

THE LAST FIVE DAYS OF DECEMBER: “IT AIN’T OVER TILL IT’S OVER”

People who have been reading my reports know that I have compared the performance competition among 50 stock market indices in BBIS’ universe to a major international bicycle race with 12 monthly stages. This year, I was ready to announce the winner of the 2021 competition at the end of November. By the end of the third week of December, the leader’s advantage seemed insurmountable. And then things changed dramatically.

Ladies and Gentlemen, we have a race on our hands! As an incomparable baseball coach, Yogi Berra, said during the 1973 National League pennant race, “It ain’t over till it’s over.”¹

The MSCI UAE Index Has Been the Leader or in the Leading Group All Year: Since winning the January stage by registering the highest total returns (price appreciation plus dividends), the MSCI UAE Index has been in the leadership group the rest of the year. The MSCI UAE Index finished September and October trailing only the MSCI Saudi Arabia. The MSCI UAE Index took over the MSCI Saudi Arabia during the first week of November. I described the situation in a report titled “*The Four-Country Race*” on November 8, 2021.² At the time, the four leaders – MSCI UAE (with total returns of 44.0%), MSCI Argentina (43.4%), MSCI Saudi Arabia (43.1%), and MSCI Austria (43.1%) – were separated by less than one percentage point.

Here is a link to the report:

<http://bbistrategies.com/our-publications--events/the-four-country-race>

As of the end of November, the MSCI UAE Index (total returns of 49.9%) has increased its separation from MSCI Austria (32.8%) in second place and MSCI Saudi Arabia (31.1%) in third place. The MSCI UAE’s lead was 16.9% over MSCI Austria and 18.6% over the MSCI Saudi Arabia Index with just one month to go. As of the end of the third week of December (December 17), the MSCI UAE’s lead over the two pursuers rose to seemingly insurmountable levels. The MSCI UAE’s total performance was 61.2%. The MSCI Austria (37.1%) and MSCI Saudi Arabia (36.9%) trailed it by 24.1% and 24.3%, respectively. Everything seemed done and dusted with ten trading days left in a year.

The Leader’s Crash During the Second-to-Last Week of the Year: However, the situation changed dramatically during the second to last week of the year (December 20-24). During the week, the MSCI UAE became the worst performer, with a weekly loss of 7.3%. I consider all weekly declines of over 5% as bicycle race crashes. This crash most likely happened due to a surprising uptick of COVID-19 cases in the most-vaccinated country in the world (*see below for details of the uptick*). Another reason for the bad performance during the week could be that investors started taking their hefty annual profits.

At the same time, MSCI Austria posted total returns of 3.5% (5th best), while MSCI Saudi Arabia posted total returns of 0.4% (36th best). As of December 24, the MSCI UAE still has a significant lead over its closest competitors, but it is nowhere as large as just a week ago. The MSCI UAE’s total returns were 49.4% on the Year-to-Date (YTD) basis as of December 24, while MSCI Austria’s returns were 41.9%, “just” 7.5% behind the leader (*see Column 4 in the Performance Tables at the end of this report*). The

¹ BBC, “How People Started Saying ‘It Ain’t Over Till It’s Over’”, September 23, 2015.

² Vitaly Veksler, Beyond Borders Investment Strategies, “The Four-Country Race,” November 8, 2021.

MSCI Saudi Arabia (total returns of 37.4%) is 12.0% behind the leader. To use a metaphor, the cyclist from the country of Mozart - Austria - can see the back of the cyclist from the most dynamic country from the Persian Gulf, the Persian Gulf Dynamo.

