

Daily Dose of Macro & Markets 2nd October 2025: “Spain’s Re-Rating Moment -> Outgrowing The US”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

Key Quote:

“On a 3 – 5 year view, there’s plenty of capacity for Spanish banks to drive a re-leveraging of the economy (from relatively low leverage levels currently) thereby generating strong earnings growth for the sector. Like other parts of southern Europe, home ownership amongst young people has fallen to low levels. Given that Spain’s commercial banks have rebuilt their capital buffers back to high levels **a phase of strong mortgage lending (& private sector re-leveraging) seems likely** (as and when Eurozone rates start falling/move lower). In particular, and much like the UK, there is pent up demand amongst the banks to put capital to work.”

Source: Longview Monthly Global Asset Allocation No. 27, 24th November 2023

Spain’s Re-Rating Moment -> Outgrowing The US

In the near term (1–4 months) risk assets are frothy, with signs of euphoria and complacency. A pullback is therefore likely (as we highlighted [HERE](#) yesterday).

In strategic portfolios, though, with a 12–24 month time horizon, we look past the potential for near term wobbles, and position for (what we believe is) the emerging macro theme in markets. Typically, the macro theme determines which country equity indices outperform. It’s therefore a key way in which we approach/think about global asset allocation (along with deep dive valuation and liquidity analysis).

Spanish equities, in that respect, are one of our top picks, having moved OW in June 2023.

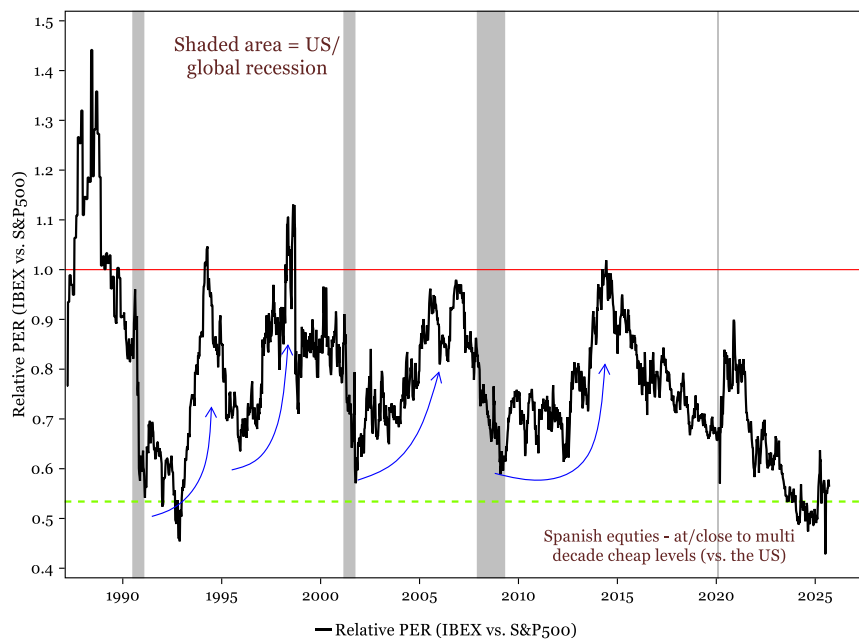
Spain underwent a painful economic adjustment after the GFC & Eurozone crisis (with significant private sector deleveraging, fiscal tightening, bankruptcies, and so on). As a result, it’s now well set-up structurally to respond to looser ECB policy and to, therefore, re-leverage (see quote above). In particular, given the recent sharp falls in mortgage rates, Spain’s housing market has ‘re-opened’ (house price growth is 12% Y-o-Y, see FIG 3) and economic momentum has reaccelerated. As such, **forward earnings in the IBEX have grown rapidly** (+120% cumulatively since 2021), **and outpaced US earnings growth in recent years** (+67% in that time), FIG 2.

Furthermore, and despite its strong YTD gain (+34%), the IBEX is only trading on 12.6x forward earnings (FIG 4), and is **still close to record cheap levels vs. the S&P500**, see FIG 1. As the chart shows, extreme valuation discounts like these (of 40–50% vs. the S&P500) are rare, and are typically followed by phases of ‘relative re-rating’, i.e. valuation ‘catch-up’ with the US. That was the case, for example, in the early and mid-1990s; the early noughties; and shortly after the GFC/Eurozone crisis (2012–2015).

