

## International Markets

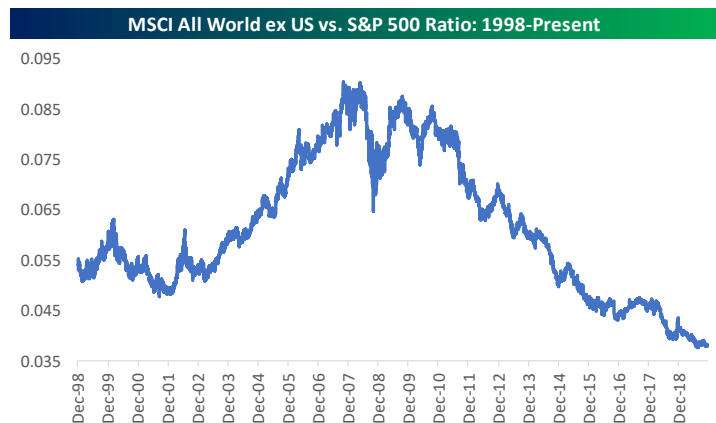
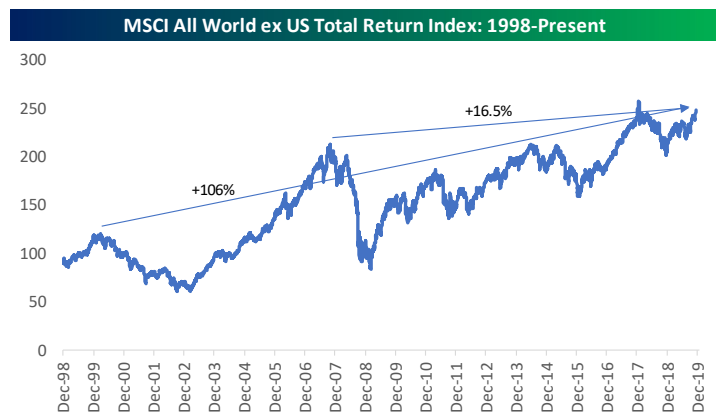
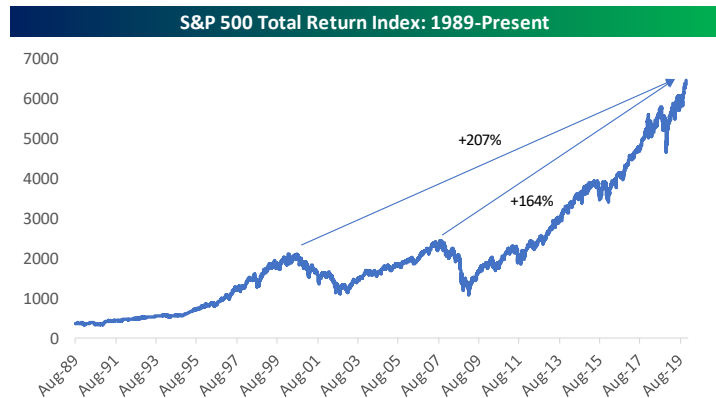
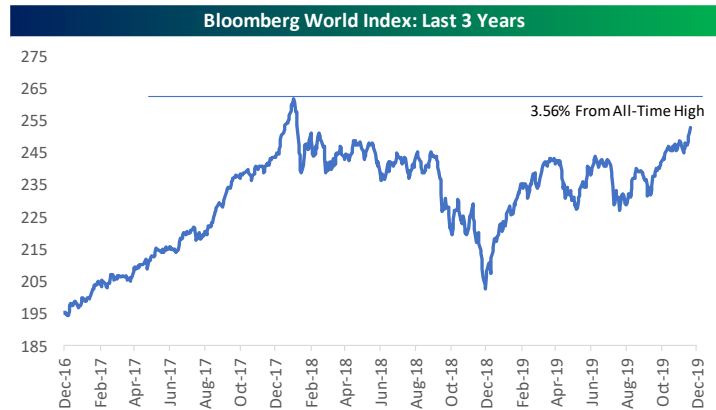


While the US stock market has comfortably traded to new all-time highs recently, the Bloomberg World index that measures stock market performance globally still has a ways to go. The peak for stocks on a global level actually came in January 2018, so it has been nearly two years since a new high was made.

The US has certainly contributed its fair share in recent years! Since the all-time peak in late 2007 prior to the Financial Crisis, the S&P is up 164%, and it's up 207% from its Dot Com Bubble peak in early 2000. Since 2013 when the index cleared its 2007 high, the US stock market has experienced one of its most epic runs ever.

While the US stock market has skyrocketed, the rest of the world has lagged badly. The MSCI All-World ex US index is in an uptrend, but it's only up 16.5% from its peak in 2007 prior to the Financial Crisis. Remember, the S&P 500 is up nearly 10 percentage points more in 2019 alone and 164% over the same time frame. Since the index's peak in early 2000, the MSCI All-World ex US is up 106% versus the S&P's gain of 207%.

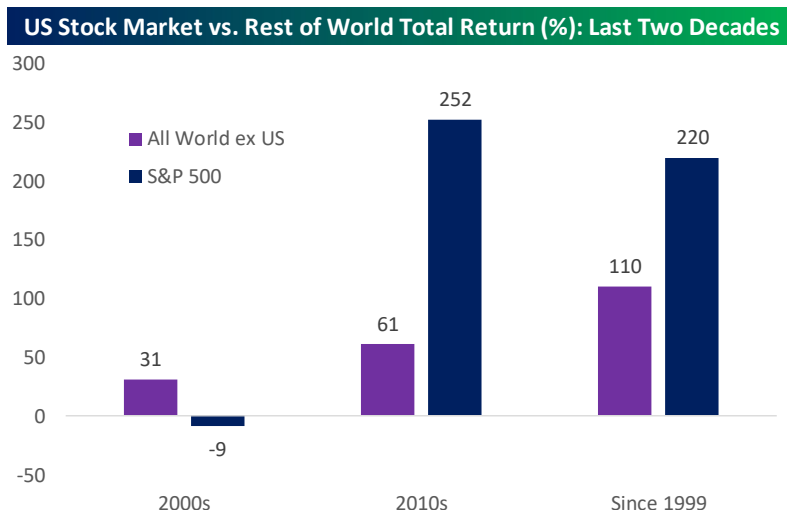
The chart to the right of the ratio between the MSCI All World ex US and the S&P 500 shows the dominant performance of the US compared to the rest of the world during the current decade. A rising line indicates rest-of-world outperformance while a falling line indicates US outperformance. As shown, although it wasn't the case in the 2000s, the US has outperformed by a huge amount this decade.



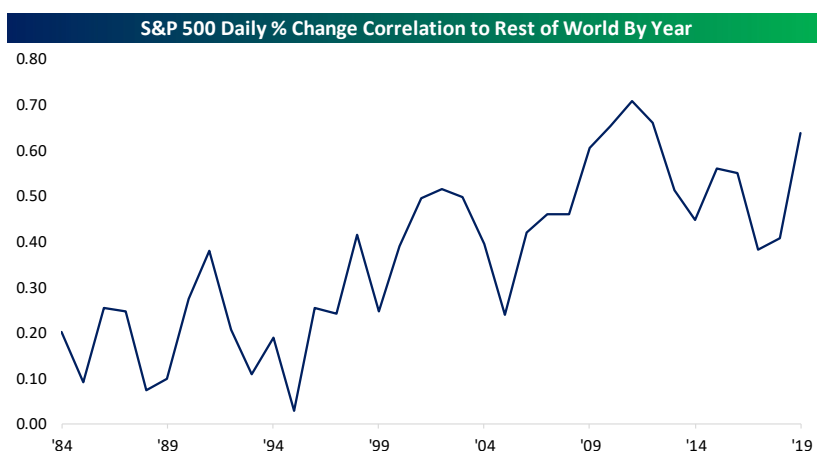


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As shown in the chart to the right, the S&P 500 Total Return index fell 9% in the 2000s, while the MSCI All-World ex-US Total Return index gained 31%. This decade, we've seen the S&P 500 Total Return index gain 252% versus a gain of just 61% for the rest of the world. Over the entire time frame since the end of 1999, the US has exactly doubled the rest of the world on a total return basis (+220% vs. +110%).



