

MONEY IN MOTION

January 16, 2023

MSCI EAFE Index vs S&P 500 Index

- The MSCI EAFE Index's day-to-day, week-over-week outperformance of the S&P 500 Index is judged to have reached an extreme reading.
- The five (5) identical ratio charts herein, tell the tale...
- For a trade, we think it makes sense to short the iShares MSCI EAFE ETF (EFA) and buy the SPDR S&P 500 ETF (SPY).

Trade well,

-Carter

MONEY IN MOTION

MSCI EAFE

Top 25% of the Index

S&P 500

Top 25% of the Index

Nestle SA	Consumer Staples	2.21 %	Apple Inc	Technology	5.99 %
ASML Holding NV	Technology	1.74 %	Microsoft Corp	Technology	5.30 %
LVMH Moet Hennessy Louis Vuitton	Consumer Discretionary	1.54 %	Alphabet Inc.	Communications	3.10 %
Novo Nordisk	Health Care	1.48 %	Amazon.com Inc	Consumer Discretionary	2.59 %
Roche Holding AG	Health Care	1.45 %	Berkshire Hathaway Inc.	Financials	1.70 %
AstraZeneca PLC	Health Care	1.44 %	Exxon Mobil Corp	Energy	1.39 %
Shell PLC	Energy	1.41 %	UnitedHealth Group Inc	Health Care	1.36 %
Novartis AG	Health Care	1.29 %	Johnson & Johnson	Health Care	1.35 %
BHP Group Ltd	Energy	1.14 %	NVIDIA Corp	Technology	1.25 %
TotalEnergies SE	Energy	1.05 %	JPMorgan Chase & Co	Financials	1.25 %
Toyota Motor Corp	Consumer Discretionary	0.99 %			
HSBC Holdings PLC	Financials	0.94 %			
AIA Group Ltd	Financials	0.88 %			
Unilever PLC Ordinary shares	Consumer Staples	0.85 %			
Commonwealth Bank of Australia	Financials	0.82 %			
SAP SE	Technology	0.80 %			
Siemens AG	Industrials	0.77 %			
Sanofi Common	Technology	0.74 %			
BP PLC	Energy	0.73 %			
Sony Group Corp	Consumer Discretionary	0.71 %			
Diageo PLC	Consumer Staples	0.67 %			
L'Oreal SA	Consumer Staples	0.64 %			
Allianz SE	Financials	0.63 %			
CSL Ltd	Health Care	0.62 %			
TOTAL		25.54 %	TOTAL		25.28 %

MSCI EAFE Index:

The MSCI EAFE Index is an equity index which captures large and mid cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 796 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Developed Markets countries in the MSCI EAFE Index include Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK

S&P 500 Index:

The S&P 500 is widely regarded as the best single gauge of large-cap U.S. equities. According to our Annual Survey of Assets, an estimated USD 16 trillion is indexed or benchmarked to the index. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

Source: Worth Charting, Bloomberg, FactSet

MONEY IN MOTION

Identical Ratio Chart 1 of 5:

Depicting the relative performance of the iShares MSCI EAFE ETF (EFA) to the SPDR S&P 500 ETF (SPY)...

EFA's relative performance to SPY



Source: Worth Charting, Bloomberg, FactSet

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Identical Ratio Chart 2 of 5:

Depicting the relative performance of the iShares MSCI EAFE ETF (EFA) to the SPDR S&P 500 ETF (SPY)...

EFA's relative performance to SPY



Source: Worth Charting, Bloomberg, FactSet

MONEY IN MOTION

Identical Ratio Chart 3 of 5:

Depicting the relative performance of the iShares MSCI EAFE ETF (EFA) to the SPDR S&P 500 ETF (SPY)...

EFA's relative performance to SPY



Source: Worth Charting, Bloomberg, FactSet

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Identical Ratio Chart 4 of 5:

Depicting the relative performance of the iShares MSCI EAFE ETF (EFA) to the SPDR S&P 500 ETF (SPY)...

EFA's relative performance to SPY



Source: Worth Charting, Bloomberg, FactSet

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Identical Ratio Chart 5 of 5:

Depicting the relative performance of the iShares MSCI EAFE ETF (EFA) to the SPDR S&P 500 ETF (SPY)...

Independent and regardless of whether one has a longer-term bullish view of 'developed global equities' versus US equities, the current ricochet in the ratio chart leaves the EFA's RS line too far above **the 150-day moving average**, by our work. We are anticipating a **checkback** to/close to said moving average.

EFA's relative performance to SPY



Source: Worth Charting, Bloomberg, FactSet

MONEY IN MOTION

Finally...

A comparative chart for your consideration.

1300+ basis points of divergence since August.

Play for convergence, our thinking here...

EFA +6.3% vs SPY -7.1%



Source: Worth Charting, Bloomberg, FactSet



Source: Worth Charting, Bloomberg, FactSet

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Source: Worth Charting, Bloomberg, FactSet