

El-Erian's views on the US divergence

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Contributor

Professor Siegel and Mohamed El-Erian, Chief Economic Advisor at Allianz and Senior Global Fellow at the Joseph Lauder Institute at the Wharton School, joined us on our 'Behind the Markets' podcast last week. It was a great wide-ranging conversation on why El-Erian sees a divergence for the US economy over Europe and other international markets and why he still favours the US as investment destination over other countries.

Some of the highlights of the conversation touched on the following:

- How the US economy continues to diverge and out-perform the rest of the world and for how long it will keep attracting investments. With the consumer being the backbone of the country, little risk of recession is seen in 2020.
- Fundamental reasons behind the divergence between Europe and the US.
- El-Erian believes that some of the most exotic asset classes such as emerging market debt and high-yield bonds are ripe for helping active managers to shine, although he believes they have lagged the market in the past due to a low liquidity factor.

El Erian's views provided an interesting contrast to Professor Siegel's, who favours merging markets because assets are already discounted to reflect risks to performance in these markets. Please listen to the full conversation below:

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