Global Investment Scenario

With rapidly changing economic equation, the emerging economies like China, India, Singapore, Malaysia, Russia, Brazil et cetera are all set to steal the focus of investors from USA & Europe. No wonder that these new economic powers are growing very fast and tables will be shifted sooner than later. America used to "drive the bus" in global economic terms; now other areas of the world are getting more attention. USA is suffering from economic recession and Federal Reserve is confused on whether to increase the interest rates and keep inflation under check or to reduce the rates and help economy grow.

In spite of fears about the sub prime situation, the U.S.A. economy grew 3.8% during the third quarter, and the employment data appear to be holding up well. Though the impact of the sub-prime crisis and housings market slow-down on the US economic system may have been restrained up to now, economic indicators are indicating that the economy will slow down. Business and consumer confidence appear to be damping in both the US and Eurozone, and leading indicators are too in a negative trend. Till the credit situation clears up, investors will remain edgy allowing high risk credit assets still vulnerable to a further sell-off.

It is expected that sub-prime crisis will cause more troubles in 2008. So, there is not much hope left there and so, the big investors have already started investing money in developing countries like India. Hence it makes lot of sense in investing in these emerging economies.

Where to invest amongst these emerging economies is a tough call to take. One one side China has a history of delivering continuous 9%+ growth rate per year for past so many years but i snow trying to slow down to contain inflation. On the other side, India is much less trade- and export-oriented than China and has poor infrastructure which is being developed. As a result, India banks more on the domestic consumer for overall growth and job creation. That also makes it harder to attract productivity-enhancing foreign direct investment but this insulates India from recession in global markets.

In this situation, the safest way for a retail investor to benefit from this growth is by investing in Global Emerging Economy Funds offered by many mutual fund companies. However, if one wants to invest directly in stock markets then one need to be extra cautious because even though these countries are growing fast and will continue to grow, there are many stocks that will not give good returns and some may even result in complete loss of capital. And if you invest all of your money in one country, then you are putting your money at huge risk.

Also, any company or firm irrespective of its size, which aspires to be a global player cannot for long ignore India and china as they are to become high growth emerging economies. India has a vast potential for foreign investment and foreign players find it their next investment destination. India is an investment goldmine for long-term growth. While short term profits may be churned out from time to time but they are not of a penny worth in the longer run.

Investing in Gold is a also great option of saving your money in view of decreasing value of USD, whenever US investors get jittery about prospect of US economy they turn to gold as a safe haven. Hence gold might have room for higher levels from where they are today. You can invest money in gold by buying it physically or by buying gold funds offered by many financial institutes.

About the Author

Lavanay is a featured boarder of Indian Share Recommendations, the stock market discussion forum where he and other featured boarders give free advise to members.