Overweight Global ex US Equities/Underweight US Equities

Recommended since May 31, 2025

Investment thesis: We expect global ex US equities will outperform US equities amid resumed US dollar weakness. Relative valuations for global ex US equities remain very low, while relative performance and currency strength has more room to run as demonstrated in past episodes of USD weakness. While the rise in oil prices resulting from the Iran War has seen the US dollar and US equities outperform, we believe this is temporary.

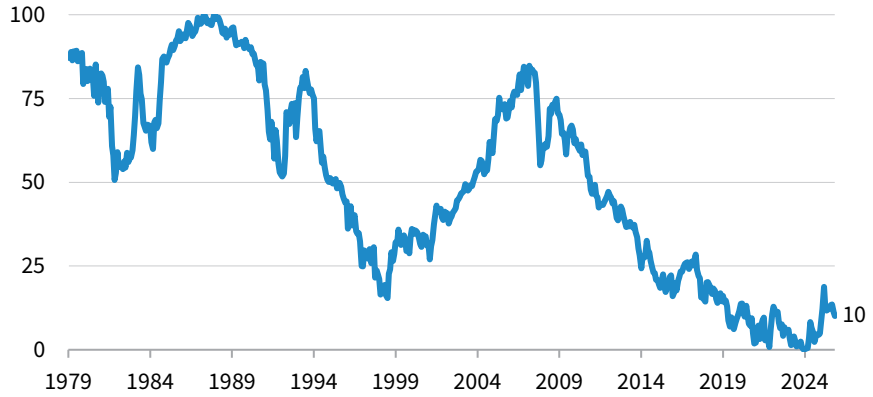
Key support 1: Global ex US equities have historically outperformed US equities in weak dollar cycles as non-US currencies strengthen. We expect the dollar to continue to weaken over our tactical horizon as slowing growth, asset overvaluation, and US policy uncertainty continue to weigh on the demand for US assets and place downward pressure on the dollar.

Key support 2: Valuations for both US equities and the US dollar have run up and remain near all-time highs, due in part to demand for AI-related companies. As a result, relative valuations for global ex US equities and currencies remain low, while the less concentrated nature of the Global ex US Index should help amid any sell-off in tech/AI stocks. Global ex US equities are no longer stretched on a momentum basis, as the sell-off and underperformance since February 2026 has removed this overbought condition. History suggests non-US outperformance and currency strength have more room to run as demonstrated by past weak dollar cycles, such as between 1971–78, 1985–95, and 2002–11.

Key risks: Elevated oil prices have hit non-US currencies harder than the US, given most countries are net oil importers and high energy prices are a headwind for non-US equities. At the same time, these markets are also underweight the technology sector. Any rebound in US tech leadership could see non-US equities underperform. However, global ex US equities are well placed to benefit from falling oil prices and a rotation away from AI-momentum stocks.

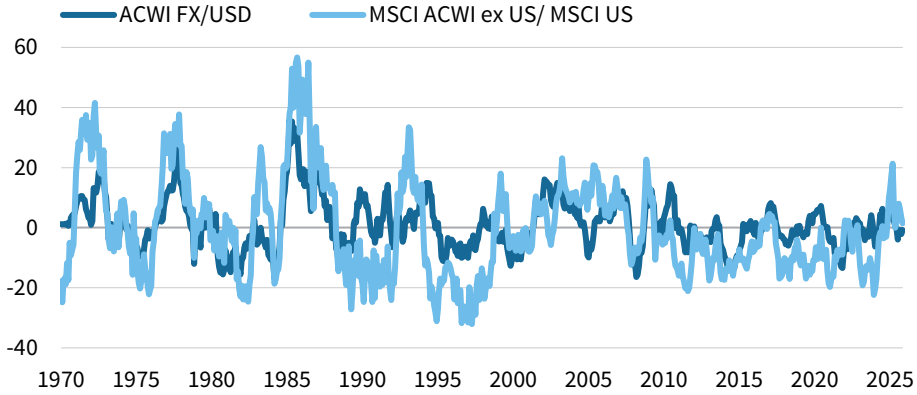
Relative CAPCE: MSCI ACWI ex US/MSCI US

December 31, 1979 – October 31, 2026 • Percentile (%)



Relative 12-month momentum

December 31, 1970 – October 31, 2026 • Percent (%)



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Note: MSCI ACWI valuations prior to November 30, 1995, and MSCI ACWI performance prior to December 31, 1987, are proxied by the MSCI World ex US Index.

Copyright © 2026 Cambridge Associates. All rights reserved.