EUROPEAN STOCK MARKETS ARE AMONG THE LEADERS AFTER THE FIRST TWO MONTHS OF 2023

Current Year-to-Date Performance Standings: As of the end of February 2023, fourteen out of eighteen European countries' stock markets had positive performance *(see the last column in the Performance Tables section at the end of the report).* Seven of the 'Top Ten' stock markets were European: Greece, Ireland, Spain, Italy, Austria, France, and the Netherlands. All of these stock markets, as well as that of Germany, had total returns of over 10%. Greece, the current leader, had returns of over 20%.

The MSCI equity indices of Finland, Norway, Turkey, and Portugal were the only country indices with negative returns during the first two months of 2023. I believe this happened because Turkey and Portugal had positive total returns in 2022 – taking the first and ninth places, respectively. These performances resulted in the markets' higher valuations at the beginning of 2023 because these markets outperformed the other European countries' stock markets. In 2022, all but one other – Greece – had negative returns. That's why Turkish and Portuguese stock markets did not participate in the rally in January 2023. MSCI Norway had a negative performance during the first two months of 2023 because energy prices have driven the country's stock market performance. Norway has Europe's largest energy resources, apart from Russia, which was excluded from the investment universe of Beyond Borders Investment Strategies (BBIS) in 2022. Norway's market prices declined because energy prices declined in the second half of 2022 and the first two months of 2023 *(see the section on the Energy Prices below).* I believe the Finnish stock market prices were negatively impacted by the breakage of Finland's trade links with Russia, one of the country's largest trade partners before the Russo-Ukrainian war. But the losses of all four countries were insignificant – 3.0% or less.

The stock market prices did not advance uniformly, growing equally in January and February 2023. Instead, the annual performance could be divided into a powerful January and a weaker February. In January 2023, forty-three out of fifty country indices (86%) in the BBIS universe had a positive performance, with the Top 15 markets exceeding 10%. In February 2023, only 13 out of 50 markets (26%) had positive performance *(see the second and third columns in the Performance Tables at the end of the report for the January and February performance data).*

European Markets Surged in January 2023 After the 2022 Energy Gloom and Doom Did Not Turn into Reality: In 2023, stock markets worldwide experienced one of the strongest Santa Claus rallies. Investors often buy stocks at the end of December and in January, driven by optimism over the coming New Year. While Santa Claus is usually associated with cold weather, at least in Europe, the 2023 rally was caused by record-high temperatures. Stock markets of European countries reversed their 2022 losses and surged during the first two months of 2023.

The January rally of the European countries' stock markets represented the relief of the fears that ordinary people's well-being and businesses' profits would be severely impacted because of the energy price increases caused by the absence of Russian energy imports. Some of the titles of articles in the most respected publications in the second half of 2022 demonstrated the sentiment. The title of a Bloomberg article at the end of September brought in the sense of foreboding *"Europe's First Cold Snap is Early Test for Continent in Crisis."* [1] The Financial Times article in early October echoed the sentiment, *"Cold Weather Warning Adds to Europe's Gloom as It Battles Energy Crisis."* [2] Adam Tooze, an author of excellent financial history books such as *"Crashed: How a Decade of Financial Crises Changed the World,"* went even further and published an article in the Foreign Affairs magazine with a title that probably scared many supporters of European unity. [3] The article was titled *"The European Project Is Now at the Mercy of the Weather."* [4]

As mentioned above, the European stock markets reflected the sentiment expressed in the media. Except for the MSCI Turkey, MSCI Portugal, and MSCI Greece indices, all European markets ended 2022 in negative territory *(see the first column in the Performance Tables section at the end of the report)*.

