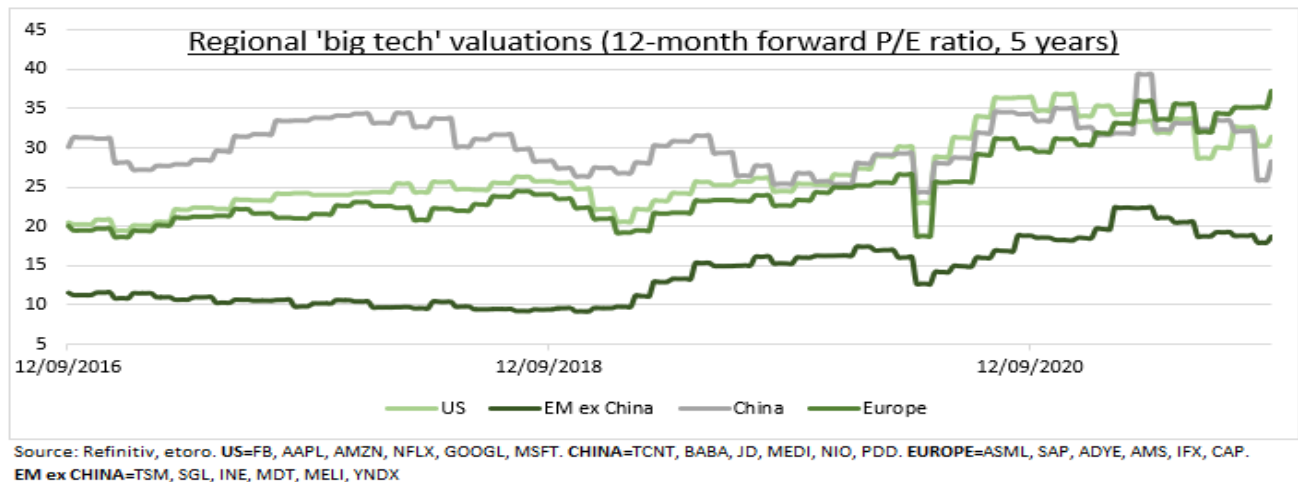## Daily Macro Insights: The surprise best tech performer
16/09/2021

FOUR FLAVOURS: We compare the biggest tech stocks in the US, Europe, China, and the rest of Emerging Markets (EM). They are among the largest index stocks but very different from each other. US and China tech is focused on online platforms, the rest of EM hardware focused, whilst Europe diversified over semis, software, and payments. This gives different performance, profit margin, and valuation (see chart) characteristics. 'Tech' (IT, Communications, Consumer Discretionary) is by far the largest market segment in the US and China, with a 52-58% weight versus 42% in EM ex China and 'only' 25% in Europe. But Europe is the big performance and valuation surprise from our analysis, China not cheap enough, and US FAANGM's well-placed.

EUROPE SURPRISE: Our European tech basket is by far the best performer this year (+38%), with the highest valuation (37x 12-month forward P/E), and second highest earnings outlook (+25%). The high valuation partly reflects 1) its relative scarcity within European equities, and 2) the lesser regulatory headwinds versus US and especially China peers. Our European basket ranges from ASML (ASML) and SAP (SAP.DE) to Infineon (IFX.DE) and Cap Gemini (CAP.PA).

CHINA CONTEXT: Our China tech basket has fallen 15% this year, given the rolling regulatory crackdown. This has cut its forward P/E valuation by a quarter to 28x, but still not far off the 31x for the US FAANGM's, despite the earnings uncertainty, and is well-above the hardware-heavy 19x for EM, led by Taiwan Semi (TSM) and Samsung Electronics (SGL), The FAANGM's look good, with relatively attractive valuations, robust growth, and fortress balance sheets. See CopyPortfolios @Four-Horsemen, @Chip-Tech, and @ChinaTech, for big tech themes.

TODAY: See US retail sales for health of the critical US consumer, with easing fiscal support and high virus cases. Sales seen easing to -0.7% month-over-month, but still +13% vs last year.

Regional 'big tech' valuations (12-month forward P/E ratio, 5 years)

Source: Refinitiv, etoro. **US**=FB, AAPL, AMZN, NFLX, GOOGL, MSFT. **CHINA**=TCNT, BABA, JD, MEDI, NIO, PDD. **EUROPE**=ASML, SAP, ADYE, AMS, IFX, CAP. **EM ex CHINA**=TSM, SGL, INE, MDT, MELI, YNDX

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