Emerging markets: on the road to Asia

Chapter 1

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5.3%: this is the growth rate forecast for Asian markets[1] in 2023, versus 4.0% for all emerging countries combined and 1.2% for developed countries, according to the International Monetary Fund (IMF)[2].

After a particularly turbulent year for financial markets, a global economic slowdown is taking shape in 2023, driven largely by the weak growth outlook of developed countries. In contrast, emerging countries appear well positioned to recover and hence boost global activity.

Aided by better macroeconomic fundamentals, a more favourable inflationary environment than in developed countries and China's reopening, some emerging countries offer attractive returns today **for investors seeking sources of diversification**.

Asia: a fertile ground for equity investors

The lifting of Covid-19 restrictions is set to open up new investment opportunities in **Asian equity markets**. **Chinese and Korean equities**, for example, offer particularly attractive valuations today compared with global equities.

A selective and rigorous approach is required to seize these opportunities, however. At Carmignac, we have identified a number of key themes with strong and sustainable growth potential in these markets: **industrial and tech innovation, healthcare, the ecological transition and an upscaling of consumer spending**.

China's comeback

After a two-year drop in the Chinese stock market, indicators are turning positive again. The country has ended moves to tighten its regulation, introduced aid measures for the real estate sector and finally lifted its "zero-Covid" policy, a sign of renewal for its domestic demand, strongly supported by Beijing's policy.

The excess savings built up by Chinese consumers over three years of lockdowns and the recovery in the job market, which was severely affected by the health situation, should contribute to the consumer spending recovery.

And China has many companies geared towards domestic consumption, such as:

Anta Sports, the national sports equipment brand, which is gaining market share from multinational sports brands;
Miniso, the low-cost retail chain specializing in Chinese household and consumer goods, which is not well known by investors despite having more than 5,000 stores across the world[3].

Did you know?
Carmignac Portfolio China New Economy, our equity Fund for the new Chinese economy, has held Anta Sports and Miniso in its portfolio since its inception in 2021.

Visit the Fund's webpage

South Korea’s technological firepower

The impact of China’s reopening will spread beyond its borders. Hit by the global economic slowdown in 2022, South Korean equities are also trading today at attractive valuations, especially in the new technologies and semiconductors sectors.

For several decades, South Korea has stood out for its innovation in the electronics industry and new technologies. The country is home to a number of world leaders that are suppliers of consumer goods, such as screens for smartphones, and other high value-added electronic components, such as semiconductors[4]:

Samsung Electronics, the world’s leading producer of technological components (mobile communication equipment, semi-conductors, new screens and consumer electronics and household appliances), has had a number one position in memories for telephones since 1993[5];
LG Chem, one of the world’s leading producers of batteries for electric vehicles (EV) with a share of more than 20% of the global market[6], thus playing a key role in the energy transition.

Did you know?

Carmignac Emergents, our emerging equities Fund seeking to invest in current and future global technological leaders, has held Samsung Electronics and LG Chem among its principal positions for more than five years.

Visit the Fund's webpage

Besides the Chinese and Korean markets, economic conditions are also generally improving in other Asian and South-East Asian countries, such as India, Vietnam and Malaysia. While we remain cautious about India in the short term in view of high valuations and the deterioration of its macroeconomic fundamentals resulting from the energy crisis, some opportunities may prove attractive over the coming months.

In Asia, we think equity markets offer more potential than bond markets, where we identify principally tactical opportunities, such as in Malaysia. Latin American markets contain far more attractive opportunities to invest in emerging debt, in our view. Next month, discover the second article in our series on emerging markets to find out more about this region.

[1]Emerging Asia

[2]World Economic Outlook, updated. International Monetary Fund, January 2023.

[3]Source : Miniso, company data : https://www.miniso.com/EN/Brand/Intro.

[4]French Ministry of the Economy, Finance and Industrial and Digital Sovereignty – General Directorate of the Treasury: https://www.tresor.economie.gouv.fr/Pays/KR/indicateurs-et-conjoncture.

[5]Samsung Electronic, about us: https://www.samsung.com/us/about-us/our-business/device-solutions/.

[6]Sources: Statista and SNE Research via Visual Capitalist, 2021: https://fr.statista.com/infographie/26562/parts-de-marche-fabricants-batteries-pour-voitures-electriques/.

Do you want to find out more about our sustainable approach to emerging markets?

Read our dedicated article

Contact us

Carmignac Portfolio China New Economy A EUR Acc

ISIN: LU2295992320

Recommended minimum investment horizon

Lower risk Higher risk

1	2	3	4	5	6*	7

Main risks of the Fund

EQUITY: The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization.

EMERGING MARKETS: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

CURRENCY: Currency risk is linked to exposure to a currency other than the Fund's valuation currency, either through direct investment or the use of forward financial instruments.

LIQUIDITY: Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

The Fund presents a risk of loss of capital.

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ISIN: FR0010149302

Recommended minimum investment horizon

Lower risk Higher risk

1	2	3	4*	5	6	7

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DISCRETIONARY MANAGEMENT: Anticipations of financial market changes made by the Management Company have a direct effect on the Fund's performance, which depends on the stocks selected.

The Fund presents a risk of loss of capital.

MARKETING COMMUNICATION. Please refer to the KID/prospectus of the fund before making any final investment decisions.

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