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EMERGING MARKETS

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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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Alumna helps raise standard of living, globally

Cally Siderias studied International Political Economy and Development (IPED) at Fordham because she "wanted to work in emerging markets." Now, she serves as the Senior Vice President and Head of Sovereign and Supranational Account Management at Moody's Investor Service (Moody's), and has approximately 150 clients globally.

Moody's is one of the Big Three bond credit rating agencies (CRA) worldwide. "Credit ratings facilitate access to capital, promote market liquidity, and enable many sovereigns to raise the standards of living for their citizens" explained Ms. Siderias.

One of her objectives is to grow Moody's coverage in the sovereign space. When she first started working there as a sovereign analyst in 1993, they had about 50 sovereign issuers rated. Today they are at 134, and Siderias personally signed over 90% of new sovereign business. "At this time, we rate more sovereigns and supranationals than any other CRA" she shared. Examples of large supranationals are the World Bank and the European Union.

When asked about the type of impact she hopes to make going forward, she responded emphatically about her work on environmental and social issuance, specifically with Green Bonds.

Green bonds were introduced in 2007 and have gained attention because of their potential role in mobilizing capital toward environmental solutions. Recently, Poland issued the first Sovereign Green Bond, followed by France, and several other countries are following suit. "A growing number of market participants believe that Green Bonds are particularly well suited as a source of capital to transition to a low carbon economy" explained Ms. Siderias. "Moody's is becoming a thought leader in this area, and my work with our Sovereign and Supranational issuers is leading the way."

When asked about her experience in the IPED program, Ms. Siderias shared that "if it wasn't for Fordham and the IPED program, I would not have the position that I hold today." She then continued, "the education I received in this program, coupled with my undergraduate Economics degree from Fordham, has provided me with the skills to succeed in the private sector. My teachers, and most importantly my advisor, had a can do attitude that is and was very contagious." Cally Siderias is yet another great example of an IPED alumnus doing great things in the world.

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 2016.

For more information about the program, please visit www.fordham.edu/iped/summer

INVESTMENT PROSPECTS FOR EMERGING MARKETS

Brazil

BY KATELYNNE NAIDOO


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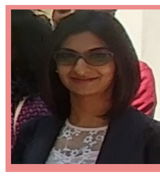
Portfolio investment prospects in Brazil are negative due to poor macroeconomic performance, exchange rate instability and unclear stock market prospects.

Brazil's macroeconomic performance is negative. It is expected that growth will remain weak, due to fiscal deterioration & political turbulence. The country failed in bringing inflation to the official target of 4.5%, contributing to recession, fueling unemployment and dampening consumer confidence. Private consumption fell by 4.0% due to high inflation and deteriorating labor market.

The exchange rate in Brazil is unstable. Data from 2016 suggests that the Brazilian Real (BRL) remains 8.0% weaker in value from the same day of the previous year. Brazil ranks among the top 20 exporting countries. Exports amounted to $191.1 billion in 2015. These figures represent a decrease of 15.1% since 2011 and 25.3% from 2014 to 2015. Brazil's top 10 exports account for 60% of the overall value of its shipments. Imports amounted to $171.4 billion in 2015, which represents a drop of 24.2% since 2011 and 25.2% from 2014 to 2015.

Brazil's Stock Exchange (BOVESPA) changed positively by 26.69% during the last year with a year to-date return of 36.33%. Brazil's stock market is dependent on dollars. Despite being open to world trade, administrative barriers cripple international trade. Emerging-market assets tumbled after Brexit drove the British Pound (GBP) to the lowest level in more than 30 years and European banks to their steepest losses on record, spurring a flight from riskier assets. The main investors in Brazil are the US, Spain and Belgium. Key sectors attracting foreign investment include: finance, oil and gas, beverages and telecommunications.

Brazil's outlook remains negative due to poor macroeconomic performance, exchange rate instability and unclear stock market prospects. My prospects for portfolio investment in Brazil are negative due to the economic crisis facing the country, the political controversy threatening President Rousseff and high inflation. Other factors hindering foreign direct investment are complicated taxation, slow bureaucracy and rigid labor legislation.



Katelynne Naidoo is a fund financial manager and a chartered accountant from South Africa working for the Public Investment Corp.