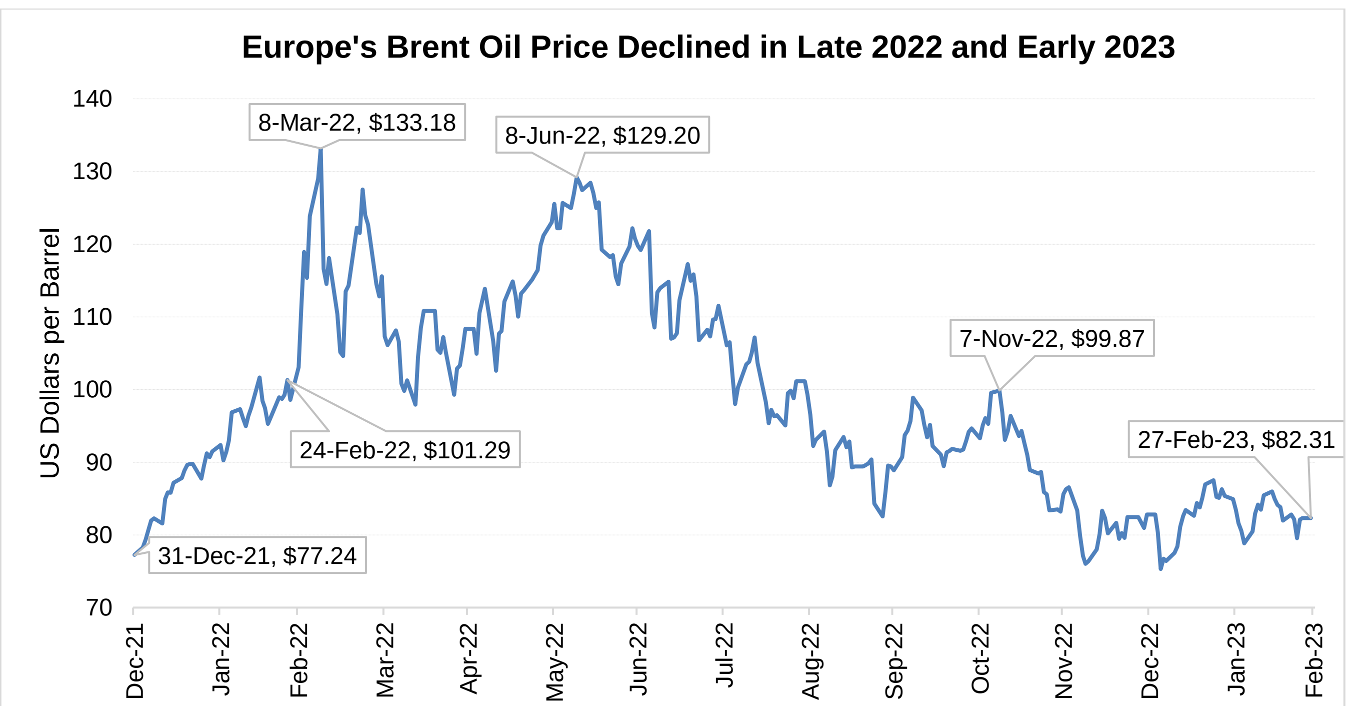
If Adam Tooze was correct and the fate of the European Union was at the mercy of the weather, the authority responsible for the weather decided to extend the life of the European project. All the doom and gloom of the middle and end of 2022 did not materialize during the winter of 2022-2023. The weather cooperated with the grateful European governments and their tireless efforts to wean their countries' economies off the dependence on Russia's energy imports. Europe experienced record-high temperatures all across it. According to the January 2023 Reuters article *"Feels Like Summer: Warm Winter Breaks Temperature Records in Europe,"* temperatures climbed to 25 degrees Celsius or 77 degrees Fahrenheit in France and Spain in the West of the continent. The temperature records were also broken in Germany and Switzerland in Central Europe and Poland and Hungary in Eastern Europe.

[1] Elena Mazneva, Bloomberg, "Europe's First Cold Snap is Early Test for Continent in Crisis," September 24, 2022.
[2] Alice Hancock, Financial Times, "Cold Weather Warning Adds to Europe's Gloom as It Battles Energy Crisis," October 2, 2022.
[3] Adam Tooze, Penguin Books, "Crashed: How a Decade of Financial Crises Changed the World," 2018.
[4] Adam Tooze, Foreign Policy, "The European Project Is Now at the Mercy of the Weather: This Winter, Europe May Be Facing a Crisis Without Any Clear Solution," November 2, 2022.