While the US has experienced outperformance, returns have also become increasingly correlated with the rest of the world over the past few decades as shown in the chart to the right. The chart shows a trend higher for the correlation coefficient between the daily change in the S&P 500 and the MSCI World Ex-US index for every year since 1984 when daily data began for the MSCI index.



In regards to the correlation coefficient, a correlation of 1 would indicate a perfect positive relationship (i.e. a 1% S&P 500 move would equate to a 1% move for the MSCI index) while readings of  $-1$  show a perfect negative correlation (i.e.  $-1\%$  move for the S&P = 1% gain for the rest of the world) and readings of 0 indicate no relationship. The coefficient in 2019 was 0.64 which was the highest since 2012, but still off of the peak from 2011. In other words, 2019 wasn't just a good year for US equities as international markets experienced similarly strong performance that was more competitive with the US relative to recent years.

Looking ahead to the 2020s, we think it's highly unlikely that the US will be able to put up similar numbers as it has versus the rest of the world for the next decade. For the past few months, we've been recommending a shift more into international markets as a mean reversion play. As most investors hope to do, we like to buy low and sell high, and you're certainly buying low now if you're gaining exposure to international equities relative to the US. If your asset allocation has significant domestic exposure and little to no international equity exposure, we think now is an excellent time to make a shift. This doesn't mean to eliminate all domestic exposure, but simply shift some percentage of the total pie from domestic to international.



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Sticking with the script we have highlighted over the past couple of pages, in 2019 the US generally outperformed other international equity markets. Rising over 33% in local currency, the Nasdaq was the second best performing index in the world behind only Chinese small caps which nearly rose 35%. In dollar adjusted terms, the Nasdaq did rise the most. The S&P 500 was likewise a top performer although the Dow and the Russell 2000 actually experienced more middling performance as a number of international markets notched gains of 20% or more. Meanwhile, although there were no losers, Asian equities, namely China H-Shares, Hong Kong, Korea, and Singapore were some of the weakest equity markets in 2019.

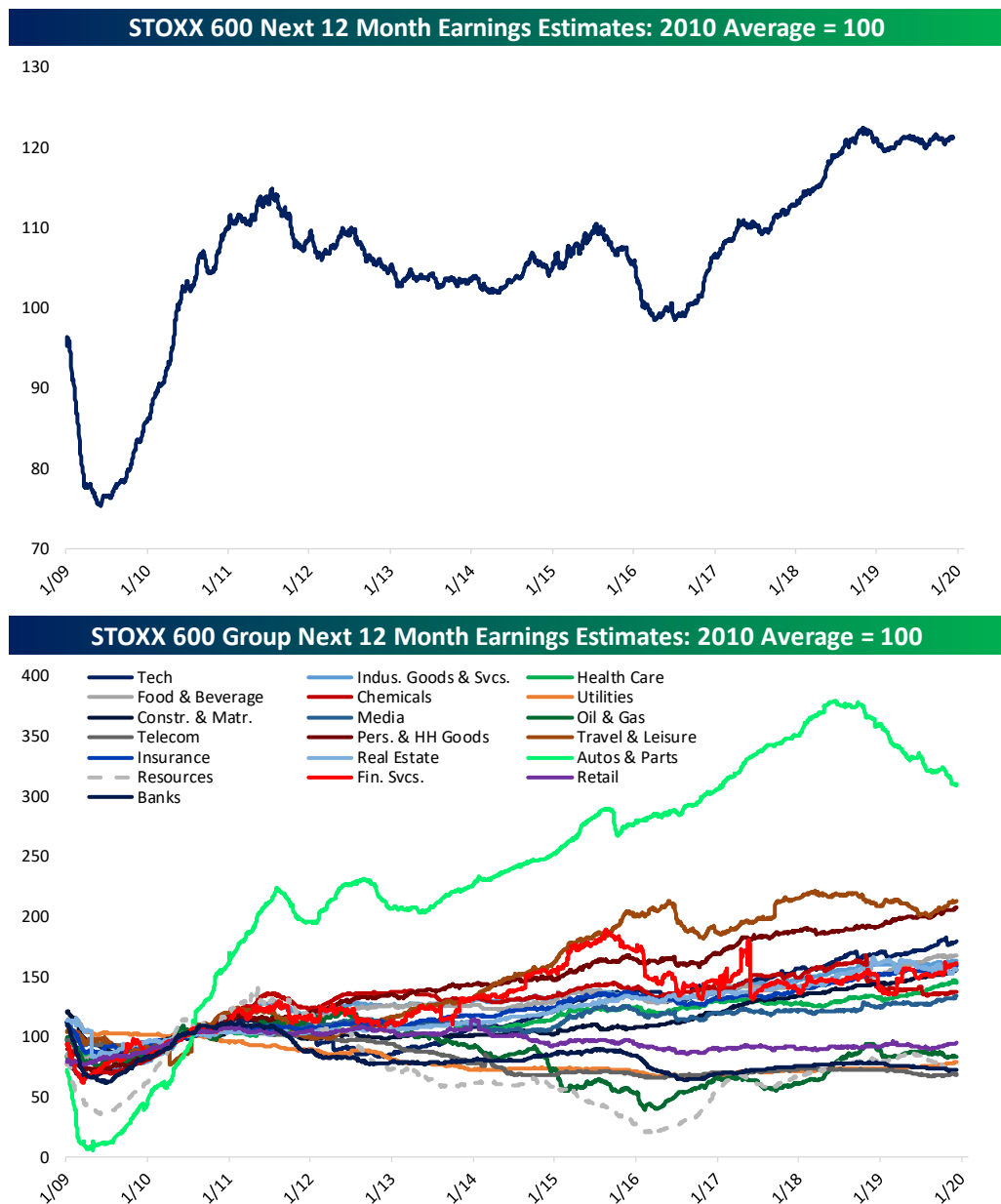
Overall, it was a strong year for equities globally as 20 of the 29 indices shown below are head-out of the year within one percent of their 52-week highs. Hong Kong, China, and Singapore are currently the furthest below their 52-week highs. In regards to trading ranges, pretty much the entire globe is closing out the decade in overbought territory. The equity markets of some of the year's weakest performers like Mexico, the UK, Spain, China, Taiwan, and Korea are even at extremely overbought levels. In terms of valuations, US equities more broadly are some of the most richly valued. Small caps in particular are trading at the highest premium both in the US and China. On the other hand, Chinese equities more broadly are at a deep discount relative to the rest of the world.