Singapore

BY ARBEN MURATOVIC

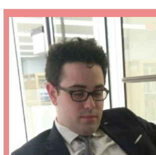

Photo Credits: pixabay.com

The prospects of investments in Singapore are below normal due to the country being in the midst of recovering from macroeconomic concerns such as deflation. Fiscally & monetarily dependable, Singapore can cope with the slowing of exports and current trends in the global markets. However, low oil prices call for banking discipline, and an increased market risk. The Strait Times Index (STI) is not ideal for investment at this time.

The economy of Singapore is recovering but is also facing structural reform. Singapore's latest real GDP growth rate for the first two quarters of 2016, compared to 2015, is at 2.2%. Singapore has been facing deflation since 2014. Authorities reported that core inflation is expected to rise toward the historical average of 2% by 2017. Despite low unemployment rates (2.4% in the fourth quarter of 2015), the number of working age citizens peaked in 2015.

Singapore's goal is to maintain zero appreciation of its exchange rate while exports fall due to low global energy prices. The country's exchange rate has continually appreciated since the 2008 Global Financial Crisis. The desire to halt further appreciation suggests that it might face a slight depreciation with exchange rates hitting 1.4 per US dollar. At this rate, Singapore will be capable of handling the recent quarter's negative balance of payments due to high foreign currency reserves. The first quarter of 2016 indicated that Singapore's reserve to import ratio is at 8 –above the desired threshold of 3.

The STI does not demonstrate high benefits associated with an emerging market because of low diversification prospects. Since low interest rates have been a prominent characteristic of the economy after 2008, high yielding corporate bonds are highly popular and began to follow speculative patterns. Lastly the telecommunications sector is beginning to face diminishing returns. Telecom returns on equity have dropped in 20 years from 30% to 17%, suggesting that, rapid growth may no longer be on the horizon.



Arben Muratovic recently received his MA in Economics from Fordham University and has interned at Eurasia Group.

South Africa

BY ELIZABETH PARR

Investment prospects in South Africa in the short-term are negative because of poor macroeconomic performance, volatile exchange rate stability, and relatively low returns on stock market prospects.

Growth estimates for South Africa for 2017 are at 1%. Unemployment remains high at 26.5% and peaking at around 40%, if one considered workers who have stopped looking for employment. Inflation is also high and linked to expenditure pressures due to the Rand depreciation, the fact that South Africa is a global price taker, and the decline in wage prices.

International reserves have been decreasing since 2011. South Africa's balance of payments has been in deficit for the past decade with limited improvement. Its gap in the current account is extremely reliant on investment inflows & trade from abroad. Domestic money to international reserves ratio has steadily increased since 2010. The country is using international reserves to maintain the current economy, though this strategy has not been that effective. Evidence of this can be seen in the decreasing exchange rate.

In relation to the stock market, the economy of South Africa shows extreme diversification. Yet, high regulation from the government will deter the economy from further diversifying. Key sectoral prospects, remain in the financial services sector.

In conclusion, prospects in South Africa are negative because of poor macroeconomic performance, volatile exchange rate stability, and relatively low returns on stock market prospects. Its poor macroeconomic performance is linked to low growth, high inflation, and high unemployment statistics. The volatile exchange rate stability is linked to the use of international reserves to stabilize the economy, seen in the increasing domestic money to international reserves ratio.

Note: As of press time, the recent current events in South Africa may have altered some of the figures in this report.

Elizabeth Parr received her MA in IPED, with a specialization in International Development Economics, from Fordham University.

Ukraine

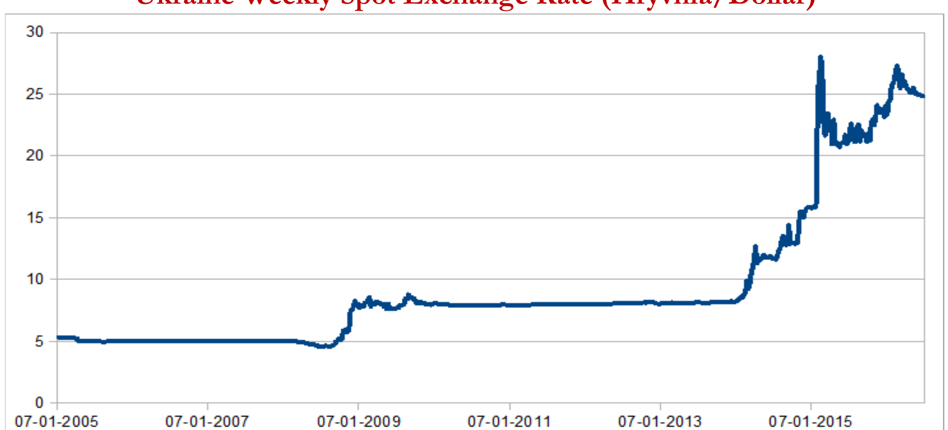
BY CONNOR REDPATH

The portfolio investment prospects for equities in Ukraine are dismal due to below average macroeconomic performance, an unstable exchange rate, and all-time low stock markets with no clear prospects of recovery any time soon.

