## **Identifying Opportunities Through the Emerging Markets Continuum**

A holistic approach, to information sharing and analysis, flips the script on emerging market investment strategies

asset allocation in recent years. While reforms or growth dynamics. emerging markets still remain subject to phases of regional turbulence, The case of Mexico is a compelling overlooked.

allocations being revisited, so should miss out on the growth story. the traditional emerging markets perspective. Rather, investors should But there might have been another side opportunities, each country. As EM countries are at dropped to its lowest since 2010. different phases in the business cycle, with different growth and inflation "We didn't see any short-term growth but also to avoiding areas where approach." political risk goes together with poor fundamentals, which remains a very The Emerging Markets relevant issue in EM.

## Integrating research and investment expertise

But beyond looking at macroeconomic emerging markets' stance would particularly potential alpha. benefit from integrating bottomsymbiotic

**Emerging markets (EM)** have research, by providing ideas on sectors gained traction in investors' strategic that could best benefit from specific

their share in investors' strategic one. In 2016, many asset managers asset allocation is set to continue to around the world were high on Mexico rise as the asset class can no longer be as an up-and-coming emerging market star. Recommendations to buy the peso or buy Mexican equities were the norm. With strategic and tactical asset Investors were told they did not want to

consider moving away from an "asset to the story. Views upheld by Amundi markets to embrace a more selective equity teams did not follow the general approach to capture country, sector Mexican growth consensus, as the or even company-specific stories earnings' structure and prospects of and to avoid major areas of risk. In Mexican companies, both from the particular, to best exploit emerging fixed income and equity sides, did investors not seem to corroborate the widely should rely on a strong understanding accepted Mexican call. This view was of the macroeconomic backdrop of rewarded when, in 2016, Mexico's GDP

dynamics, different vulnerabilities to in earnings and could not see how it external shocks, and with different could drive GDP growth in Mexico at central bank policy trajectories, the the time," says Yerlan Syzdykov, Global macro assessment of each country Head of Emerging Markets at Amundi, is paramount to not only identifying "It was a situation where a bottom-up the most compelling opportunities, view helped us to formulate a top-down

## Continuum

markets



class" consideration for emerging markets fixed income and Yerlan Syzdykov, Global Head of Emerging Markets at Amundi

markets continuum". Such approach goes beyond the traditional market disruption." "asset classes only" perspective to integrate regional, country, industry or "Macro views and policies are difficult even company-specific stories across to translate into valuations at times," both equity and fixed income to assess adds Syzdykov. "But if you take the unfold, the appropriate organisation, and perspectives and see how that

"Implementing the markets continuum' calls for a unique It's an integral part of our investment organisational set up, coordinated approach, that's what sets us apart at under a Global Head of Research for Amundi Emerging Markets." Emerging Markets, a person who combines both credit and equity With 73 investment professionals research in one", says Syzdykov. "This on the equity and fixed income side set-up fosters in-depth insights into and €39.5bn of assets under active The current low but rising yield the capital structure of a specific management, Amundi environment and perceptions of a company, industry or even country. Markets applies this unique investment maturing financial cycle have made Complemented by analysts, who have approach across asset all-the-more "in the field" knowledge, acquired management styles and regions. fundamentals, developing an emerging attractive for investors as a source of during meetings with CEOs of various companies or other local actors, we get a local perspective for the domestic up research across asset classes. Accessing that opportunity requires state of play". "Our conviction is that Indeed, bottom-up research is highly a deep knowledge across what Yerlan this integrated approach enables us macroeconomic Syzdykov refers to as the "emerging to identify the most valuable areas and

an to uncover opportunities in phases of

the opportunity. And for the story to time to establish and share ideas reflecting these beliefs, must be set-up. translates into effects, you immediately create a lot of interest from both 'emerging equity and fixed income risk takers.



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