

# FMS talking points for GEM & Asia



## RESEARCH

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### On growth

Global investors are convinced that the worst is over for the global economy. A net 63% believe global growth will strengthen over the next year, up from 62% last month. Confidence on China growth also remains high. A net 56% expect stronger China growth over next 12 months. Strong growth readings are directionally positive for EM and Asian equities.

### On asset allocation and risk

A net 54% of asset allocators are OW EM equities, the second highest reading ever. Only 10% of global investors are UW the asset class. These readings add short-term risk to EM equities: Such extreme positioning has typically been followed by a period of relative underperformance (see chart 1).

However, absolute downside risk limited since global asset allocators remain very cautious on global equities. Only 7% of investors are OW global equities, down from 9% last month (and well below 60% levels seen in '06 and '07). Cash levels also above normal levels. Avg cash level = 4.7%, up sharply from 4.2% in June.

### EM & Asia country & sector preferences

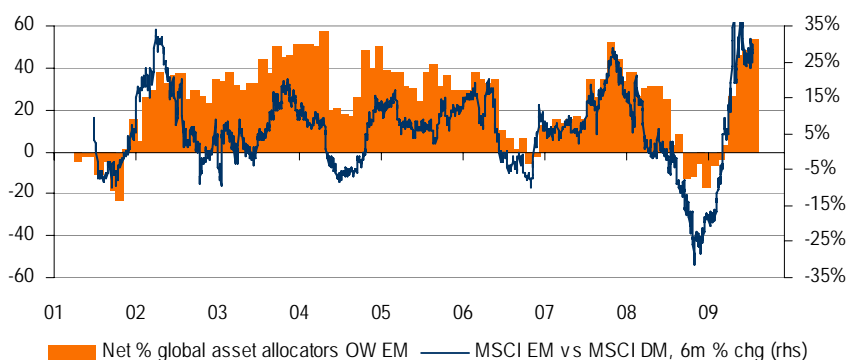
EM investors very bullish on earnings. Net 59% expect EM earnings to grow by >10% over next year, most confident earnings outlook since Jan-08.

Big preference for Asia over EMEA, Brazil and China over Russia and India.

Most popular markets: Indonesia (net 35% are OW), China, Russia, Brazil, Turkey; Least popular: Australia, Malaysia, Taiwan. But all bets scaled back.

Most popular sectors: Cons disc, Financials, Telcos; Least popular: Utilities, Tech, Materials. Big drop in sentiment on EM Energy, from large OW to neutral.

Chart 1: Net % of global asset allocators OW EM equities and EM vs DM performance



Source: Fund Managers Survey

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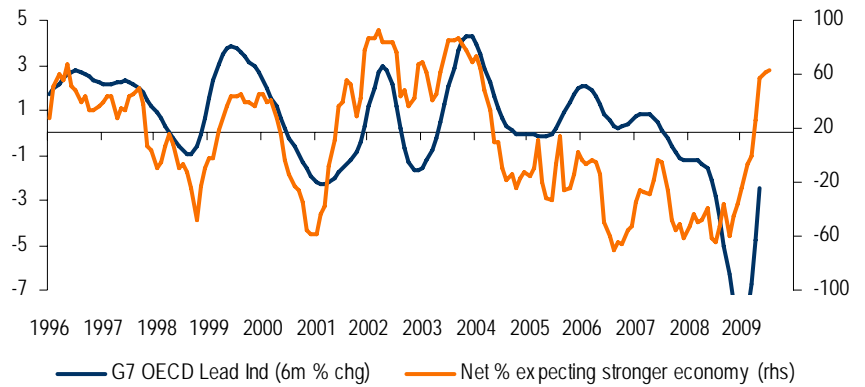
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## Global investor views

Net 63% believe global growth will strengthen over the next year, up from 62% last month. Investors are convinced that the worst is over for the global economy.

