

Emergence Richer With 'Six Sizzling Markets'

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Investors hear it all the time: Developing markets represent an enormous risk. Whether it is a nation's transparency or lack thereof, imperfect accounting standards, unstable currencies or high inflation, it seems there has always been a reason to forgo investing in such markets.

Until now.



As the U.S. economy slips into the early stages of recession, many investors are seeking to place their capital abroad and have turned to what I like to call the "six sizzling markets": Brazil, China, India, Mexico, Russia and South Korea. (See the book *Six Sizzling Markets: How to Profit From Investing in Brazil, Russia, India, China, South Korea and Mexico*)

Achieving growth nearing double digits in some instances, these emerging economies are ripe with favorable conditions -- whether demographics, infrastructure or an abundance of natural resources -- that have historically proven to be the catalyst for consistent economic expansion.

Though the United States remains the world's richest economy, it isn't the fastest growing; its gross domestic product typically expands by 2% to 3% a year. China is a comet by comparison, with GDP typically growing by 8% to 10% annually. Goldman Sachs suggests that by 2040, the GDPs of Brazil, Russia, India and China, a group known as BRIC, could exceed the GDPs of the United States, Japan, Germany, France, the United Kingdom and Italy combined.

Natural and Human Resources

Key factors that will support this growth include huge reserves of natural resources (Brazil, Mexico and Russia) for export markets and a large and well-qualified work force (particularly in India and China) with relatively low wage levels. Korea's economy will also grow, as its more advanced industries will benefit from increased trade with China.

Economists also expect growth in domestic consumer demand within the six sizzling markets, stimulated by increases in income across broad categories of their populations. The ever-widening expansion of the middle class within these markets, particularly China and India, will ensure continued GDP growth.

Investors who dedicate themselves to understanding the unique characteristics of these countries will have a distinct advantage, as they seek the highest potential price appreciation. Instead of relying on quick snapshots and hollow sound bites, the savvy investor will come to appreciate each country's unique historical and cultural context.

Beyond BRIC

Over the last few years, investors have heard a great deal about the BRIC countries, but the opportunities in Mexico and South Korea have flown under the radar.

Mexico and South Korea don't get enough [credit](#). Both are ahead of the BRIC countries in terms of political and economic stability. In terms of population, South Korea is the tenth-largest country in the world and has gained 7.3%, on average, since 1998. Going forward, its growth rate is projected to be at least about 5%.

As China's neighbor, South Korea has a major edge in terms of infrastructure and [technology](#) and is replacing Japan as a technology partner. South Korea is also the strongest of the six countries in terms of corporate governance and political stability.

Mexico, the eleventh-largest country in terms of population, benefits from NAFTA, but it has also been decreasing its reliance on the U.S. by diversifying exports. Mexico is producing industry leaders like **America Movil**([AMX Quote - Cramer on AMX - Stock Picks](#)), which continues to build a footprint in Latin America, and cement giant **Cemex**([CX Quote - Cramer on CX - Stock Picks](#)), which is expanding globally, taking market share and even buying companies in Europe.

Broad exposure through exchanged-traded funds or mutual funds is often the best [investment strategy](#) and helps reduce currency and investment risk. In South Korea consider the **iShares MSCI South Korea Index Fund**([EWY Quote - Cramer on EWY - Stock Picks](#)) or **Matthews Korea Fund**([MAKOX Quote - Cramer on MAKOX - Stock Picks](#)). The **iShares MSCI Mexico Index**([EWW Quote - Cramer on EWW - Stock Picks](#)) and **CurrencyShares Mexican Peso Trust**([FXM Quote - Cramer on FXM - Stock Picks](#)) are attractive long-term investments in Mexico.

The current largest individual stock holdings in the South Korean funds include **Samsung Electronics** (no [ADR](#)) and **POSCO** ([PKX Quote - Cramer on PKX - Stock Picks](#)). In addition to America Movil and Cemex, the top holdings in the Mexican fund include **Telefonos de Mexico** (or "Telmex") ([TMX Quote - Cramer on TMX - Stock Picks](#)) and **FEMSA** ([FMX Quote - Cramer on FMX - Stock Picks](#)).

Investors exploring opportunities in the emerging markets should focus on the eight tenets causing the shift in the world's economic and political balance of power. These forces range from demographics and infrastructure development to technology, financial policy and education.

These six nations have now become long-term engines for growth. And in spite of all the volatility, which has certainly not escaped the U.S. economy, these markets will continue to offer investors a golden opportunity to boost their portfolios over the next 20 to 30 years.