



Emerging Markets

Quantitative Market Monitor

MarketQuant Research

Monthly - February 2018

Extract of the original document

A unique combination of quantitative models and in-depth analytics applied to asset valuation in Emerging Markets

Contents

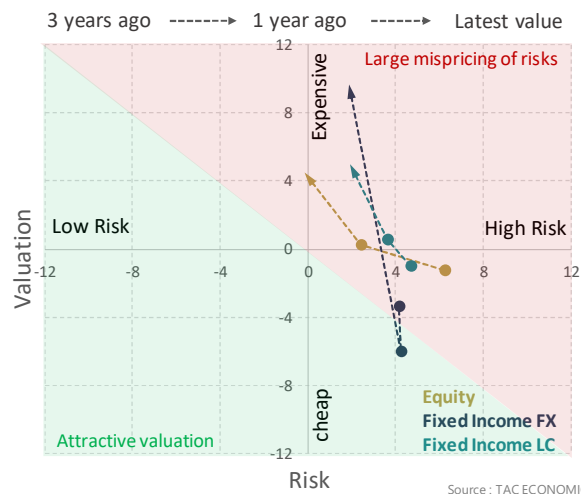
Key changes in valuation and risk metrics.....	4
Overall Performance and Risk Metrics.....	5
Equities - Valuation & Risk Metrics for 10 key EM.....	6
Equities - Overall EM performance.....	7
Fixed Income Fx - Valuation & Risk Metrics for 10 key EM.....	8
Fixed Income Fx - Overall EM performance.....	9
Fixed Income LC - Valuation & Risk Metrics for 10 key EM.....	10
Fixed Income LC - Overall EM performance.....	11
Individual Country Performance and Risks.....	12
Brazil.....	13
China.....	14
India.....	15
Indonesia.....	16
Mexico.....	17
Poland.....	18
Russia.....	19
South Africa.....	20
South Korea.....	21
Turkey.....	22
Methodology.....	23

Writing completed on February 1, 2018 with data up to January 31, 2018

Individual Country Performance and Risks

Brazil

Valuation and Risk



Macro Risk & Valuation Metrics Global summary

-12 cheap to +12 expensive

Valuation Metrics	Latest	1y ago	3y avg
Equity Markets	4.5	0.3	-1.8
Fixed Income Fx	9.7	-6.0	-3.3
Fixed Income LC	5.0	0.6	1.0

-12 low risk to +12 high risk

Risk Metrics	Latest	1y ago	3y avg
Equity Markets	-0.1	2.4	3.5
Fixed Income Fx	1.9	4.3	3.2
Fixed Income LC	1.9	3.6	3.4

-12 low risk to +12 high risk

Risk Components	Latest	1y ago	3y avg
Cyclical Momentum	-6.8	-2.8	0.2
Currency Momentum	-2.2	5.0	-1.9
Liquidity Momentum	3.8	-0.2	0.7

Summary Equity Markets

	Latest	1m ago	3m ago	1y ago	3y avg
MSCI index*	27 018	24 971	25 842	21 998	20 365
Change %		8.2%	4.5%	22.8%	32.7%
PER	19.2	19.0	20.4	16.5	14.9
PB	3.62	3.55	3.64	2.93	3.33
Volatility, %	14.5%	13.9%	12.8%	10.0%	9.2%

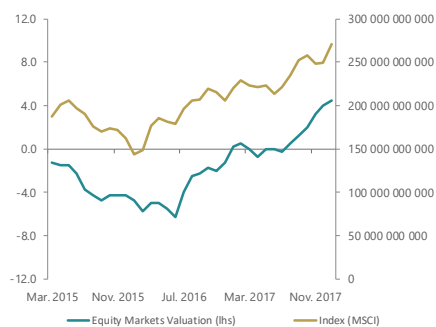
Summary Fixed Income Fx

	Latest	1m ago	3m ago	1y ago	3y avg
Spd EMBI	218.0	231.7	234.8	300.7	336.5
Change %		-5.9%	-7.1%	-27.5%	-35.2%
Volatility, %	25.7%	25.1%	24.8%	28.7%	27.3%

