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The Hartford Business Journal

June 3, 2013

Study: investors overlook emerging markets

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China, it seems, scares investors. So does India and even Brazil.

That is what a new poll of investors seems to indicate. And it suggests to those advising investors that they need to do a better job highlighting opportunities in the world of emerging markets.

The nationwide survey also shows that investors in the Tri-State area are more bullish on prospects for the national economy than investors elsewhere in the county.

The survey, commissioned by Morgan Stanley Wealth Management, was conducted during the first quarter by GfK Public Affairs and included interviews of 1,000 U.S. investors, age 25 to 75, with $100,000 or more in investable household financial assets.

Many investors, the poll showed, tend to steer away from non-U.S. investment options, despite the significantly higher economic growth rates in such countries as India, Brazil and China. Tri-State investors, in particular, were more concerned about foreign conflicts than investors elsewhere in the nation.

It can never be stressed too much that past performance is no guarantee of future results. However, even with the recently reported slowing growth in development nations, investments in these nations should not be rejected automatically because of emotion or unfamiliarity.

In China, first quarter growth slowed to 7.7 percent, down from 7.9 percent the previous quarter. That's bad news? In the U.S., gross domestic product advanced at only a 2.5 percent annual rate between January and March. Doesn't it make sense to at least consider investing where the growth rate is more than double that of the U.S.?

Overall, the International Monetary Fund's semiannual World Economic Outlook forecasts that the United States will have a measly one percent increase in per capital real gross domestic product this year. The fund forecasts that world output will increase by 3.3 percent in 2013, yet advanced economies will expand by only 1.2 percent while emerging ones grow by 5.3 percent.

Multinational companies don't seem to be hesitating to invest in emerging markets. A major auto company, for example, just announced that a formerly mothballed manufacturing plant in Indonesia has come alive, employing 700 people versus just 30 about 18 months ago.

Of course, this doesn't mean that individual investors should jump to invest in Indonesia, China, India or Brazil. What it does mean is that individual investors can no longer afford to be myopic. Investment in overseas markets is worthy of serious consideration now and likely for some time to come.

Interestingly, when asked what types of investment they consider to be "good," a surprising 47 percent said it was gold. That's despite an ongoing downturn in the price of gold for several years — it has dropped by nearly 20 percent since 2011 at a time when equities increased significantly.

Clearly, the poll has important implications for investors and those advising them, particularly with the stock market continuing to dance around record highs.

Emotion needs to be left out of investment decisions. It is not easy in any decision-making process and even tougher for decisions involving the wallet. Fear is powerful.

The nationwide poll generally showed broad investor optimism about the markets. Yet, in the Tri-State area, investor views have interesting differences on some key issues. For example, while 53 percent of New York investors polled say their portfolios are better than a year ago, only 42 percent hold that view in Connecticut. With the United Nations based in their "neighborhood" along with countless consulates and other foreign agencies, I believe New Yorkers tend to be more internationally focused than folks in Connecticut. All should take a more serious look at non-U.S. opportunities.

In the weeks and months ahead, it would be wise for all investors to review their portfolios and consider where emotion played a role in investment choices. It may be time to make some changes.

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