With the global macro theme shifting (see [HERE](#)), and monetary stimulus beginning to ‘work’ in Spain (and elsewhere in Europe), ongoing outperformance in Spanish equities (vs. the US) is likely, with strong earnings growth **enhancing the case for another ‘valuation catch up’ phase**.

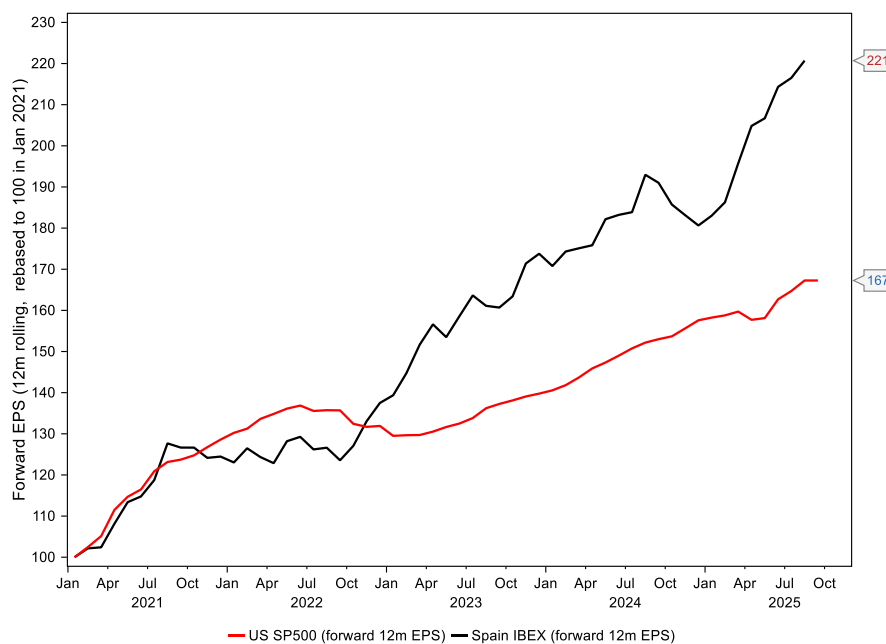
Please see [HERE](#) for detailed strategic asset allocation recommendations.

