Country Insights

- The **Country Insights™** model, which benchmarks the strength and weaknesses of 174 countries, is a key component of our systematic research, both as a tool for clients to use directly and as an input into country and global thematic research.

- The Model draws on the National Balance Sheet approach for each country, exploring over 200 key variables to help clients identify opportunities and risks.

- The standard Country Insights Model has four pillars:
  - **Pillar I: External Adjustment Capacity**
  - **Pillar II: Institutional Robustness**
  - **Pillar III: Growth Potential**
  - **Pillar IV: Social Inclusion**

- In addition to the standard model, users can develop **custom indicators** by selecting a relevant set of scores from the Model.
Turning country risk from art into science...

We observe the past

We score the data using proprietary complex algorithms

Combining different scores to create indicators and country rankings

Combining systematic views with macro views identifying country risks and opportunities

Cross-country dashboard
Thematic Exposure
Under-appreciated investment opportunities

HCombines systematic views with macro views identifying country risks and opportunities

Sovereign Risk
Country Strength
Total indebtedness
Social, institutional and regulatory risk
Banking risk and opportunity
A country’s economic growth potential

Over 200 data series (per country)
Over 2500 data points (per country)
Cross-country-comparable sources such as IMF, World Bank
Scores reviewed quarterly

Turns data into critical factors
Captures interaction of factors
Standardises scoring

Scores reviewed quarterly
Model Structure

Country Strength Index

Investment Attractiveness Index

Sovereign Risk Index

External adjustment capacity pillar
- Macro-financial adjustment capacity
- External indebtedness
- Current account
- Reserve buffer
- Trade vulnerability

Robustness of institutions pillar
- Strength of monetary policy
- Strength of fiscal policy
- Total indebtedness
- Banking sector
- Domestic political risk
- International political risk
- Political institutions

Growth and adaptability pillar
- Demography
- Human resource potential
- Innovation and technology
- Infrastructure
- Business environment

Social inclusion pillar
- Living standards
- Health
- Basic education
- Safety
- Satisfaction
- Inequality
- Perceived deprivation
How do clients use Country Insights

Both discretionary and systematic investors and risk managers can use Country Insights in the following ways

• **Research tool**: Identify strengths and vulnerabilities of a country or group of countries across a wide range of economic, social and political factors.

• **Thematic dashboard**: Monitor country exposures to specific macro shocks, e.g. Fed normalization, Chinese slowdown, oil price volatility

• **Country quality measure in a systematic asset allocation process**: Build signals can help investors avoid countries that are at risk of crisis and identify those with strong fundamentals.
We identify four potential global effects from Trump’s stated campaign promises, and map the impact on a range of EM countries to identify which are most exposed.

Assumptions: Trump’s campaign promises, if enacted, would lead to higher borrowing costs on external debt, weaker exports to the U.S. and lower remittances (in USD terms) from the U.S. for many countries, as well as weaker global trade overall.
Model Output

Measuring European Trade and Financial Linkages With the UK
(0 = high exposure, 10 = low exposure)
Systematic scoring in action – Sovereign risk in the Eurozone

- Finland (6.7)
- Austria (5.9)
- Germany (5.8)
- Belgium (5.8)
- Netherlands (5.7)
- Ireland (5.6)
- Italy (5.5)
- France (5.3)
- Portugal (5.3)
- Greece (5.2)

Lowest risk

- Estonia (6.6)
- Slovakia (6.5)
- Germany (6.3)
- Germany (6.2)
- Finland (6.4)
- Slovenia (6.1)
- Slovenia (6.0)
- Austria (5.9)
- Austria (5.8)
- Finland (5.8)
- Italy (5.6)

Highest risk

- Spain (5.1)
- Portugal (5.0)
- Greece (4.0)
- Portugal (4.0)
- Greece (4.0)

Systematic scoring in action – Sovereign risk in the Eurozone

- Sep 2005
- Sep 2006
- Sep 2007
- Sep 2008
- Sep 2009
- Sep 2010
- Jun 2011
- Jun 2012
- Dec 2012

Dec 2012

5.0

Spain (5.0)
Model Output: Bespoke Project

AON Risk Map

- **Customized risk indicators;** identify Political, Institutional and Economic risks in more obscure countries (e.g. American Samoa)
• Contact the CI Team
• Excel files
• BBG Add-in
• Data View