Growth for the coming year should be near zero, an improvement on the previous two years where real GDP contracted heavily. Ukraine's economy suffered heavily from military conflict in the east, and political turmoil with Russia, Ukraine's largest trading partner. The purchasing power of Ukrainians was wiped out over the past two years with negative growth and high inflation. Domestic consumption won't be a driving force of the economy for years to come. The political problems facing Ukraine compound the problem of falling commodity prices globally, leading to slower growth and preventing Ukraine from an easy recovery.

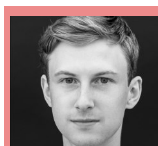
The exchange rate itself was pegged for several years with very low volatility until 2014 when the central bank floated the currency. The currency is stabilizing around 25 Hryvnia/Dollar. Despite being more volatile than in the past, it should remain near this rate for the coming years.

Ukraine Weekly Spot Exchange Rate (Hryvnia/Dollar)



Despite approaching an all-time low, it is not clear that Kiev's stock market will pick up any time soon. Fewer firms are listed on the exchange and trade volume is trending down. Furthermore, the largest firms in Ukraine are owned by a handful of individuals with strong ties to politicians: these firms may be artificially supported approaching collapse.

In sum, the macroeconomic performance is significantly below average because of poor recovery from the 2014 war in eastern Ukraine, low prices for Ukraine's main exports, and extremely low domestic demand. Expect Ukraine to have barely positive growth in the coming year, with the market unlikely showing positive returns for another year or more. Thus, portfolio investment prospects for equities in Ukraine are dismal, for the coming year.



Connor Redpath graduated with a BSc in Mathematics and Economics from Fordham University and is currently a doctoral student at UC San Diego.

Faculty Feature: Dr. Erick Rengifo

Dr. Erick Rengifo is an Associate Professor of Economics as well as the Founder and Director of the Center for International Policy Studies (CIPS) at Fordham University. He teaches a number of courses for the Economics Department as well as the IPED program, including Strategic Financial Management, a unique summer course which hosts more than 15 students from South Africa.

Before receiving his PhD, he was a captain of the Peruvian Air Force and an Economist at the Pontifical Catholic University of Peru. Subsequently, he went on to study for his PhD in economics, with a concentration in finance and econometrics, from the Catholic University of Louvain, Belgium.

Joining Fordham's Economics Department in 2005, Professor Rengifo maintains a wide variety of research interests, but has been focused on two specific areas as of late. One project involves analyzing the impact of bitcoins on developing countries' financial access, growth and stability. The other, his primary project, is a non-profit organization called Spes Nova, which means "New Hope" in Latin. The focus of his research is: How financial development helps improve and achieve a sustainable and inclusive socio-economic development. Professor Rengifo explained

that he has been "developing Spes Nova as a multi-academic electronic platform to help local artisans around the world achieve a sustainable, better life, which benefits not only them and their families but also their communities."

When asked what drew him to this work and why it's important to him, he shared his perspective gained from growing up in Peru: "I believe that as a Peruvian having lived all my youth in a semi-rural city, I was provided with a firsthand view of not only the problems and frustrations of poor people, but was also given the opportunity to see the value that these individuals can generate at their level, which can then be leveraged to help them improve their quality of life."

Professor Rengifo's commitment to serving impoverished peoples is both commendable and inspirational. He encourages his students to "think like social entrepreneurs." He goes on to say that "money will come naturally; do not let it distract you from your social goals. We are humans and we are called to work for each other. Poverty represents our failure as a society and, must be eradicated."

He invites those who are interested to learn more about Spes Nova, and look for ways to help at: www.spesnova.org.

Global Markets Fellowship

Designed to attract highly qualified full-time students who seek careers in 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* and follow the link to "Financial Aid."

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