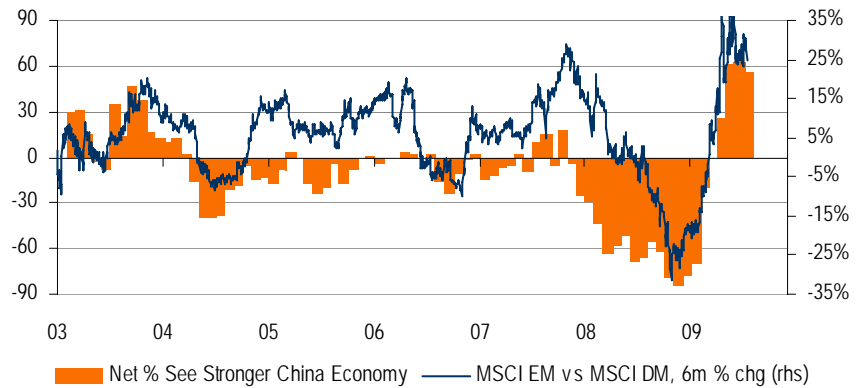
Chart 2: Fund managers growth expectations and OECD lead indicator



Source: Fund Manager Survey

Confidence on China growth also remains high. A net 56% expect stronger China growth over next 12 months. Strong growth readings are directionally positive for EM and Asian equities.

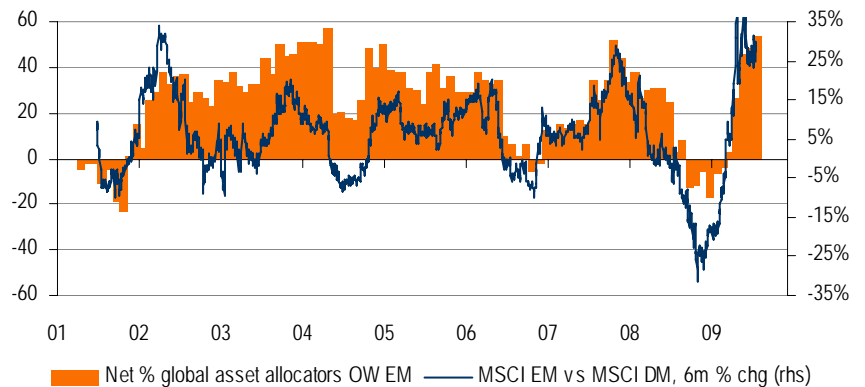
Chart 3: Net % seeing stronger China economy and EM vs DM performance



Source: Fund Manager Survey

A net 54% of asset allocators are OW EM equities, the second highest reading ever. Such extreme positioning has typically been followed by a period of relative underperformance of the asset class...

Chart 4: Net % of global asset allocators OW EM equities and EM vs DM performance

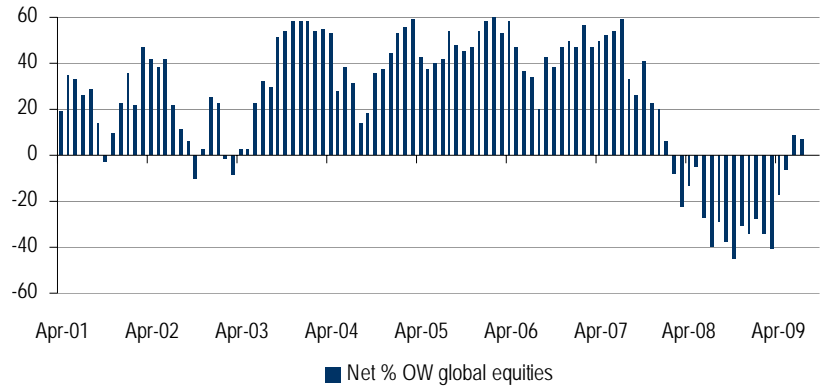


Source: Fund Manager Survey

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..but absolute downside risk limited since global asset allocators remain very cautious on global equities. Only 7% of investors are OW global equities, down from 9% last month (and well below 60% levels seen in the past 5 years).

