Touchstone Investments®
DISTINCTIVELY ACTIVE®

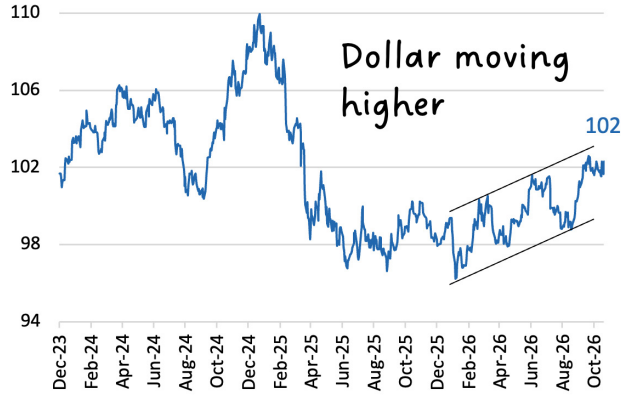
International Equities

Currency Backdrop

Authors: Erik M. Aarts, CIMA / James Macey, CFA, CAIA / Tim Paulin, CFA / Crit Thomas, CFA, CAIA **November 11, 2026**

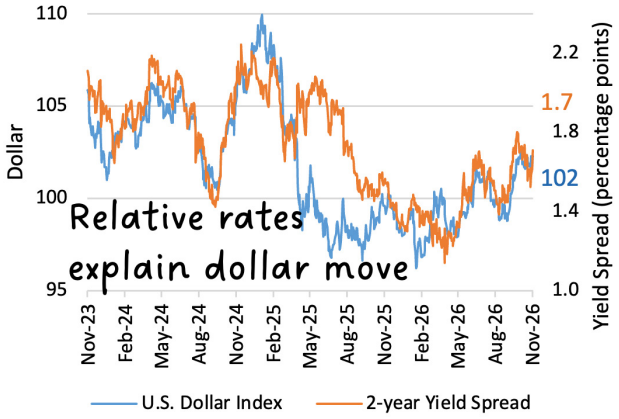
- The dollar remains supported by relatively strong U.S. growth and higher interest rates, but the move has become less one-sided. The U.S. 2-year yield advantage versus major developed peers has narrowed modestly since mid-October, while the Dollar Index has largely moved sideways. Technical indicators also suggest the dollar is becoming overbought, increasing the risk that recent strength pauses or reverses even if the broader cyclical backdrop remains supportive.
- Artificial intelligence has become an increasingly important influence on the dollar through both capital flows and economic growth. Strong U.S. technology earnings and AI investment have attracted foreign capital into U.S. stocks and credit, while AI-related spending has supported U.S. growth and interest-rate differentials. If enthusiasm for AI investment weakens materially, softer capital flows, slower U.S. growth and lower yields could reduce support for the dollar. However, periods of market volatility could also generate safe-haven demand for U.S. assets, making the currency impact less straightforward.
- Oil is creating another source of currency differentiation. Higher energy prices tend to improve the U.S. terms of trade relative to major oil-importing economies, reinforcing the dollar's growth and rate advantage. The opposite is also true: easing energy prices would remove some of that support while benefiting large importers across Europe and Asia. The currency impact of oil therefore depends increasingly on each country's energy exposure rather than on a simple risk-on or risk-off relationship.
- We believe the dollar's longer-term outlook is less compelling than it was during the prior decade, although relatively strong U.S. growth and higher interest rates could continue to provide near-term support. Elevated valuations, greater currency hedging and gradual diversification away from dollar assets remain potential longer-term headwinds. For U.S. investors, a more balanced dollar outlook reinforces the benefits of maintaining meaningful international equity allocations as part of a diversified portfolio.

