

VIDEO

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Focus on Funds: Top Trends in Emerging Market Investment

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Investing in emerging markets today involves a number of issues, including country-specific social and infrastructure needs. In the May 18, 2018, edition of *Focus on Funds*, Danielle Myles, editor of *The Banker*, summarizes recent trends.

Transcript

Stephanie Ortbals-Tibbs, ICI director of media relations: What are the risks and opportunities that global funds and their investors can find in today's capital markets? Well, looking around the world, a group of experts at Chatham House's spring capital markets conference did just that. Here's what I learned in a summary from panel moderator Danielle Myles.

Danielle Myles, investment banking and capital markets editor, *The Banker*: So, one of the things that came up time and time again was the \$1 trillion annual infrastructure gap. There are obviously lots of things that have made project financing far more difficult in emerging markets—so, we have the Basel reforms make it more difficult for banks to lend, but at the same time, in some countries like Thailand, regulations prevent nonbanks from lending, which makes it difficult for institutional investors to get involved.

But we heard about some of the work that the World Bank is doing in countries like Colombia—and Turkey, specifically, in relation to its [public-private partnership] program—in terms of helping channel more private funding into these projects.

And China was obviously a big focus. One of the panelists spoke at length about how China's strong and stabilizing economy—there's a connection between that and the US dollar weakening, and how they're almost feeding off each other. That, in turn, has also helped, had two very big impacts on the developed economies over the last two years. One, in terms of stopping the commodity crunch—in terms of putting a floor on commodity prices. And the other thing is in relation to spurring international trade, which has obviously been in a slump for many, many years.

There was also an important point about the regional integration that's starting to happen in Latin America. And the example that was given was a recent cap bond among the Pacific Alliance countries. A couple of the panelists basically lamented about the fact that there hasn't been regional reintegration, or not enough, in Latin America. They said it should have happened 30 years ago.

Ortbals-Tibbs: So a headline that kind of came out of the discussion you had is that in many countries, they know they have an issue to address—social, demographic, environmental—and they're looking at how investment becomes an answer to that question you're trying to solve for.

Myles: Absolutely. I think one of the important things for governments in this situation is to make sure that the solutions work for that particular country. So, every country obviously has a different demographic—some have aging populations, some have very young populations—and that needs to be taken into account in terms of the types of investment and where they're putting that money.

Another thing to think about is infrastructure. We spoke about the infrastructure gap earlier, but infrastructure really is the basis for social advancement and for financial inclusion. So that's something which governments and their supporters, like the World Bank and other multinationals, really need to be focusing on.

Ortbals-Tibbs: So it sounds like, just to close it out, that there's a lot of innovation going on around emerging markets and investment, and things that people really want to watch closely, because there's a lot that's just kind of steadily coming out—new things all the time.

Myles: Absolutely. So every time one of these new instruments are issued, it could launch a new market. Look at the green bond market: 10 years ago, it was nothing. Now, it's absolutely huge. So many investors have sustainability criteria that they take into account within their funds. So yeah, watch this space. We'll have to wait and see what the next green bond market is.

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