Bespoke Global Index Screen: Country, Trading Range, Trend, Fundamentals, Volatility													
Index	Description	Trading Range			% of 52wk High	YTD Local Perf (%)	YTD USD Perf (%)	USD Mkt Cap (\$ bn)	PE	PS	Div. Yield	Real. Vol	Imp. Vol.
		OS	N	OB									
S&P 500	Large Cap				-0.12	27.44	27.44	27,517.3	21.27	2.33	1.85	7.05	9.49
Dow 30	Blue Chip				-0.13	21.28	21.28	8,077.9	19.47	2.10	2.27	7.91	9.69
Nasdaq	Broad Market				-0.08	33.17	33.17	13,670.9	32.69	3.16	1.14	8.38	n/a
Russell 2000	Small Cap				-0.30	22.85	22.85	2,421.9	37.37	1.03	1.67	9.80	12.05
S&P/TSX	Canada				-0.53	18.93	23.50	1,994.7	17.27	1.63	3.15	4.83	n/a
Mexio IPC	Mexico				-1.79	7.55	11.68	290.7	17.42	1.24	2.96	13.50	n/a
IBOVESPA	Brazil				-0.07	28.72	23.10	841.8	17.72	1.61	2.88	13.00	17.37
Stoxx 600	Europe				-0.86	22.88	19.41	12,447.4	20.58	1.33	3.45	10.48	9.32
Stoxx 50	Europe				-0.95	24.68	21.15	3,674.3	20.21	1.31	3.31	10.71	10.12
FTSE 100	UK				-2.33	12.17	15.12	2,636.4	18.25	1.14	4.52	13.32	10.09
DAX	Germany				-1.46	25.27	21.84	1,379.0	24.47	1.03	2.92	10.59	11.67
CAC 40	France				-0.58	26.16	22.59	2,038.3	21.38	1.22	3.16	10.59	10.39
FTSE MIB	Italy				-0.72	29.09	25.56	594.5	14.25	0.78	4.19	12.31	14.69
IBEX 35	Spain				-0.79	12.60	9.41	674.6	15.63	1.24	4.30	12.86	n/a
AEX	Netherlands				-0.97	24.30	20.78	791.1	18.08	1.39	3.24	11.22	10.17
OMX 30	Sweden				-0.54	26.80	20.96	633.0	18.94	1.79	3.54	10.91	10.87
SMI	Switzerland				-0.59	25.45	25.91	1,286.9	24.70	2.27	3.11	9.39	9.55
TOPIX	Japan Broad				-0.50	16.35	17.28	6,036.1	15.79	0.79	2.29	8.41	n/a
Nikkei 225	Japan Large				-0.65	19.58	20.53	3,582.3	19.05	1.14	1.88	11.74	11.84
ASX 200	Australia				-0.61	21.34	18.22	1,412.5	20.31	2.39	4.03	13.68	9.93
NZX 50	New Zealand				-0.28	28.58	26.22	204.6	25.75	2.34	3.22	7.65	n/a
Hang Seng	Hong Kong				-7.91	7.89	8.48	2,327.7	10.87	1.85	3.70	19.29	12.91
H-Shares	China Offshore				-7.21	8.89	9.49	1,691.5	8.82	1.16	3.73	18.66	13.71
Shanghai	China Onshore				-8.25	20.98	18.97	4,838.4	14.42	1.07	2.52	11.24	n/a
Shenzhen	China Smallcap				-4.98	34.83	32.59	3,351.4	35.44	1.83	1.35	14.48	n/a
Taiex	Taiwan				-0.03	24.62	26.19	1,211.1	19.66	1.08	3.73	9.76	12.59
KOSPI	Korea				-2.54	7.53	2.84	1,218.6	17.06	0.56	2.09	13.34	n/a
Straits Times	Singapore				-6.02	4.59	5.21	412.8	12.16	1.82	4.13	9.02	n/a
SENSEX	India				-0.14	15.22	13.13	1,040.5	29.63	2.51	1.42	9.02	9.52



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With international markets lagging US equity markets long-term, it's no surprise that European earnings have lagged. Over the next 12 months, analysts are only expecting earnings per share for the European markets 21% higher than their average 2010 forecast. From 2016 to 2018, analyst forecasts for next 12 month EPS rose steadily but since late 2018 have flat-lined for the aggregate market. What's truly remarkable is that no less than six different groups have NTM EPS forecasts *lower* today than they were (on average) in 2010: Utilities, Oil & Gas, Telecom, Resources, Retail, and Banks. With big chunks of the market growing earnings so slowly for so long, it's really no surprise that the European markets have lagged American indices so badly over the last decade or so.





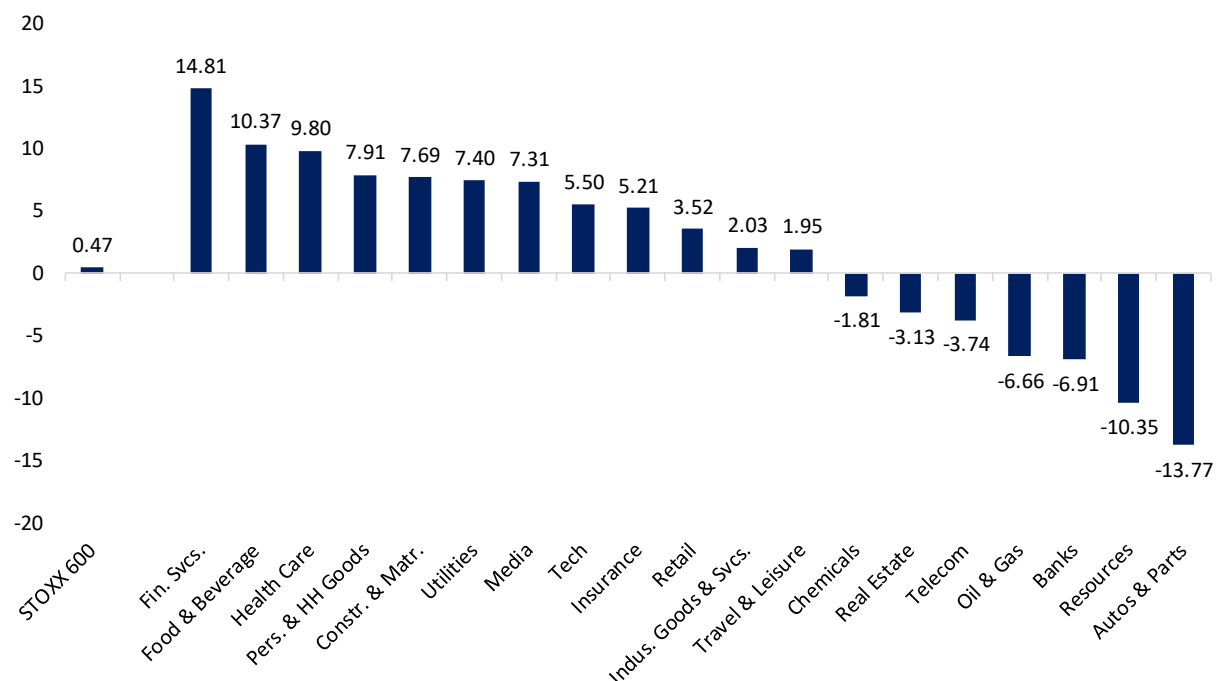
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For the next year, Euro Stoxx 600 analysts' earnings estimates are only about a half percent higher than they were this time last year, with seven different sectors expected to earn lower EPS over the next twelve months than what analysts had penciled in at the end of last year.