U.S. Dollar Index



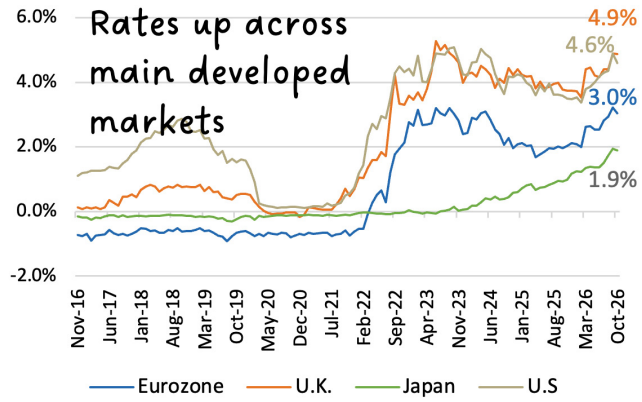
Source: Bloomberg. 3 years of daily data through Nov 10 2026.

U.S. Dollar and Weighted 2-yr Yield Spread



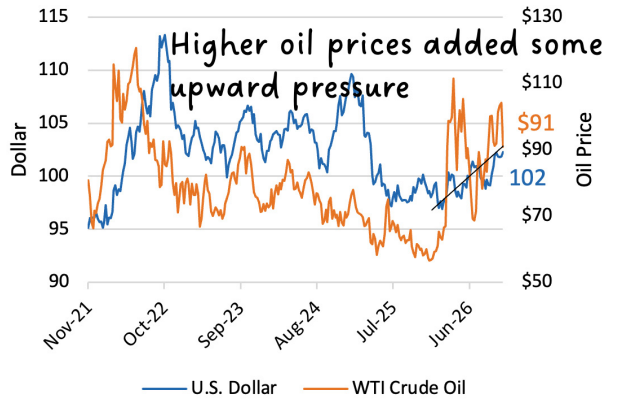
Source: Bloomberg. 3 years of daily data through Nov 09 2026. The weighted yield spread is the difference between U.S. 2-year Treasury yields and the weighted average of 2-year yields from countries in the dollar index.

2 year Government Bond Yields



Source: Bloomberg. 10 years of monthly data through Oct 2026.

U.S. Dollar and Oil Prices



Source: Bloomberg. 5 years of weekly data through Nov 06 2026. West Texas Intermediate (WTI) crude is primarily sourced in the U.S. Permian Basin.

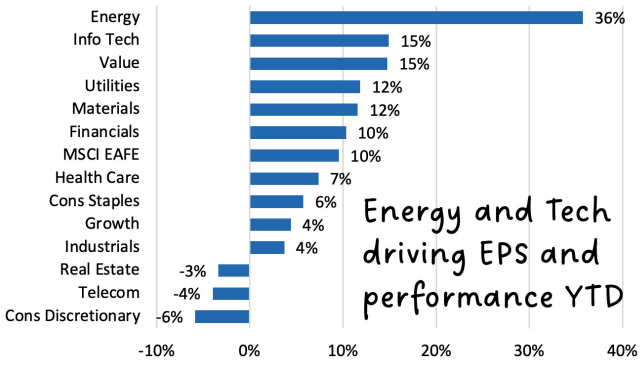
International Equities

Developed Ex-U.S.

Authors: Erik M. Aarts, CIMA / James Macey, CFA, CAIA / Tim Paulin, CFA / Crit Thomas, CFA, CAIA **November 11, 2026**

