



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.

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