Chemicals, Real Estate, Telecoms, Oil & Gas, Banks, Resources, and Autos & Parts are all expected to see EPS shrink relative to year-end 2018 forecasts. Autos & Parts are part of a well-known story of global auto industry contraction driven by Chinese auto sales declines and European auto emissions regulatory changes. Resources and Oil & Gas are both being hit by commodity price declines that have continued to bedevil commodity producers. Banks have started to bottom out with respect to price but between negative rates and impaired loan portfolios the biggest in the space can't get out of their own way. Low earnings growth and low returns on equity remain a major problem for the sector even if solvency isn't a major problem. Chemicals are in a similar position, hit by a weak global cycle and low prices for crude inputs. Finally, Real Estate has to contend with shifts in regulation (Berlin introduced new rent caps, for instance) while Telecoms have similar long-term problems.

On the positive side of the slate, Financial Services doesn't face the same profitability headwinds as the more-regulated banking sector, while staple consumer spending categories like Food & Beverage (including a number of luxury distillers), Health Care, and Media are in good shape. Personal & Household Goods, Media, and Retail are all expected to keep growing earnings as well.

### Estimated Next 12 Month EPS: % Change Versus Estimated NTM EPS As-Of 12/31/18





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The table to the right expands on the matrix from a couple pages ago to show the 2019 year to date performance of 75 country stock market indices around the world. These returns are all in local currency so they do not account for any changes in the dollar. Instead they reflect the returns that an investor in that country would have experienced.

The average country rose 12.23% (median: 12.13%) in 2019 through December 18th. That compares to an average loss of 6.3% at the same time one year ago. Additionally, whereas 81% of countries were lower YTD this time last year, in 2019 83% are up YTD!

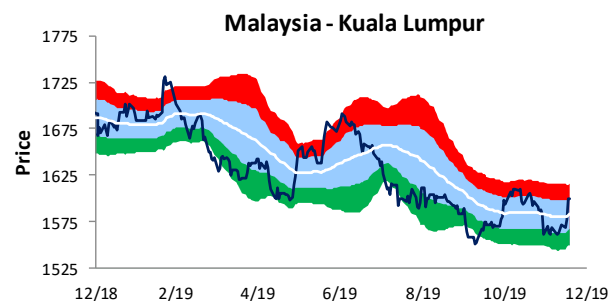
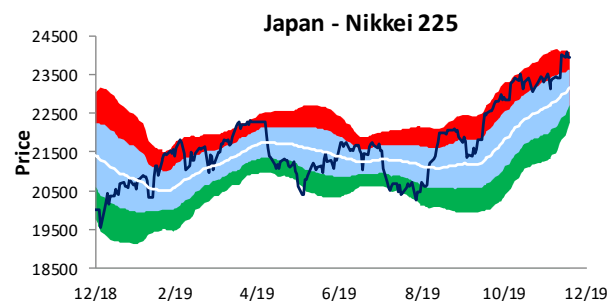
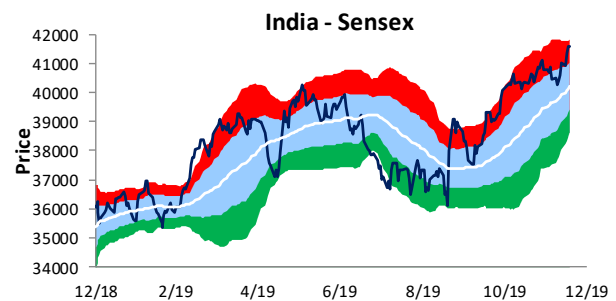
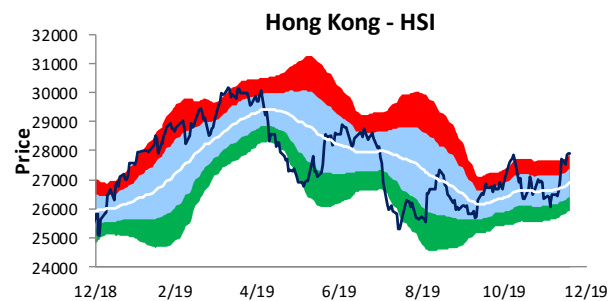
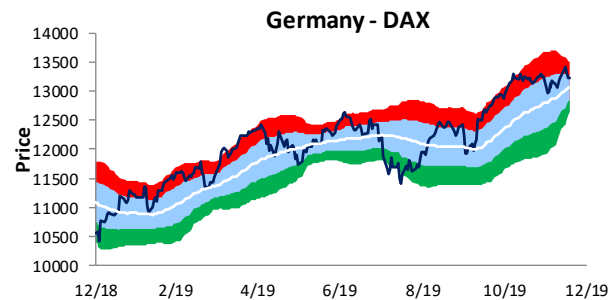
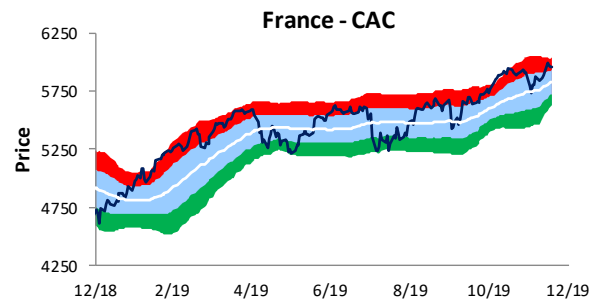
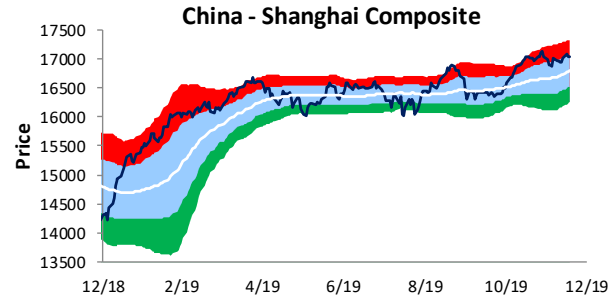
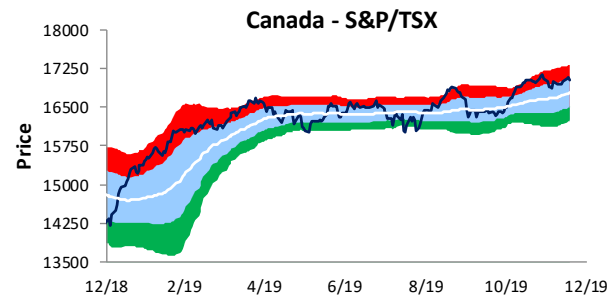
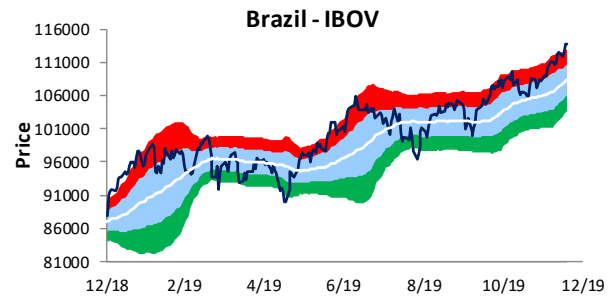
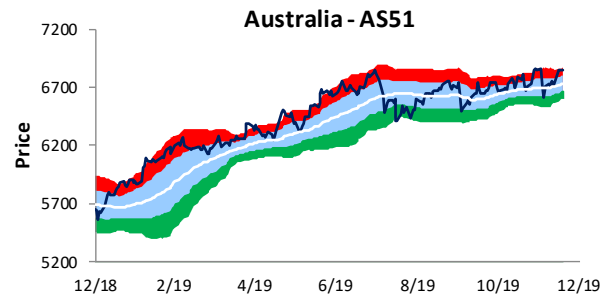
While US has boasted a great year, the best performing country has it beat by around 20 percentage points! After massive declines last year falling over 20%, Greece staged a huge recovery gaining 47.67% this year. The only other country to rise over 40% is Russia. On the other hand, Lebanon is the worst performer with a 22.06% decline. Fortunately, this was the only country to see its stock market decline more than 20%. Other than that there were not many losers in 2019 with only 13 countries down year to date.

