Multi-Asset World Cup 2018: The group stage

As we count down to the FIFA World Cup, you're invited to join our own international tournament.

KICK OFF

The 2018 World Cup was supposed to be the year when "Football came home". Instead, it is going to Russia, where no doubt England will receive a "warm" welcome.

Ahead of the June 14th kick-off we want to bring you the excitement of the World Cup by running our own Multi-Asset World Cup. At least this is one World Cup England stand a chance of lifting.

Each country in our World Cup will compete on a number of economic and financial market criteria, the very same type of criteria that we use in the Multi-Asset team to decide what countries and markets might make good investments. But our World Cup should bring a little more fun.

We have appointed various LGIM colleagues as country coaches, each taking the teams through their paces. Over the next few weeks we will guide you through each stage, all the while providing expert commentary from some of the game's most respected pundits.

Our World Cup begins with the group stage, with each game based on three criteria. The country with the better assessment on each of our three criteria is awarded a goal. Therefore, a team can score a maximum of three goals in the group stage.

The criteria are:

- **Government debt as a percentage of GDP (the size of the economy)**

  We use the change since the 2014 World Cup. This measure is useful for countries where investment pundits have doubts about government creditworthiness, such as some emerging markets and peripheral European countries. In these cases we're scouting for low or declining levels of government debt. Falling government debt is likely to see credit rating upgrades.

- **Gini coefficient**

  Invented by legendary Italian "Statto" (and sociologist) Corrado Gini, this measures income inequality within a country. The greater the income equality, the more stable the country's likely to be, and incidentally, happier too. A country with large income inequality is somewhat akin to a powder keg just waiting for a spark.

- **Political risk score**

  We source this from the Economist Intelligence Unit (this is not an oxymoron, apparently). All else equal, we want to invest in countries with lower political risk. So no surprises there. Low political risk countries are more likely to avoid defaulting on

bonds in our view, and should also experience lower currency volatility. A win-win.

So who are the bookies' favourites? Of course Germany is up there, with low political risk, low debt level and quite a good Gini coefficient. Coach (and LGIM economist) **Erik Lueth's** IMF background means his team will almost certainly go through the first round.

Also looking strong is Portugal: debt levels have been declining sharply so they'll be dangerous against poor quality competition. England (as proxied by the UK) haven't had the perfect qualification stage, with some rising political uncertainty since the 2016 Euros. That said, under new coach **Justin Onuekwusi's** shrewd management, the team have been in better form during the run up to the tournament. For those who like longer odds, consider **Bruce White's** Saudi Arabia. Apparently joining the Saudi squad due to his love of desserts, Bruce has a big task ahead of him in this notoriously unequal country.

Legal & General
INVESTMENT MANAGEMENT

THE GROUP STAGE RESULTS

A

Russia	2	1	Saudi Arabia
Egypt	1	2	Uruguay
Russia	2	1	Egypt
Uruguay	3	0	Saudi Arabia
Saudi Arabia	1	2	Egypt
Uruguay	1	2	Russia

Rank	Team	Wins	Losses
1	Russia	3	0
2	Uruguay	2	1
3	Egypt	1	2
4	Saudi Arabia	0	3

B

Morocco	2	1	Iran
Portugal	2	0	Spain
Portugal	3	0	Morocco
Iran	0	3	Spain
Iran	0	3	Portugal
Spain	3	0	Morocco

Rank	Team	Wins	Losses
1	Portugal	3	0
2	Spain	2	1
3	Morocco	1	2
4	Iran	0	3

C

France	2	1	Australia
Peru	0	3	Denmark
Denmark	3	0	Australia
France	3	0	Peru
Australia	2	1	Peru
Denmark	3	0	France

Rank	Team	Wins	Losses
1	Denmark	3	0
2	France	2	1
3	Australia	1	2
4	Peru	0	3

D

Argentina	0	3	Iceland
Croatia	3	0	Nigeria
Argentina	0	3	Croatia
Nigeria	0	3	Iceland
Iceland	3	0	Croatia
Nigeria	0	3	Argentina