Due to high temperatures, the demand for energy needed to heat homes, offices, and factories was relatively low. The low demand led to lower energy prices. After peaking meaningfully in November and December 2022, oil and natural gas prices slid to levels not seen before Russia attacked Ukraine on February 24, 2022 (*see Chart 1 and Chart 2 for oil and natural gas prices).* The Brent oil price declined from the 2022 peak of $133.18 per barrel on March 8, 2022, and the year-end peak of $99.87 per barrel registered on November 7, 2022, to $82.31 per barrel on February 27, 2023. This price represented declines of 38.2% from the 2022 overall peak and 17.6% from the year-end peak, respectively. The price of natural gas at the Dutch Title Transfer Facility (TTF), Europe's largest natural gas trading hub, declined from the 2022 overall maximum of €339.20 per megawatt hour on August 25, 2022, and the year-end peak of €149.24 per megawatt hour to just €46.67 per megawatt hour on February 28, 2023. This price represented declines of 86.2% from the 2022 overall peak and 68.7% from the year-end peak, respectively.

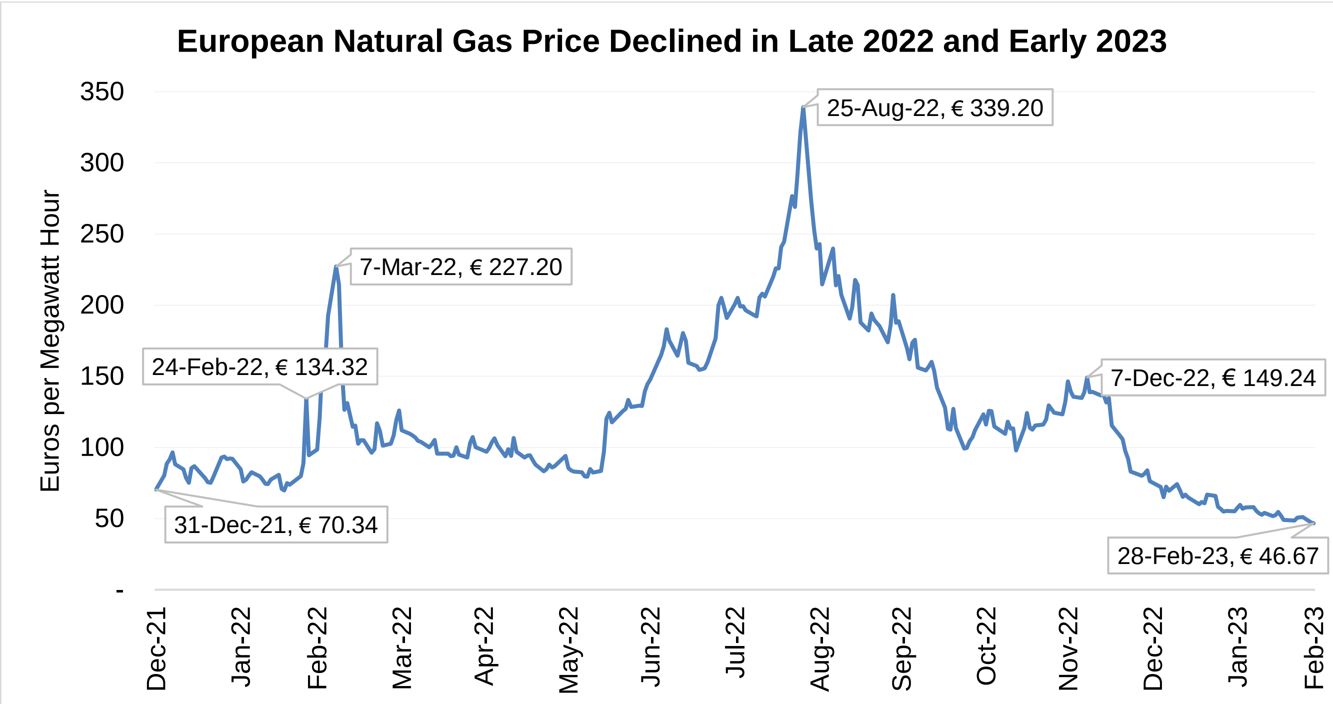
In January 2023, stock markets of all European countries except for Turkey and Portugal, two winners of 2022 that had higher valuations because of this performance, and Norway, an energy-rich country, had positive performance *(see the second column in the Performance Tables section at the end of the report).*