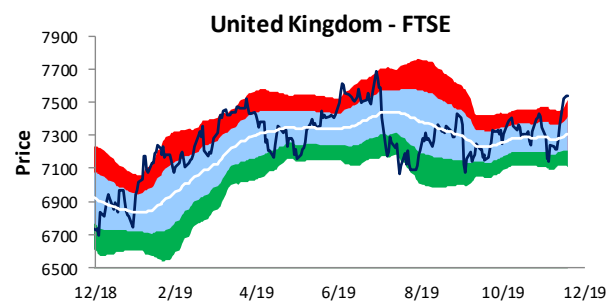
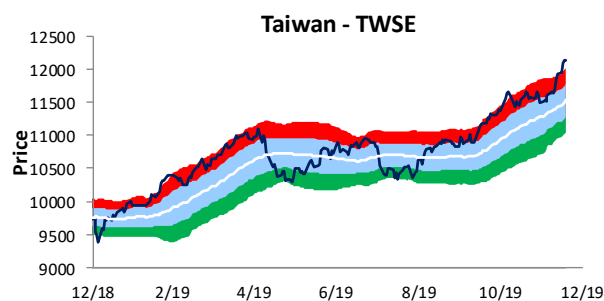
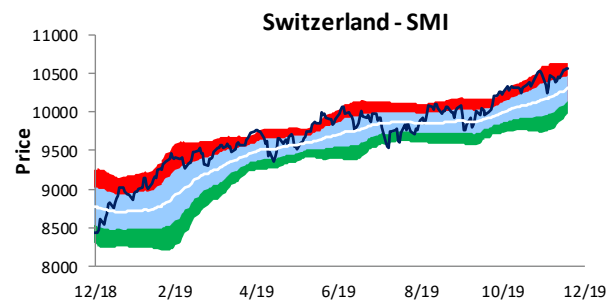
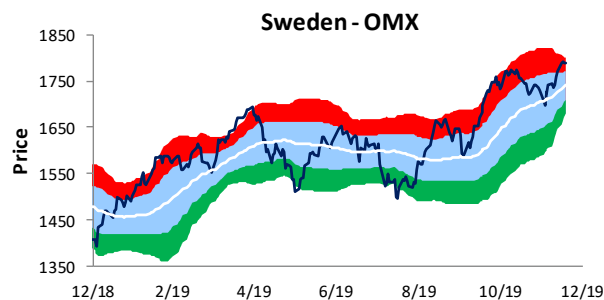
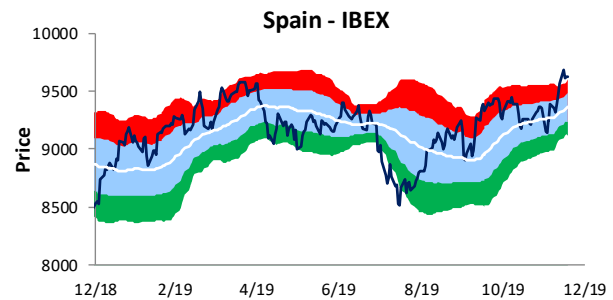
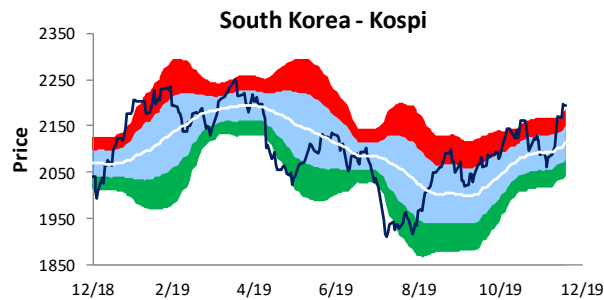
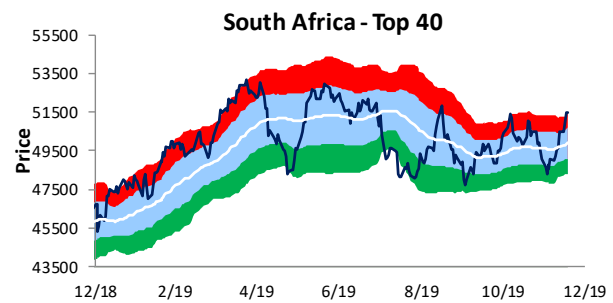
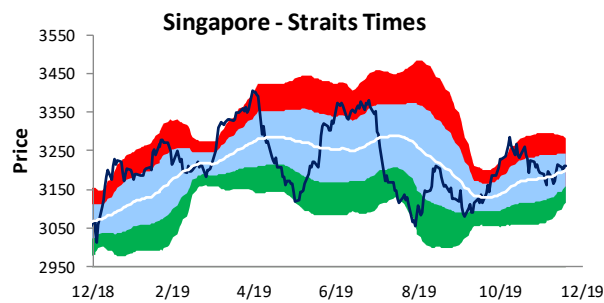
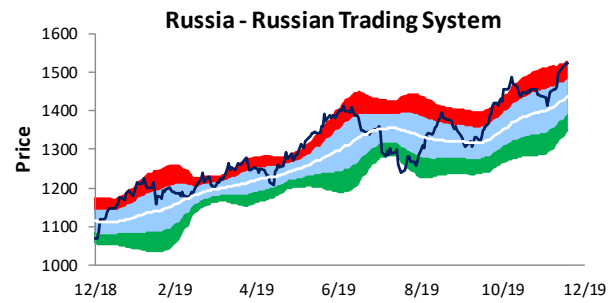
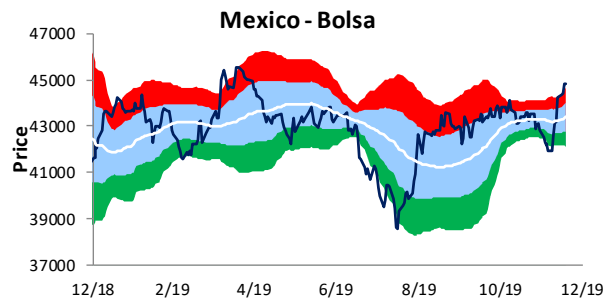
The US was the ninth best performing country. Italy was the only G7 country to outperform the US while Britain's 12.08% gain was the worst of the G7. BRIC countries outperformed the G7 rising 26.89% on average. The best of these was Russia and Brazil while China and India lagged.

On the next two pages, we display trading range charts of a number of these markets and over the course of the following pages we expand further on these global economies and markets.

