HEADING EAST OR SHOULD WE STILL GO WEST YOUNG MAN? 29TH JUNE 2020

There is a controversial opinion in the investment and economic world that the West is "Done" – our growth is over and now we just struggle to keep our heads above water. Alternatively, some feel the UK still sees itself basking in the economic glory of its old colonial days, while a growing number see the UK as a minor player on the world stage.

Many fund managers and market commentators boast about the strong growth achieved in the UK markets since 2008 which is a somewhat laughable poetic licence when in reality, following the Financial Crisis in 2008, markets took 4 years to recover values achieved in the highs of September 2007, by April 2016 the FT100 was back below the September 2007 high, followed by a short lived acceleration to new highs over the next 3 years, ending up today, back well below the September 2007 high.

Contrast that with the US main Indices (S&P 500, Nasdaq, Dow Jones Index), who have all recovered from the financial crisis and gone on to achieve new all-time highs and even during the current Covid pandemic crisis, remain significantly above their 2007 highs.

Looking East, like the rest of the world, markets in Asia have been badly affected by the Covid 19 pandemic, but the Japanese main Indices and the China A50 all remain strongly above 2007 highs (for China, since 2014 when the index was formed).

Always volatile, eastern economies have long been considered very high risk due to the potential for swiftly changing political conditions, however, it is possibly more important to look beyond this, at wider economic factors.

China in particular has set out its stall to become an influential world power, the Chinese now put more money and effort into Research and Development than the West and have become significantly important to Western companies like Apple.

"Made in China 2025" is a Chinese government strategic plan that aims to move away from being the "Worlds factory" producing cheap low quality goods to encourage production of high value products and services like aerospace and semiconductors, to achieve independence from foreign suppliers. It's a blueprint to upgrade the manufacturing capabilities of Chinese Industry to a more technology intensive power.

Like most of the world, China has many internal issues such as a slowing economy, higher wages and an increasingly ageing population but their capitalist economy, like most of the East is much younger than ours. With mostly larger populations and a potentially more focussed governments driving ambitions forward, Eastern countries seem to have a great deal to offer the future.

Singapore is in the headlines this week after Morgan Stanley came out saying it is bullish on Singapore stocks, expecting to see a 14% return over the next 12 months as the region is enjoying a growing perception of being a safe haven.

Although stocks in the region have been falling, Morgan Stanley feels that they bottomed, and a sustained rebound is underway.

Helped by the growing geopolitical tensions in the region with China and Hong Kong in particular, Singapore has seen growing money inflows with a new record flow into state banks in April 2020, deposits from non-residents jumped

44% year on year. Markets also saw greater inflows into passive funds which are becoming increasingly popular at the expense of individual stock picking strategies.

Historically Singapore and Hong Kong have been competitors for the status of top financial hub and wealth centre in Asia and the latest demonstrations in Hong Kong come after months of protests that crippled the economy last year.

Real estate is also a key driver in the economic boom and investors are in particular favouring REITS (Real estate Investment Trusts) because of their attractive dividend pay-outs.

So with what looks like very strong potential opportunities in both short and medium terms, perhaps investors should look East a little more – there is a strong argument for having at least some exposure in your overall strategy, accepting the risks could produce some very generous rewards.