DATA UPDATE 4 FOR 2026: SPANNING THE GLOBE

Country Risk and Currencies!

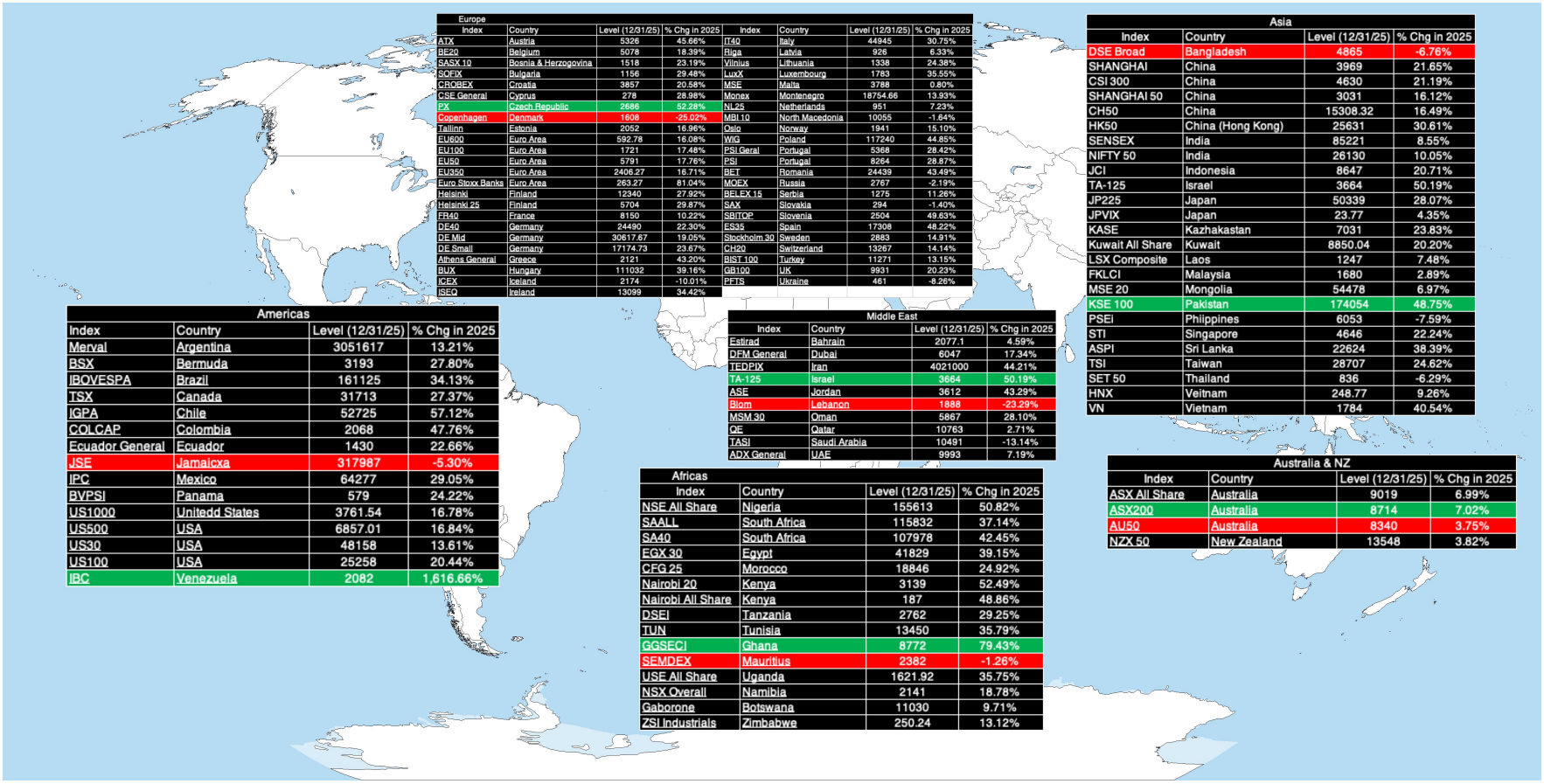
LOOKING OUTWARDS!

- If you have read my first two data updates, I won't blame you if you skip this one, because you found them long and boring, or if you viewed them as too US-focused, because I did spend my second data update, **looking at US equities, and my third, examining US treasuries and the US dollar.**
- In this post, I widen my data analysis to bring in the rest of the world, starting with a journey through **global equity markets** in 2025, before **creating a snapshot of country risk at the start of 2026** and finishing by looking at interest rate **differences across currencies.**

GLOBALIZATION AND ITS BACKLASH!

- I am not a political or a macroeconomic analyst, but a significant portion of what we have seen in terms of global politics and economics in this century can be attributed first to the **rise of globalization** as an almost unstoppable force, and later to the **backlash to it.**
- The **2008 financial market crisis** broke the globalization spell, exposing the weakness of its architects and provoking a backlash from those left behind.
- That backlash has **not only upended the political order** in the developed world, with both Europe and the United States seeing changes in the power structure, but also **brought nationalist parties to power** in many emerging market countries.

GLOBAL EQUITIES IN 2025, IN LOCAL CURRENCIES..



Europe

Index	Country	Level (12/31/25)	% Chg in 2025	Index	Country	Level (12/31/25)	% Chg in 2025
ATX	Austria	5326	45.66%	IT40	Italy	44945	30.75%
BE20	Belgium	5078	18.39%	Riga	Latvia	926	6.33%
SASX 10	Bosnia & Herzogovina	1518	23.19%	Vilnius	Lithuania	1338	24.38%
SOFIX	Bulgaria	1156	29.48%	LuxX	Luxembourg	1783	35.55%
CROBEX	Croatia	3857	20.58%	MSE	Malta	3788	0.80%
CSE General	Cyprus	278	28.98%	Monex	Montenegro	18754.66	13.93%
PX	Czech Republic	2686	52.28%	NL25	Netherlands	951	7.23%
Copenhagen	Denmark	1608	-25.02%	MBI 10	North Macedonia	10055	-1.64%
Tallinn	Estonia	2052	16.96%	Oslo	Norway	1941	15.10%
EU600	Euro Area	592.78	16.08%	WIG	Poland	117240	44.85%
EU100	Euro Area	1721	17.48%	PSI Geral	Portugal	5368	28.42%
EU50	Euro Area	5791	17.76%	PSI	Portugal	8264	28.87%
EU350	Euro Area	2406.27	16.71%	BET	Romania	24439	43.49%
Euro Stoxx Banks	Euro Area	263.27	81.04%	MOEX	Russia	2767	-2.19%
Helsinki	Finland	12340	27.92%	BELEX 15	Serbia	1275	11.26%
Helsinki 25	Finland	5704	29.87%	SAX	Slovakia	294	-1.40%
FR40	France	8150	10.22%	SBITOP	Slovenia	2504	49.63%
DE40	Germany	24490	22.30%	ES35	Spain	17308	48.22%
DE Mid	Germany	30617.67	19.05%	Stockholm 30	Sweden	2883	14.91%
DE Small	Germany	17174.73	23.67%	CH20	Switzerland	13267	14.14%
Athens General	Greece	2121	43.20%	BIST 100	Turkey	11271	13.15%
BUX	Hungary	111032	39.16%	GB100	UK	9931	20.23%
ICEX	Iceland	2174	-10.01%	PETS	Ukraine	481	-8.26%
ISEQ	Ireland	13099	34.42%				

Asia

Index	Country	Level (12/31/25)	% Chg in 2025
DSE Broad	Bangladesh	4865	-6.76%
SHANGHAI	China	3969	21.65%
CSI 300	China	4630	21.19%
SHANGHAI 50	China	3031	16.12%
CH50	China	15308.32	16.49%
HK50	China (Hong Kong)	25631	30.61%
SENSEX	India	85221	8.55%
NIFTY 50	India	26130	10.05%
JCI	Indonesia	8647	20.71%
TA-125	Israel	3664	50.19%
JP225	Japan	50339	28.07%
JPVIX	Japan	23.77	4.35%
KASE	Kazhakastan	7031	23.83%
Kuwait All Share	Kuwait	8850.04	20.20%
LSX Composite	Laos	1247	7.48%
FKLCI	Malaysia	1680	2.89%
MSE 20	Mongolia	54478	6.97%
KSE 100	Pakistan	174054	48.75%
PSEi	Philippines	6053	-7.59%
STI	Singapore	4646	22.24%
ASPI	Sri Lanka	22624	38.39%
TSI	Taiwan	28707	24.62%
SET 50	Thailand	836	-6.29%
HNX	Veitnam	248.77	9.26%
VN	Vietnam	1784	40.54%

Americas

Index	Country	Level (12/31/25)	% Chg in 2025
Merval	Argentina	3051617	13.21%
BSX	Bermuda	3193	27.80%
IBOVESPA	Brazil	161125	34.13%
TSX	Canada	31713	27.37%
IGPA	Chile	52725	57.12%
COLCAP	Colombia	2068	47.76%
Ecuador General	Ecuador	1430	22.66%
JSE	Jamaicxa	317987	-5.30%
IPC	Mexico	64277	29.05%
BVPSI	Panama	579	24.22%
US1000	Unitedd States	3761.54	16.78%
US500	USA	6857.01	16.84%
US30	USA	48158	13.61%
US100	USA	25258	20.44%
IBC	Venezuela	2082	1,616.66%

Middle East

Index	Country	Level (12/31/25)	% Chg in 2025
Estirad	Bahrain	2077.1	4.59%
DFM General	Dubai	6047	17.34%
TEDPIX	Iran	4021000	44.21%
TA-125	Israel	3664	50.19%
ASE	Jordan	3612	43.29%
Blom	Lebanon	1888	-23.29%
MSM 30	Oman	5867	28.10%
QE	Qatar	10763	2.71%
TASI	Saudi Arabia	10491	-13.14%
ADX General	UAE	9993	7.19%

