

Where in the World Are the Yields?

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In the current environment, where debt is being issued at historically low interest rates in much of the developed world, many investors may need to rethink the way they view fixed income. Rather than simply focusing on yield to maturity, they may want to look at other potential drivers of return and consider taking a more opportunistic approach. In our opinion, investors might consider fixed income sectors that possess some equity-like growth elements. One option we think is appealing is emerging market local debt. Consider that this market offers:

- ***The opportunity to participate in emerging market growth with the potential for less volatility than Emerging Markets equities***—these markets have shown faster growth than developed markets and have taken strides to strengthen their balance sheets.
- ***Comparatively low levels of debt as a percentage of gross domestic product (GDP)***¹—as investors in emerging markets reduce their assessment of sovereign credit risk, higher rated sovereigns have been able to finance themselves in local currency debt. This enables treasury ministers to better manage their nations' liabilities against locally denominated tax receipts, potentially reducing risk.
- ***The potential for increased sponsorship from institutional investors***—with many more traditional options bumping up against allocation limits, many institutional investors are increasingly looking to opportunities in emerging markets.

A combination of improving fundamentals and decreased sovereign risk has dramatically increased the investable universe. All of these factors have helped create increased demand for local currency investments. As demand continues to grow for locally denominated debt and equities, we believe this could also result in currency appreciation against the U.S. dollar. As a result, we think emerging market debt can help investors increase income and potential returns in the current market environment. *To learn more about WisdomTree Fixed Income family, [click here](#).*

¹Compared to developed markets such as the U.S., Europe and or Japan.

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