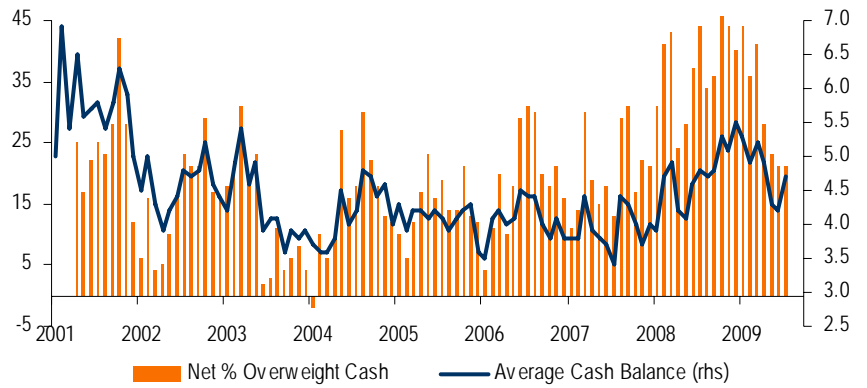
Chart 5: Net % of asset allocators OW global equities



Source: Fund Manager Survey

And cash levels still above normal. Avg cash level = 4.7%, up sharply from 4.2% in June.

Chart 6: Net overweight cash and mean cash balance

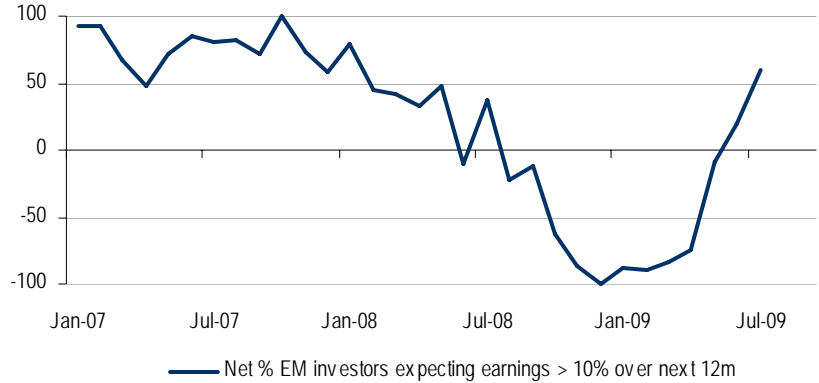


Source: Fund Manager Survey

## GEM investor views

Net 59% of EM investors expect earnings to grow >10% over next year, most confident earnings outlook since Jan-08. EM vulnerable to earnings disappointment.

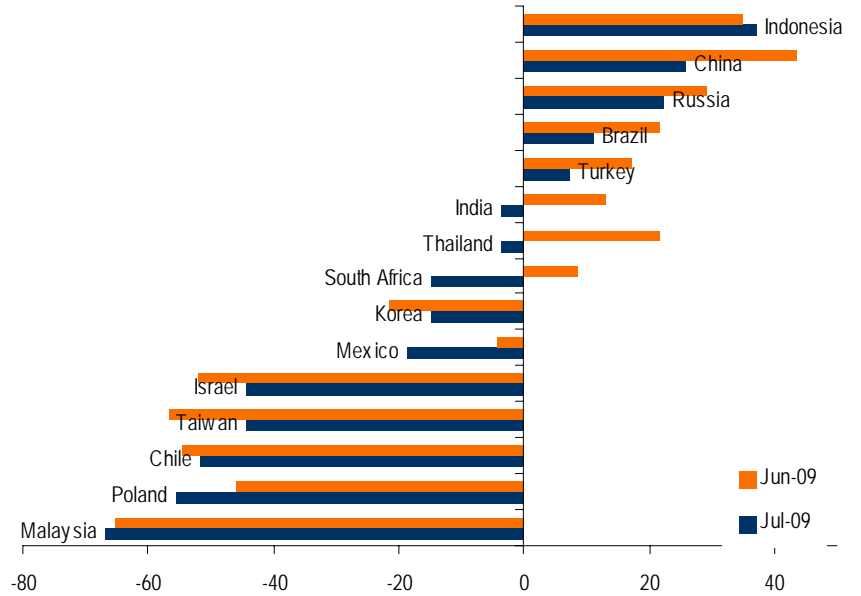
Chart 7: Net % EM investors expecting earnings to grow >10% over next year