Africas

Index	Country	Level (12/31/25)	% Chg in 2025
NSE All Share	Nigeria	155613	50.82%
SAALL	South Africa	115832	37.14%
SA40	South Africa	107978	42.45%
EGX 30	Egypt	41829	39.15%
CFG 25	Morocco	18846	24.92%
Nairobi 20	Kenya	3139	52.49%
Nairobi All Share	Kenya	187	48.86%
DSEI	Tanzania	2762	29.25%
TUN	Tunisia	13450	35.79%
GGSECI	Ghana	8772	79.43%
SEMDEX	Mauritius	2382	-1.26%
USE All Share	Uganda	1621.92	35.75%
NSX Overall	Namibia	2141	18.78%
Gaborone	Botswana	11030	9.71%
ZSI Industrials	Zimbabwe	250.24	13.12%

Australia & NZ

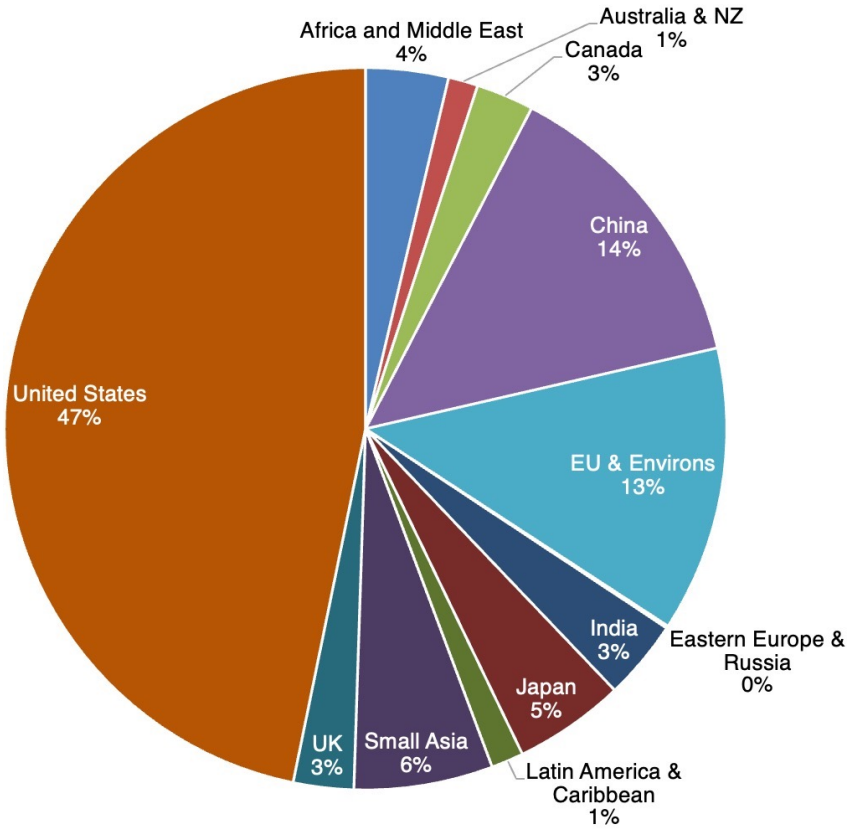
Index	Country	Level (12/31/25)	% Chg in 2025
ASX All Share	Australia	9019	6.99%
ASX200	Australia	8714	7.02%
AU50	Australia	8340	3.75%
NZX 50	New Zealand	13548	3.82%

REGIONAL EQUITIES IN US $ TERMS!

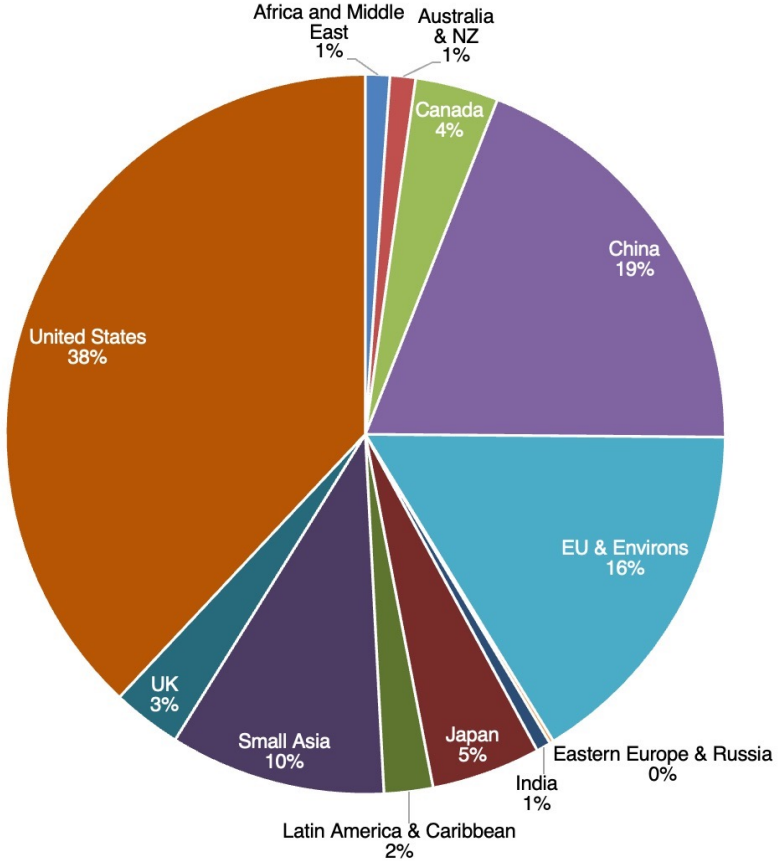
		Market Capitalization					% Chg in Market Capitalization				All of 2025	
Sub Group	# firms	12/31/24	3/31/25	6/30/25	9/30/25	12/31/25	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	$ Change	% Change
Africa and Middle East	2,555	$5,229,701	$5,206,692	$5,238,923	$5,458,426	$5,518,209	-0.44%	0.62%	4.19%	1.10%	$288,508	5.52%
Australia & NZ	1,702	$1,674,438	$1,625,972	$1,862,993	$1,968,618	$1,976,650	-2.89%	14.58%	5.67%	0.41%	$302,212	18.05%
Canada	2,576	$2,867,174	$2,883,039	$3,280,400	$3,583,749	$3,853,912	0.55%	13.78%	9.25%	7.54%	$986,739	34.42%
China	7,775	$15,532,353	$16,183,728	$17,235,582	$20,120,656	$20,574,298	4.19%	6.50%	16.74%	2.25%	$5,041,945	32.46%
EU & Environs	5,649	$14,833,102	$16,000,258	$17,694,109	$18,203,526	$19,081,368	7.87%	10.59%	2.88%	4.82%	$4,248,266	28.64%
Eastern Europe & Russia	439	$110,329	$121,117	$132,565	$148,141	$157,119	9.78%	9.45%	11.75%	6.06%	$46,791	42.41%
India	5,170	$5,164,032	$4,837,921	$5,368,892	$5,107,155	$5,334,871	-6.32%	10.98%	-4.88%	4.46%	$170,839	3.31%
Japan	3,965	$6,113,619	$6,103,650	$6,789,230	$7,227,827	$7,406,131	-0.16%	11.23%	6.46%	2.47%	$1,292,513	21.14%
Latin America & Caribbean	980	$1,583,781	$1,669,789	$1,886,420	$2,018,448	$2,162,227	5.43%	12.97%	7.00%	7.12%	$578,446	36.52%
Small Asia	10,367	$6,719,876	$6,326,156	$7,513,026	$8,361,889	$9,273,403	-5.86%	18.76%	11.30%	10.90%	$2,553,527	38.00%
UK	984	$3,209,469	$3,422,553	$3,684,861	$3,842,259	$4,027,733	6.64%	7.66%	4.27%	4.83%	$818,264	25.50%
United States	5,994	$59,752,305	$56,683,812	$62,944,112	$68,374,820	$69,772,850	-5.14%	11.04%	8.63%	2.04%	$10,020,545	16.77%
Global	48,156	$122,790,179	$121,064,688	$133,631,113	$144,415,512	$149,138,771	-1.41%	10.38%	8.07%	3.27%	$26,348,593	21.46%

WORLD EQUITIES IN 2025: A PAIR OF PIE CHARTS!

Market Cap in US $ on 12/31/25



Change in $ market capitalization in 2025



A LESSON ON INTERNATIONAL DIVERSIFICATION!

- For much of this century, **an investor invested entirely in US stocks would have outperformed one who followed the textbook advice to diversify globally**.
- While that may look sound on an empirical basis, the truth is that **two decades is not a long time period in stock market history** and that you can have extended market runs that look permanent when they are not.
- As multinationals displace domestic companies, **the payoff to international diversification has become smaller over time**; buying the S&P 500 would have bought your exposure to the global economy, since the companies in the index, while incorporated in the US, get almost 60% of their revenues in the rest of the world.
- The underperformance of the US, relative to the rest of the world, in 2025 should be a **reminder that international diversification still belongs in the toolkit for a prudent investor**.

COUNTRY RISK: DRIVERS

Political Structure

- The degree of political freedom/democracy affects business risk, but the effects can cut both ways (good and bad).
- Democracies expose businesses to more continuous risk, as laws and regulations can change, when elections create government changes.
- Authoritarian regimes often offer the promise of predictability, and less risk on a period-to-period basis, but face more discontinous risk, since regime change is often violent and significantly disruptive.

Corruption

- Corruption operates as a hidden tax, reducing profitability and value for private businesses
- Businesses operating in corrupt locales face a choice of either accepting corruption as part of the cost of doing business or operating at a disadvantage to competitors who are less scruplous.