Chart 1. Europe Brent Crude Oil Spot Price (December 31, 2021 – February 27, 2023)



Sources: Energy Information Administration. Downloaded via Refinitiv.

Chart 2. Europe Dutch Title Transfer Facility (TTF) Natural Gas Price, Euros per Megawatt Hour (December 31, 2021 – February 28, 2023)



Source: Dutch Title Transfer Facility. Downloaded via Yahoo Finance.

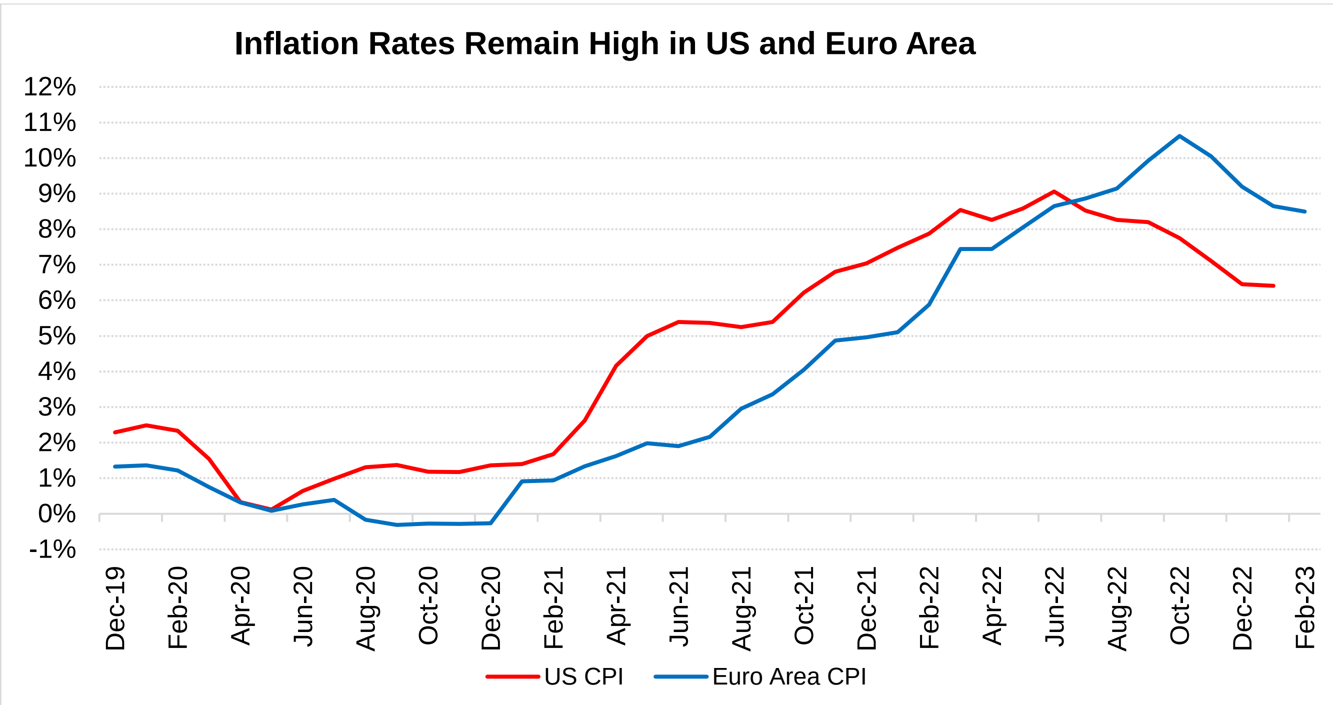
Stock Market Pullback in February 2023 as Investors' Concerns Return: However, as nothing lasts forever, the Santa Claus rally ended in February 2023 in line with historical precedents. The lifespan of the Santa Claus rally does not surpass the lifespan of the New Year's resolutions. The rally usually ends by February when the excitement and optimism generated during the holiday season meets reality with its problems. In February 2023, investors focused on inflation that remained stubbornly high despite the central banks increasing interest rates. The latest Consumer Price Index (CPI) rates were 6.4% in the US in January 2023 and 8.5% in the Euro Area in February 2023 *(see Chart 3 for the inflation trends)*. [5]

