



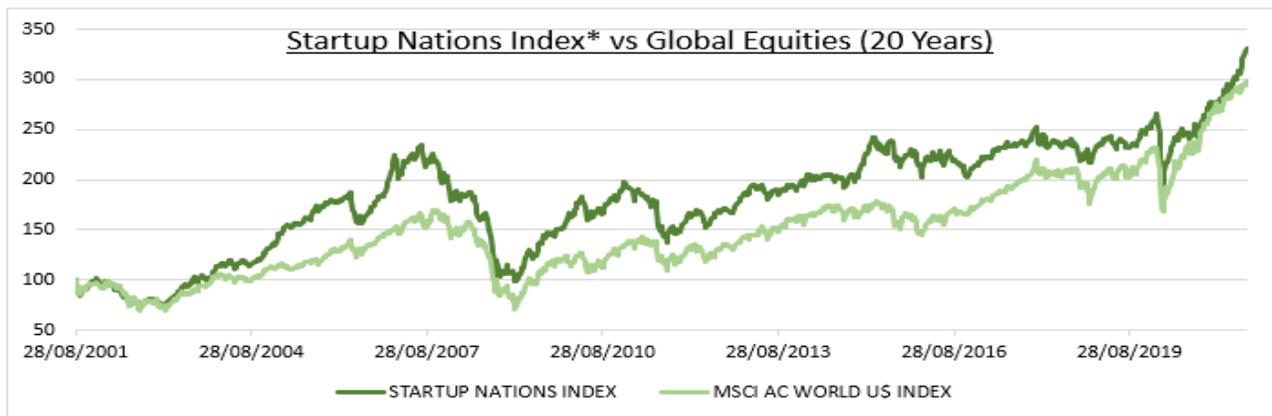
Daily Macro Insights: Opportunities in the startup nations

SMALL IS BEAUTIFUL: The world's smallest countries produce some of the most innovative companies and best investment returns, but are overlooked. There are 195 countries, but just 5 make up 75% of global equity markets. Small and open economies are often forced to be innovative and flexible, and have benefitted as the new economy has shifted focus from natural resources to knowledge. Our Startup Nations index ranks the best five overall for startup friendliness, economic competitiveness, and ease-of-doing business. Their GDP growth is 70% above developed world average the last 20-years. Their equity markets have outperformed, and this understated as their most innovative stocks often only list abroad.

STARTUP NATIONS INDEX: We screen countries for 1) company [start-ups](#), 2) economic [competitiveness](#), and 3) ease of [doing business](#), to create an index of the most consistently highly ranked small countries, with populations of 10 million or under: [Sweden](#), Israel, Denmark, Estonia, and Singapore are our 'Start-up Five'. We also could have added Ireland, Switzerland, Hong Kong or New Zealand. We compare a simple-weighted index of their local equity market performance vs global equities. They have consistently outperformed.

IMPACT UNDERSTATED: This equity performance is often even better than seems. As their local equity markets are generally small, the newest and most innovative companies often list in US or UK, such as Sweden's Spotify (SPOT) and Oatly (OTLY), Singapore's Sea (SE) and Flex (FLEX), Israel's Monday.com (MNDY) and SentinelOne (S.US) amongst many, Denmark's Just Eat (TKWY.NV) and Zendesk (ZEN), and Estonia's Playtech (PTEC.L) and Wise (WISE.L).

TODAY: The slew of weak Chinese PMI economic data focuses attention on potential moves to support the economy, amidst the continuing tech regulatory crackdown. They have the flexibility, with high interest rates, bank reserve requirements, and a falling fiscal deficit.



Source: Refinitiv, eToro calculations. *Index = simple weight of MSCI Sweden, Denmark, Estonia, Singapore, Israel

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