

## MARKET BRIEF

### EMERGING MARKETS



**Gerard Lyons, chief economist and group head of global research, Standard Chartered Bank**

"Even though the Chinese economy has boomed, its stock market has never really reflected that. Similarly, the recent volatility in that market does not reflect what is happening to the economy at large. Some of the sell-off was driven by a desire by officials to curb speculative flows in the stock market. When one steps back and puts this in perspective, the stock market in China needs much better corporate governance. The underlying position in many of the companies needs to become more open and more transparent. That being said, China is still doing very well. The economy is strong.

In general, one should be very positive about emerging markets. We are in a new growth dimension and the underlying strength of many emerging markets is still coming through. New trade corridors are being seen between Asia and Africa, Asia and the Middle East and within Asia itself. Also, one sees large surplus amounts of funds that are now being put to use. I was in the Middle East recently and it is staggering how much money is being generated in that region. More of that money is staying at home, helping economies diversify. In addition, across Asia one sees economies deepening their domestic growth, with the emergence of a larger middle class.

Against that background, one should take a very positive longer-term view of emerging markets, but the reality is – and we saw some evidence of this recently – there are cyclical challenges.

The biggest challenge for emerging markets this year is a US-led slowdown. That will make many people nervous but, at the same time, it will allow many international investors to step back and realise that the US, while it's still the biggest global economy, is becoming less important. India, China and Asia generally are becoming much more important for the global economy, although they face their own challenges as well as opportunities.

So step back, appreciate the needs to take advantage of any cyclical weakness to invest in the emerging markets and, I think, recognise the fact that there are lots of growth opportunities now emerging."

NON-

B

fo

tr

lo

Mike

incre

fuel

Indus

press

It is

effect

first

envi

conce

com

chair

custo

or t

issue

"T

area

tor,"

glob

logis

first

beco

issu

atta

thre

and

imp

US,

pre-

carg

sign

So

has

"tra

ogy

kno

are,

hea

tice

has

of

tech

fite

core

UK

own

M

als

seer

enfo

ing

rese

Stra

Con

furt

the

inte

com

suit

acc

was

an

ple

ill.

wro

T

glob

hug

incr

cha

stre

"Tr

ope

mar

call