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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.

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