New Risk to International ETFs? The IMF Sounds the Alarm on Global Growth

Description

The International Monetary Fund (IMF) has cut its forecast for growth globally, thanks in large part to the ongoing Sino-American trade war. While this by no means the only factor in the reduction in near-future growth expectations, (rising interest rates is another big stressor), the fact is that the current trade spat between the U.S. and China is weighing on the markets.

The global growth outlook, previously estimated at 3.9%, is now set at 3.7%, representing the first downward adjustment since 2016. Should investors start pulling back on emerging markets, then? Below we'll look at some of the core data for one of the leading emerging market ETFs and see whether it's worth snapping up while fear continues to rattle investors.

Upticks in the BRICS

One of the biggest reasons why investing in emerging markets can be so tricky is that poverty is unlikely to be eradicated in many of these countries at current growth rates. Indeed, in order for equality to occur, those rates would have to be unrealistically high.

Unfortunately, it is exactly this disparity that drives a lot of overseas corporate investment: a cheaper workforce means a wider profit margin and lower overheads, after all.

Investors interested in the BRICS markets as well as similar emerging economies may want to look to ETFs such as the **iShares Core MSCI Emerging Markets IMI Index ETF** (TSX:XEC). A moderately risky play, the iShares Core MSCI Emerging Markets IMI Index ETF currently offers a trailing 12-month yield of 1.91% and is up 0.94% in the last five days despite the IMF's revised global outlook. On the flipside, this uptick in share price may signal a good time to sell: it depends on your international bear/bull stance.

Is this the best international ETF on the TSX?

Given its huge diversification, the answer is probably yes. Though China makes up almost a third of the whole ETF, many non-East Asian nations are also represented. While South Korea has a 14.42% portion of the ETF, with Taiwan close behind with 11.77%, India represents South Asia with a 8.56% portion.

South America gets a look-in, too, with Brazil at 7.57%. While the African continent doesn't get much coverage considering its size and potential, South Africa is at least on the list with 6.03%.

Investors who want to get in on the burgeoning economy north of Europe and Asia will be pleased to see that the Russian Federation is represented on this ETF with a 3.78% weighting. Meanwhile, Mexico represents our own continent with a 3.17% cut. Thailand and Malaysia are equally weighted at around 2.5%. Indonesia, Poland, Chile, Qatar, and the Philippines are also represented.

The bottom line

If you want make money investing in emerging markets, there are any number of ways to do so. Direct routes are plentiful: simply pick a home-grown stock that represents a shared venture between Canada and an emerging economy. Another direct route, with the added benefit of lower risk, is to buy into a diversified ETF like the one above, which still looks like a buy despite the downgrading of the global economic outlook.

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