



America First, But What About Emerging Markets?

In an election campaign often dominated by personality and rhetoric, both sides claim that the economic policies of the other will lead to higher U.S. inflation. Bond yields have climbed reflecting concern that both sets of economic policies could lead to higher fiscal deficits. Both these outcomes would likely cause the Fed to at least put further rate cuts on hold. What we do know from history is that the rising value of the U.S. dollar tends to be unfavourable for emerging markets.

Under President Biden, the U.S. has expanded the use of tariffs to protect against what it sees as unfair competition in various industries, one example being Chinese electric vehicles where import duties are currently 100%. Kamala Harris is seen as likely to maintain the current direction of travel when it comes to China. Tariffs have now become a routine part of business, and we would expect more of the same, with perhaps greater bluster, from Trump. But Biden was especially harsh on China regards technology, at a cost to US corporates, to whom Trump is more likely to be sympathetic. How U.S. China relations develop will be interesting, but the more important question for Chinese stock performance is whether Beijing can use its much-hyped 'Big Bazooka' to breathe confidence back into the Chinese consumer.

Relations with India will likely remain positive as it increasingly acts as an important regional counterweight to China, however its relations with Russia may be cause for some friction, particularly under a Harris presidency. Trump's more transactional approach will likely focus more on business and opportunities in this fast growing major economy. India is acting under its own steam, and we are optimistic about the outlook for Indian companies, which was reaffirmed during a recent research trip to Delhi.

In Latin America, Mexico appears most vulnerable to Trump's policies. The economy has been a prime beneficiary of nearshoring in recent years but, in Trump's view, this has become a conduit for Chinese manufacturers to circumvent US tariffs and is a loophole to be closed.

Regardless of the U.S. election result, the core themes driving emerging markets – urbanisation, rising consumption and a growing, aspirational population – remain true. We believe that active stock picking based on a fundamental bottom-up approach, with an awareness of macro factors, is the best way for investors to explore opportunities within these markets.

Biography

Rob Brewis | Investment Manager



Rob, who joined Aubrey in 2014, is a Director and Fund Manager of the GEMs strategy.

An engineering graduate from Cambridge University, Rob began his career in 1988 at Thornton Management in London. Then he spent ten years in Hong Kong as an Asian fund manager with Credit Lyonnais International Asset Management. This company was later bought by Nicholas Applegate and then Colonial First State, where Rob ran the North Asian investment team as well as managing the Asian Special Situations Fund and a number of single country funds investing in India, Pakistan, Indonesia and Thailand.

He then went on to co-found emerging markets investment boutique BDT Invest LLP in London in 2000. Whilst at BDT, Rob co-managed a number of emerging market portfolios as well as the BDT Asian and Oriental Focus Funds.

Further Reading

If you would like to read further articles, please select the following link - [Aubrey Research](#)

If you would like to receive more articles like this, [sign up to the Aubrey mailing list now.](#)

This document has been issued by Aubrey Capital Management Limited which is authorised and regulated in the UK by the Financial Conduct Authority and is registered as an Investment Adviser with the US Securities & Exchange Commission. You should be aware that the regulatory regime applicable in the UK may well be different in your home jurisdiction. This document has been prepared solely for the intended recipient for information purposes and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and no representation or warranty, express or implied, is made as to their accuracy. All expressions of opinion are subject to change without notice. Any comments expressed in this presentation should not be taken as a recommendation or advice. Please note that the prices of shares and the income from them can fall as well as rise and you may not get back the amount originally invested. This can be as a result of market movements and of variations in the exchange rates between currencies. Past performance is not a guide to future returns and may not be repeated. Aubrey Capital Management Limited accepts no liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. This document does not in any way constitute investment advice or an offer or invitation to deal in securities. Recipients should always seek the advice of a qualified investment professional before making any investment decisions.