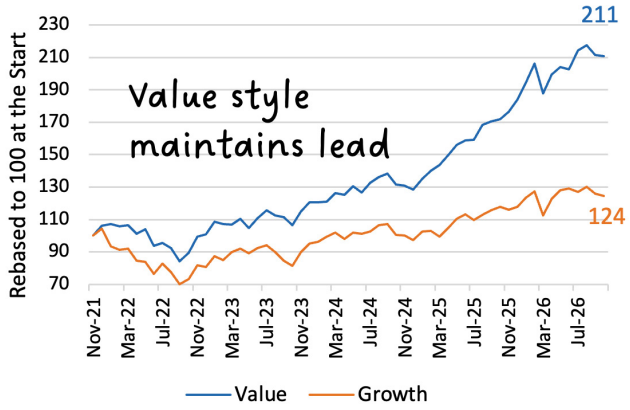
- While we remain neutral on developed international equities, we maintain a meaningful allocation as an important component of our overall asset allocation. Earnings fundamentals remain supportive but are increasingly differentiated. A potentially more durable opportunity is emerging from Europe's capex revival. Investment in infrastructure, defense, power and digitization is creating opportunities for companies benefiting from AI-related spending and global demand. We favor businesses with strong competitive positions and earnings drivers that extend beyond domestic European growth. This dispersion reinforces the importance of active stock selection rather than broad index positioning.
- Europe has become more encouraging beneath the surface. Nearly 60% of Europe ex-U.K. companies have seen 2027 earnings estimates rise over the past month, but current earnings growth remains concentrated. The Energy and Technology sectors have driven much of the latest advance, and excluding Energy would roughly halve Europe's earnings growth. The contrast favors selectivity even as revisions broaden.
- A potentially more durable opportunity is emerging from Europe's capex revival. The capex-to-sales ratio is approaching a 10-year high, with utilities, defense, industrials and technology leading planned investment through 2028. Unlike the U.S. AI-dominated cycle, Europe's spending is broader creating differentiated opportunities rather than a uniform index-level tailwind.
- Japan continues to offer a favorable earnings backdrop, although the pace of improvement has moderated. Its diverse mix of earnings drivers suggests the underlying earnings story remains healthy, while the rapid improvement seen earlier in the year may be becoming harder to sustain.
- Taken together, broader European revisions, Europe's capex revival and still-healthy Japanese fundamentals reinforce our neutral stance. At the index level, elevated rates, fiscal uncertainty and uneven earnings leadership keep us from moving to an overweight. At the security level, that dispersion increases the potential value of active stock selection.

YTD Total Return (in USD) by Sector (MSCI EAFE Index)



Source: Bloomberg. Data as of Nov 06 2026.

Total Returns: MSCI EAFE Style Indexes



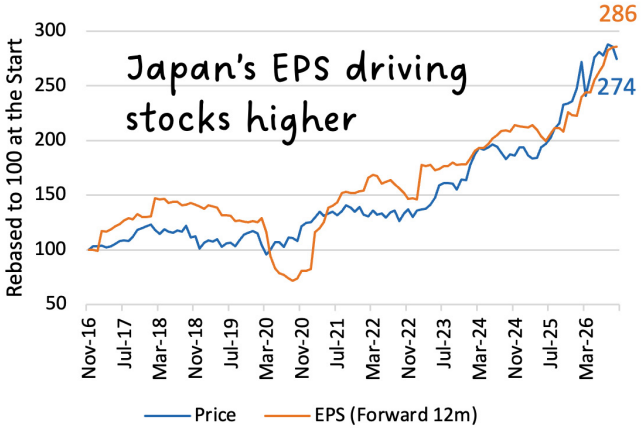
Source: Bloomberg. Total returns over the last 5 years through Oct 2026.

MSCI EAFE Index



Source: Bloomberg. 1 year of daily observations through Nov 09 2026.

MSCI Japan Index (Local Currency)

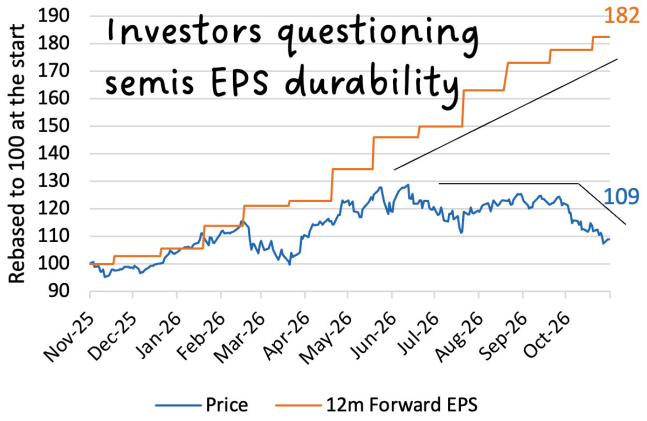


Source: Bloomberg. 10 years of monthly data through Oct 2026.