The US Fed and the European Central Bank will likely increase interest rates to conquer inflation. Higher interest rates usually lead to lower economic activity, profits, and stock valuations. The lower stock valuations result from lower expected future corporate profits that are discounted to today's values at higher rates based on the interest rates. Stock values are often lower in a high-interest environment. In addition to higher interest rates within countries, the discount rates used to calculate the values of the European stocks are further increased by higher risk premiums that reflect the risks of the Russo-Ukrainian war impacting European stocks' profits in the future. Only thirteen out of fifty country stock markets in the

[5] Source: Refinitiv.

BBIS universe had positive performance in February 2023 *(see the third column in the Performance Tables part at the end of the report*). Still, nine out of these thirteen were from Europe: Greece, Turkey, Austria, Spain, Denmark, Sweden, Ireland, Italy, and the United Kingdom.

Chart 3: Inflation Consumer Price Index (CPI) Rates in the Euro Area and United States (December 2019 - February 2023)



Source: Refinitiv.

Global and Regional Factors That Are Likely to Impact Stock Prices in 2023: Below are some factors that, in my opinion, will likely impact stock markets' performance in 2023.

- The ability of central banks around the world to reduce high inflation to their target;
- Rebuilding the corporate supply chains that are likely to be less dependent on China as these chains' Manufacturer-in-Chief;
- The Russo-Ukrainian war's impact on commodity price developments;
- The ability of corporations to find new revenue sources to replace the ones lost due to the war; and
- The risk of a potential war between Israel and Iran – which actively works on its nuclear program, most likely developing weapons – can be another factor that could impact both commodity and stock prices in the Middle East and beyond.

Country Selection Matters More Than Country Categorization: In addition to the global and regional factors, many country-related factors will impact stock markets' performance. As always, they will contribute heavily to whether a specific country's market will end the year closer to the top of the leaderboard or among the year's losers. I find it challenging to forecast what "Emerging Markets / Frontier Markets" or "Developed Markets" will do. There will be winners and losers among these broad categories, as it happens every year and almost every month.

Just look at the February 2023 results. Stock market indices of three Emerging Market countries – Greece, Turkey, and Egypt – and a Frontier Market country – Nigeria – sat at the top of the table. But there were also nine Emerging stock markets at the bottom of the table: Colombia, Vietnam, China, Brazil, Thailand, South Africa, Saudi Arabia, Malaysia, and South Korea. Hong Kong was the only Developed Market among the 'Bottom Ten' countries, but even this market is among the Developed Markets most impacted by the developments in the Emerging Market universe. The performance of the MSCI Hong Kong index is often heavily affected by China because Hong Kong is a part of China, the world's largest Emerging Market country. So, Emerging Market countries won the 'Top Four' places and got nine out of the 'Bottom Ten' markets. Instead of forecasting what Emerging Markets would do, an investor would benefit from selecting countries likely to benefit from specific catalysts and avoid the ones likely to be subject to particular risks.

Welcome, Kuwait: Last but not least… I want to announce that we added Kuwait and its index – MSCI Kuwait – to the BBIS investment universe in 2022. BlackRock launched iShares MSCI Kuwait ETF (Ticker: KWT) in September 2020. [6] MSCI Kuwait replaced MSCI Russia, which was excluded from the universe as the 50th index after trading in all equity ETFs representing the country was stopped due to Russia's aggression against Ukraine in 2022.

