

SURPRISE: AMIDST 2018'S POLITICAL BLUSTER, EMERGING MARKET EQUITIES ARE OFF TO A STRONG START

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Global financial markets have been very volatile in 2018. There has been trade tension, predominantly between the US and China, and there has also been tension centered upon Syria and the Middle East, bringing important “differences of opinion” in US-Russia and US-Iran relationships to the fore. As of 20 April 2018, the US 10-year Treasury Note closed at 2.96%, a level not seen since 2014.

In the past, emerging markets have been known to exhibit high levels of volatility during periods of uncertainty. So, how have emerging markets fared so far this year then?

Positive returns for emerging markets in 2018 (31 December 2017 to 20 April 2018)



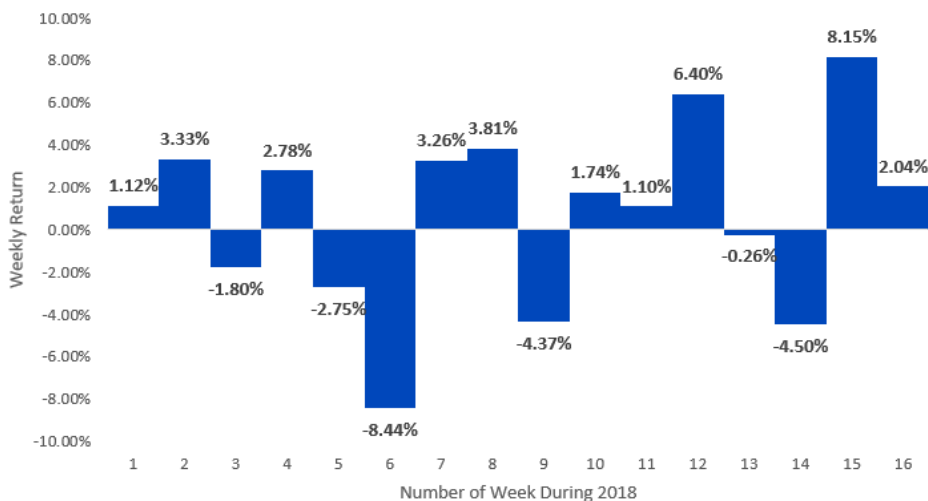
Source: Bloomberg. Past performance is not indicative of future results. You cannot invest directly in an Index.

- MSCI Emerging Markets Index: Despite February’s sharp correction, the broad emerging markets benchmark is still positive year-to-date and has held onto positive cumulative returns for the majority of the year thus far.
- MSCI Russia Index: Even with a major drawdown, this index is still basically flat to slightly positive in 2018. From 5 April 2018 to 16 April 2018, the MSCI Russia Index (measured in US dollar terms) fell by 14.5%. Yet, a strong performance earlier in the year, coupled with a 5.8% bounce between 16 April 2018 to 20 April 2018, has resulted in a flat performance for the year to date.

Capitalize on oil price movements through WisdomTree’s Equity Income approach

At the time of writing, the price of Brent Crude Oil is over \$74.00/bbl. On 6 April, the price was \$67.11/bbl, meaning that the price of a barrel of oil has climbed over 10% in a very short period of time.

Weekly movements in the price of a barrel of Brent crude oil (31 December 2017 to 20 April 2018)

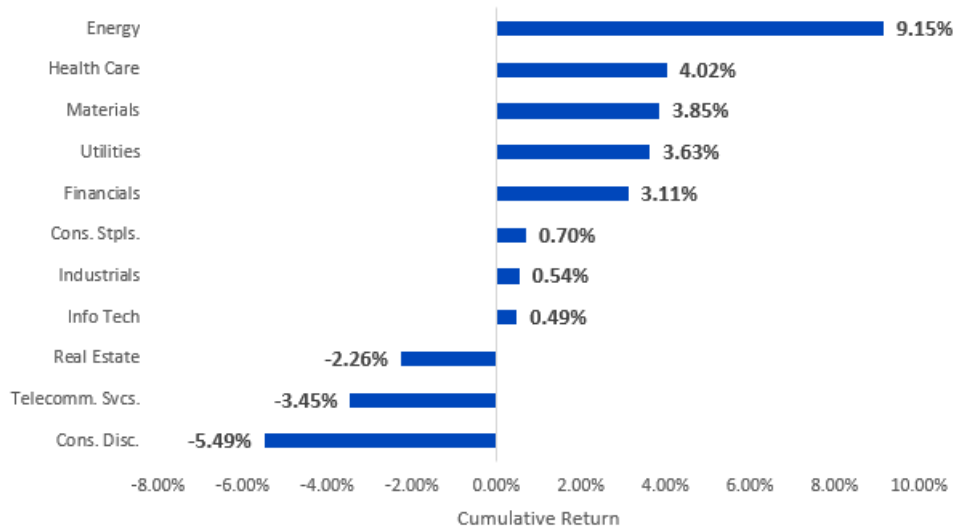


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It’s possible that this upward trend in the price of oil is related to the tension between Russia and the US and any resulting sanctions. Additionally, talk of a potential cancellation of the “Iran Deal” that was enacted during the Obama administration could be impacting prices.

With US shale producers poised to take advantage of the higher oil prices, we would caution investors against betting too heavily on further upward movements in the price of oil. Having said that, the nature of geopolitical risk is that it generates uncertainty. We don’t know where the next stream of tweets will take the market’s focus.

MSCI Emerging Markets Index: massive sector dispersion with energy in the lead



Source: Bloomberg. *Past performance is not indicative of future results. You cannot invest directly in an Index.*

When oil prices are rising, a natural reaction is to try and profit through the use of futures or options. However, that isn't the only way to profit from higher oil prices.

2017 was the year of information technology - and we still believe that sector represents a compelling growth opportunity within emerging markets. We'd advise, however, that the world hasn't yet changed so much that the reliance and sensitivity to oil and fossil fuels has been eliminated.

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