Authors: Erik M. Aarts, CIMA / James Macey, CFA, CAIA / Tim Paulin, CFA / Crit Thomas, CFA, CAIA **November 11, 2026**

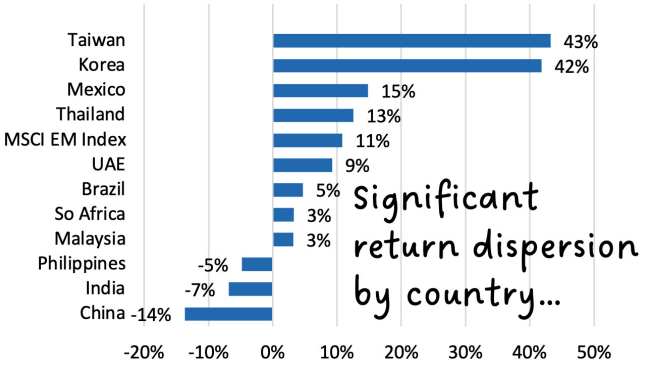
- We remain slightly underweight emerging market equities. The position reflects benchmark concentration and volatility rather than a lack of attractive opportunities. TSMC, Samsung Electronics and SK Hynix alone account for nearly 30% of MSCI EM, leaving index performance unusually sensitive to changes in expectations for AI capital spending and the memory cycle, and increasing the importance of country, sector, and individual stock selection.
- Earnings and prices have recently moved in opposite directions. Consensus estimates for Korean and Taiwanese technology companies have continued to rise even as both markets sold off sharply. Investors have become increasingly concerned that the pace of data-center construction may slow. The divergence shows that strong near-term earnings do not eliminate the risk of abrupt changes in how investors value the AI buildout.
- Memory producers face an additional source of uncertainty from the supply side. DRAM conditions are expected to remain tight through 2027, but substantial new capacity is scheduled to begin contributing in 2028 and beyond. If supply growth accelerates at the same time AI infrastructure spending slows, today's unusually strong pricing and margins could prove difficult to sustain. Differentiating companies with durable competitive advantages from those more exposed to commodity memory pricing therefore becomes increasingly important.
- Conditions elsewhere in emerging markets highlight the importance of country selection. Indian equities have rebounded after a significant derating and heavy foreign selling, even though earnings revisions remain less compelling than in Taiwan and Korea. China continues to tread water as weak domestic demand offsets policy easing and state support for equities. These very different cycles show why the outlook for EM extends well beyond semiconductors and cannot be captured by a single macro or earnings narrative.
- Emerging markets continue to offer selective opportunities despite our slight underweight. Strong earnings growth in Taiwan and Korea is encouraging, although index concentration and uncertainty around AI spending warrant some caution. Differing fundamentals across countries and sectors reinforce the importance of active stock selection.

MSCI EM Index (in USD)



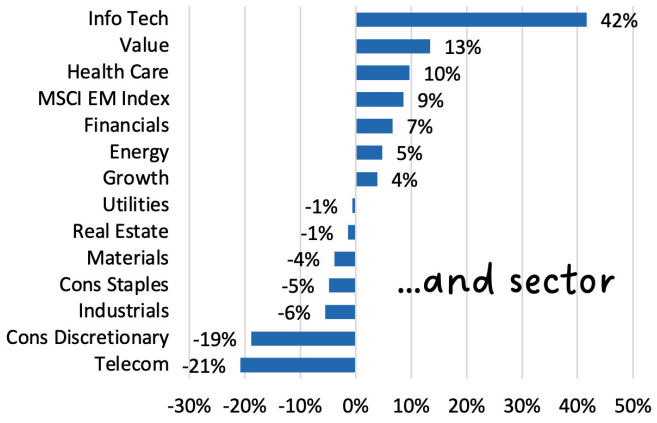
Source: Bloomberg. 1 year of daily observations through Nov 09 2026.