Country Risk

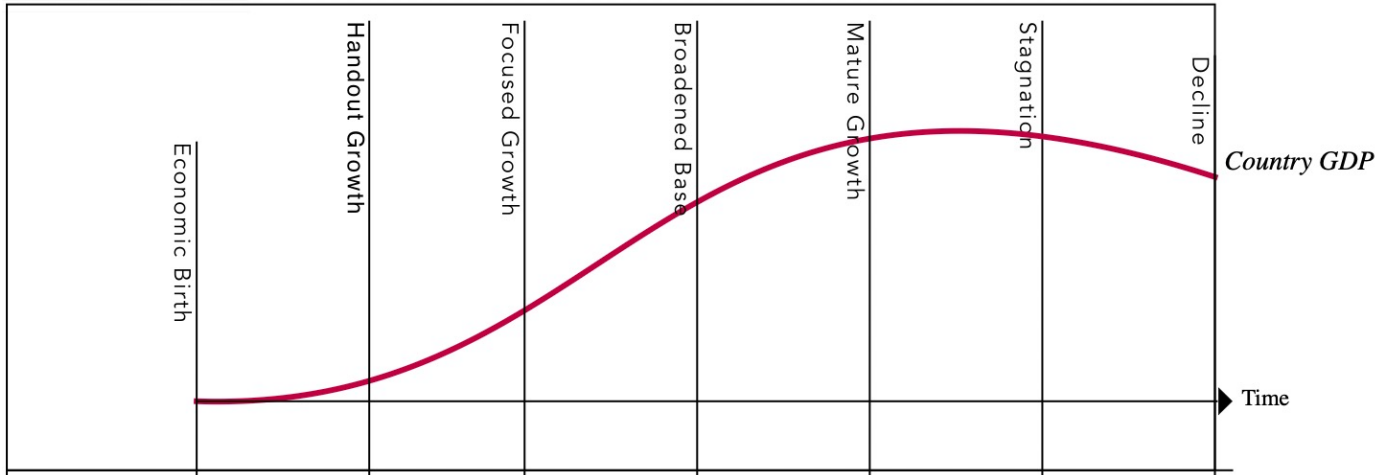
War & Violence

- Operating a business in a country that is more exposed to violence, from war, terrorism or internal strife, is more difficult than operating that business in a more peaceful environment.
- Businesses will face higher costs in operations and/ or from trying to insure themselves against violence.

Legal & Property Rights

- The value of a private business is dependent on a legal system that respects property rights and enforces those rights.
- In a country where there are no or weak property rights or that has a legal system that does not enforce those rights, businesses face more risks and have less value.
- Timeliness in enforcing legal rights matters as much as the due process, since rights not enforced in a timely manner provide weak protection.

AND A LIFE CYCLE PERSPECTIVE!

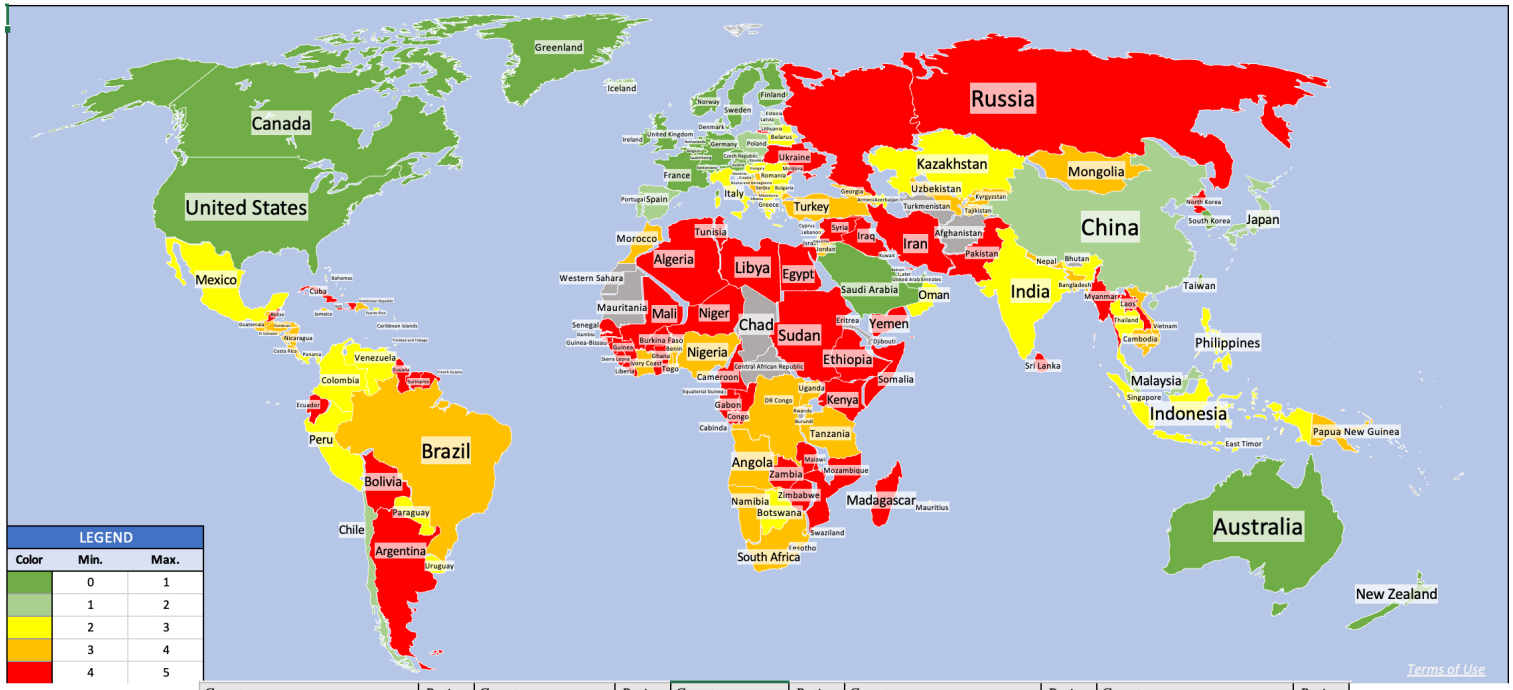


Country Lifecycle	**Bootstrap**	**Focused Growth**	**Broadened Growth**	**Mature Growth**	**Stability**	**Decline**
Government Effect on Economy	Government actions/ inacctions can make or break economy & players in it.		Government policy effects on economy decline, and become more marginal to businesses.		Government choices can affect speed & magnitude of decline, and sharing of pain.	
Economic Cycles	Economy tends to swing wildly from high growth to big pullbacks, with high net growth across cycles .		Economic cycles become more muted, with booms creating less growth & recessions less pain, with growth moderating.		Economic cycles remain muted, but trajectory for growth levels off and becomes negative.	
Country Narrative	Country narrative is central to success, dominating company or investment characteristics.		Company narrative becomes more critical to success, with country narative becoming secondary..		Country narrative stays secondary, but acquires more importance in determining investment success.	
Uncertainty about Future	Uncertainty about growth trajectory is greatest, with no history to fall back on, when forecasting the future.		Uncertainty decreases as economy takes form. Historical data on the economy adds to predictability.		Uncertainty increases again, and historical data becomes less and less useful in forecasting, i.e., mean reversion stops working.	

IMPLICATIONS OF LIFE CYCLE PERSPECTIVE!

- **Young economies have higher growth potential, but that higher economic growth comes with more risk** (more volatile economies) and require more robust governance to deliver on their promise.
- As **economies age, they face a period of lower growth, albeit with more economic stability**, and governance matters less, effectively become mature (middle aged) economies.

  There is a third phase, where **a country's economy hits walls, and growth can stagnate or even become negative,** driven partly by a loss of competitive edge and partly by aging populations.
- In each of these phases, **countries often overreach**, with young countries aspiring for the stability of middle age, while trying to grow at double-digit rates, and mature companies, seeking to rediscover high growth.



