A system for assessing country risk in terms of capital and trade investment has been found to be reasonably predictive of actual future equity returns, according to research by Campbell Harvey, a professor at the Fuqua School of Business at Duke University, and First Chicago Investment Management's Claude Erb and Tadas Viskanta. They used the International Country Risk Guide, a monthly publication covering 130 countries, to do a historical analysis of risk ratings for every month dating back to 1984 and compare the ratings to actual equity market returns. The research showed a simple buy-sell strategy based on an upgrade or downgrade in the ICRG risk ratings produced "extremely high" risk-adjusted returns, both in mutual funds of stable industrialized countries and volatile emerging markets.

Reader Comments
Readers are solely responsible for the content of the comments they post here. Comments are subject to the site's terms and conditions of use and do not necessarily reflect the opinion or approval of Pensions & Investments. Readers whose comments violate the terms of use may have their comments removed or all of their content blocked from viewing by other users without notification.

You must be logged in to leave a comment. Login | Register

Reproductions and distribution of the above news story are strictly prohibited. To order reprints and/or request permission to use the article in full or partial format please contact our Reprint Sales Manager at (732) 723-0569.
Con-way, Teamsters fund settle withdrawal liability
Fed picks 4 for MBS purchase program
30% of Boston Co. Asset staff laid off
Bad apples?
Out of the shadows: Face to Face with Christina Seix