Can the MSCI Austria Index Repeat Its Q4 2020 Heroics?: Last year, the MSCI Austria had a phenomenal performance in the fourth quarter. As I described on pages 3-4 in the report, “*2020: The Closest Finish in the Last 50 Year in the Country Stock Market Competition.*” The MSCI Austria Index’s total return was 47.9%.³ Low valuations propelled the country index – it started the quarter in the forty-seventh position with total returns of -34.3%. The catalyst for the recovery was the country’s successful lockdown that led to the rapid decrease in the COVID-19 cases. Below is the link to the report:

http://www.bbistrategies.com/uploads/3/4/5/3/34534346/bbis_-_news_release_-_01-07-21_-_2020_-_the_closest_finish_in_the_last_50_years_in_the_country_stock_market_race_-_report_-_final.pdf

Looking Five Days into the Future: To forecast the winner of this year’s competition, we need to answer two questions. First, will the MSCI Austria Index overtake the MSCI UAE Index at the finish line? If this happens, the situation would be reminiscent of the MSCI South Korea Index passing the MSCI Denmark Index on the last day of 2020 due to the currency movements of the Korean Won (appreciation of 0.05% vs. the US Dollar) and the Danish Krone (depreciation of 0.6% vs. the US Dollar). The leadership change happened even when stock markets in both countries were closed. Once again, you can find my description of details of that exciting race in the report “*2020: The Closest Finish in the Last 50 Year in the Country Stock Market Competition*” above. Second, can the MSCI Saudi Arabia pass the two indices in front of it from the distant third place (12.0% behind the MSCI UAE Index and 4.4% behind the MSCI Austria Index)? Once again, let me use a flashback to the last year’s competition. On December 21, 2020, the MSCI South Korea was in the third-place position following the MSCI Denmark Index and MSCI Taiwan Index by 6.7% and 3.4% before overtaking before the finish line.

The affirmative answers to both questions are possible, but how probable are they? In my opinion, to forecast the winner of this year’s completion, one needs to forecast developments in the following two areas: the COVID-19 pandemic situation in all three countries and the global oil price movements.

Recent COVID-19 Developments in Three Countries: Austria had another successful lockdown in November-December 2021. It started on Monday, November 22.⁴ According to Chancellor Alexander Schallenberg, the lockdown was to last not more than 20 days. The lockdown lasted through December 12.⁵ The number of new cases dropped from 15,365 and 14,140 on a seven-day average basis at its peak on November 24 to 2,085 new cases and 2,205 on a seven-day average basis just a month and a day later on December 25 (see *Chart 1 below*).⁶ As a result of the lockdown, the new cases declined by an impressive 85.6%.

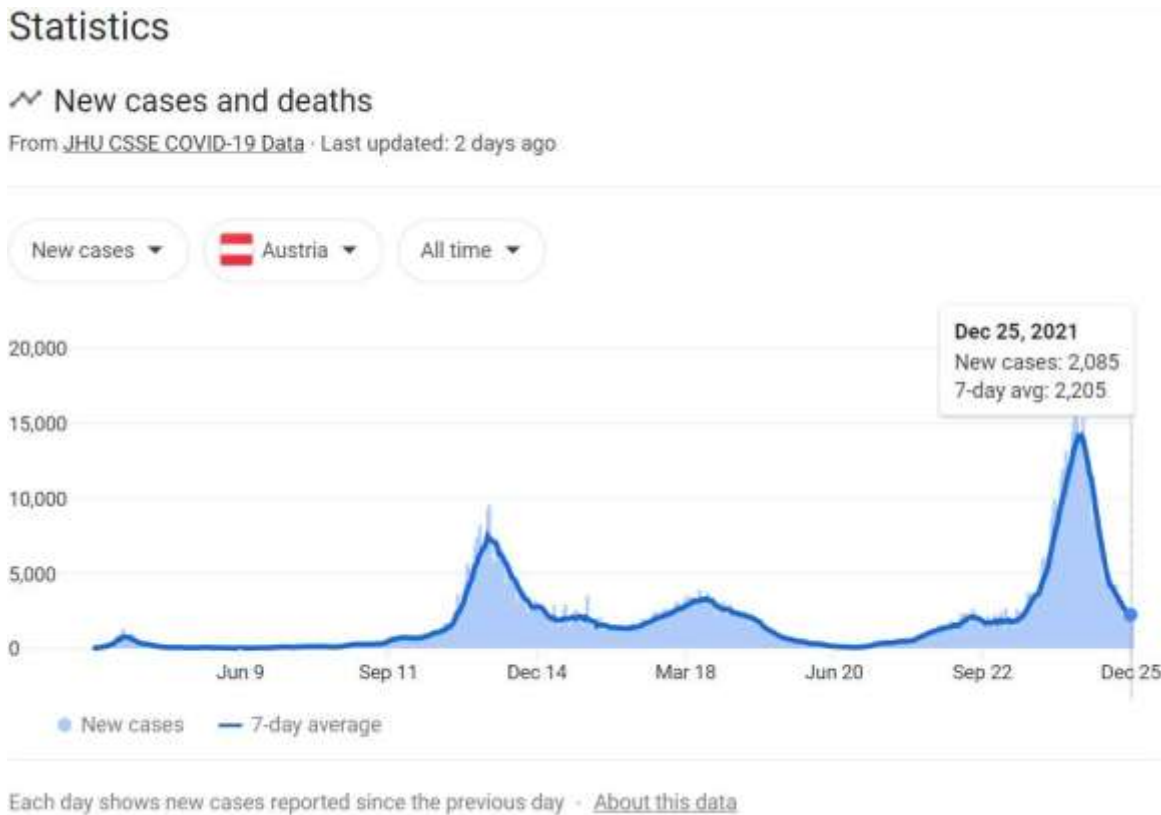
³ Vitaly Veksler, Beyond Borders Investment Strategies, “2020: The Closest Finish in the Last 50 Year in the Country Stock Market Competition”, January 7, 2021.

