

China and Brazil Offer Positive Emerging Market Returns [2 comments](#)

by: Jonathan O'Shaughnessy

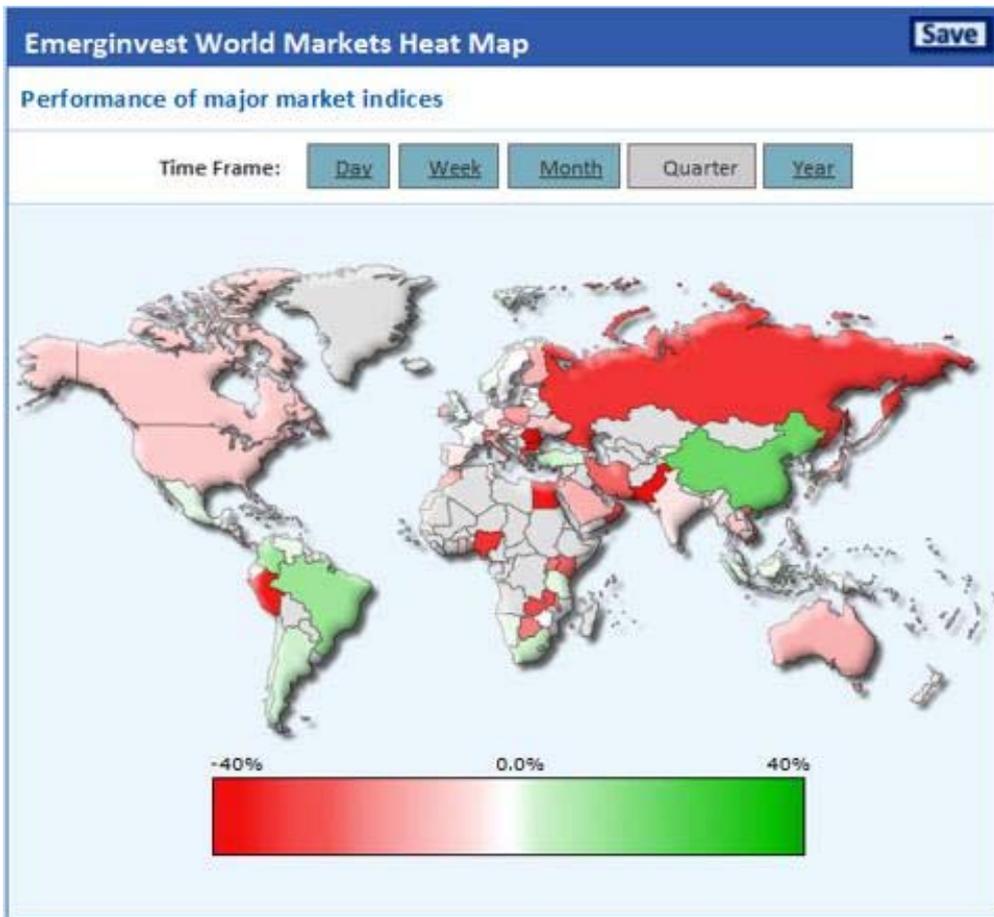
February 11, 2009 | about stocks: [EWZ](#) / [FXI](#) / [IIF](#)

Five months after the global economic meltdown, world markets are still unstable as a seemingly continuous stream of negative economic data continues to emerge. Even after September when most world markets lost 40-60% of their value, developed markets have continued to struggle as future economic predictions remain bleak in the face of worldwide recession. According to [Emerginvest](#), the [US is down -4.87%](#) in the last quarter, even after the September plunge.

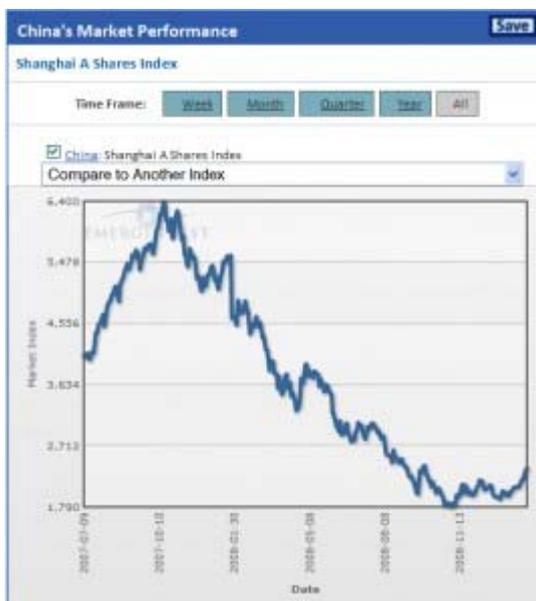
Yet surprisingly, some of the leading emerging markets have rebounded quite well in the last quarter. After the stock market plunge in September, an exorbitant amount of investors from developed markets liquidated their "risky" assets – which included the perceived risk-heavy equities of emerging markets. The panic-selloff in emerging markets from foreign investors contributed to plunging many stocks below what would normally be acceptable valuations. Frontier markets which are exceptionally dependent on foreign investment have little to no means of propping themselves up with falling commodity prices, have subsequently continued to struggle. According to [Emerginvest](#), countries like [Pakistan](#), [Kenya](#), [Egypt](#), [Nigeria](#), [Peru](#), and [Zambia](#) are all down 20-40% in the last quarter alone.

However, a contingent of the leading emerging markets have significant domestic markets, and started rebounding in November when investors realized many of their equities were significantly undervalued. Since then, they have continued to post significant growth. Specifically, (according to Emerginvest) [Chile](#) and [Argentina](#) are up 5.0%, and 5.3% in the last quarter respectively, [South Africa](#) is up 7.9%, [Colombia 14.2%](#), and [Turkey 4.4%](#). However the two poster-children of the emerging markets from the last quarter are [Brazil](#) and [China](#), posting 13.0% and 21.8% respective returns in just the last quarter.

Here is Emerginvest's World Heat Map to give some context to the discussion:



While China's stock market plummeted approximately 60% in September, it has rebounded quite well in the last three months.



Since Monday, it has jumped 1.81%, culminating in an astounding 9.9% return in the last week alone. That brings the monthly return to 18.9%, and the quarterly return to 21.75% respectively:



It is uncertain how long the phenomenal growth will continue for countries like China and Brazil. However, many economic experts agree that developed markets will produce little to no growth in the next year, and possibly even two or three years. With that assertion, it appears that leading emerging markets such as China, India, and Brazil seem like good investment decisions in the short term, even if their exorbitant growth is not prolonged.

Disclosure: [Emerginvest](#) is an international finance portal, providing analysis and data on 120+ world markets to help individuals find investments from around the world. The author, Jonathan O'Shaughnessy, does not have any Chinese or Brazilian index ETF holdings.