



### **Growing Concerns over China's Debt**

When Moody's downgraded China's sovereign credit rating last month, for the first time since 1989, it reminded the world of a growing global risk factor: its rapidly rising debt. According to the Bank for International Settlements, Chinese debt reached 257% of GDP at the end of 2016, which not only well exceeds the 184% average for the developing world as a whole, but also shows a dramatic increase from the 152% ratio to GDP of a decade ago. This is raising questions in the minds of investors about the health of the Chinese banking industry (where the public sector is the largest player) and its stock market, still trading 15% higher since the crash of January 2016.

### **Indian Stocks in Record Territory**

The stock market in India has increased 17.5% this year. Several factors have made an impact: strong economic growth, an appreciation of the currency vs the US dollar, falling oil prices and renewed global interest in emerging markets. All these factors have contributed to making India a star market so far in 2017. The recent landslide victory of the ruling BJP in the Assembly elections has also boosted investors' confidence in the continuity of PM Modi's reform policies. The World Bank forecasts GDP growth of 7.2% this year, the largest for major world economies.

### **Brazil: Can Temer Deliver on his Reform Agenda?**

Brazilian assets fell as investors weighed the implications of the rejection of a labor reform bill by a Senate committee this week. This bill, along with a pension reform bill, is key to the government's ability to address its large fiscal deficit. The President's image has been recently affected by graft allegations, which is eroding political support for his reform agenda. The Brazilian economy has been showing signs of improvement in recent months with falling inflation and rising consumer and business confidence. Most observers expected Brazil to come out of a prolonged recession this year.

### **Korea's Resilient Economy**

South Korea put behind a period of internal political uncertainty last month when Moon Jae-in was sworn President. Both consumer and business confidence are strengthening and the stock market, up 13% YTD, is also benefitting from positive investor sentiment in emerging markets. GDP is expected to grow in the 2.6-2.8% range this year. There are major external and domestic downside risks both politically and economically; however, faster global trade growth and a more effective public policy under Moon's administration present upside potential as well.



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