After a long cold year
Investors are flocking back to Europe

A European recession looked like a no-brainer just a few weeks ago, but that picture has changed dramatically, and investors have started pouring money into the region's stocks, currency and bonds.

Warmer temperatures and well-filled gas storage facilities mean there's less concern about power shortages and sky-high energy bills. That, along with China reopening its economy at breakneck speed, promises a boost for Europe's export-oriented economy.

JPMorgan (NYSE:JPM) has raised its forecast for euro zone first-quarter economic growth to 1% from a contraction of 0.5%, echoing a similar move from Goldman Sachs (NYSE:GS) earlier this month.

Data from BofA Global Research on Friday showed the first weekly inflow of investor money into European equity funds in almost a year.

Markets are picking up those positive vibes. The euro is set for its largest three-month gain against the dollar since 2011, having risen nearly 10%.

European stocks have vastly outperformed their U.S. peers. The euro STOXX benchmark has beaten its U.S. peer, the S&P 500, by over 18 percentage points since September. Morgan Stanley (NYSE:MS) says this is its best outperformance in 20 years relative to Wall Street.

"It's a very big move in European gas prices and that has dramatically improved the outlook. The perception has shifted from the worst kind of contraction, especially for countries like Germany, to potentially avoiding recession," said Samy Chaar, chief economist at Lombard Odier in Geneva.

"It's difficult to see a negative. Whether it's investment-grade bonds, or equities, or the euro, it's all very good news".

Dutch natural gas futures, a regional benchmark, have fallen back to where they were before Russia invaded Ukraine and are down 80% from their August peak.

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