

IFF Suggests the EM Outlook is Still Deteriorating

Here are a couple of charts courtesy of the International Institute of Finance's Twitter feed ([@IFF](#)).

Despite all the pain we've seen since 2011, the outlook for emerging markets is still deteriorating as capital outflows continue.

Chart 2

Cumul. Daily Portfolio Flows to EMs during Major Reversals

\$ billion, all available countries* as of September 8th.

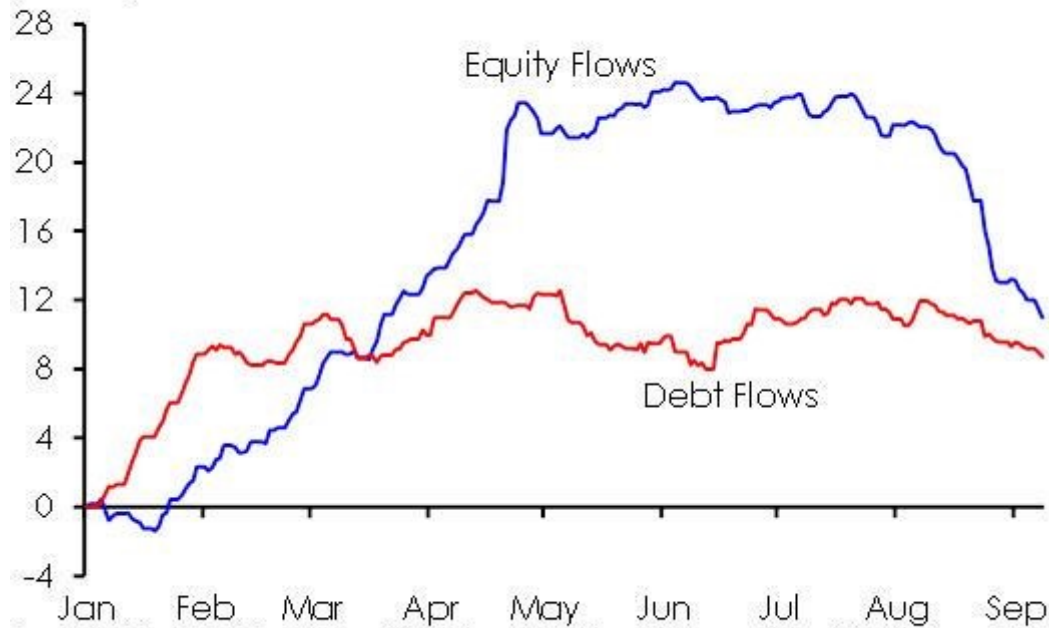


Source: IIF.

*Indonesia, India, Korea, Thailand, South Africa, Brazil, Hungary

YTD Cumulative Non-Resident Portfolio Flows to EMs

\$ billion, all available countries*



Source: National Sources, Bloomberg, IIF. Last observation: Sept. 8

*Indonesia, India, Korea, Thailand, South Africa, Brazil, Hungary.

Not only is China slowing (triggering a fall in already oversupplied commodity markets) & the Fed tightening (driving a rise in the USD & reversal of carry trades); domestic financial, economic, and political conditions are deteriorating fast in a number of countries like Brazil, Malaysia, Russia, Indonesia, Turkey, South Africa, Nigeria, etc.

S&P's decision yesterday to downgrade Brazil's government debt to junk with a negative outlook is just the latest in a steady string of bad news with a lot more likely on the way.

As I've warned for a couple of years, the 2013 "Taper Tantrum" may prove to be little more than a dress rehearsal for a "Great Unraveling." It's a growing risk not just for emerging markets, but also for the developed world & our highly levered, highly interconnected global financial system. [And also an enormous opportunity for patient investors.]

If you're interested in exploring further, here are a few of my reports & interviews warning of this dynamic over the last year or so...

- VIDEO: "**The New Era of Volatile FX Flows**" (May 2014):
<https://www.youtube.com/watch?v=3kxgl5RRa04&feature=youtu.be>
- REPORT: "**A Scary Story for Emerging Markets**" (October 2014):
<http://www.businessinsider.com/scary-story-for-emerging-markets-2014-10>
- REPORT: "**On the Verge of a Disaster... or a Miracle**" (January 2015):
<http://www.mauldineconomics.com/frontlinethoughts/why-the-world-needs-the-us-economy-to-struggle>
- REPORT: "**Here We Go (Down) Again**" (July 2015):

<https://blog.evergreengavekal.com/evergreen-exchange-6/>

- VIDEO: **“The True Cost of Capital Outflows on Emerging Markets”** (September 2015):
<https://www.youtube.com/watch?v=s68C3qvSIJE>