

Surprise: Amidst 2018's political bluster, emerging market equities are off to a strong start

Published 8 May 2018

Christopher Gannatti, CFA

Global Head of Research

Global financial markets have been very volatile in 2018. There has been trade tension, predominantly between the US and China, and there has also been tension centered upon Syria and the Middle East, bringing important “differences of opinion” in US-Russia and US-Iran relationships to the fore. As of 20 April 2018, the US 10-year Treasury Note closed at 2.96%, a level not seen since 2014.

In the past, emerging markets have been known to exhibit high levels of volatility during periods of uncertainty. So, how have emerging markets fared so far this year then?

Positive returns for emerging markets in 2018 (31 December 2017 to 20 April 2018)



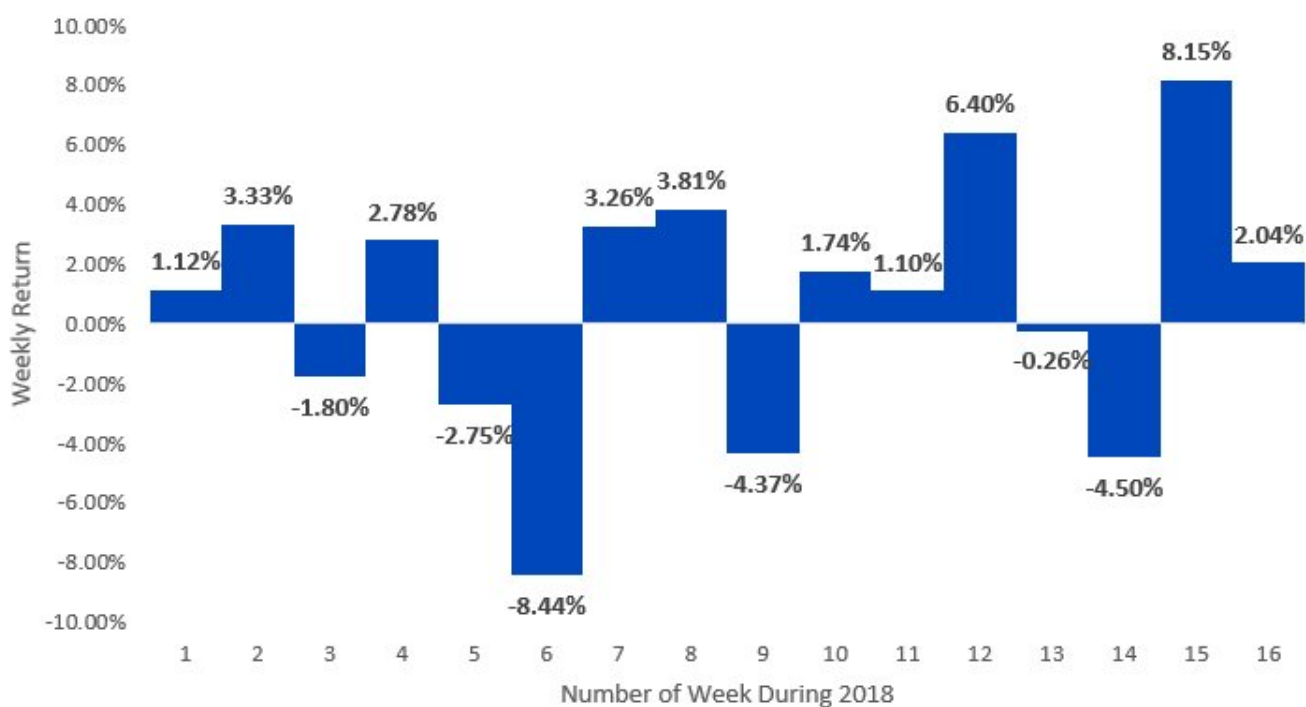
Source: Bloomberg. Past performance is not indicative of future results. You cannot invest directly in an Index.

- MSCI Emerging Markets Index: Despite February’s sharp correction, the broad emerging markets benchmark is still positive year-to-date and has held onto positive cumulative returns for the majority of the year thus far.
- MSCI Russia Index: Even with a major drawdown, this index is still basically flat to slightly positive in 2018. From 5 April 2018 to 16 April 2018, the MSCI Russia Index (measured in US dollar terms) fell by 14.5%. Yet, a strong performance earlier in the year, coupled with a 5.8% bounce between 16 April 2018 to 20 April 2018, has resulted in a flat performance for the year to date.

Capitalize on oil price movements through WisdomTree’s Equity Income approach

At the time of writing, the price of Brent Crude Oil is over \$74.00/bbl. On 6 April, the price was \$67.11/bbl, meaning that the price of a barrel of oil has climbed over 10% in a very short period of time.