FIG 1: IBEX vs. S&P500 relative PE ratio based on 12 month forward earnings



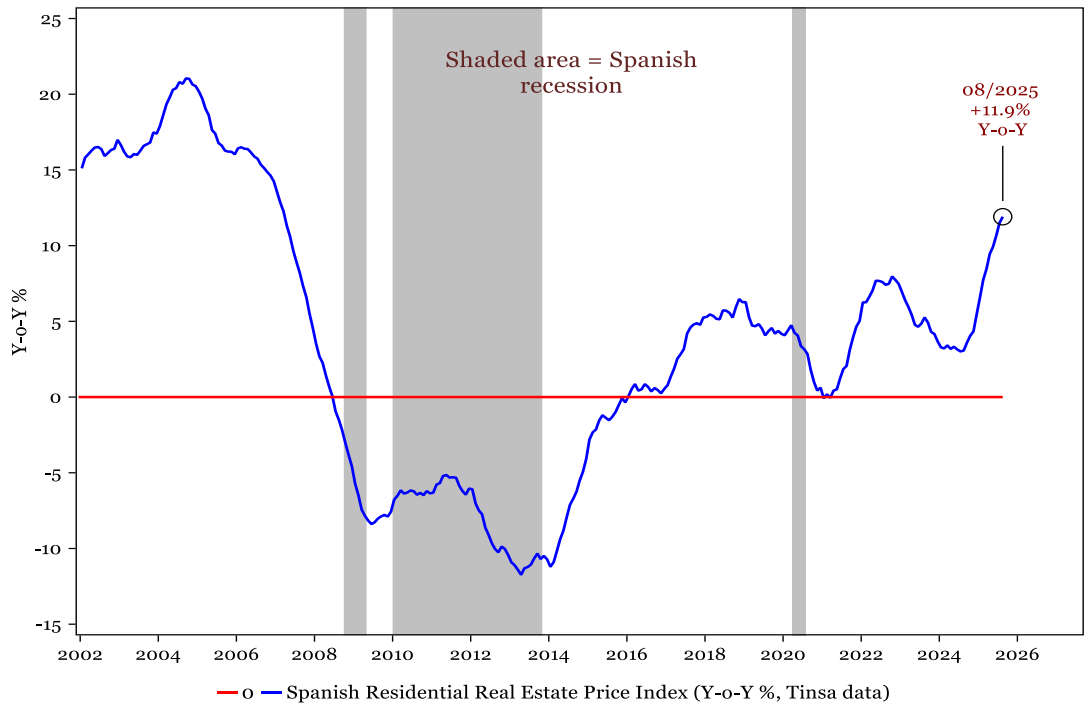
Source: Longview Economics, Macrobond

FIG 2: S&P500 & IBEX forward EPS (12m rolling) rebased to 100 in Jan 2021



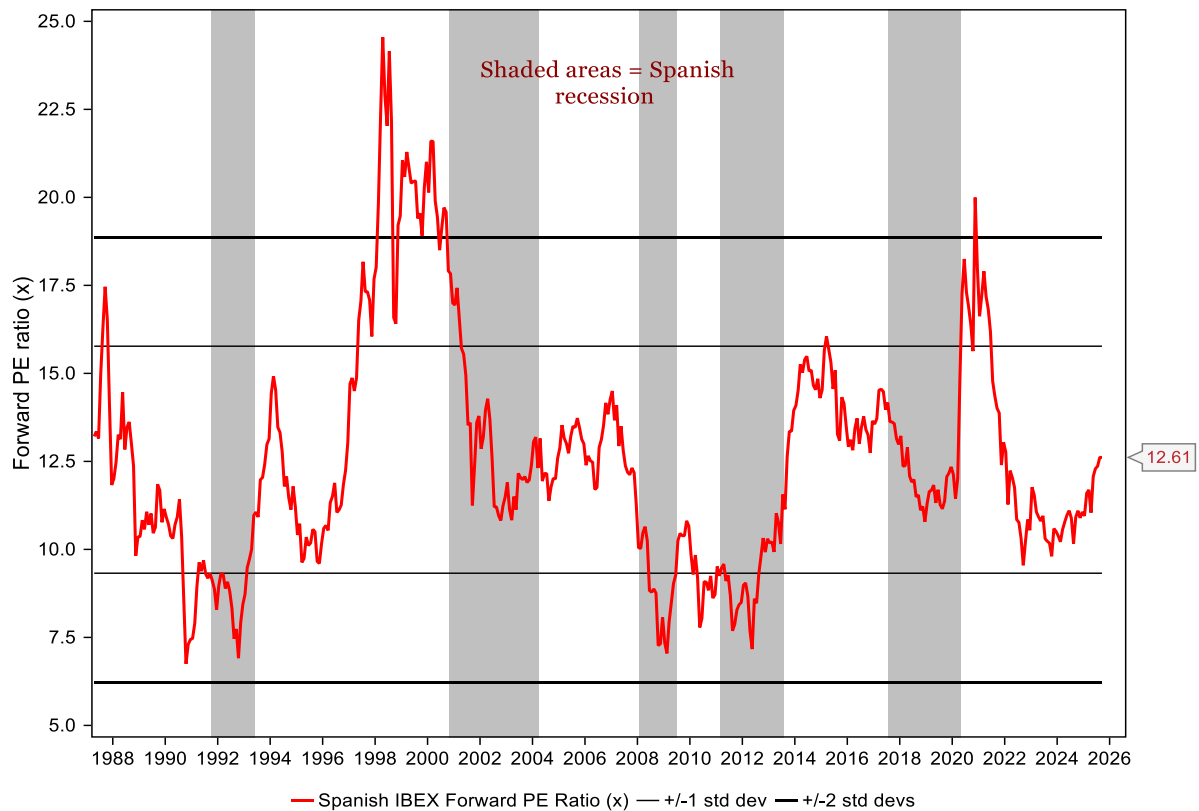
Source: Longview Economics, Macrobond

FIG 3: Spanish residential real estate price index (Y-o-Y %, Tinsa data)



Source: Longview Economics, Macrobond

FIG 4: Spanish IBEX forward PE (based on 12m forward earnings)



Source: Longview Economics, Macrobond