MSCI EM Index (in USD)



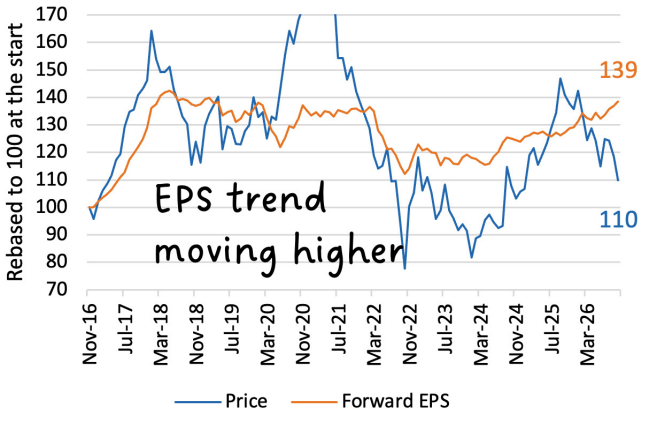
Source: Bloomberg. 1 year of daily data through Oct 13 2026.

YTD Total Returns (in USD) by Sector



Source: Bloomberg. MSCI EM index data as of Nov 06 2026.

MSCI China Index (Local Currency)



Source: Bloomberg. 10 year of monthly data through Oct 2026.

Authors: Erik M. Aarts, CIMA / James Macey, CFA, CAIA / Tim Paulin, CFA / Crit Thomas, CFA, CAIA **November 11, 2026**

The Indexes mentioned are unmanaged statistical composites of stock market or bond market performance. Investing in an index is not possible.

Total Net Returns in USD

							EPS Growth Estimate	
	October 2026	YTD	2025	2024	2023	Index Weight	2026	2027
MSCI EAFE	**-0.7%**	**10.0%**	**31.9%**	**4.3%**	**18.9%**	**100%**	**NA***	**NA***
MSCI United Kingdom	2.4%	10.8%	35.1%	7.5%	14.1%	15%	30%	2%
MSCI Japan	-4.2%	17.9%	25.1%	8.7%	20.8%	24%	25%	13%
MSCI Europe	-0.2%	6.0%	36.6%	1.0%	22.7%	53%	15%	10%
MSCI EM	**-8.0%**	**13.8%**	**34.4%**	**8.1%**	**10.3%**	**100%**	**NA***	**NA***
MSCI China	-7.0%	-17.9%	31.4%	19.7%	-11.0%	20%	4%	15%
MSCI India	1.2%	-13.7%	4.3%	12.4%	21.3%	12%	7%	12%
MSCI Taiwan	-8.4%	56.4%	39.8%	35.1%	31.3%	29%	75%	33%
MSCI Korea	-15.6%	67.4%	100.8%	-23.1%	23.6%	20%	386%	48%

Valuations

	P/E (TTM)	Percent Rank	P/E (FTM)	Percent Rank	P/CF	Percent Rank	P/S	Percent Rank
MSCI EAFE	**17.3x**	**54%**	**14.5x**	**66%**	**11.2x**	**86%**	**1.9x**	**98%**
MSCI United Kingdom	14.2x	44%	12.3x	42%	9.1x	53%	1.6x	88%
MSCI Japan	18.5x	55%	14.1x	52%	11.4x	88%	1.6x	98%
MSCI Europe	17.8x	52%	15.2x	74%	11.7x	89%	1.9x	98%
MSCI EM	**13.7x**	**37%**	**7.9x**	**3%**	**10.2x**	**80%**	**2.0x**	**96%**
MSCI China	12.0x	27%	9.6x	17%	9.6x	50%	1.2x	29%
MSCI India	22.0x	60%	19.3x	65%	16.8x	77%	2.5x	75%
MSCI Taiwan	27.5x	80%	14.8x	82%	20.8x	94%	3.4x	97%
MSCI Korea	8.5x	8%	3.0x	0%	6.5x	53%	1.7x	97%

