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REPORTS OF ITS DEATH ARE…FOOLISHLY EXAGGERATED (US EXCEPTIONALISM)

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Almost overnight, headlines have flipped from celebrating 'US Exceptionalism' to writing its epitaph and seeing it migrate everywhere else ("ex-US").

Yet savvy investors know better—headlines are designed to sell, not inform. Exceptionalism isn't built overnight; it takes decades to emerge and runs deep in the structural characteristics of national economies. US exceptionalism is no…exception. This topic has sparked intense debate in recent headlines, and our contribution is to ground it in fundamental quantitative reality.

At its core, exceptionalism is driven by **Labor Productivity**—the dollar output per worker. Using 2015 as a baseline (100), labor productivity surged globally to almost 110 post-CoViD, but since then only the US has kept rising to 117 while its peers dropped back to 105 [1]. After Cloud Services lifted productivity by 25% in the 2000s, gains stalled—until Artificial Intelligence arrived in 2022, injecting fresh momentum [2].

The US is leading in AI thanks to its multifaceted dominance in energy, chip design, capital funding, and model development. We believe countries with anemic capital markets and old industries will have a hard time driving the next productivity boom. Even if they started closing the gap today, it would take over a decade of continuous radical transformation to catch up.

But what about Europe's recent market outperformance—does that signal the decline of US exceptionalism? Hardly.

As we wrote recently, Mario Draghi, in his European Commission report, underscored the continent's structural stagnation:

> "(…) there is no EU company with a market capitalisation over EUR 100 billion that has been set up from scratch in the last fifty years, while all six US companies with a valuation above EUR 1 trillion have been created in this period." [3]

Companies drive economic revolutions, and so far, no foreign challengers are dethroning US dominance. What, then, is behind the recent ex-US market outperformance?

We see four key drivers: Investors betting on a rebound in cheap foreign stocks (a trade that has gone wrong many times in the last fifteen years[2]). Investment inflows that attempt to either hedge the impact or symbolically protest the perceived

US trade policy risks. And short-term market rotation that is driven primarily by timing, not structural economic advantages.

The verdict? US Exceptionalism is alive and kicking. For US dominance to wane, foreign companies would need to consistently outclass US giants—something nowhere on the horizon. Economic leadership isn't won or lost overnight, and no headline can wish away structural disadvantages.

American Exceptionalism? Paraphrasing Mark Twain, reports of its death have been foolishly exaggerated. 😉

[1] FRED

[2] FactSet

[3] https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf