



## FORDHAM | IPED

Fordham University's Graduate Program in International Political Economy and Development trains graduate students in the advanced interdisciplinary analysis of global economic relations and international development issues. Graduates frequently pursue professional careers in global finance, international economic policy, and in international relief and development.

*Emerging Markets Watch* is a student-run newsletter of Fordham's IPED program. It aims to share with prospective students and friends in the academic, non-profit, government, and corporate community IPED's analysis in emerging markets and country risk analysis.

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## IPED alumnus assists in EU policy reform

Plamen Nikolov attributes his approach to public policy and interest towards peoples in developing countries to IPED. "The IPED program helped me by giving me a more holistic approach to public policy — by making me look not only through the economic but also political aspects of public policy," he adds.

Leveraging his skills learned from his specialization in International Banking and Finance, he currently works as an Economist at the Directorate General for Economic and Financial Affairs (ECFIN) of the European Commission, an executive arm of the European Union (EU) which is primarily responsible for steering economic policy in the EU and making sure that the European common interests are safeguarded by its member states. Specifically, the Directorate General has the responsibility in the fiscal and macroeconomic surveillance of the member states by working together with Ministries of Finance and Central Banks in formulating the appropriate fiscal and macroeconomic policies that will ensure growth in each member state without jeopardizing the existence of the euro.

At ECFIN, he analyzes ongoing economic developments in the euro area including the functioning of the Monetary Union and provides policy recommendations to improve the situation or address any challenges. He presents his analysis to the Economic and Financial Committee of the EU, which is a regular decision-making body composed of the Finance Vice-Ministers of the member states.



Prior to joining ECFIN, he worked at the Internal Market and Services Directorate General of the European Commission where he analyzed the impact of financial regulatory reforms in Europe.

Plamen notes that the common economic policy in the EU is a very difficult issue. While the member states have national sovereignty on their fiscal policies, they have given up autonomy over their monetary policies. This creates challenges, as demonstrated during the sovereign debt crises in Southern Europe, which undermines trust between policy makers and citizens across Europe. In tackling this challenge, he shares that "currently, there are plans to improve the design of the monetary union, and I am happy that I am part of this effort. These plans are centered on making economic governance more effective and taking steps towards common fiscal policy and unified representation of the euro area in the International Monetary Fund and other fora."

**EDITOR'S NOTE:** Fordham's *Summer Certificate Program in Emerging Markets and Country Risk Analysis* is an intensive 10-week program designed for international business professionals as well as current graduate students. The program offers students the opportunity to develop the political, economic, and financial analytical skills needed to evaluate the potential risks and rewards associate with the dynamic and volatile financial markets of Asia, Latin America, Africa, and Eastern Europe. Included in this newsletter are the abstracts of the papers completed during the summer of 2015.

For more information about the program, please visit [www.fordham.edu/iped/summer](http://www.fordham.edu/iped/summer)

# INVESTMENT PROSPECTS FOR EMERGING MARKETS

## Brazil

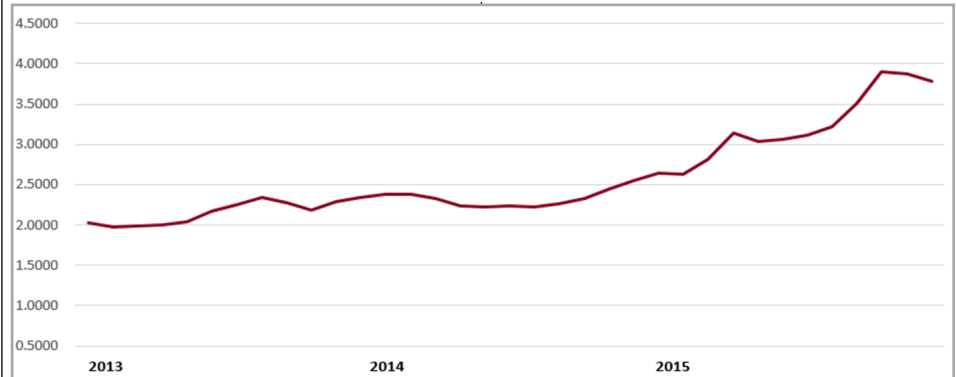
BY BRADLEY DANIELS

The prospects for portfolio investments in Brazil are poor due to the country's recession, high inflation, highly unstable exchange rate, and overall negative outlook in the stock markets.

Brazil's macroeconomic performance is anemic, with the country in the midst of its worst recession in 25 years. The expected growth rate in the next two years is negative. Brazil is attempting to impose fiscal discipline by cutting spending and raising revenues but such measures are constrained by mandatory spending and reduced tax base due to negative growth. Additionally, political risks have put the government's fiscal measures into question when it reduced its target for deficit cuts. Similarly, inflation is a problem for the Brazilian economy, with rates soaring above 12% the first quarter of 2015. Fiscal policy has reduced the subsidies on gas and electricity which contributed significantly to high inflation rates.

Brazil's highly unstable exchange rate is the most important factor for the poor prospects in Brazil. The Brazilian real has expe-

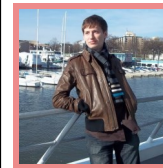
Brazil's Exchange Rate with USD (2013-2015)



rienced prolonged depreciation, weakening from 2.22 BRL/USD in July 2014 to 3.45 BRL/USD in July 2015. As a result, its annual exports suffered a significant drop in 2015. Brazil imports, however, has a small trade surplus in Brazilian reals in June 2015. Brazil's balance of payments has fluctuated but is on a path towards deficit. Foreign exchange reserves is high at USD 350 billion and expected to remain at that level given that the central bank has not been choosing to use them to fight the depreciation.

As for Brazil's stock market, the prospects are likewise poor. Sao Paulo's

Ibovespa stock exchange is considered three times riskier than S&P500. It will likely continue to produce lower return as Brazil continues with its recession. While this is the case, there could be some sectoral opportunities for investors such as in foreign oil companies, cloud computing, food and agriculture, water purifiers, and even lingerie.



Brad Daniels is the International Collaborations Manager of Maharishi University of Management at Fairfield, Iowa.

## China

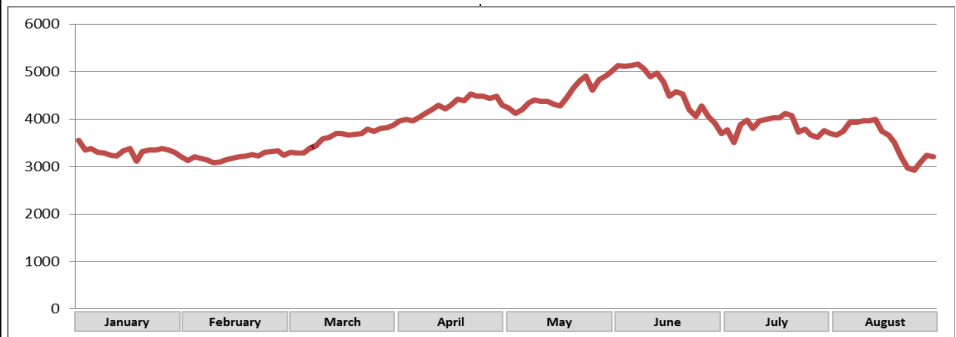
BY LULAMA BOOI

The prospects for investments in China are volatile with a high probability of downside risks in the short term but are positive in the long run.

The Chinese stock market had a sharp fall from 5,106 to 3,507 within a three week period in Q3-2015. The decline was an indication of negative investor sentiment on the back of poor economic data and concerns from investors that measures to support the stock market may be insufficient to protect investments. The stock market had stabilized in August and the index went up at 3,965. The Chinese stock market is expected to remain on a downward trend as domestic demand remains under pressure and investor's concerns increase on market protection measures.

China's GDP growth rate was 7% in Q2 of 2015, a decline from 10.6% in 2010. The decline can be attributed to declining domestic and export demand and softening of the real estate market. China's inflation remains low at 1.6% in July 2015 while un-

Shanghai Composite Index (January—August 2015)



employment remained at low levels of 4.04%. In the first half of 2015, the central bank seemed to have implemented expansionary monetary policy in response to declining commodity prices and falling property prices. In March, the finance minister also increased the quota for bond sales from 500 billion yuan to 1.5 trillion yuan to bring some off-balance sheet debt held by local governments on the balance sheet.

China recently implemented a depreciation of nearly 2 percent of the yuan against the dollar at 6.32. This is indicative of China experiencing more strain than expected. The high level of exports remains an instrument for growth for the economy, and as such,

the current account is expected to be in a strong surplus position for the foreseeable future. The balance of payments is in surplus, due to portfolio inflows attracted by high GDP growth and a stable exchange rate. The 10-year bond risk premium relative to the US is at 1%, indicating high growth, surplus positions, and protection for investors via exchange rate and stock markets.



Lulama Booi is a credit analyst and a chartered accountant from South Africa. She has a degree in Accounting and Computer Science.

