

## Will Emerging Countries Save the Global Growth?

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Etsior focuses on funds that:

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- Bring a real diversification
- Offer a good performance coupled with an acceptable risk
- Emerge from a strong idea, a forceful manager's personality or both

Etsior connects Fund Managers (Single Hedge Funds, Funds of Funds managers, Private Equity as well as Long only Funds) with Institutional Investors.

Well introduced in the Geneva area, we are focused on an unparalleled level of service.

Through our website, Etsior offers an easy access to reliable, up to date and accurate information on the funds we introduce as well as on third party funds.

Our selection is always put in the macro-economical perspective to exploit the short to medium term market trends.

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So, after 2 months of financial turmoil leading to a major trust crisis, things seem to get back to normal.

We'll never thank enough the central banks for their vigorous and massive interventions which permitted to prevent a 1929 type of crisis, though their low interest policy leading to the housing and credit bubble can be challenged.

The Dow Jones has reached new highs, the Asian bourses, Hong Kong in particular, now authorized to receive money inflows from mainland China, have achieved new records with incredible performances.

In other words, the US economy appears to recover quite well, though at the cost of a faltering dollar and a lower growth. It is supported by the emerging countries fantastic growth and demand increase which tend to support the global economy.

As no real help can come out of Europe, given the high level of the euro and the intrinsic factors of the European economies, *will the emerging countries be enough to sustain the growth of the whole world?*

Emerging economies show a huge account surplus. China's current account surplus alone is estimated to reach 280 billions of dollars in 2007 and will reach 12% of GDP! This is a consequence of different factors: the crisis of the nineties which has pushed the emerging countries governments to a debt free policy; the high price of commodities these countries export; and the reduction of the proportion of bad debts, especially for Chinese banks. These surpluses have to be used somehow and will generate a worldwide demand for imported goods from emerging countries.

If the global balance of payment is a null sum, then the emerging countries surpluses will offset the deficit of other countries, in particular the US huge deficit.

But some analysts reckon that the efforts of the emerging countries will not be enough to cope with the developed countries deficits. As emerging countries have such tremendous production capacities, they will add to the global slowing down by offering more and more of these on the global markets. Instead of responding to the slower growth of the developed countries by dramatically increasing their own internal demand, they'll put more supply capacities on the market, increasing the risk of a recession.

On the other hand, the optimist view relies on a very high increase of the internal demand of the emerging countries, i.e. consumption. This will absorb and offset the excess slow down of the developed economies.

We do not have to forget that these countries' reserves are expressed in US dollars, that they want to go on with their equipment efforts, and above all, that their leaders have shown they can handle such situations in a very sharp way.

Consequently, I normally expect the consumer sector to grow very fast in emerging countries. More and more people will have access to new comfort and wealth, will have more buying power. On top of infrastructure, they will need houses, housing equipment, cars, more elaborated food and beauty products and will spend more and more in leisure activities. Of course these sectors will be the growth sectors of the near future.

***We care for you.***