⁴ Chloe Taylor, CNBC, “Austria Re-imposes a Full Covid Lockdown and Makes Vaccination Mandatory,” November 19, 2021.

⁵ Reuters, “Austria Allows Broad Lifting of Lockdown, but Many Provinces Hold Off,” December 8, 2021.

⁶ Google, “Number of New COVID-19 Cases in Austria.” Downloaded on December 26, 2021. Data is based on Johns Hopkins University’s Center for Systems Science and Engineering.

Chart 1. The Number of COVID-19 Cases in Austria Dropped Dramatically as a Result of the Lockdown in November-December 2021.⁷



For comparison, the number of COVID-19 cases has been increasing rather rapidly in the UAE and less so in Saudi Arabia.

The UAE is the most COVID-vaccinated country in the world. More than 93% of the population is fully vaccinated.⁸ Almost every person in the country (99%) received at least one dose of vaccine.⁹ Around one-third of the country received a booster shot.¹⁰ Just on December 3, the number of new cases was 54, with a seven-day average of 53 (see *Chart 2 below*).¹¹

Due to the noticeable decrease in COVID-19 cases, the country relaxed some requirements of fighting the pandemic in September 2021. The nationwide mask mandate applies to outdoor places unless people exercise or visit public beaches and swimming pools.¹² But Dubai's bars and restaurants have been full

⁷ Ibid.

⁸ Josh Holder, The New York Times, "Tracking Coronavirus "Vaccinations Around the World," December 26, 2021.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Google, "Number of New COVID-19 Cases in Austria." Downloaded on December 26, 2021. Data is based on Johns Hopkins University's Center for Systems Science and Engineering.

¹² Al-Monitor, "UAE Relaxes Mask Rules as COVID-19 Cases Decline," September 22, 2021.

of mask-less patrons. The world’s fair, Expo 2020, has hosted massive concerts, parades, and other festivities for millions of visitors in the desert outside Dubai. ¹³