## South Africa

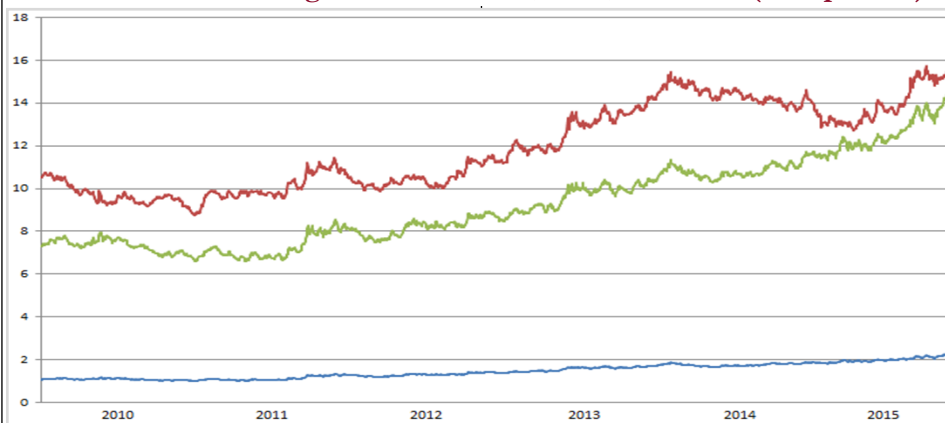
BY SAMANTHA ANDREWS

Prospects for investment in South Africa are negative due to poor macroeconomic performance, an unstable exchange rate, and a negative outlook on the stock market.

Macroeconomic performance in South Africa is on a downward trend. For the fifth consecutive year, growth forecasts were revised downwards. The country is expected to grow by only 2% in 2015. Unemployment was also on the rise at 25% in the second quarter. Inflation has been on an upward trend due to a weakening rand and rising oil prices. Monetary policies are tight to control for rising inflation while fiscal policies are unsustainable. South Africa faces a persistently large structural deficit. The government allocates more resources for debt servicing than for police, prisons, and law courts combined.

Exchange rate stability is expected to decrease as the rand depreciates. Already at its weakest point since 2001, depreciation of the Chinese yuan, combined with expecta-

South Africa's Exchange Rate with EUR, USD, and RMB (2010-present)



tions of rising US interest rates, threatens to worsen the trend.

Stock market prospects are low. Analysis of key sectors suggests that banking and services sectors will become less attractive, while manufacturing and mining sectors will experience subdued, and possible declining growth. The recent drop in commodity prices is expected to exacerbate revenue loss. South African businesses lag in automation because of a shortage of skilled laborers capable of operating technologically advanced software. A bill is also being consid-

ered in the parliament that will enable the government to expropriate property without having to pay market-related compensation. These—reduction of exports, lack of investment in automation, and the potential for expropriation without a fair market return—deters local and foreign investment.



Samantha Andrews is a Public Service Fellow pursuing her MA in International Political Economy and Development at Fordham University.

## India

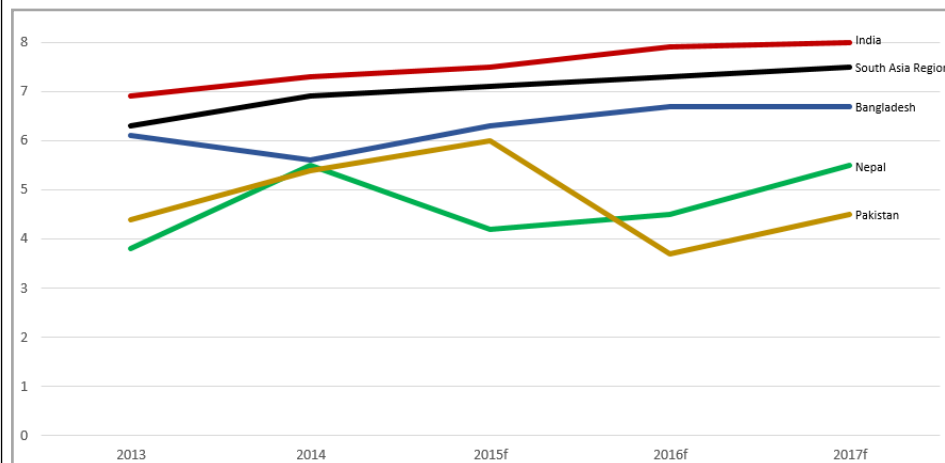
BY BARREND PULE

Investment prospects in India are positive given strong macroeconomic performance, competitive exports due to weak rupee, and positive outlook of the stock market.

India has positive growth prospects, owing to robust financial services, trade and hotels, and strong manufacturing sector. India is expected to grow at 5.9% in 2015 and is set to be a key driver of economic growth in the South Asia region. Unemployment has declined and remains at low levels. Growth of the informal sector passed that of the formal sector, with the former absorbing a significant number of people leaving the formal job sector. Meanwhile, inflation was recorded at 6.3% in 2014-2015, which is near the Reserve Bank of India's (RBI) target of 6% by January 2016. RBI has also maintained the policy repo rate of 7.25%, which reinforces the accommodative stance of India's monetary policy.

The rupee has depreciated significantly against the US dollar, from 46 INR/USD in August 2010 to 65.3 INR/USD by mid-August 2015. This has kept India's exports competitive, as it maintained an overall up-

Real GDP Growth Rate of India and other South Asia countries



ward trend from 2010 through 2014. However, exports slipped to USD 314 billion as of March 2015, mainly due to the fall of global oil prices. India is a petroleum exporter with oil accounting for 22% of its total exports. Sustained low oil prices will exert pressure on their exports in the short term.

The rise of Narendra Modi as prime minister in 2014 has brought back confidence and optimism for the stock market and economy as a whole. The Sensex index has shown recovery from the global financial crisis in 2008, as it followed a positive trend from 2008 to 2015. Equity invest-

ments in India are promising in the information technology and manufacturing sectors. The manufacturing sector is receiving attention following the "Make in India" plan of the government to revitalize the economy. The manufacturing sector grew by 7.1% in 2014-2015 and is positioned to grow further in the medium and long term.



Barrend Pule is a business analyst from South Africa. He holds a BSc degree in Engineering and a Master of Management degree in Finance and Investment.

## Faculty Feature: Dr. Booi Themeli

**D**r. Booi Themeli is the “face of Fordham in Africa,” serving as the coordinator of the collaboration agreement between Fordham University and University of Pretoria in South Africa. Under the agreement, he leads the various exchange and study programs between the two universities at the undergraduate and graduate level. He also serves as a Clinical Associate Professor of Economics at Fordham University, teaching courses in African Economic Development, Project Monitoring and Evaluation (Philippines), and Emerging Markets (South Africa).

He received his B.A from University of the North (South Africa), his MA from Western Illinois, M Comm from Rhodes University (South Africa); and PhD from Fordham University. He is a Rockefeller, a Fulbright, and a Mandela fellow.

Prior to Fordham, he worked as lecturer of economics at University of Cape Town (South Africa) and Rhodes University. At Fordham, he focused his doctoral dissertation on the impact of public enterprise restructuring—privatization or commercialization, among others—in the labor market. Focusing on South Africa and other developing countries, his work concluded that such restructuring, if done correctly, does not necessarily lead to large lay-offs and reduction in wages, but could



actually result to more jobs in the long-run without the need to reduce wages.

When asked about his insights on emerging markets, he noted that the plan to have a Development Bank led by the BRICS (Brazil, Russia, India, China, South Africa) poses an interesting development. *“It would be interesting how the proposed development bank will translate to economic prosperity for the member states. Now, it is more of a wait-and-see attitude but I am hoping that maybe as a collective, there would eventually be positive results delivered by this initiative,”* he added.

On his insights on the IPED program, Dr. Themeli firmly believes that *“IPED is the future of economic development. We have students around the world, in every difficult situation, whether in a conflict area or in poverty-stricken places, or in every sector of the society, whether*

*finance, government, non-profit, and academe, and they are all making a difference!”*

He shared that the diversity of students at IPED adds to its richness as a learning experience for students and professors alike. He also noted that the fact that IPED also has physical presence in Asia and Africa through its short-term study programs where students get their hands dirty, shows the program’s commitment to deal with economic problems head-on and come up with solutions to these problems to foster development.

### Global Markets Fellowship

Designed to attract highly qualified full-time students who seek careers in the global finance and emerging markets into the IPED program, the Global Markets Fellowship consists of a tuition scholarship combined with a graduate assistantship. Eligibility criteria are: relevant professional work experience, professional proficiency in English and another language used widely in international business, and strong cross-cultural skills. Students committed to a professional career in global finance with a focus on emerging markets should also apply for the Emerging Markets Travel Program. The application deadline is early January for the following fall semester.

For further information, go to [iped.fordham.edu](http://iped.fordham.edu) and follow the link to “Financial Aid.”



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THE GRADUATE PROGRAM IN INTERNATIONAL POLITICAL  
ECONOMY AND DEVELOPMENT

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