LEGEND		
Color	Min.	Max.
	0	1
	1	2
	2	3
	3	4
	4	5

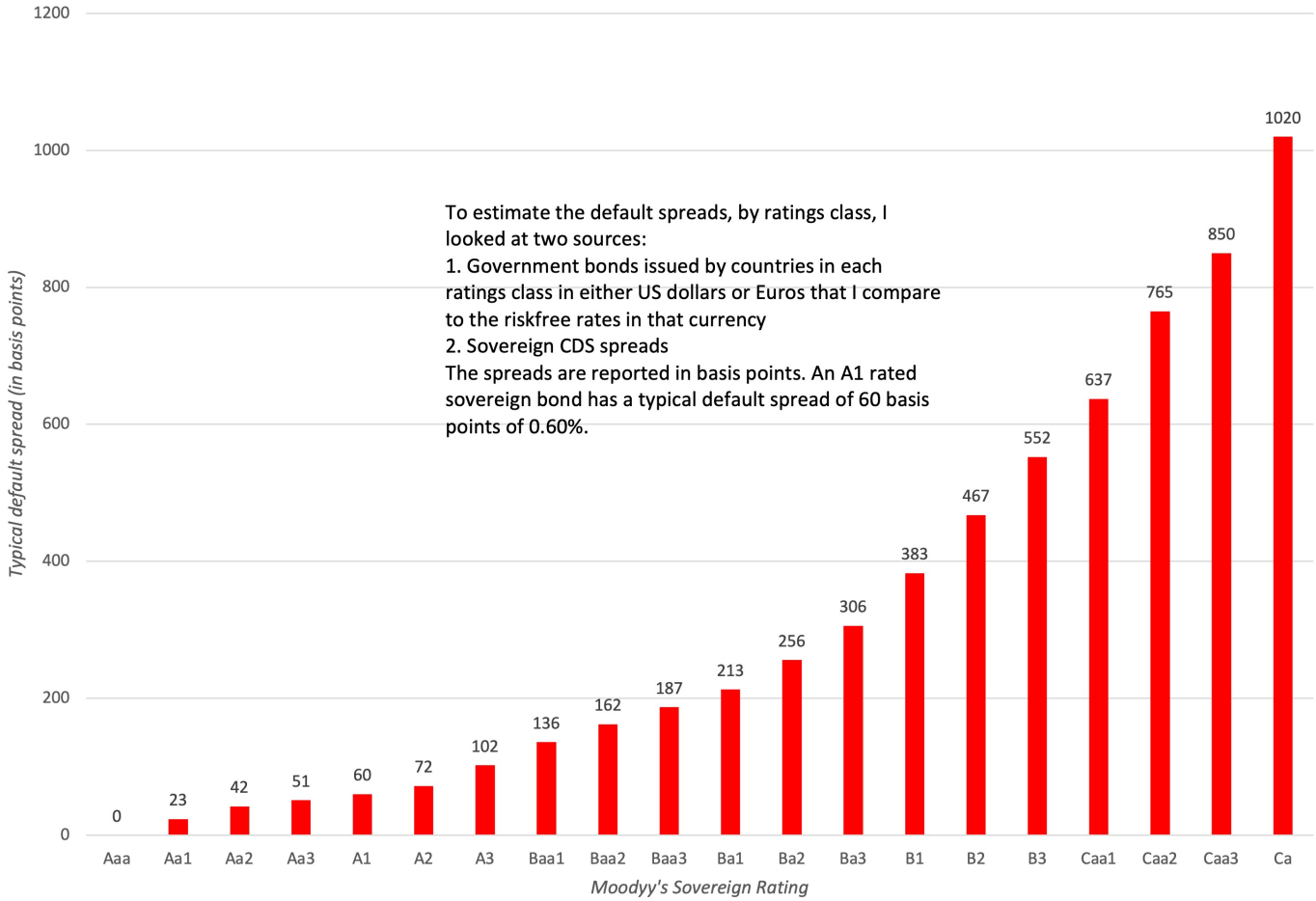
Country	*Rating*	*Country*	*Rating*	*Country*	*Rating*	*Country*	*Rating*	*Country*	*Rating*
Abu Dhabi	Aa2	Congo (Republic of)	Caa2	Iran	NR	Morocco	Ba1	South Korea	Aa2
Albania	Ba3	Cook Islands	B1	Iraq	Caa1	Mozambique	Caa3	Spain	A3
Algeria	NR	Costa Rica	Ba2	Ireland	Aa3	Myanmar	NR	Sri Lanka	Ca
Andorra (Principality of)	Baa1	Croatia	A3	Isle of Man	Aa3	Namibia	B1	St. Maarten	Ba2
Angola	B3	Cuba	Ca	Israel	Baa1	Nepal	Ba3	St. Vincent & the Grenadines	B3
Anguilla	NR	Curaçao	NR	Italy	Baa2	Netherlands	Aaa	Sudan	NR
Antigua & Barbuda	NR	Cyprus	A3	Ivory Coast	Ba2	Netherlands Antilles	NR	Suriname	Caa1
Argentina	Caa1	Czech Republic	Aa3	Jamaica	Ba3	New Zealand	Aaa	Swaziland	B2
Armenia	Ba3	Denmark	Aaa	Japan	A1	Nicaragua	B2	Sweden	Aaa
Aruba	Baa3	Dominican Republic	Ba2	Jersey (States of)	Aa3	Niger	Caa3	Switzerland	Aaa
Australia	Aaa	Ecuador	Caa3	Jordan	Ba3	Nigeria	B3	Syria	NR
Austria	Aa1	Egypt	Caa1	Kazakhstan	Baa1	Norway	Aaa	Taiwan	Aa3
Azerbaijan	Baa3	El Salvador	B3	Kenya	Caa1	Oman	Baa3	Tajikistan	B3
Bahamas	B1	Estonia	A1	Korea, D.P.R.	NR	Pakistan	Caa1	Tanzania	B1
Bahrain	B2	Ethiopia	Caa2	Kuwait	A1	Palestinian Authority	NR	Thailand	Baa1
Bangladesh	B2	Falkland Islands	NR	Kyrgyzstan	B3	Panama	Baa3	Togo	B3
Barbados	B2	Fiji	B1	Laos	Caa2	Papua New Guinea	B2	Trinidad &' Tobago	Ba2
Belarus	C	Finland	Aa1	Latvia	A3	Paraguay	Baa3	Tunisia	Caa1
Belgium	Aa3	France	Aa3	Lebanon	C	Peru	Baa1	Turkey	B1
Belize	Caa1	French Guiana	NR	Liberia	NR	Philippines	Baa2	Turks & Caicos Islands	NR
Benin	B1	Gabon	Caa2	Libya	NR	Poland	A2	Uganda	B3
Bermuda	A2	Gambia	NR	Liechtenstein	Aaa	Portugal	A3	Ukraine	Ca
Bolivia	Ca	Georgia	Ba2	Lithuania	A2	Qatar	Aa2	United Arab Emirates	Aa2
Bosnia and Herzegovina	B3	Germany	Aaa	Luxembourg	Aaa	Ras Al Khaimah (Emirate of)	A3	United Kingdom	Aa3
Botswana	Baa1	Ghana	Caa1	Macau	Aa3	Reunion	NR	United States	Aa1
Brazil	Ba1	Gibraltar	NR	Macedonia	Ba3	Romania	Baa3	Uruguay	Baa1
British Virgin Islands	NR	Greece	Baa3	Madagascar	NR	Russia	NR	Uzbekistan	Ba3
Brunei	NR	Greenland	Aaa	Malawi	NR	Rwanda	B2	Venezuela	C
Bulgaria	Baa1	Guatemala	Ba1	Malaysia	A3	Saint Lucia	NR	Vietnam	Ba2
Burkina Faso	Caa1	Guernsey (States of)	A1	Maldives	Caa2	Saudi Arabia	Aa3	Yemen	NR
Cambodia	B2	Guinea	NR	Mali	Caa2	Senegal	Caa1	Zambia	Caa2
Cameroon	Caa1	Guinea-Bissau	NR	Malta	A2	Serbia	Ba2	Zimbabwe	NR
Canada	Aaa	Guyana	NR	Martinique	NR	Sharjah	Ba1		
Cape Verde	B2	Haiti	NR	Mauritius	Baa3	Sierra Leone	NR		
Cayman Islands	NR	Honduras	B1	Mexico	Baa2	Singapore	Aaa		
Channel Islands	NR	Hong Kong	Aa3	Moldova	B3	Slovakia	A3		
Chile	A2	Hungary	Baa2	Monaco	NR	Slovenia	A3		
China	A1	Iceland	A1	Mongolia	B1	Solomon Islands	Caa1		
Colombia	Baa3	India	Baa3	Montenegro	B1	Somalia	NR		
Congo (Democratic Republic of)	B3	Indonesia	Baa2	Montserrat	Baa3	South Africa	Ba2		

WITH CAVEATS....

- The sovereign ratings are **focused almost entirely on default risk**, and while the chance that a country will default is correlated with the core risks (violence, political structure, legal system and corruption) that I mentioned up front, there are countries on this list where they diverge. I believe that this is especially the case in the Middle East, where there are countries, like Saudi Arabia, that have low or no default risk, but remain exposed to large political risks.
- The sovereign ratings have their share of biases, for or against regions, but their **bigger sin is that they are slow to react.** If you look at the list, you will see countries like Argentina and Venezuela that have seen significant changes in governance in the last year, but where the ratings have not or barely changed yet.
- There were a few ratings changes in 2025, mostly at the margin, but the one that got the most attention was **the ratings downgrade for the US that I mentioned in last data update.** While markets, for the most part, took that ratings downgrade in stride, it did create waves in the process that I use to estimate riskfree rates and equity risk premiums, by country.

FROM SOVEREIGN RATINGS TO DEFAULT SPREADS...

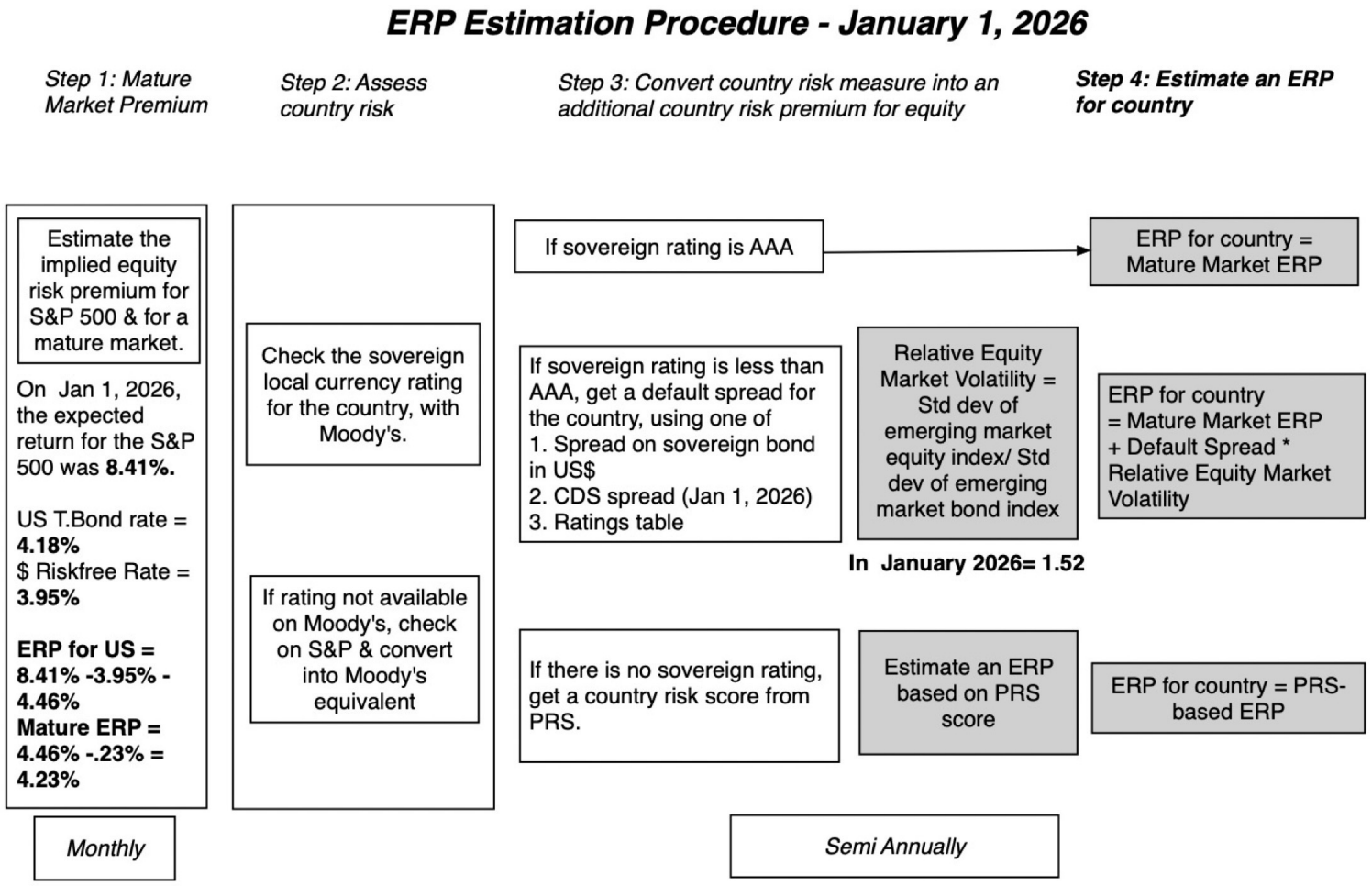
Default Spreads (in basis points) for Sovereign Ratings on January 1, 2026