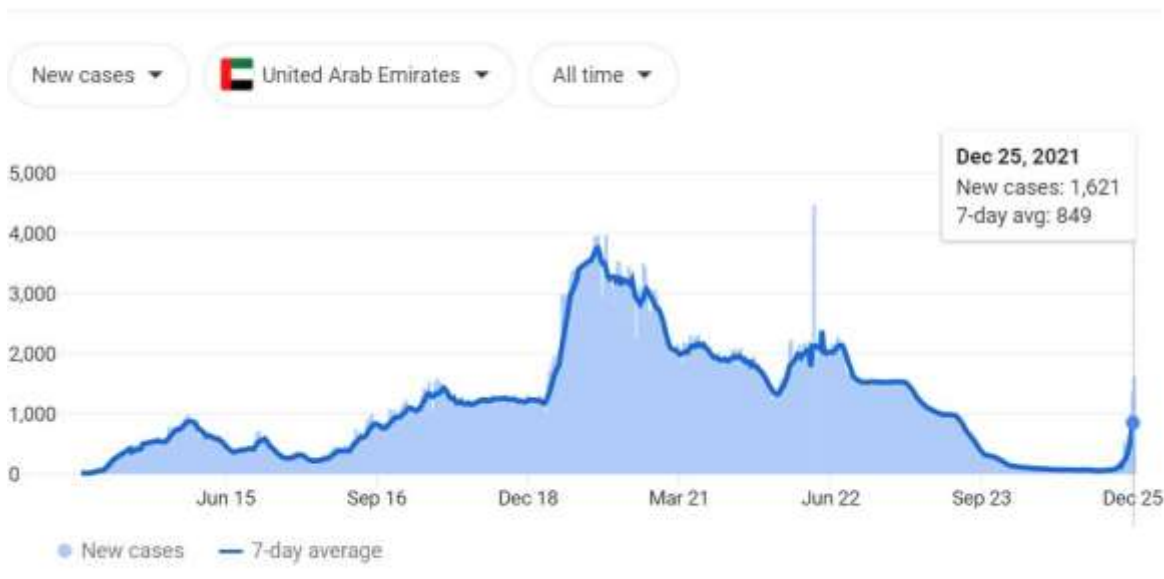
Despite all these impressive successes in the fight against the pandemic, it hit the country hard in December. The number of cases jumped to 1,621, with a seven-day average of 849 on December 25. ¹⁴ This new case jump represented a 30-time increase versus the level on December 3, just three weeks ago. After the COVID-19 cases picked up, Expo 2020 said it would suspend its daily parade and other events to stem the virus’s spread. ¹⁵ To limit the spread of the Omicron variant, the UAE suspended entry to non-citizens from some African countries and enhanced testing requirements for its citizens returning from these countries starting from December 25. ¹⁶

Chart 2. COVID Numbers Sharply Increased in the UAE in December Despite the Country Being the Most Vaccinated in the World. ¹⁷

Statistics

↗ New cases and deaths

From [JHU CSSE COVID-19 Data](#) · Last updated: 2 days ago



Each day shows new cases reported since the previous day · [About this data](#)

¹³ Isabel Debre, Associated Press, City News Everywhere, “Highly Vaccinated UAE Reports Most Virus Cases in Months,” December 21, 2021.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Garda World, “UAE: Authorities Suspend Entry from Certain African Countries from Dec. 25 Amid Concerns over COVID-19 Omicron Variant and Rising Case Numbers / Update 79,” December 25, 2021.

¹⁷ Google, “Number of New COVID-19 Cases in the United Arab Emirates.” Downloaded on December 26, 2021. Data is based on Johns Hopkins University’s Center for Systems Science and Engineering.

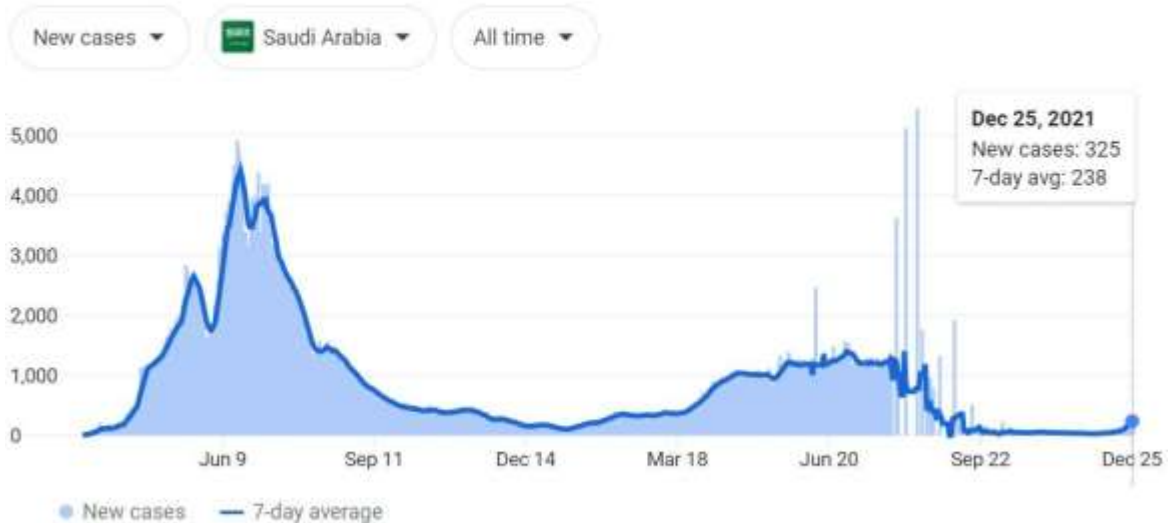
The number of new COVID cases also increased in the Gulf's most populous country – Saudi Arabia. Just on December 1, the nation had just 34 new cases and just 28 on a seven-day average (see *Chart 3 below*).¹⁸ The new cases were extremely rare, literally less than one in a million. The country's population was 34.81 million people in 2020.¹⁹ Over three weeks and three days, the number of cases jumped to 325, with 238 on a seven-day average basis on December 25, 2021.²⁰ The number of new cases increased by 9.6 times.

