

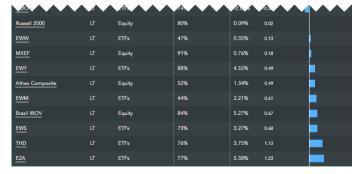


## 24.02.2022

## **Prisoners of Geography**

- It is no surprise that the <u>Russian MOEX</u> is the standout in our watchlist of Global Equity indices. The conflict has taken it 5.2 standard deviations below macro fair value.
- But otherwise the striking feature in the list below is the split between Developed & Emerging markets. The 10 markets cheapest to macro are all DM, mainly European. Presumably reflecting where the armed conflict is taking place, & a snap reaction from markets based on which Western economies potentially suffer from sanctions almost as much as their Russian targets.





- The 10 richest models have a strong EM bias. South Africa <u>EZA</u> & <u>Brazil</u> could represent their status as commodity plays. Note macro model value is moving sideways rather than trending lower.
- The three rich DM markets include Singapore <u>EWS</u> & South Korea <u>EWY</u> where presumably geographical distance helps. <u>Greece</u> is not in regime but, to date, macro model value has not been declining. Mainly because it's less reliant on low VIX versus other EU indices, & the fact it's comfortable with rising real rates.

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