

## The Biggest Story Investors Are Ignoring!

### US/International Leadership Changes After Inversions *Relative Performance and Yield Curve Inversions 1971-Present*



Source: Bloomberg, MSCI, S&P and Todd Asset Management as of 2-28-21  
Series is indexed to 1 on 12/31/1971. The S&P 500 is used to represent US equities. To show a longer time frame, the MSCI ACWI ex-US was chained with the MSCI EAFE to represent the International Equities. The ACWI ex-US is used from inception at 12/31/87, and EAFE prior to that.

- Yield curve inversions (when 10 year US Bonds yield less than 3 Month T-Bills) are great predictors of cycle changes between US and International market leadership. Given the 2019 inversion, it is time for International markets to start leading again and we should see new leadership for a new cycle.
- Since 1971, there have been 7 periods of inversion. Those inversion periods are shaded in the chart above. The line illustrates the ratio of the S&P 500/ACWI ex-US (or EAFE prior to 1987). An upward bias means the US is outperforming, while downward shows International outperformance. Performance flip flopped and leadership changed after each inversion. Since 1980, the average cycle length was almost 10 years.
- ***Following the 2019 inversion, International markets have outperformed the S&P 500 since May of 2020, something you rarely hear about. In our opinion, this is the biggest story being ignored by the market, and may be the beginning of a long period of international outperformance.***

(Please refer to next page for disclosures that are an integral part of this chart)

The indexes used in the chart are unmanaged, and not available for direct investment. They do not include the reinvestment of dividends, nor do they reflect management fees or transaction costs. The S&P 500 is a widely recognized index of market activity based on the performance of common stocks within the S&P 500 Index. The MSCI ACWI ex-US is a widely recognized index of market activity based on the performance of common stocks within the MSCI ACWI ex-US Index. The MSCI EAFE is a widely recognized index of market activity based on the performance of common stocks within the MSCI EAFE Index.

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