Source: Fund Manager Survey

Most popular EM markets: Indonesia (net 37% are OW), China, Russia, Brazil, Turkey;  
Least popular: Malaysia, Poland, Taiwan, Israel. But all bets scaled back.

Chart 8: EM investors country preferences



Net % OW country  
Source: Fund Manager Survey

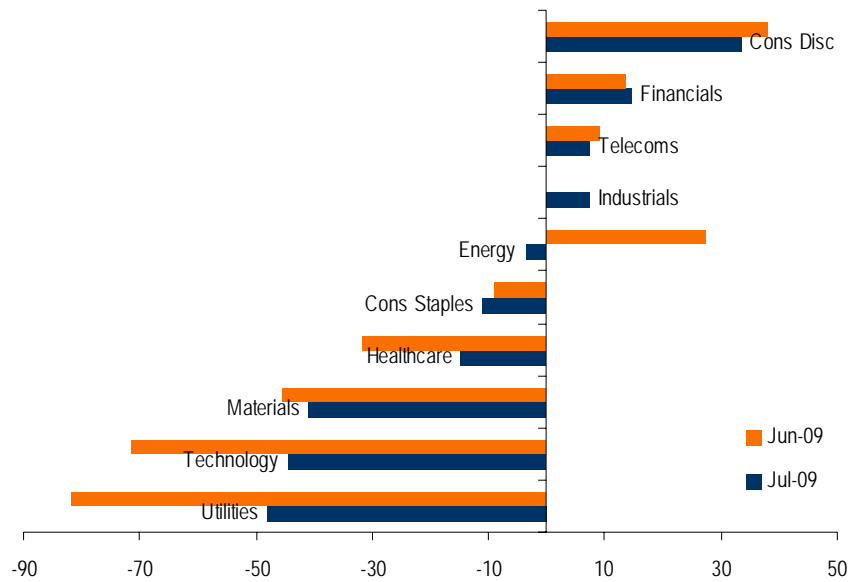
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Most popular sectors: Cons disc, Financials, Telcos;  
Least popular: Utilities, Tech, Materials.

Big drop in sentiment on EM Energy, from large OW to neutral.

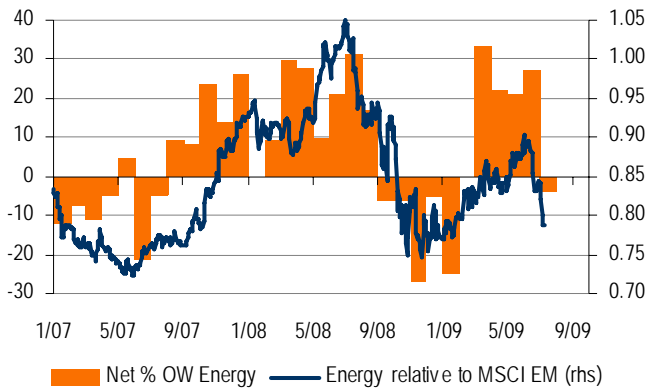
Net 7% OW industrials, first OW since Jan-08.

