

Going beyond Canada for growth opportunities

While Canada's markets have been strong performers in recent years, the reasons for investing globally are compelling. Not only can holding international investments help to diversify a largely Canadian portfolio, but a growing number of social and economic trends also add weight to the case for investing internationally. Increasingly, jobs are flowing from developed countries, with their aging populations, to less developed countries, where unprecedented growth is creating new economic powers.

Here is a look at four regions that investors may want to consider.

After three years of healthy growth, the economy in the **United States** has shown signs of slowing. A slumping housing market, illustrated by the


collapse of several subprime lenders, and weaker manufacturing performance point to a softer economy in 2007. While warnings of recession have been heard, a soft landing is still possible, and the economy could strengthen in 2008.

With consumer spending slowing, demand from corporations with healthy balance sheets may be called upon to drive the U.S. economy. A continued decline in the U.S. dollar could create good returns for exporters.

Mexico's market surged ahead in 2006, but both the country's economy and its stock market could be dampened by a U.S. slowdown in 2007. However, a new president is creating an environment for solid long-term

Continued on reverse

Emerging opportunities



Mexico: President Calderón's policy platform focused on accelerating investment.

Latin America: Looking at stable growth through 2008.

India: Becoming a world leader in software development and technology.

China: Represents more than 1.3 billion potential consumers.

Growth beyond Canada

Continued from front

economic growth, and Mexico's economy could outshine its North American neighbours through 2008.

Sectors to watch: *Financials, health care.*

Across the pond

Europe appears set to continue on a moderate and sustainable growth trend as an export-led recovery is being reinforced by a rebound in domestic demand. The region's major economies, such as **Germany, France,** and the **United Kingdom,** are slowing somewhat, with rising taxes and interest rates threatening consumer sentiment and a stronger euro dampening export demand. However, the slowdown is likely to be modest, and a strengthening euro may enhance returns for Canadian investors.

European markets posted strong gains in 2006, with the MSCI Europe index rising almost 16%. Those gains will be hard to repeat in 2007. However, European stocks still have upside potential, and the region offers major players in many global industries, such as banking, industrials, health care, and consumer goods.

Sectors to watch: *Retailers, consumer staples, health care.*

Asian powerhouse

China continues to power ahead. The economy is expected to grow about 9% annually through 2008, despite government attempts to cool the flurry of large capital building projects. And while the speculative Shanghai market suffered a sharp correction in February,

Emergent growth

Economic growth in less developed nations is expected to outpace growth in developed regions by a wide margin.

Real GDP (forecast % change)

	2007	2008
China	9.8	9.5
India	8.2	7.8
Argentina	7.5	6.5
Chile	5.3	5.5
Mexico	3.7	3.4
Brazil	3.5	3.5
United States	2.4	2.8
Canada	2.2	2.7
France	2.0	2.2
U.K.	2.0	2.1
Germany	1.7	2.0
Japan	1.7	1.6

Source: Scotia Economics *Global Outlook*, January 2007

it recovered quickly. The market is risky, however, and investors must be willing to accept the volatility.

India's economy ranks right behind China's, with economic growth forecast around 8% in 2007-2008. Emerging software companies and exporters present opportunities.

Other Asian markets, such as technology-rich **South Korea** and **Taiwan,** are benefiting from China's strength and lower oil prices. **Japan's** market cooled in 2006, but the country's return to modest, sustainable growth

may produce modest gains. Business spending is expected to strengthen and exporters are holding steady.

Sector to watch: *Technology.*

The Latin beat

Latin America has seen surging economies and soaring markets in recent years. And while expansion may moderate, the outlook is for solid growth through 2008 as the recovering economies of **Argentina** and **Venezuela** catch up with the more stable countries, such as **Chile, Peru,** and **Colombia.** With domestic economies developing quickly, consumer demand may offset any weakness caused by slowing sales to the U.S.

Continuing demand for Latin America's natural resources, such as oil and minerals, could help drive the region's markets ahead. Exporters, resource companies, and banks may benefit. However, political risk remains a factor, especially in Venezuela, and crises in other emerging markets could discourage foreign investors.

Sectors to watch: *Financials, resources.*

Managing risk

Of course, where there is investment opportunity, there is also investment risk. That's why it's always important to balance your exposure to high-growth/high-risk markets' potential with less volatile equities and fixed-income assets. We can help you explore the opportunities and enhance potential returns at a risk level that you're comfortable with. ■

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