

## **Outlook 2008: Emerging Markets, Oil Price and more**

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### **What do you consider to be the most important and interesting stock markets in 2008?**

Brazil will continue to do well. Together with Turkey I consider it the most promising stock market for 2008. The fundamentals have improved and there will be room for lower interest rates next year. Brazil also benefits from high food and commodities prices.

### **What do you expect for the Emerging Markets? How will the German market develop?**

The emerging markets will continue to grow relatively strongly, weathering the US slowdown far better than in the past. Earnings growth will also be high and currently they have positive momentum. However, emerging stock markets are no longer cheap and run the risk of becoming overvalued. On balance I am positive on Emerging Markets in the short run, although a correction cannot be ruled out in the course of next year. Longer term emerging markets are a good investment. Their share in the world economy will increase structurally, although this will be a process of fits and starts.

### **How will the German market develop?**

The German market will show around average total returns next year (8 percent total return). Growth in the Euro area is likely to slow down to around 2 percent, slightly below potential, with interest rates trading in ranges not too different from current levels.

### **How will the US-Dollar develop against the Euro in 2008?**

The Dollar will initially continue its trend wise decline against the Euro. In the course of 2008, this decline may be interrupted as the outlook for the US economy in 2009 will improve

### **What do you expect for the development of the oil price?**

The oil price will remain high in 2008. The current increase in oil prices is the result of strong worldwide growth, tight supply conditions, political tensions and momentum buying. Because of the strong momentum, the rally may continue for some time. On the other hand, a correction may take place if and when momentum starts to wane. On balance, the most likely outcome is high, but not strongly accelerating oil prices in 2008.

### **Which influence will it have on the economic growth in Europe?**

The high oil price will somewhat hamper European growth. However, overall growths will not slowdown significantly, because the negative impact of high oil prices will be offset by strong growth of the external sector. The impact on inflation should be temporary and one off, without much spill over on wages.