Please let me know if you want to invest with BBIS and help crisis-stricken countries and their residents recover from crises that destroy their well-being, dignity, health, families, and lives. Also, please inform me if you want to learn more about BBIS' country investment analysis consulting services. Finally, please let me know if you have any questions about BBIS or the firm's investment strategies or would like to be on our publication distribution list. Thank you for your attention, time, and consideration.

Best regards,
Vitaly Veksler, CFA
CEO & Portfolio Manager
Beyond Borders Investment Strategies, LLC
vveksler@bbistrategies.com

[6] James Lord, ETF Strategy, "BlackRock launches iShares MSCI Kuwait ETF," September 4, 2020.

PERFORMANCE TABLES

TOTAL RETURNS = PRICE APPRECIATION + DIVIDEND YIELD

2022 Results
December 30, 2022

1	Turkey	91.2%
2	Argentina	36.2%
3	Chile	22.6%
4	Brazil	14.6%
5	Kuwait	10.1%
6	Peru	9.4%
7	Thailand	5.2%
8	Indonesia	4.2%
9	Portugal	1.1%
10	Greece	0.4%
11	Mexico	-1.6%
12	Nigeria	-2.3%
13	South Africa	-3.0%
14	Denmark	-4.3%
15	Hong Kong	-4.7%
16	United Kingdom	-4.8%
17	Saudi Arabia	-5.0%
18	Colombia	-5.0%
19	Australia	-5.1%
20	Norway	-5.7%
21	Malaysia	-5.8%
22	UAE	-6.2%
23	Spain	-6.8%
24	Qatar	-6.9%
25	India	-7.5%
26	Singapore	-11.0%
27	Belgium	-11.6%
28	Canada	-12.2%
29	France	-12.7%
30	New Zealand	-13.3%
31	Italy	-13.4%
32	Philippines	-13.5%
33	Finland	-14.0%
34	Japan	-16.3%
35	Switzerland	-17.6%
36	USA (S&P 500)	-18.1%
37	USA (MSCI)	-19.5%
38	Germany	-21.6%
39	China	-21.8%
40	Egypt	-22.5%
41	Austria	-25.6%
42	Ireland	-25.9%
43	Israel	-26.2%
44	Poland	-26.8%
45	Netherlands	-27.5%
46	Sweden	-27.6%
47	South Korea	-28.9%
48	Taiwan	-29.1%
49	Pakistan	-36.3%
50	Vietnam	-43.9%
51	Russia	-100.0%

January 2023
January 31, 2023

1	Mexico	17.0%
2	Argentina	15.4%
3	Netherlands	14.7%
4	Italy	13.3%
5	Ireland	13.1%
6	Taiwan	12.7%
7	Germany	12.4%
8	South Korea	12.4%
9	Greece	12.3%
10	China	11.8%
11	France	11.3%
12	Spain	11.3%
13	Vietnam	10.9%
14	Australia	10.7%
15	Chile	10.4%
16	Austria	9.5%
17	Canada	9.1%
18	New Zealand	7.9%
19	Peru	7.9%
20	Singapore	7.5%
21	Sweden	7.4%
22	Brazil	7.0%
23	USA (MSCI)	6.6%
24	Poland	6.5%
25	United Kingdom	6.5%
26	USA (S&P 500)	6.3%
27	Japan	6.2%
28	Switzerland	6.1%
29	Philippines	5.4%
30	South Africa	4.7%
31	Israel	4.3%
32	Belgium	4.3%
33	Colombia	4.1%
34	Hong Kong	3.8%
35	Thailand	3.8%
36	Indonesia	3.3%
37	Nigeria	2.9%
38	Malaysia	2.9%
39	Saudi Arabia	2.2%
40	Qatar	2.0%
41	Finland	1.7%
42	Denmark	1.7%
43	Kuwait	0.3%
44	Portugal	0.0%
45	Norway	-2.3%
46	Egypt	-2.7%
47	India	-3.0%
48	UAE	-3.8%
49	Turkey	-8.2%
50	Pakistan	-15.3%