Country Stock Market YTD % Chg (Local Currency)			
Country	YTD % Chg	Country	YTD % Chg
Greece	47.67	Finland	12.03
Russia	42.46	Latvia	11.60
Romania	34.18	Dubai UAE	10.18
Jamaica	32.01	South Africa	9.54
Ireland	30.27	Estonia	9.20
Italy	28.95	Hong Kong	7.89
Brazil	28.90	Mexico	7.59
New Zealand	28.58	South Korea	7.53
<b>United States</b>	<b>27.43</b>	Serbia	6.61
Sweden	26.92	Vietnam	6.56
Argentina	26.21	Morocco	6.21
France	25.98	Saudi Arabia	5.45
Denmark	25.79	Singapore	4.59
Switzerland	25.24	Peru	4.20
Germany	25.22	Slovakia	3.95
Taiwan	24.62	Abu Dhabi (UAE)	3.66
Netherlands	24.22	Philippines	3.58
Iceland	24.03	Luxembourg	3.26
Belgium	22.32	Namibia	2.48
Bermuda	21.78	Malta	1.88
Australia	21.34	Indonesia	1.50
Israel	21.22	Qatar	0.40
Turkey	21.15	Sri Lanka	0.11
China	20.98	Thailand	-0.01
Portugal	20.14	Mauritius	-3.03
Japan	19.58	Botswana	-4.43
Colombia	19.26	Ecuador	-5.39
Canada	18.82	Malaysia	-5.41
Bahrain	18.43	Poland	-6.36
Hungary	16.65	Chile	-7.77
India	15.22	Bulgaria	-7.81
Croatia	14.89	Oman	-8.80
Lithuania	14.87	Ukraine	-9.02
Austria	14.51	Kenya	-9.20
Spain	12.67	Nigeria	-15.16
Norway	12.57	Lebanon	-22.06
Pakistan	12.24		
Czech Republic	12.13		
Britain	12.08		
<b>G7 Countries</b>		<b>BRICs</b>	











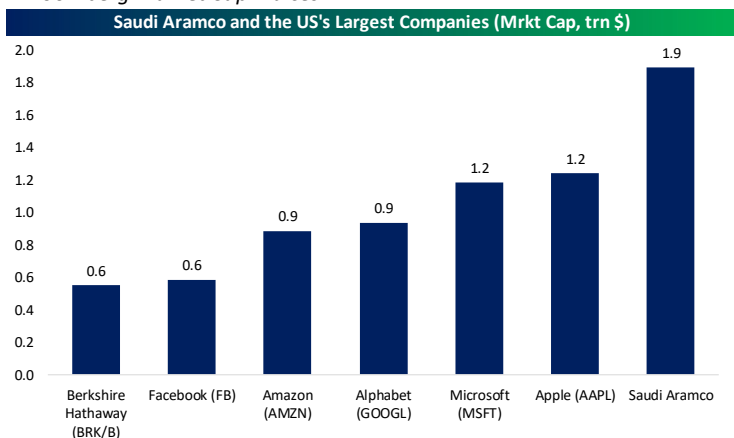
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Although it may not have risen the most in 2019, the US still dominates in terms of the world's stock market cap. Currently making up 39.51% of total global market cap, the rally in 2019 led the US's portion of global equities total valuation to rise 1.53 percentage points since the Q4 2018 sell-off's bottom. Compared to ten years ago, the US's share of global market cap has grown almost ten percentage points. Chinese equity markets are the second largest in the world comprising only 8.35% of total market cap. The next three in the top five—Japan, Hong Kong, and the United Kingdom—actually all saw their percentage of world stock market cap decline the most dramatically since the end of 2018.

One interesting change in 2019 is the rise of Saudi Arabia in terms of its presence in global equities. At the end of last year, the country only held 0.71% of aggregate global market cap, and that was unchanged from the 10 years before that. But toss in the world's biggest company, Saudi Aramco, hitting public markets and that picture changes completely. While Apple (AAPL) and Microsoft (MSFT) fight for the crown of the US's highest valued company, and the only ones with market caps over \$1 trn, Saudi Aramco's market cap tipped over \$2 trillion (USD adjusted) a few days after IPO. This was a major steroid for the country's market cap. Saudi Arabian equities now make up for 2.93% of global market cap moving from the nineteenth largest stock market last year, to the seventh largest this year.

% of World Stock Market Cap by Country*					
Country	Current % World	Q4 2018 Bottom	10 Years Ago	Chg Since Q4 2018 Bottom	10-Yr Chg
<b>United States</b>	<b>39.51</b>	<b>37.99</b>	<b>30.03</b>	<b>1.53</b>	<b>9.49</b>
China	8.35	7.94	6.09	0.41	2.25
Japan	7.32	7.81	7.87	-0.49	-0.55
Hong Kong	6.31	7.02	6.67	-0.71	-0.36
United Kingdom	3.99	4.47	6.43	-0.48	-2.44
France	3.13	3.19	4.15	-0.06	-1.02
Saudi Arabia	2.93	0.71	0.71	2.22	2.22
Canada	2.67	2.67	3.52	0.00	-0.85
Germany	2.63	2.82	3.04	-0.19	-0.41
India	2.49	2.99	2.82	-0.49	-0.32
Switzerland	2.13	2.14	2.35	-0.01	-0.22
South Korea	1.65	2.00	1.77	-0.35	-0.12
Australia	1.60	1.68	2.70	-0.08	-1.10
Taiwan	1.55	1.53	1.53	0.03	0.03
Brazil	1.21	1.21	2.88	0.00	-1.67
Sweden	0.98	0.97	0.97	0.01	0.01
Russia	0.86	0.80	1.07	0.06	-0.20
Netherlands	0.84	0.70	0.72	0.15	0.12
Spain	0.84	0.95	1.72	-0.11	-0.88
Italy	0.78	0.84	1.49	-0.06	-0.71
Thailand	0.61	0.71	0.38	-0.10	0.23
Indonesia	0.60	0.70	0.47	-0.10	0.12
Singapore	0.57	0.70	0.97	-0.13	-0.41
Denmark	0.55	0.56	0.43	-0.01	0.13
South Africa	0.49	0.63	0.86	-0.14	-0.37
Belgium	0.46	0.50	0.55	-0.04	-0.09
Malaysia	0.45	0.56	0.64	-0.11	-0.18
Mexico	0.41	0.47	0.82	-0.07	-0.41
Norway	0.35	0.41	0.55	-0.06	-0.20
Philippines	0.31	0.37	0.18	-0.06	0.13
Finland	0.30	0.35	0.42	-0.05	-0.11
U.A.E	0.29	0.34	0.25	-0.05	0.04
Chile	0.24	0.36	0.51	-0.12	-0.27
Israel	0.22	0.21	0.38	0.01	-0.16
Poland	0.17	0.23	0.33	-0.06	-0.15

\*Bloomberg Market Cap Indices





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In the table below, we show the current dividend yields and key interest rate statistics of 22 of the world's largest economies based on GDP and stock market cap which we also highlight weekly in our [Global Macro Dashboard](#). For those available, we also include 2020 forecasts for the central bank rate and the sovereign 2 and 10 year yields.

When it comes to equities, Russia boasts the highest dividend yield of 6.24% while India is the lowest at 1.19%. The US actually has the second lowest yield of this group at just 1.83%. While Mexico has the highest policy rate at 7.5%, Japan and Switzerland in addition to the ECB countries (France, Germany, Italy, and Spain) are the only countries with negative policy rates.

While it has not been nearly as much of a concern in recent months as it was earlier in the year, yield curves were briefly inverted earlier in 2019. Looking ahead to 2020, the only countries forecasted to have a 2s10s inversion are Hong Kong and Mexico. Granted more broadly the spreads are expected to narrow with the current median global spread at 0.38 versus 0.29 estimated for next year. This is more of a result of yields on the short end of the curve as the median 2 year yield forecast is anticipating a 94 bps decline from current levels versus an 11 bps increase in the median 10 year yield.