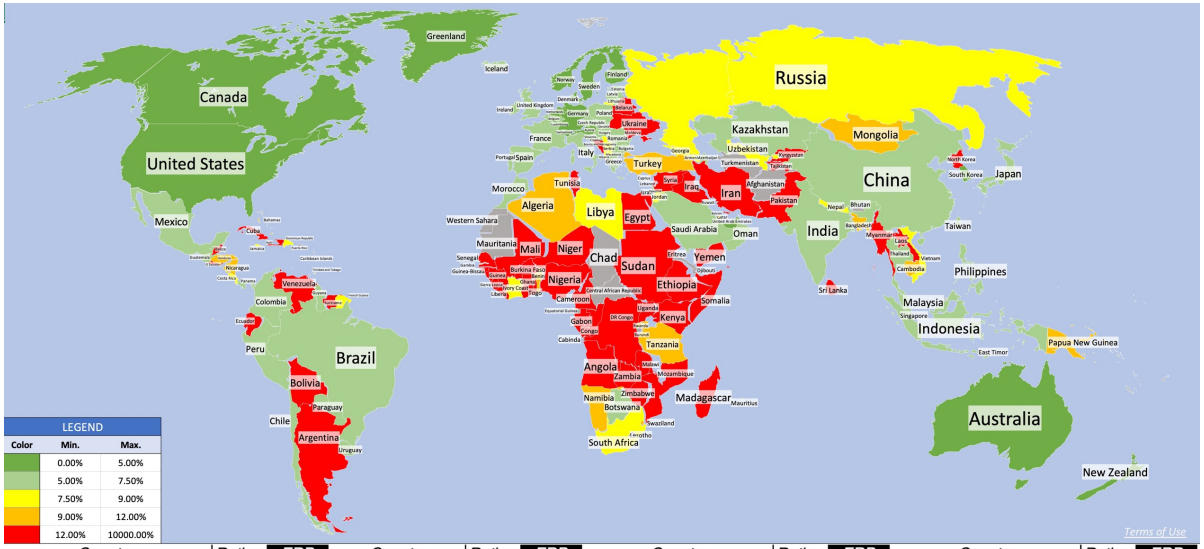


A MARKET-BASED MEASURE OF DEFAULT

Country	*Sovr CDS*	*Country*	*Sovr CDS*	*Country*	*Sovr CDS*	*Country*	*Sovr CDS*	*Country*	*Sovr CDS*
Abu Dhabi	0.60%	Denmark	0.18%	Ireland	0.34%	Nigeria	3.91%	Spain	0.45%
Algeria	1.34%	Dubai	0.82%	Israel	1.13%	Norway	0.18%	Sri Lanka	NA
Angola	6.24%	Ecuador	5.67%	Italy	0.61%	Oman	1.30%	Sweden	0.20%
Argentina	6.94%	Egypt	3.55%	Japan	0.44%	Pakistan	5.23%	Switzerland	0.14%
Australia	0.19%	El Salvador	3.40%	Kazakhstan	1.31%	Panama	2.22%	Thailand	0.66%
Austria	0.28%	Estonia	1.00%	Kenya	4.51%	Peru	1.26%	Tunisia	7.01%
Bahrain	2.47%	Ethiopia	NA	Korea	0.34%	Philippines	1.02%	Turkey	2.99%
Belgium	0.40%	Finland	0.26%	Kuwait	0.87%	Poland	1.00%	Ukraine	NA
Brazil	2.35%	France	0.64%	Latvia	0.82%	Portugal	0.45%	United Kingdom	0.37%
Bulgaria	0.77%	Gabon	8.54%	Lebanon	NA	Qatar	0.61%	United States	0.44%
Cameroon	6.87%	Germany	0.21%	Lithuania	0.82%	Romania	2.11%	Uruguay	0.77%
Canada	0.33%	Greece	0.75%	Malaysia	0.67%	Russia	NA	Venezuela	9.29%
Chile	0.87%	Guatemala	1.71%	Mexico	1.66%	Rwanda	4.03%	Vietnam	1.51%
China	0.64%	Hong Kong	0.44%	Mongolia	3.26%	Saudi Arabia	1.12%	Zambia	4.08%
Colombia	3.34%	Hungary	1.60%	Morocco	1.30%	Senegal	9.93%		
Costa Rica	1.75%	Iceland	0.45%	Namibia	3.41%	Serbia	1.96%		
Croatia	1.02%	India	0.80%	Netherlands	0.20%	Slovakia	0.57%		
Cyprus	0.75%	Indonesia	1.19%	New Zealand	0.23%	Slovenia	0.67%		
Czech Republic	0.48%	Iraq	2.89%	Nicaragua	5.29%	South Africa	2.40%		

FROM DEFAULT RISK TO EQUITY RISK...