February 2023
February 28, 2023

1	Greece	9.0%
2	Nigeria	7.2%
3	Turkey	5.8%
4	Egypt	5.4%
5	Austria	3.6%
6	Spain	2.7%
7	Denmark	2.6%
8	Sweden	2.2%
9	Ireland	1.9%
10	UAE	1.4%
11	Italy	0.6%
12	Pakistan	0.6%
13	United Kingdom	0.2%
14	Norway	-0.1%
15	France	-0.1%
16	Mexico	-0.2%
17	Belgium	-0.5%
18	Indonesia	-1.0%
19	Kuwait	-1.1%
20	Taiwan	-1.1%
21	Qatar	-1.7%
22	Germany	-1.8%
23	Finland	-2.1%
24	Argentina	-2.3%
25	USA (MSCI)	-2.4%
26	USA (S&P 500)	-2.4%
27	Portugal	-3.0%
28	New Zealand	-3.1%
29	Netherlands	-3.2%
30	Switzerland	-3.4%
31	Peru	-3.7%
32	Japan	-3.8%
33	Chile	-4.1%
34	Canada	-4.3%
35	Poland	-4.4%
36	Israel	-4.4%
37	India	-4.5%
38	Singapore	-5.1%
39	Philippines	-5.1%
40	Australia	-6.6%
41	South Korea	-7.0%
42	Hong Kong	-7.1%
43	Malaysia	-7.2%
44	Saudi Arabia	-7.4%
45	South Africa	-8.1%
46	Thailand	-9.2%
47	Brazil	-9.2%
48	China	-10.4%
49	Vietnam	-11.3%
50	Colombia	-16.3%

2023 - Year to Date
February 28, 2023

1	Greece	22.4%
2	Mexico	16.8%
3	Ireland	15.3%
4	Spain	14.2%
5	Italy	13.9%
6	Austria	13.5%
7	Argentina	12.8%
8	Taiwan	11.4%
9	France	11.2%
10	Netherlands	11.1%
11	Germany	10.4%
12	Nigeria	10.2%
13	Sweden	9.8%
14	United Kingdom	6.8%
15	Chile	6.0%
16	New Zealand	4.6%
17	South Korea	4.5%
18	Canada	4.4%
19	Denmark	4.3%
20	USA (MSCI)	4.0%
21	Peru	4.0%
22	Belgium	3.8%
23	USA (S&P 500)	3.7%
24	Australia	3.4%
25	Egypt	2.6%
26	Switzerland	2.5%
27	Indonesia	2.3%
28	Japan	2.1%
29	Singapore	2.0%
30	Poland	1.9%
31	Qatar	0.2%
32	China	0.2%
33	Philippines	0.0%
34	Israel	-0.3%
35	Finland	-0.4%
36	Kuwait	-0.8%
37	Vietnam	-1.6%
38	Norway	-2.4%
39	UAE	-2.5%
40	Brazil	-2.9%
41	Turkey	-2.9%
42	Portugal	-3.0%
43	Hong Kong	-3.6%
44	South Africa	-3.7%
45	Malaysia	-4.6%
46	Saudi Arabia	-5.3%
47	Thailand	-5.8%
48	India	-7.4%
49	Colombia	-12.9%
50	Pakistan	-14.8%

Sources: Refinitiv, Beyond Borders Investment Strategies (BBIS). Used MSCI country index performance for 49 countries - all but the US. The US performance is represented by MSCI USA and S&P 500 indices. All performance series measure total returns of US Dollar-denominated indices.

Disclaimer: Opinions expressed in this report are of BBIS and are for information purposes only. This report does not represent investment advice. BBIS holds investment positions in single-country equity ETFs of some or all countries mentioned in the report. Past performance is no guarantee of future results.