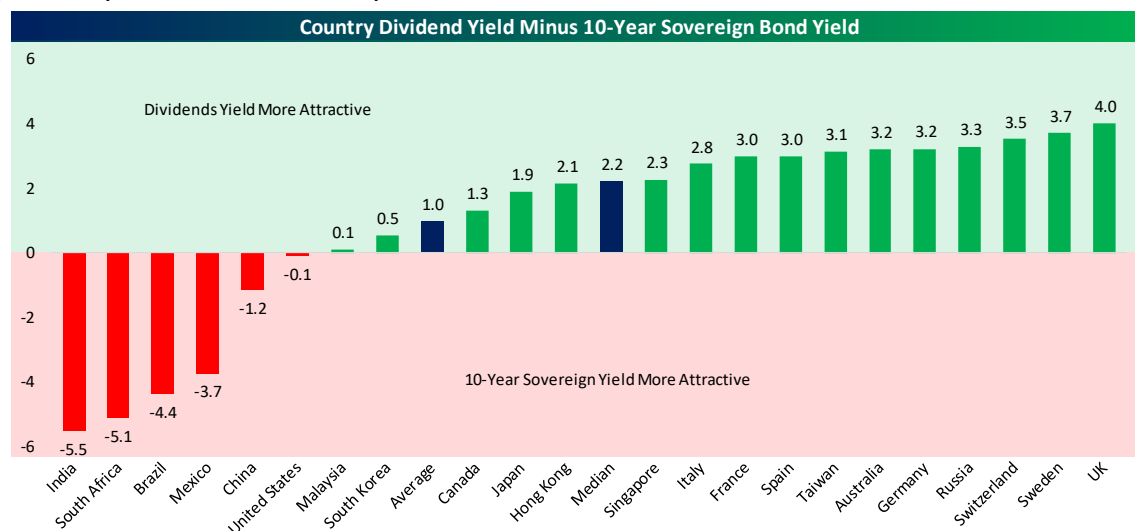
As for central bank rates, with somewhat more hawkish tones recently following easing earlier this year such as the Fed pointing to a pause in rates and the Riksbank bringing rates back up to zero, the global average for policy rates is forecasted to be 2.06% versus 1.92% at the current moment. In other words, as economic conditions are not necessarily forecasted to weaken too dramatically in 2020 (more on that in a couple pages), central banks on average are expected to be slightly less stimulative in the year ahead.

Key Country Interest Rate Statistics										
Country	ETF	2019 Rates (%)					2020 Estimates (%)			
		Dividend Yield	Central Bank Rate	2-Year Yield	10-Year Yield	2/10 Spread	Central Bank Rate	2-Year Yield	10-Year Yield	2/10 Spread
Australia	EWA	4.43	0.75	0.81	1.24	0.43	0.45	0.62	0.96	0.34
Brazil	EWZ	2.80	4.50	5.03	6.96	1.94	4.70	--	6.63	--
Canada	EWC	3.02	1.75	1.73	1.69	-0.03	1.50	1.60	1.69	0.09
China	ASHR	2.28	2.50	2.70	3.24	0.54	4.30	2.17	2.90	0.73
France	EWQ	3.06	-0.50	-0.61	0.05	0.66	0.00	-0.53	-0.09	0.44
Germany	EWG	2.98	-0.50	-0.63	-0.25	0.38	0.00	-0.67	-0.31	0.36
Hong Kong	EWH	3.56	2.00	1.77	1.42	-0.35	--	1.65	1.62	-0.03
India	INP	1.19	5.15	5.79	6.71	0.92	4.75	--	6.50	--
Italy	EWI	4.09	-0.50	-0.07	1.34	1.40	0.00	-0.05	1.17	1.22
Japan	EWJ	1.89	-0.10	-0.12	-0.01	0.11	-0.10	-0.18	-0.06	0.12
Malaysia	EWM	3.47	3.00	3.03	3.41	0.38	2.70	--	3.64	--
Mexico	EWV	3.05	7.50	6.61	6.82	0.21	6.40	6.75	6.67	-0.08
Russia	RSX	6.23	6.25	2.20	2.96	0.75	5.95	--	--	--
Singapore	EWS	3.98	0.20	1.56	1.73	0.17	--	1.60	1.78	0.18
South Africa	EZA	3.96	6.50	6.76	9.10	2.34	6.35	6.99	8.89	1.90
South Korea	EWY	2.14	1.25	1.40	1.61	0.22	1.15	--	1.78	--
Spain	EWP	4.15	-0.50	-0.39	0.43	0.82	0.00	-0.55	0.47	1.02
Sweden	EWD	3.79	0.00	-0.31	0.07	0.38	0.00	-0.30	0.06	0.36
Switzerland	EWL	2.98	-0.75	-0.25	-0.54	-0.29	-0.75	-0.84	-0.55	0.29
Taiwan	EWT	3.80	1.38	0.48	0.67	0.20	1.40	0.50	0.72	0.22
UK	EWU	4.77	0.75	0.52	0.78	0.25	0.75	0.71	0.95	0.24
<b>United States</b>	<b>SPY</b>	<b>1.83</b>	<b>1.56</b>	<b>1.63</b>	<b>1.92</b>	<b>0.29</b>	<b>1.55</b>	<b>1.64</b>	<b>1.93</b>	<b>0.29</b>
Average		3.34	1.92	1.80	2.33	0.53	2.06	1.24	2.25	0.45
Median		3.26	1.32	1.48	1.51	0.38	1.28	0.62	1.62	0.29

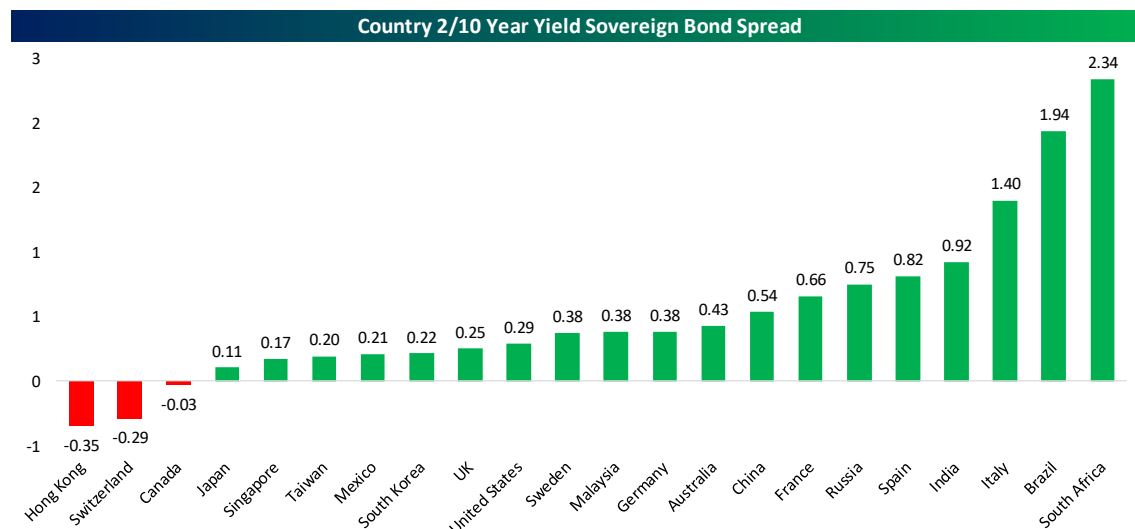


## International Markets

With yields still historically low around the globe, and holding constant the varying levels of risk between stocks and bonds, the dividend yields of a majority of countries still offer investors more than the comparable 10 year yields of the same country. Given the dividend yield of 4.78% and the 0.78% yield on the 10 year Gilt, the United Kingdom currently has the widest spread between the two in favor of stocks. 18 other countries also have higher dividend yields than 10 year yields. The United States is not one of these countries as the 10 year Treasury currently yields 1 bps more than the dividend of the S&P 500. To much more significant degrees, China, Mexico, Brazil, South Africa, and India also all have higher yielding 10 year sovereign bond yields than dividend yields.