Chart 9: EM investors sector preferences



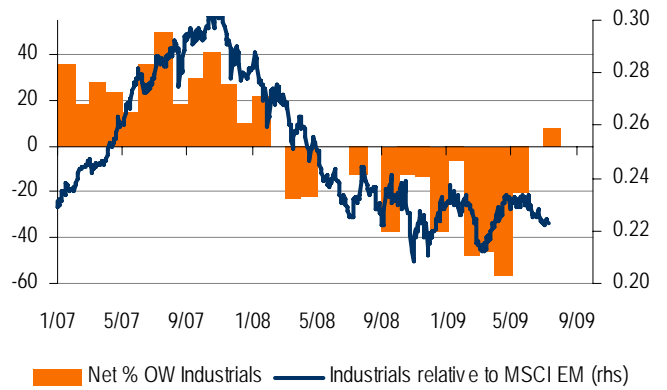
Net % OW sector  
Source: Fund Manager Survey

Chart 10: Net % OW energy and relative price performance



Source: Fund Manager Survey

Chart 11: Net % OW industrials and relative price performance

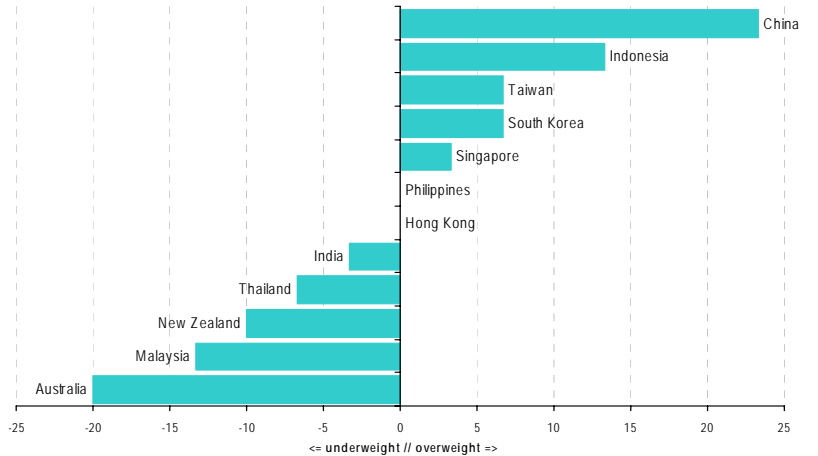


Source: Fund Manager Survey

## Asia Pac investor views

Amongst Asia Pac investors, most preferred markets: China, Indonesia, Taiwan and S Korea;  
Least preferred: Australia, Malaysia

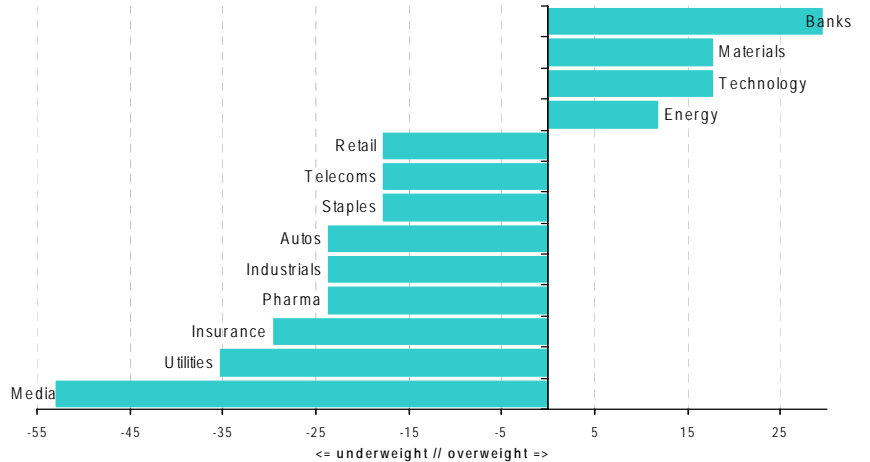
Chart 12: Pacific ex-Japan country preferences



Net % OW country  
Source: Fund Manager Survey

Most preferred sectors: Financials (more conviction here than any other regional investors), materials, tech;  
Least preferred: Media, utilities

Chart 13: Pacific ex-Japan sector preferences



Net % OW sector  
Source: Fund Manager Survey

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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