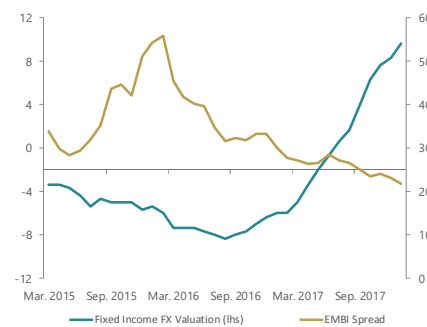
Summary Fixed Income LC

	Latest	1m ago	3m ago	1y ago	3y avg
Yield	9.9	10.3	9.8	11.1	12.3
Spd US, bp	736	793	741	867	1018
Change, bp		-40	16	-116	-236
Volatility, %	16.0%	15.7%	14.9%	11.0%	12.4%

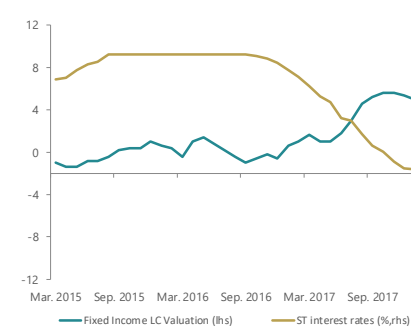
Equity markets valuation and MSCI



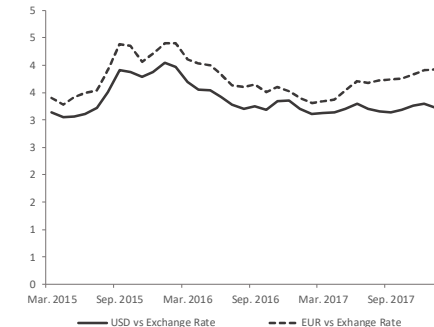
Fixed Income Fx valuation and EMBI



Fixed Income LC valuation and short-term interest rates



EUR and USD vs BRL



*Unit = 10 mn for Brazil and 100 for Turkey

Data up to Jan-18

Methodology

This document and the research tools behind it aim at improving the confrontation between macro-based risk factors and markets' valuations in Emerging or Frontier Markets. The results presented here include:

- Composite indexes of market valuations for equity and fixed income markets, combining traditional valuation metrics (PER, PBV, EPS growth, interest rates, spreads, yield curves), which are statically normalized around their long-term average and scaled from -12 (very cheap or attractive valuation of assets) to +12 (very expensive asset);
- Composite indexes for macro risks for Emerging or Frontier Markets. The macro-risks used here are broken down into three "specific" types of risks (currency, cyclical, liquidity) as well as a global country risk measure incorporating political and governance risks. The macro risk indexes are also normalized around long-term trends and scaled from -12 (very low risk, favorable macro situation) to +12 (very high risk, unfavourable macro situation).

The analysis of such valuation and risk indexes for each market and a comparative confrontation of the two sets of measures enable to spot markets where the "mismatch" is maximum, suggesting a stronger potential for significant market movements, upside if the risk is dearly remunerated by low valuation and downside if valuation are too high for the underlying risk performance.

The outputs and composite indexes are not designed or statistically calibrated to provide forecasts of financial markets' performances, as they do not incorporate bottom-up and market-specific information and analysis.

Disclaimer

These assessments are, as always, subject to the disclaimer provided below.

This material is published by TAC ECONOMICS SAS for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by TAC ECONOMICS and TAC ECONOMICS makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of TAC ECONOMICS, as of this date and are subject to change without notice.

Your contacts at TAC ECONOMICS

Technical questions / hotline

TAC ECONOMICS team is available for any economic, financial, technical questions and requests at the following e-mail address: hotline@taceconomics.com

Customer relation

For any question relative to your subscription, please contact us by e-mail at taceconomics@taceconomics.com

Tel +33 (0)299 39 31 40

Web: <http://www.taceconomics.com>