Chart 3. The Number of COVID-19 Cases in Saudi Arabia Increased by the End of 2021.²¹

Statistics

↗ New cases and deaths

From [JHU CSSE COVID-19 Data](#) · Last updated: 2 days ago



Each day shows new cases reported since the previous day · [About this data](#)

The Oil Price: The other major factor that may impact the stock market indices of all three countries, especially those of the UAE and Saudi Arabia, is the oil price. If it increases or decreases dramatically during the last week of December, the stock markets of these countries may respond dramatically to this development. The MSCI Austria also positively correlates to the oil price due to OMV AG's weight of

¹⁸ Google, "Number of New COVID-19 Cases in Saudi Arabia." Downloaded on December 26, 2021. Data is based on Johns Hopkins University's Center for Systems Science and Engineering.

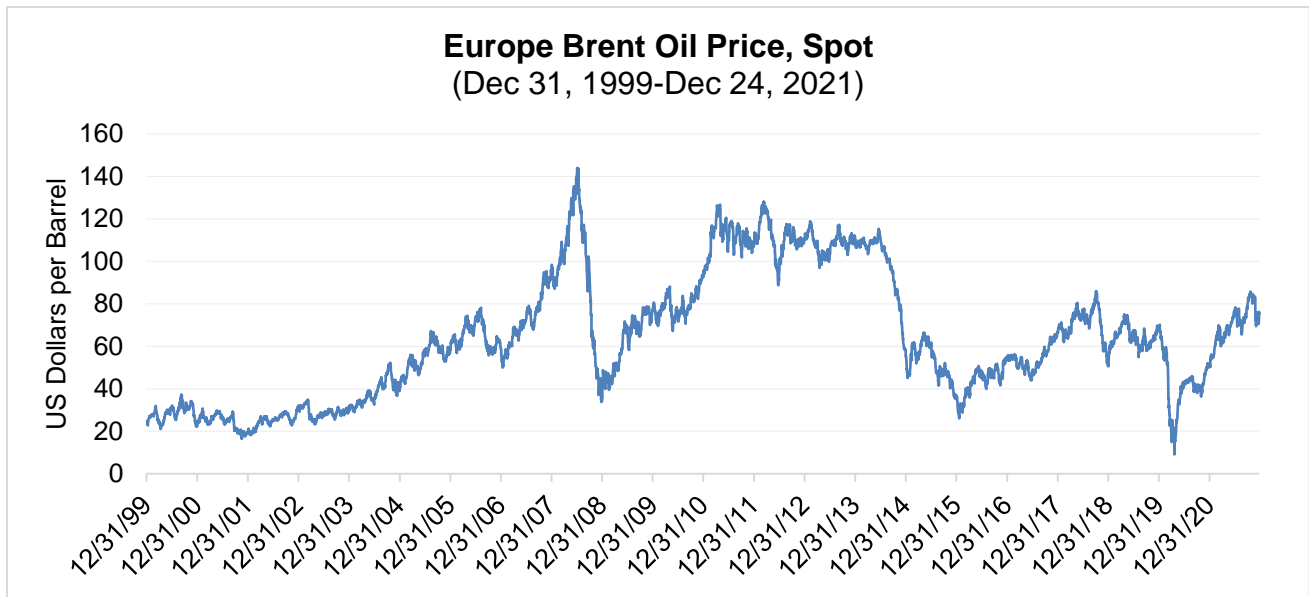
¹⁹ Wikipedia, "Saudi Arabia." Source for Saudi Arabia's population is the World Bank. Downloaded on December 26, 2021.