Fundamentals

	Dividend Yield	Percent Rank	Profit Margin	Percent Rank	ROE	Percent Rank	Net Debt / EBITDA	Percent Rank
MSCI EAFE	**2.8%**	**41%**	**11.1%**	**99%**	**12.5%**	**85%**	**2.5**	**25%**
MSCI United Kingdom	3.2%	27%	11.6%	94%	14.5%	69%	2.4	50%
MSCI Japan	2.0%	56%	9.2%	99%	10.7%	99%	-0.2	27%
MSCI Europe	2.8%	43%	11.1%	98%	13.4%	73%	3.7	18%
MSCI EM	**2.3%**	**17%**	**14.4%**	**93%**	**15.6%**	**82%**	**2.0**	**74%**
MSCI China	2.6%	66%	10.7%	32%	11.0%	26%	4.7	99%
MSCI India	1.3%	40%	12.3%	84%	15.3%	46%	2.3	34%
MSCI Taiwan	1.4%	23%	14.3%	99%	22.8%	99%	0.2	8%
MSCI Korea	1.7%	47%	24.9%	100%	32.5%	100%	1.1	3%

For Index Definitions see: TouchstoneInvestments.com/insights/investment-terms-and-index-definitions

*Local currency earnings estimates are not available for broad indexes with a mix of currencies.

Source: Bloomberg. Percent ranks are based on 30 years of monthly data as of the end of October; EPS growth estimates based on consensus bottom-up analyst estimates.

Authors: Erik M. Aarts, CIMA / James Macey, CFA, CAIA / Tim Paulin, CFA / Crit Thomas, CFA, CAIA **November 11, 2026**

The Touchstone Asset Allocation Committee (TAAC) consisting of Erik M. Aarts, CIMA, Senior Fixed Income Strategist, James Macey, CFA, CAIA, Global Market Strategist, Tim Paulin, CFA, Senior Vice President, Investments and Practice Consulting, and Crit Thomas, CFA, CAIA, Global Market Strategist, develops in-depth asset allocation guidance using established and evolving methodologies, inputs and analysis and communicates its methods, findings and guidance to stakeholders. TAAC uses different approaches in its development of Strategic Allocation and Tactical Allocation that are designed to add value for financial professionals and their clients. TAAC meets regularly to assess market conditions and conducts deep dive analyses on specific asset classes which are delivered via the Asset Allocation Summary document. Please contact your Touchstone representative or call 800.638.8194 for more information.

A Word About Risk

Investing in equities is subject to market volatility and loss. Investing in foreign and emerging markets securities carry the associated risks of economic and political instability, market liquidity, currency volatility and accounting standards that differ from those of U.S. markets and may offer less protection to investors. The risks associated with investing in foreign markets are magnified in emerging markets due to their smaller economies. Events in the U.S. and global financial markets, including actions taken to stimulate or stabilize economic growth may at times result in unusually high market volatility, which could negatively impact asset class performance. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate.

Performance data quoted represents past performance, which is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than performance data given. ***For performance information current to the most recent month-end, visit TouchstoneInvestments.com/mutual-funds.***

Please consider the investment objectives, risks, charges and expenses of a fund carefully before investing. The prospectus and the summary prospectus contain this and other information about a fund. To obtain a prospectus or a summary prospectus, contact your financial professional or download and/or request one at TouchstoneInvestments.com/resources or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

Touchstone Funds are distributed by **Touchstone Securities, LLC**

A registered broker-dealer and member FINRA and SIPC

A member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value