

What Countries Are Hot?

What Should a Momentum Investor Buy Now?

This is the second commentary in a series about the relative attractiveness of different country stock markets. In a previous whitepaper, we looked at using Momentum as a factor when investing across countries, and found it to be effective in generating outperformance vs. the benchmark. The full text can be found [here](#).

Ranking Returns

As investors who are biased towards factor tilts, we thought it would be interesting to look at the relative performance of the 32 countries in our universe based on 3 basic criteria: Trailing 30 Day Return, Trailing 90 Day Return and Trailing 12 months Minus the Recent 30 Day Return. All returns are measured in Local Currency of the respective index.

The table below includes rankings of each country based on each individual factor, as well as a composite rank that is the average of the 3 factor ranks. In addition, just for the sake of completeness, we included the actual measure of trailing 90 Day Return so that readers could see how recent political events are affecting relative returns. This data is as of 3/9/14, and as such, reflects the most recent weakness in Emerging Markets.

Over the past 90 days, Israel is the best performing index, up 20.6%, and Turkey is the worst performing index, down -16.8%. That is a maximum/minimum range of 37.4%. Based on the composite rank, Italy is the hottest market in the world, followed by the US, South Africa, Israel, Canada and Spain. The worst performing markets are Turkey, Brazil, Mexico, Russia and Peru. Indonesia's profile is quite interesting, with very strong returns in the last 90 days, but terrible longer-term performance. Japan shows the exact opposite, with very strong longer-term performance, but very poor near-term returns.

Final Thoughts

Currently, momentum investors should be looking at single-country ETFs that invest in the US (SPY), (IVV), South Africa (EZA), Israel (EIS), Canada (EWC), and Spain (EWP). With the exception of South Africa and Israel, the rest of the countries on this list are relatively expensive. It seems like investors are now being forced to choose between buying countries that have good relative value and poor momentum, or countries with strong momentum that are have more expensive valuations. For the moment, the countries with strong momentum continue to outperform. How long that will last is anyone's guess.

	<u>90 Day</u> <u>Return</u>	<u>30</u> <u>Day</u> <u>Rank</u>	<u>90</u> <u>Day</u> <u>Rank</u>	<u>12 Months</u> <u>- 30 Day</u> <u>Rank</u>	<u>Composite</u> <u>Rank</u>
ITALY	9.77%	5	2	1	1
ISRAEL	23.00%	2	1	9	2
USA	7.32%	8	4	6	3
FRANCE	6.00%	6	8	5	4
SWITZERLAND	6.97%	9	5	7	5
SPAIN	6.89%	13	6	2	5
SWEDEN	9.05%	15	3	11	7
NETHERLANDS	4.54%	20	11	3	8
UNITED					
KINGDOM	5.53%	18	10	8	9
GERMANY	6.50%	26	7	4	10
POLAND	(0.28%)	7	18	12	10
INDONESIA	5.69%	1	9	28	12
SOUTH AFRICA	0.33%	4	15	20	13
INDIA	3.95%	10	12	22	14
CANADA	1.69%	14	13	17	14
AUSTRALIA	(1.17%)	3	20	21	14
MALAYSIA	(1.27%)	12	21	13	17
NORWAY	(0.09%)	19	17	15	18
TAIWAN	0.82%	24	14	14	19
KOREA	(3.21%)	11	24	19	20
JAPAN	0.14%	30	16	10	21
HONG KONG	(0.74%)	22	19	18	22
AUSTRIA	(1.35%)	31	22	16	23
THAILAND	(9.66%)	17	28	26	24
SINGAPORE	(5.27%)	21	27	24	25
CHINA	(4.15%)	27	25	23	26
PERU	(3.07%)	28	23	29	27
MEXICO	(5.26%)	29	26	25	27
TURKEY	(23.85%)	16	32	32	27
BRAZIL	(17.25%)	23	30	30	30
CHILE	(13.88%)	25	29	31	31
RUSSIA	(22.34%)	32	31	27	32

Momentum ranks as of 3.09.14. Source, Accuvest Global Advisors, MSCI

Disclosures:

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