LEGEND		
Color	Min.	Max.
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	7.50%	9.00%
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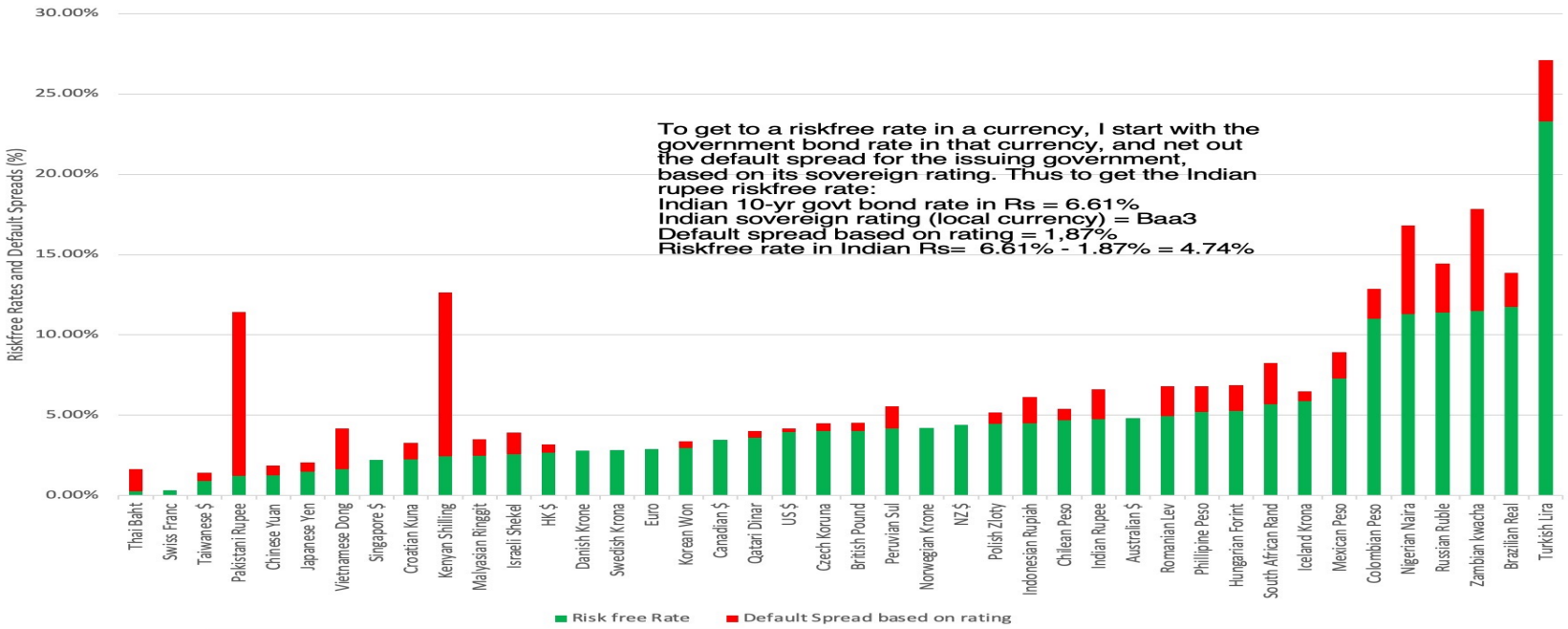
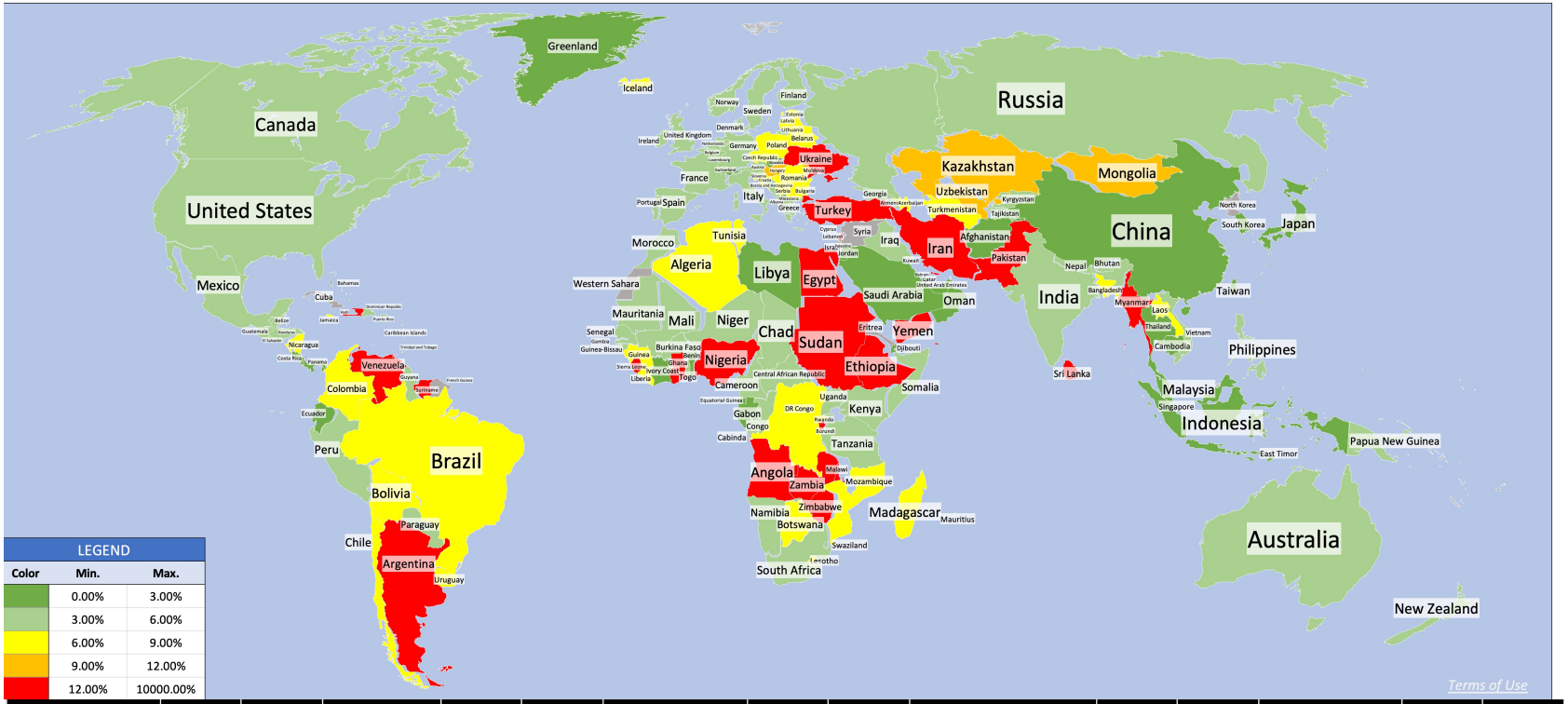
Country	Rating	ERP	Country	Rating	ERP	Country	Rating	ERP	Country	Rating	ERP
Abu Dhabi	Aa2	4.87%	Denmark	Aaa	4.23%	Laos	Caa2	15.89%	Reunion	NR	11.95%
Albania	Ba3	8.89%	Dominican Republ	Ba2	8.13%	Latvia	A3	5.78%	Romania	Baa3	7.08%
Algeria	NR	10.06%	Ecuador	Caa3	17.18%	Lebanon	C	30.89%	Russia	NR	8.13%
Andorra (Principality of)	Baa1	6.30%	Egypt	Caa1	13.94%	Liberia	NR	15.89%	Rwanda	B2	11.35%
Angola	B3	12.64%	El Salvador	B3	12.64%	Libya	NR	8.13%	Saint Lucia	NR	11.72%
Anguilla	NR	11.72%	Estonia	A1	5.14%	Liechtenstein	Aaa	4.23%	Saudi Arabia	Aa3	5.01%
Antigua & Barbuda	NR	8.46%	Ethiopia	Caa2	15.89%	Lithuania	A2	5.33%	Senegal	Caa1	13.94%
Argentina	Caa1	13.94%	Falkland Islands	NR	8.46%	Luxembourg	Aaa	4.23%	Serbia	Ba2	8.13%
Armenia	Ba3	8.89%	Fiji	B1	10.06%	Macau	Aa3	5.01%	Sharjah	Ba1	7.47%
Aruba	Baa3	7.08%	Finland	Aa1	4.59%	Macedonia	Ba3	8.89%	Sierra Leone	NR	12.64%
Australia	Aaa	4.23%	France	Aa3	5.01%	Madagascar	NR	12.64%	Singapore	Aaa	4.23%
Austria	Aa1	4.59%	French Guiana	NR	8.46%	Malawi	NR	17.18%	Slovakia	A3	5.78%
Azerbaijan	Baa3	7.08%	Gabon	Caa2	15.89%	Malaysia	A3	5.78%	Slovenia	A3	5.78%
Bahamas	B1	10.06%	Gambia	NR	11.35%	Maldives	Caa2	15.89%	Solomon Islands	Caa1	13.94%
Bahrain	B2	11.35%	Georgia	Ba2	8.13%	Mali	Caa2	15.89%	Somalia	NR	17.18%
Bangladesh	B2	11.35%	Germany	Aaa	4.23%	Malta	A2	5.33%	South Africa	Ba2	8.13%
Barbados	B2	11.35%	Ghana	Caa1	13.94%	Martinique	NR	11.72%	South Korea	Aa2	4.87%
Belarus	C	30.89%	Gibraltar	NR	5.27%	Mauritius	Baa3	7.08%	Spain	A3	5.78%
Belgium	Aa3	5.01%	Greece	Baa3	7.08%	Mexico	Baa2	6.69%	Sri Lanka	Ca	19.77%
Belize	Caa1	13.94%	Greenland	Aaa	4.23%	Moldova	B3	12.64%	St. Maarten	Ba2	8.13%
Benin	B1	10.06%	Guatemala	Ba1	7.47%	Monaco	NR	4.23%	St. Vincent & the Grenadin	B3	12.64%
Bermuda	A2	5.33%	Guernsey (States o	A1	5.14%	Mongolia	B1	10.06%	Sudan	NR	30.89%
Bolivia	Ca	19.77%	Guinea	NR	15.89%	Montenegro	B1	10.06%	Suriname	Caa1	13.94%
Bosnia and Herzegovina	B3	12.64%	Guinea-Bissau	NR	13.94%	Montserrat	Baa3	7.08%	Swaziland	B2	11.35%
Botswana	Baa1	6.30%	Guyana	NR	6.30%	Morocco	Ba1	7.47%	Sweden	Aaa	4.23%
Brazil	Ba1	7.47%	Haiti	NR	17.18%	Mozambique	Caa3	17.18%	Switzerland	Aaa	4.23%
British Virgin Islands	NR	11.72%	Honduras	B1	10.06%	Myanmar	NR	19.77%	Syria	NR	19.77%
Brunei	NR	5.01%	Hong Kong	Aa3	5.01%	Namibia	B1	10.06%	Taiwan	Aa3	5.01%
Bulgaria	Baa1	6.30%	Hungary	Baa2	6.69%	Nepal	Ba3	8.89%	Tajikistan	B3	12.64%
Burkina Faso	Caa1	13.94%	Iceland	A1	5.14%	Netherlands	Aaa	4.23%	Tanzania	B1	10.06%
Cambodia	B2	11.35%	India	Baa3	7.08%	Netherlands Antilles	NR	11.72%	Thailand	Baa1	6.30%
Cameroon	Caa1	13.94%	Indonesia	Baa2	6.69%	New Zealand	Aaa	4.23%	Togo	B3	12.64%
Canada	Aaa	4.23%	Iran	NR	13.94%	Nicaragua	B2	11.35%	Trinidad &' Tobago	Ba2	8.13%
Cape Verde	B2	11.35%	Iraq	Caa1	13.94%	Niger	Caa3	17.18%	Tunisia	Caa1	13.94%
Cayman Islands	NR	5.01%	Ireland	Aa3	5.01%	Nigeria	B3	12.64%	Turkey	B1	10.06%
Channel Islands	NR	5.27%	Isle of Man	Aa3	5.01%	Norway	Aaa	4.23%	Turks & Caicos Islands	NR	11.72%
Chile	A2	5.33%	Israel	Baa1	6.30%	Oman	Baa3	7.08%	Uganda	B3	12.64%
China	A1	5.14%	Italy	Baa2	6.69%	Pakistan	Caa1	13.94%	Ukraine	Ca	19.77%
Colombia	Baa3	7.08%	Ivory Coast	Ba2	8.13%	Palestinian Authority	NR	6.24%	United Arab Emirates	Aa2	4.87%
Congo (Democratic Republic	B3	12.64%	Jamaica	Ba3	8.89%	Panama	Baa3	7.08%	United Kingdom	Aa3	5.01%
Congo (Republic of)	Caa2	15.89%	Japan	A1	5.14%	Papua New Guinea	B2	11.35%	United States	Aa1	4.46%
Cook Islands	B1	10.06%	Jersey (States of)	Aa3	5.01%	Paraguay	Baa3	7.08%	Uruguay	Baa1	6.30%
Costa Rica	Ba2	8.13%	Jordan	Ba3	8.89%	Peru	Baa1	6.30%	Uzbekistan	Ba3	8.89%
Croatia	A3	5.78%	Kazakhstan	Baa1	6.30%	Philippines	Baa2	6.69%	Venezuela	C	30.89%
Cuba	Ca	19.77%	Kenya	Caa1	13.94%	Poland	A2	5.33%	Vietnam	Ba2	8.13%
Curaçao	NR	8.46%	Korea, D.P.R.	NR	19.77%	Portugal	A3	5.78%	Yemen	NR	19.77%
Cyprus	A3	5.78%	Kuwait	A1	5.14%	Qatar	Aa2	4.87%	Zambia	Caa2	15.89%
Czech Republic	Aa3	5.01%	Kyrgyzstan	B3	12.64%	Ras Al Khaimah (Emirate o	A3	5.78%	Zimbabwe	NR	15.89%



