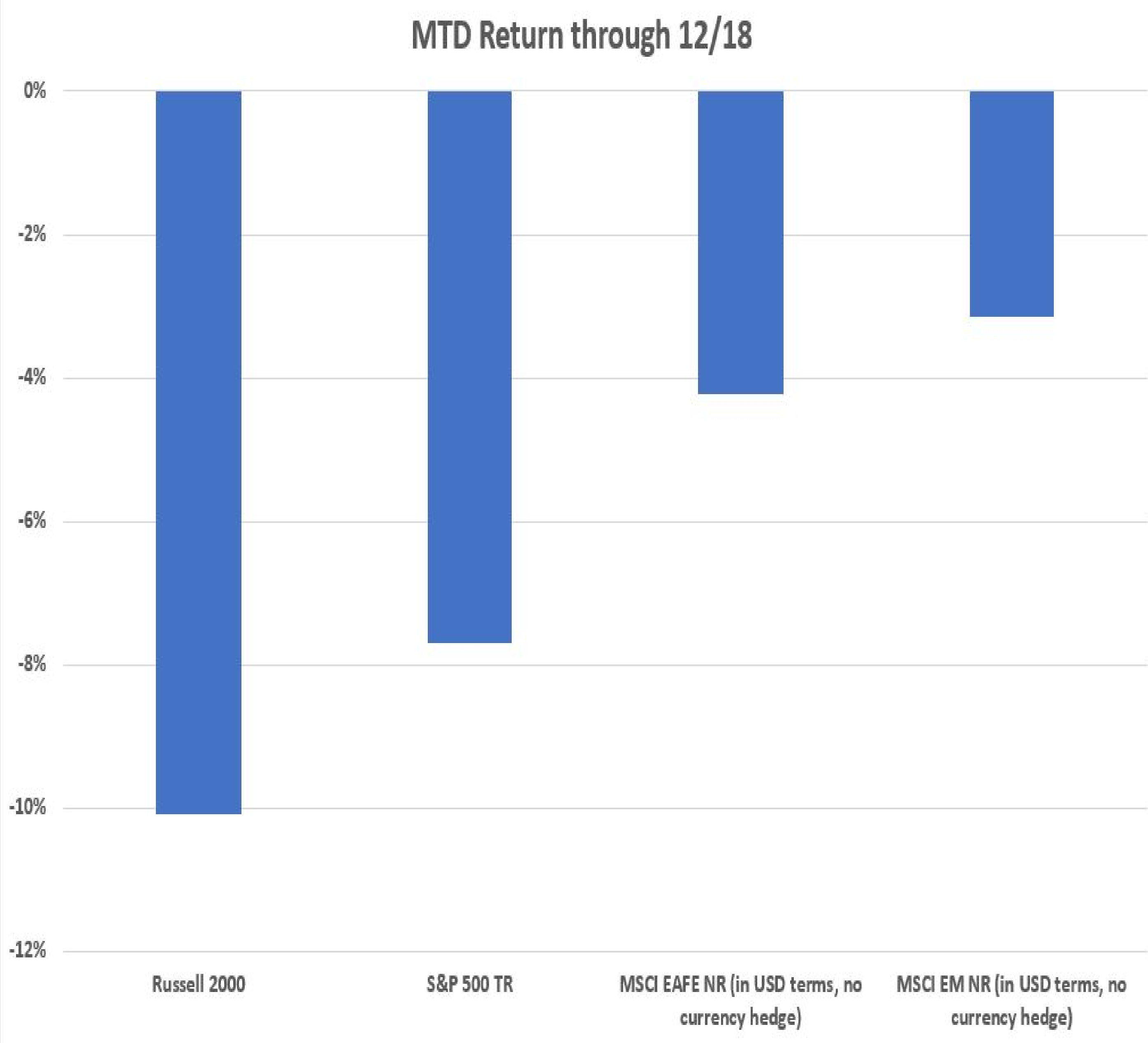
Foreign stock markets have underperformed U.S. stocks this year (if you exclude U.S. small caps). The MSCI ACWI ex-USA Index is down nearly 14% through December 18. But for the month of December, the trend has been changing, with U.S. indices dropping more than foreign indices. And that means it may be time to look at some foreign stocks.



First on the list are German automakers. They are under a lot of pressure from tariffs, slowing sales, which have arguably been boosted by easy credit over the past few years, and perhaps even competition from Tesla, which has brand cachet. Still, Daimler (DMLRY), BMW (BMWYY), Volkswagen (VWAGY), and Porsche (POAHY) look cheap. They all trade at single-digit P/E ratios and P/S ratios of 0.5 or less. If you?re looking for additional confirmation, the Oakmark International fund (OAKIX) ,run by Morningstar?s International Equity Manager of the Decade in 2009 David Herro, has nearly than 8% of its assets in Daimler and BMW according to its September 30 portfolio. This fund has struggled mightily this year with a nearly 23% loss through December 18, but it has outpaced the MSCI ACWI ex-USA Index for the past 10- and 15-year periods with Herro at the helm for the entire time. Another stock to consider is Rolls Royce

(RYCEY). I don?t mean the auto maker here, which is actually a division of BMW these days, but the jet engine maker. Along with General Electric, Rolls is part of a duopoly in the wide-body commercial engine space. Nobody else makes engines for the largest commercial planes. Pratt and Whitney, for example, makes engines for medium-sized commercial planes. Rolls has had production trouble, and investors have been clamoring for the firm to spinoff or sell other divisions. The American Depository Receipts traded at around $20 per share a decade ago, and are now at around $10 per share. The stock trades at under 1x Price/Sales. Investors should also check out French pharmaceutical company Sanofi (SAN). It?s the top holding of the Dodge & Cox International Stock fund. The firm markets drugs with an emphasis on oncology, immunology, and cardiovascular disease. It also happens to be one of Berkshire Hathaway?s (BRK.A) publicly traded holdings. For emerging markets exposure, consider the iShares Emerging Markets Dividend ETF (DVYE). This fund doesn?t look like the typical emerging markets fund because its dividend emphasis leads it to hold stocks from different countries than other funds. For example, the MSCI Emerging Markets Index has 30% exposure to China and another 33% exposure to South Korea, Taiwan, and India. But the dividend ETF has nearly 30% exposure to Taiwan. China clocks in as the fourth highest represented country with its market soaking up less than 10% of the portfolio. One risk of this dividend ETF is that 16% of its assets are in Russia, which makes its shareholders likely partners with Vladimir Putin in those holdings. Nobody ever said emerging markets investing was easy, but at least investors in this fund are getting a 5.65% dividend yield and an average P/E ratio of less than 10 for their trouble. *(John Coumarianos has positions in DMLRY, BMWYY, VWAGY, RYCEY, OAKIX, and DVYE.)*