

**PRESS RELEASE**  
**For immediate release**

**Emerging markets are rebounding but their recoveries  
are increasingly differentiated from each other**

**24 August 2009:** Bechara Madi, senior macro analyst at Matrix Asset Management, believes the global economy has already passed a major inflection point and that many market participants are underestimating the dynamism of the world economy.

Emerging markets are witnessing a classic cyclical rebound, underwritten by fiscal and monetary stimulus. This is particularly true for the countries that are not impaired by a financial crisis, particularly in Asia and Latin America.

In recent months, several sources of differentiation have started to emerge within emerging market countries, based on their economic structures rather than geography.

- The first group includes countries that have pursued reflationary policies and successfully engineered a rapid return to growth based on domestic demand. China is the leader in this group, as well as countries with large populations such as India, Indonesia, and to a lesser extent Brazil.
- The second group include the beneficiaries from the global recovery, namely the resource exporters. Brazil falls into this group, as well as most Latam countries, South Africa and the Gulf oil exporters. In G10, Australia and Norway share the same characteristics.
- The last group are what could be best described as the 'processing' economies, which effectively represents the resource-short export-oriented economies of Asia and Central Europe. These are generally considered high-beta plays on global economic conditions. They may be benefiting from the powerful inventory cycle, but their fortunes are firmly tied to consumption in the developed world. In the medium-term, on a relative basis, their prospects will be more limited in a global environment awash with capacity and with poor pricing power.

**Bechara Madi** said: "We believe that many market participants are underestimating the dynamism of the global economy. The right mix of stimulus, financial market improvement and strengthening sentiment could be enough to unlock demand even in the most impaired economies.

"We believe emerging markets will not only decouple from and outperform G10 (both economic and market), but they will also witness differentiation driven by their idiosyncratic factors."

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Notes for Editors

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