²⁰ Google, "Number of New COVID-19 Cases in Saudi Arabia." Downloaded on December 26, 2021. Data is based on Johns Hopkins University's Center for Systems Science and Engineering.

²¹ Ibid.

20.45% in the index. ²² OMV is an Austrian multinational integrated oil, gas, and petrochemical company. However, the MSCI UAE and MSCI Saudi Arabia have higher correlations with the price of oil. While I do not see any significant catalysts – positive or negative – for oil prices during the last week of December, if they materialize, all three indices can move significantly if the oil price moves dramatically.

Chart 4. Brent Oil Price, Spot, Delivery to Europe, December 31, 1999 – December 24, 2021. ²³



As always, please let me know if you have any questions about BBIS, the firm’s investment strategies, or would like to invest some of your funds with the firm. Thank you.

I look forward to talking to you in early January.

Have a Happy New Year!

Best regards,
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²² MSCI, “MSCI Austria Index Fact Sheet,” November 30, 2021.

²³ Source: US Energy Information Administration (EIA). Downloaded via Refinitiv.

BEYOND BORDERS INVESTMENT STRATEGIES, LLC
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DECEMBER 26, 2021

PERFORMANCE TABLES

Year to Date November 30, 2021			Month to Date December 24, 2021		Week Dec 20 - Dec 24, 2021		Year to Date December 24, 2021				
1	UAE	49.8%	1	Turkey	19.8%	1	Turkey	26.3%	1	UAE	49.4%
2	Austria	32.8%	2	Mexico	11.6%	2	Netherlands	4.2%	2	Austria	41.9%
3	Saudi Arabia	31.1%	3	Argentina	9.8%	3	Norway	3.8%	3	Saudi Arabia	37.4%
4	Vietnam	24.4%	4	South Korea	7.5%	4	Spain	3.6%	4	USA (S&P 500)	27.6%
5	Netherlands	24.2%	5	Ireland	7.1%	5	Austria	3.5%	5	Netherlands	26.1%
6	USA (S&P 500)	23.2%	6	Austria	6.8%	6	New Zealand	3.2%	6	USA (MSCI)	26.0%
7	Russia	22.7%	7	Finland	6.3%	7	Israel	3.1%	7	Canada	25.3%
8	USA (MSCI)	22.1%	8	Switzerland	6.2%	8	Sweden	3.1%	8	Taiwan	24.5%
9	India	22.1%	9	United Kingdom	6.1%	9	Argentina	3.0%	9	Norway	23.8%
10	Canada	21.1%	10	Norway	5.8%	10	Peru	2.9%	10	Argentina	23.4%
11	Taiwan	20.2%	11	Italy	5.7%	11	France	2.9%	11	India	23.0%
12	Norway	17.1%	12	France	5.7%	12	Australia	2.6%	12	Vietnam	22.9%
13	Sweden	15.5%	13	Belgium	5.3%	13	Canada	2.6%	13	Mexico	21.3%
14	Denmark	13.3%	14	Thailand	4.8%	14	Ireland	2.6%	14	Sweden	20.8%
15	France	12.6%	15	South Africa	4.8%	15	United Kingdom	2.6%	15	Russia	19.4%
16	Argentina	12.4%	16	Saudi Arabia	4.8%	16	Belgium	2.5%	16	France	19.0%