Rank	Team	Wins	Losses
1	Iceland	3	0
2	Croatia	2	1
3	Argentina	1	2
4	Nigeria	0	3

E

Costa Rica	1	2	Serbia
Brazil	0	3	Switzerland
Brazil	0	3	Costa Rica
Serbia	2	1	Switzerland
Serbia	2	1	Brazil
Switzerland	3	0	Costa Rica

Rank	Team	Wins	Losses
1	Serbia	3	0
2	Switzerland	2	1
3	Costa Rica	1	2
4	Brazil	0	3

F

Germany	3	0	Mexico
Sweden	3	0	Korea
Korea	3	0	Mexico
Germany	0	3	Sweden
Korea	1	2	Germany
Mexico	0	3	Sweden

Rank	Team	Wins	Losses
1	Sweden	3	0
2	Germany	2	1
3	Korea	1	2
4	Mexico	0	3

THE GROUP STAGE RESULTS

G

Belgium	3	0	Panama
Tunisia	0	3	England
Belgium	3	0	Tunisia
England	3	0	Panama
England	1	2	Belgium
Panama	2	1	Tunisia

Rank	Team	Wins	Losses
1	Belgium	3	0
2	England	2	1
3	Panama	1	2
4	Tunisia	0	3

H

Colombia	0	3	Japan
Poland	3	0	Senegal
Japan	3	0	Senegal
Poland	3	0	Colombia
Japan	2	1	Poland
Senegal	2	1	Colombia

Rank	Team	Wins	Losses
1	Japan	3	0
2	Poland	2	1
3	Senegal	1	2
4	Colombia	0	3

In Group A, our Russian hosts have moved into the last 16 alongside Uruguay, with Egypt and Saudi falling foul of elevated political risk. The main highlight of Group A was Saudi manager Bruce White storming out of a press conference as his team limped out of the competition with barely a whimper.

Group B held no surprises for the skilful Iberians, with Portugal and Spain getting through. Both countries have made solid progress in reducing deficits over the last four years in particular.

In Group C, due to a growing deficit Australia saw such little possession, they barely had a chance to tamper with the ball.

Danish discipline and French flair saw those teams progress into the last 16.

Group D sees Iceland and Croatia through; Iceland are early contenders for goal of the tournament, with a 41% decline in debt-to-GDP over the last four years. Well worth a thunder-clap.

Serbia and Switzerland passed through in Group E without any problems, while in Group F, the surprise result of the round was the thrashing of Lueth's Germany at the hands of Sweden. Germany eventually made it through by getting their defence back in order, with low political risk helping them to see off a rejuvenated and spirited South Korea team.

England and Belgium get through in Group G in the clash of the group stages. Dutch master **Chris Teschmacher** has been co-opted to manage the Belgian side and seems to be keeping them well away from the frites and frothy beers. England performed well with 3-0 wins against Panama and Tunisia, but it wasn't exactly top flight competition. But Onuekwusi's England were disappointing with a 2-1 defeat against Belgium. The Belgians, one of the favourites for the competition, have been focused on reducing debt since their disastrous 2014 performance, and their better Gini coefficient kept England hemmed in early on. England countered with a contentious late consolation goal based on political risk (to the delight of Brexiteers), setting up a tense finale.

Finally, in Group H, it was the red and white of Japan and Poland that shone through. Tactical guru **Andrzej Pioch's** Poland team are playing well in attack and scoring freely but were narrowly beaten 2-1 by the Japanese when qualification was all but assured, setting up a tough last 16 match vs. Teschmacher's all-conquering Belgian side.

So, heading into the Last 16 games, England line up against Japan, while the hosts take on Spain. With new goal criteria coming into play for the Last 16 stage, quarter and semi-finals, the coveted Multi-Asset World Cup is still up for grabs.