Currency	Local Currency Govt Bond Rate 12/31/25	Bond Rating (Moody's)	Default Spread based on rating	Risk free Rate
Thai Baht	1.63%	Baa1	1.36%	0.27%
Swiss Franc	0.31%	Aaa	0.00%	0.31%
Taiwanese $	1.41%	Aa3	0.51%	0.90%
Pakistani Rupee	11.42%	Caa1	10.20%	1.23%
Chinese Yuan	1.86%	A1	0.60%	1.26%
Japanese Yen	2.07%	A1	0.60%	1.47%
Vietnamese Dong	4.19%	Ba2	2.56%	1.63%
Singapore $	2.22%	Aaa	0.00%	2.22%
Croatian Kuna	3.26%	A3	1.02%	2.24%
Kenyan Shilling	12.64%	Caa1	10.20%	2.44%
Malyasian Ringgit	3.50%	A3	1.02%	2.48%
Israeli Shekel	3.92%	Baa1	1.36%	2.56%
HK $	3.18%	Aa3	0.51%	2.67%
Danish Krone	2.79%	Aaa	0.00%	2.79%
Swedish Krona	2.82%	Aaa	0.00%	2.82%
Euro	2.90%	Aaa	0.00%	2.90%
Korean Won	3.38%	Aa2	0.42%	2.96%
Canadian $	3.47%	Aaa	0.00%	3.47%
Qatari Dinar	4.01%	Aa2	0.42%	3.59%
US $	4.18%	Aa1	0.23%	3.95%
Czech Koruna	4.51%	Aa3	0.51%	4.00%
British Pound	4.54%	Aa3	0.51%	4.03%
Peruvian Sul	5.54%	Baa1	1.36%	4.18%
Norwegian Krone	4.20%	Aaa	0.00%	4.20%
NZ $	4.41%	Aaa	0.00%	4.41%
Polish Zloty	5.17%	A2	0.72%	4.45%
Indonesian Rupiah	6.12%	Baa2	1.62%	4.50%
Chilean Peso	5.40%	A2	0.72%	4.68%
Indian Rupee	6.61%	Baa3	1.87%	4.74%
Australian $	4.81%	Aaa	0.00%	4.81%
Romanian Lev	6.81%	Baa3	1.87%	4.94%
Phillipine Peso	6.81%	Baa2	1.62%	5.19%
Hungarian Forint	6.87%	Baa2	1.62%	5.25%
South African Rand	8.24%	Ba2	2.56%	5.68%
Iceland Krona	6.47%	A1	0.60%	5.87%
Mexican Peso	8.91%	Baa2	1.62%	7.29%
Colombian Peso	12.86%	Baa3	1.87%	10.99%
Nigerian Naira	16.81%	B3	5.52%	11.29%
Russian Ruble	14.44%	Ba3	3.06%	11.38%
Zambian kwacha	17.85%	Caa2	6.37%	11.48%
Brazilian Real	13.86%	Ba1	2.13%	11.73%
Turkish Lira	27.12%	B1	3.83%	23.29%

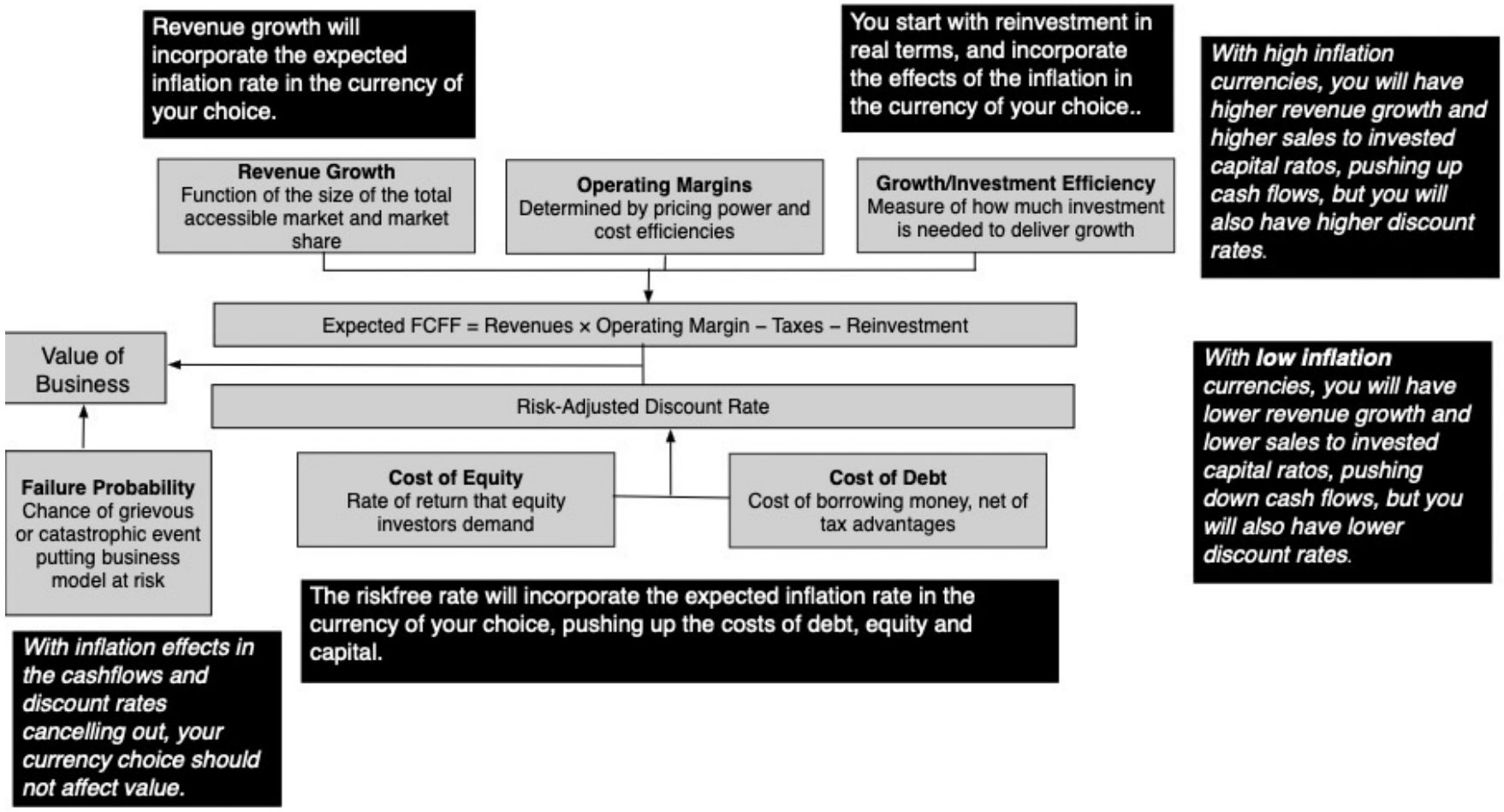


Country	Inflation (2021-2025)	Exp inflation (2026-2030)	Country	Inflation (2021-2025)	Exp inflation (2026-2030)	Country	Inflation (2021-2025)	Exp inflation (2026-2030)	Country	Inflation (2021-2025)	Exp inflation (2026-2030)	Country	Inflation (2021-2025)	Exp inflation (2026-2030)
Afghanistan	1.60%	NA	Congo, Republic of	3.20%	3.04%	Iraq	3.90%	3.28%	Myanmar	24.12%	13.92%	Somalia	5.34%	3.22%
Albania	3.60%	2.96%	Costa Rica	2.10%	2.80%	Ireland	3.74%	1.90%	Namibia	4.70%	3.14%	South Africa	5.04%	3.18%
Algeria	6.66%	3.52%	Croatia	6.04%	2.48%	Israel	3.28%	2.14%	Nauru	4.66%	3.22%	South Sudan, Republic of	52.80%	8.50%
Andorra	3.76%	1.72%	Cyprus	3.46%	1.86%	Italy	3.86%	2.00%	Nepal	5.44%	4.84%	Spain	4.00%	2.10%
Angola	22.12%	11.52%	Czech Republic	6.90%	2.16%	Jamaica	6.48%	5.00%	Netherlands	4.92%	2.16%	Sri Lanka	17.45%	NA
Antigua and Barbuda	4.78%	2.08%	Côte d'Ivoire	3.64%	1.90%	Japan	2.32%	2.02%	New Zealand	4.48%	2.02%	Sudan	169.60%	31.50%
Argentina	103.10%	9.48%	Denmark	3.40%	2.02%	Jordan	2.28%	2.34%	Nicaragua	6.08%	2.70%	Suriname	37.66%	6.20%
Armenia	4.40%	2.96%	Djibouti	2.28%	1.32%	Kazakhstan	11.52%	8.88%	Niger	5.00%	2.24%	Sweden	4.20%	1.90%
Aruba	2.42%	2.22%	Dominica	3.88%	2.22%	Kenya	5.98%	5.02%	Nigeria	22.98%	15.20%	Switzerland	1.34%	0.68%
Australia	4.18%	2.62%	Dominican Republic	5.76%	4.04%	Kiribati	5.40%	2.60%	North Macedonia	6.84%	2.24%	Syria	NA	NA
Austria	5.12%	2.16%	Ecuador	1.68%	1.76%	Korea, Republic of	3.10%	1.96%	Norway	4.06%	2.08%	São Tomé and Príncipe	14.28%	5.50%
Azerbaijan	7.46%	4.10%	Egypt	18.22%	7.78%	Kosovo	4.98%	2.16%	Oman	1.34%	1.90%	Taiwan Province of China	2.26%	1.54%
Bahamas, The	2.50%	1.70%	El Salvador	3.18%	1.64%	Kuwait	3.22%	1.94%	Pakistan	15.64%	6.40%	Tajikistan	5.32%	4.90%
Bahrain	0.86%	1.58%	Equatorial Guinea	2.70%	2.68%	Kyrgyz Republic	9.92%	5.48%	Palau	6.10%	2.52%	Tanzania	3.66%	3.92%
Bangladesh	8.08%	6.08%	Eritrea	NA	NA	Lao P.D.R.	17.78%	7.42%	Panama	1.34%	2.00%	Thailand	1.82%	1.38%
Barbados	2.56%	2.42%	Estonia	8.36%	2.98%	Latvia	6.92%	2.40%	Papua New Guinea	3.50%	4.56%	Timor-Leste	4.44%	1.96%
Belarus	8.48%	6.08%	Eswatini	4.18%	3.48%	Lebanon	148.13%	NA	Paraguay	5.38%	3.54%	Togo	4.54%	2.42%
Belgium	4.54%	1.80%	Ethiopia	24.98%	9.40%	Lesotho	6.18%	4.86%	Peru	4.46%	1.98%	Tonga	6.12%	3.00%
Belize	3.72%	1.42%	Fiji	2.28%	2.90%	Liberia	8.70%	6.10%	Philippines	4.10%	2.98%	Trinidad and Tobago	2.90%	2.10%
Benin	1.82%	2.00%	Finland	3.28%	1.98%	Libya	2.74%	1.60%	Poland	7.66%	2.62%	Tunisia	7.24%	7.30%
Bhutan	5.06%	3.84%	France	3.42%	1.82%	Liechtenstein	1.34%	0.68%	Portugal	3.84%	2.06%	Turkmenistan	7.52%	7.20%
Bolivia	6.18%	NA	Gabon	2.32%	2.12%	Lithuania	7.34%	2.62%	Puerto Rico	3.06%	2.26%	Tuvalu	5.86%	2.46%
Bosnia and Herzegovina	5.56%	2.12%	Gambia, The	11.00%	4.98%	Luxembourg	3.82%	2.04%	Qatar	2.34%	2.18%	Türkiye, Republic of	47.84%	18.08%
Botswana	6.04%	4.54%	Georgia	5.80%	3.08%	Macao SAR	0.62%	1.86%	Romania	8.42%	3.90%	Uganda	4.38%	4.82%
Brazil	6.36%	3.20%	Germany	4.50%	2.06%	Madagascar	7.98%	6.32%	Russian Federation	8.74%	4.24%	Ukraine	12.32%	5.58%
Brunei Darussalam	1.16%	0.90%	Ghana	24.12%	8.38%	Malawi	23.86%	18.60%	Rwanda	8.10%	4.94%	United Arab Emirates	1.92%	2.00%
Bulgaria	6.12%	2.74%	Greece	4.04%	2.24%	Malaysia	2.36%	2.04%	Saint Kitts and Nevis	2.04%	2.02%	United Kingdom	4.98%	2.10%
Burkina Faso	4.82%	2.10%	Grenada	1.76%	1.82%	Maldives	2.14%	2.10%	Saint Lucia	2.64%	1.88%	United States	4.50%	2.24%
Burundi	22.38%	20.00%	Guatemala	4.40%	3.86%	Mali	4.46%	2.00%	Saint Vincent and the Grenadines	3.52%	2.02%	Uruguay	6.44%	4.50%
Cabo Verde	3.20%	2.00%	Guinea	7.26%	2.98%	Malta	3.44%	2.00%	Samoa	4.62%	3.04%	Uzbekistan	10.18%	5.72%
Cambodia	2.56%	2.76%	Guinea-Bissau	4.82%	2.00%	Marshall Islands	4.56%	3.84%	San Marino	3.20%	2.00%	Vanuatu	4.62%	2.20%
Cameroon	4.84%	3.06%	Guyana	4.08%	5.18%	Mauritania	4.62%	3.86%	Saudi Arabia	2.34%	2.00%	Venezuela	486.28%	682.10%
Canada	3.70%	1.98%	Haiti	28.24%	15.38%	Mauritius	5.86%	3.52%	Senegal	4.12%	2.00%	Vietnam	3.06%	3.28%
Central African Republic	3.80%	3.10%	Honduras	5.90%	4.04%	Mexico	5.54%	3.06%	Serbia	7.56%	3.32%	West Bank and Gaza	16.13%	NA
Chad	3.28%	3.14%	Hong Kong SAR	1.80%	2.36%	Micronesia, Fed. States of	4.50%	2.48%	Seychelles	2.48%	2.32%	Yemen	23.24%	12.50%
Chile	6.38%	3.02%	Hungary	9.00%	3.10%	Moldova	11.92%	5.10%	Sierra Leone	24.92%	9.30%	Zambia	14.62%	7.52%
China, People's Republic of	0.66%	1.56%	Iceland	6.32%	2.62%	Mongolia	9.48%	7.36%	Singapore	3.30%	1.84%	Zimbabwe	356.88%	10.46%
Colombia	7.38%	3.10%	India	5.00%	4.00%	Montenegro	6.28%	2.12%	Slovak Republic	6.66%	2.30%			
Comoros	5.84%	2.06%	Indonesia	2.70%	2.58%	Morocco	3.24%	1.96%	Slovenia	4.52%	2.18%			
Congo, Dem. Rep. of the	12.94%	7.02%	Iran	40.32%	30.82%	Mozambique	6.42%	5.48%	Solomon Islands	3.66%	3.38%			