17	Qatar	12.0%	17	Sweden	4.6%	17	Poland	2.4%	17	Switzerland	18.6%
18	Switzerland	11.7%	18	Germany	4.4%	18	USA (MSCI)	2.3%	18	United Kingdom	17.2%
19	Israel	10.7%	19	Australia	4.4%	19	USA (S&P 500)	2.3%	19	Denmark	16.6%
20	United Kingdom	10.5%	20	Spain	4.0%	20	South Africa	2.1%	20	Qatar	15.8%
21	Mexico	8.6%	21	USA (S&P 500)	3.6%	21	Finland	2.1%	21	Israel	14.5%
22	Italy	8.2%	22	Greece	3.5%	22	Italy	1.9%	22	Italy	14.4%
23	Singapore	5.4%	23	Taiwan	3.5%	23	India	1.9%	23	Finland	9.2%
24	Egypt	5.2%	24	Canada	3.5%	24	Germany	1.7%	24	Australia	8.8%
25	Australia	4.2%	25	Israel	3.4%	25	Mexico	1.7%	25	Greece	7.7%
26	Greece	4.1%	26	Qatar	3.4%	26	Greece	1.6%	26	Ireland	6.6%
27	Nigeria	3.4%	27	USA (MSCI)	3.2%	27	Portugal	1.6%	27	Poland	5.6%
28	Poland	2.8%	28	Colombia	3.1%	28	Malaysia	1.5%	28	Egypt	5.3%
29	Finland	2.7%	29	Denmark	2.9%	29	Egypt	1.3%	29	South Africa	4.8%
30	Indonesia	1.5%	30	Brazil	2.8%	30	Russia	1.3%	30	Germany	4.7%
31	Germany	0.3%	31	Poland	2.8%	31	Switzerland	1.2%	31	Singapore	4.6%
32	Japan	0.1%	32	Japan	2.3%	32	Singapore	1.1%	32	Indonesia	2.8%
33	South Africa	0.0%	33	Peru	2.0%	33	Taiwan	0.7%	33	Japan	2.5%
34	Portugal	-0.4%	34	Netherlands	1.5%	34	Qatar	0.6%	34	Belgium	1.9%
35	Ireland	-0.5%	35	Indonesia	1.3%	35	Vietnam	0.5%	35	Nigeria	1.3%
36	Philippines	-1.3%	36	Portugal	1.0%	36	Saudi Arabia	0.4%	36	Portugal	0.5%
37	Belgium	-3.2%	37	India	0.8%	37	Hong Kong	0.2%	37	Spain	-0.6%
38	Spain	-4.4%	38	Philippines	0.4%	38	Pakistan	0.2%	38	Philippines	-0.9%
39	Hong Kong	-4.4%	39	Malaysia	0.3%	39	South Korea	0.1%	39	Thailand	-2.6%
40	Thailand	-7.1%	40	Hong Kong	0.1%	40	Indonesia	0.1%	40	Hong Kong	-4.3%
41	Chile	-7.2%	41	Egypt	0.1%	41	China	0.0%	41	South Korea	-7.0%
42	Malaysia	-10.0%	42	New Zealand	-0.2%	42	Colombia	-0.1%	42	Malaysia	-9.7%
43	South Korea	-13.5%	43	UAE	-0.2%	43	Nigeria	-0.2%	43	Colombia	-13.7%
44	Colombia	-16.3%	44	Singapore	-0.8%	44	Japan	-0.4%	44	Turkey	-15.9%
45	New Zealand	-16.9%	45	Vietnam	-1.3%	45	Denmark	-0.6%	45	Chile	-15.9%
46	China	-19.1%	46	Nigeria	-2.0%	46	Thailand	-0.7%	46	New Zealand	-17.1%
47	Pakistan	-20.2%	47	Russia	-2.6%	47	Philippines	-1.5%	47	Brazil	-18.5%
48	Brazil	-20.7%	48	China	-4.2%	48	Brazil	-2.2%	48	Peru	-21.2%
49	Peru	-22.8%	49	Pakistan	-6.4%	49	Chile	-6.0%	49	China	-22.5%
50	Turkey	-29.8%	50	Chile	-9.4%	50	UAE	-7.3%	50	Pakistan	-25.3%

Sources: Refinitiv, Beyond Borders Investment Strategies (BBIS). Used MSCI country index performance for 48 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.

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