Weekly movements in the price of a barrel of Brent crude oil (31 December 2017 to 20 April 2018)

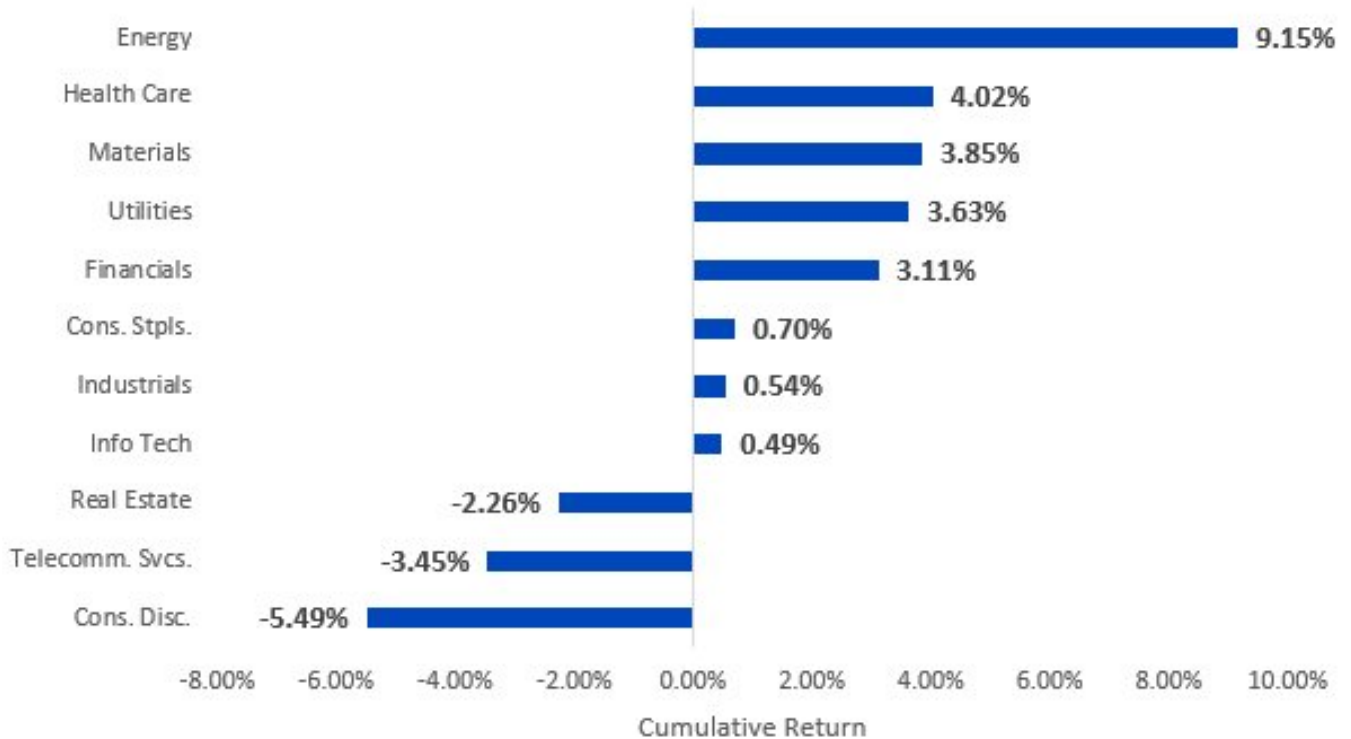


Source: Bloomberg. Past performance is not indicative of future results. You cannot invest directly in an Index.

It’s possible that this upward trend in the price of oil is related to the tension between Russia and the US and any resulting sanctions. Additionally, talk of a potential cancellation of the “Iran Deal” that was enacted during the Obama administration could be impacting prices.

With US shale producers poised to take advantage of the higher oil prices, we would caution investors against betting too heavily on further upward movements in the price of oil. Having said that, the nature of geopolitical risk is that it generates uncertainty. We don't know where the next stream of tweets will take the market's focus.

MSCI Emerging Markets Index: massive sector dispersion with energy in the lead



Source: Bloomberg. Past performance is not indicative of future results. You cannot invest directly in an Index.

When oil prices are rising, a natural reaction is to try and profit through the use of futures or options. However, that isn't the only way to profit from higher oil prices.

2017 was the year of information technology - and we still believe that sector represents a compelling growth opportunity within emerging markets. We'd advise, however, that the world hasn't yet changed so much that the reliance and sensitivity to oil and fossil fuels has been eliminated.

You may also be interested in:

+ [India's growth may be the strongest of all large economies over the next 10 years](#)

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.