RISKFREE RATES AND INFLATION

- The logic that I used to make the argument that it is unlikely that you will see US treasury bond rates drop much below 4%, at least as long as inflation runs hot (2.5-3%), not only applies for other currencies, but yields a roadmap for estimating riskfree rates in other currencies (including those without a government bond in the local currency):
  - Riskfree rate in local currency = Riskfree rate in US dollars + (Expected inflation rate in local currency – Expected inflation in US $)
- Thus, the riskfree rate in Egyptian pounds, using the expected inflation rates of 7.78% for Egypt and 2.24% for the United States is 9.49%:
  - Riskfree rate in EGP (1/1/26) = Riskfree rate in US $ + (Expected inflation in Egypt – Expected inflation in US) = 3.95% + (7.78% - 2.24%) = 9.49%
- Note that the riskfree rate in US $ is 3.95%, obtained by cleansing the US 10-year treasury rate on January 1, 2026 (4.18%) of US default risk (0.23%). This is an approximation, since inflation rates compound, and that compounded version is below:
  - Riskfree rate in EGP = (1+ US $ Riskfree Rate) × (1 + Expected inflation rate in EGP)/ (1+ Expected inflation rate in US $) -1 = 1.0395 × (1.0778/ 1.0224) -1 = .0958 or 9.58%

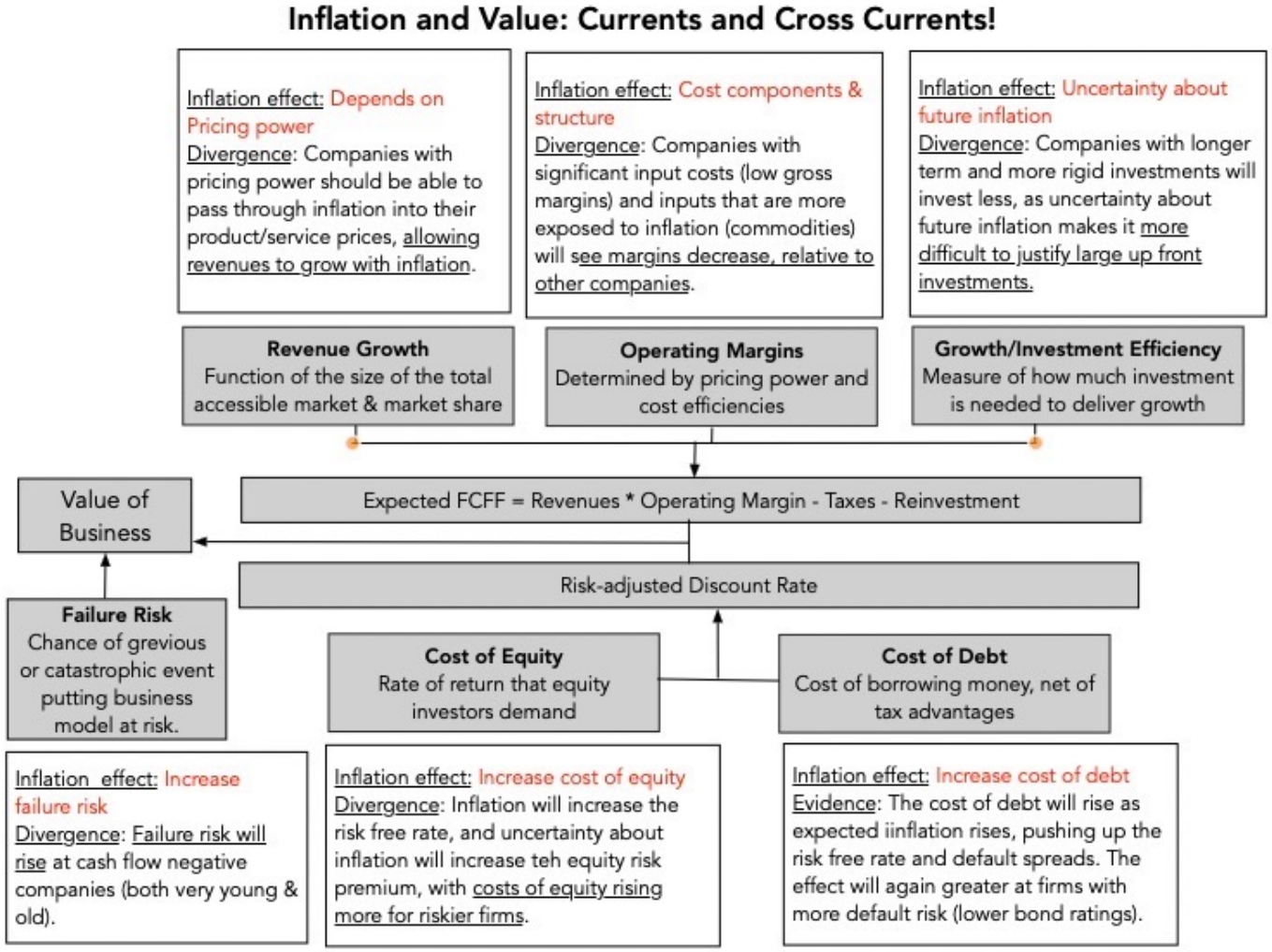
INFLATION AND VALUE: HOW CURRENCY PLAYS OUT IN VALUE..



CONSEQUENCES FOR VALUE…

- Put simply, **the effects of expected inflation in valuation cancel out**, and that is that the basis of what I would term "**the currency invariance proposition**", where the value of a project or company should not change, if you change the currency in which you do your analysis.
- A project that has a positive NPV, **when the analysis is done in US $, should continue to have the same positive NPV, if you redo the analysis in EGP**, and a company that is overvalued, when the valuation is in US $, will remain overvalued, if you revalue it in EGP.
- The currency you chose to do an analysis cannot alter the underlying value but **that does not mean that changes in inflation cannot change the values of businesses**, since that effect will depend on how well a company can pass inflation through to its customers (with pricing power.

INFLATION AND VALUE!



THE BOTTOM LINE!

- As globalization gets a blowback, and in the midst of turmoil from tariffs, we got a reminder of how, much as we may want to back to simpler times where the rest of the world did not intrude into our jobs, businesses and lives, **we are all connected in good and bad ways**.
- Thus, **you may disagree with me on how to measure** country risk and to bring into your analysis and investments, but it is **undeniable that risk varies across countries and that we must incorporate that risk** into our decision making.
- I hope that this post brings through the layers in this process from the drivers of country risk **to how these drivers play out as differences in country ratings, default spreads and equity risk premiums**. I hope the post also illustrates the dynamic nature of the process and how country risk can change over time, and sometimes in short periods.