Although US Treasuries may currently yield more than the S&P 500's dividend yield, in the summer the opposite held true as bonds were bid up in August. This resulted in the 2s10s yield curve briefly inverting (the 3 month vs 10 year had done so a few months prior). In the return to risk assets since then, the US yield curve has uninverted with the spread between the 2 year and 10 year now standing at 29 bps. Internationally, only Hong Kong, Switzerland, and Canada remain inverted.





## International Markets

In the table below, we show critical economic data of those same 22 global economies. We show what forecasts at the end of last year were predicting for 2019, the current readings, and 2020 forecasts in addition to the probabilities for recession.

At the end of 2018, concerns of a weak global slowdown were rampant but 2019 forecasts for GDP, CPI, and unemployment around the world were now in hindsight overly optimistic. While the actual results of 2019 data did not quite live up to those forecasts—very few countries actually matched or exceeded forecasts—as 2019 progressed, especially in the second half, those concerns did subside as economic data began to firm up (albeit data is still weaker than a couple of years ago) and trade tensions somewhat eased. Mexico and Hong Kong are currently the only countries to have reported contractionary growth of the 22 major global economies highlighted below. In 2020 forecasts are not calling for this negative growth to continue although the global median GDP forecast is lower than current readings with more economies expecting slower (12) than faster (10) GDP growth next year. Inflation is also generally expected to tick up in 2020.

As for analyst's probability of recession, India is the only country to have no probability of recession penciled in while Japan and Mexico are given the highest probability (40%) to fall into recession. South Africa, who by far has the highest unemployment rate at 29.1%, also has an elevated probability recession at 30%. The US also is given a 30% probability as GDP growth is expected to moderate slightly, while CPI and employment are expected to remain stable. Overall, forecasts are not predicting much certainty of a downturn to come.

Key Economic Statistics and Forecasts											
Country	ETF	2019 Forecasts in Dec '18			Current (%)			2020 Forecast (%)			Chance of Recession (%)
		GDP YoY	CPI YoY	Unemp.	GDP YoY	CPI YoY	Unemp.	GDP YoY	CPI YoY	Unemp.	
Australia	EWA	2.8	2.2	5.0	1.7	1.7	5.3	2.4	2.0	5.2	15.0
Brazil	EWZ	2.4	4.1	11.5	1.2	3.3	11.6	2.1	3.5	11.3	10.0
Canada	EWC	1.9	2.0	5.7	1.6	1.9	5.9	1.6	1.9	5.8	25.0
China	ASHR	6.2	2.3	4.0	6.0	4.5	3.6	5.9	2.8	4.0	20.0
France	EWQ	1.6	1.7	8.6	1.4	1.0	8.5	1.2	1.3	8.3	15.0
Germany	EWG	1.6	1.8	4.9	0.5	1.1	3.1	0.7	1.4	5.0	25.0
Hong Kong	EWH	2.5	2.3	3.0	-2.9	3.1	3.2	0.1	2.3	3.2	--
India	INP	7.3	4.2	--	4.5	5.5	8.5	5.6	3.9	--	0.0
Italy	EWI	0.9	1.4	10.4	0.3	0.2	9.7	0.5	0.8	10.0	25.0
Japan	EWJ	1.0	1.1	2.4	1.7	0.2	2.4	0.3	0.8	2.4	40.0
Malaysia	EWM	4.6	2.2	3.4	4.4	1.1	3.2	4.3	1.9	3.5	10.0
Mexico	EWV	2.0	4.1	3.5	-0.3	3.0	3.6	1.2	3.4	3.6	40.0
Russia	RSX	1.5	4.9	4.8	1.7	3.5	4.6	1.6	3.5	4.5	10.0
Singapore	EWS	2.7	1.3	2.1	1.7	0.4	2.3	1.5	1.0	2.3	--
South Africa	EZA	1.5	5.3	27.7	0.1	3.6	29.1	1.1	4.8	28.9	30.0
South Korea	EWY	2.5	1.8	3.9	2.0	0.2	3.6	2.2	1.2	3.9	20.0
Spain	EWP	2.2	1.7	14.0	2.0	0.4	14.2	1.7	1.1	13.5	15.0
Sweden	EWD	2.0	2.1	6.3	1.7	1.8	7.3	1.2	1.6	7.1	15.0
Switzerland	EWL	1.7	1.0	2.5	1.0	-0.1	2.3	1.2	0.5	2.4	22.5
Taiwan	EWT	2.3	1.3	3.7	3.0	0.6	3.7	2.1	1.0	3.7	20.0
UK	EWU	1.5	2.1	4.0	1.0	1.5	3.8	1.0	1.9	4.0	20.0
<b>United States</b>	<b>SPY</b>	<b>2.6</b>	<b>2.2</b>	<b>3.6</b>	<b>2.1</b>	<b>2.1</b>	<b>3.5</b>	<b>1.8</b>	<b>2.1</b>	<b>3.6</b>	<b>30.0</b>
Average		2.51	2.41	6.43	1.66	1.84	6.50	1.88	2.03	6.49	20.38
Median		2.10	2.10	4.00	1.70	1.60	3.76	1.55	1.90	4.00	20.00



## International Markets

Tying this economic data back into these countries' equity markets, below we highlight the ratio of P/E to GDP for each country which is similar to a PEG ratio for an individual stock. Lower ratios are considered more attractive as they indicate a lower price per the country's growth.

China has historically ranked as number one on this list over the years and once again this year it takes the top spot. The country's P/E ratio is relatively low at 14.42 while the estimated 5.9% growth rate gives the country the lower P/E to GDP growth ratio of 2.44. Although the Eastern European country is expected to grow much slower than China in 2020, the 6.68 P/E ratio leaves Russia with the second lowest PEG ratio. Malaysia, India, and South Korea also have notably low PEG ratios. On the other end of the spectrum, Hong Kong's recent economic weakness leaves it with the least attractive PEG ratio alongside the likes of Japan, Germany, and Italy. The United States sits in the middle of the road of these countries with a PEG of 11.8.

Country PEG Ratios				
Country	ETF	Current P/E	Est. 2020 GDP Growth	P/E to GDP Growth
China	ASHR	14.42	5.90	2.44
Russia	RSX	6.68	1.60	4.18
Malaysia	EWM	18.41	4.30	4.28
India	INP	29.63	5.60	5.29
South Korea	EWY	17.06	2.20	7.76
Singapore	EWS	12.16	1.50	8.10
Australia	EWA	20.31	2.40	8.46
Brazil	EWZ	17.91	2.10	8.53
Spain	EWP	15.63	1.70	9.20
Taiwan	EWT	19.66	2.10	9.36
Canada	EWC	17.27	1.60	10.79
<b>United States</b>	SPY	<b>21.25</b>	<b>1.80</b>	<b>11.80</b>
South Africa	EZA	14.55	1.10	13.23
Mexico	EWX	17.54	1.20	14.62
Sweden	EWD	18.96	1.20	15.80
France	EWQ	21.35	1.20	17.79
UK	EWU	18.23	1.00	18.23
Switzerland	EWL	24.66	1.20	20.55
Italy	EWI	14.23	0.50	28.46
Germany	EWG	24.45	0.70	34.93
Japan	EWJ	19.05	0.30	63.49
Hong Kong	EWH	10.87	0.10	108.69
<i>Average</i>		<i>17.92</i>	<i>1.88</i>	<i>19.36</i>
<i>Median</i>		<i>18.07</i>	<i>1.55</i>	<i>11.30</i>