

LATIN AMERICA RENAISSANCE

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Latin America Renaissance

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There aren't many things that professional investors manage to agree on these days. But they do tend to concur on one point; It is a great time to invest in Latin America.

Last year, the region's stock markets notched up some of the biggest gains ever seen, even though the world's most developed markets were struggling. And I deeply believe that we can do it again.

In fact, taken as a whole, Latin American stock markets confirmed bigger gains than Asia, with the exception of China. Overall, your investment returns from Latin America would have easily trebled what you'd have got from a portfolio any other, for example continental Europe.

Why? Well, for one thing there's China. Many of the biggest countries in the region (Brazil, Argentina, Chile, Mexico, etc) make their easiest money by supplying Beijing with all the commodity products that it is so short of, such as copper, grain, gold, pork products and even soya.

When you consider that Chinese growth is forecast to top 9 per cent in 2010 (just like in 2009) and the fact that the Chinese yuan looks set to strengthen, making China's raging thirst for imports even cheaper to quench, it would be rather a surprise if this huge tide of commodity exports across the Pacific were to slow down any time soon.

Then, of course, there's oil. According to BP's company (one of the worlds leader companies) annual World Energy Outlook, Latin America's oil wells hold 124 billion tones of the black stuff, or about 10 per cent of the world's known stocks.

At a time when Iran, the world's second-biggest producer, is looking politically shaky, the likelihood of a price hike for North America's favorite addiction seems overwhelming. It's all good news for the region.

Things are looking good on the domestic front. The Brazilian government has raised its projection for economic growth this year from 5.2 percent to more than 5.7 percent, and Mexico ought to manage 3.5 to 4 percent of growth if things go reasonably well in the US, its biggest export customer. That would be nearly three times as much growth as the euro zone, and about the same as non-Chinese Asia. It's a fact, the best investment markets in the region are Mexico and Brazil.

The Mexican economy has had unprecedented stability for the last seven to eight years; inflation and the peso have been firm. The country has 12 free trade agreements with 43 countries and exports have surged. Mexico also benefits from well qualified labor, together with powerful manufacturing and assembly industries. Its proximity to the US, too, is an important feature.

While Mexico doesn't enjoy the celebrity status of its rival Brazil, it's obvious there's undergoing something of an economic renaissance.

Over ten years have passed since it's last crisis, nowadays Mexico is enjoying record foreign currency reserves and an investment-grade debt rating, thanks to much-improved fiscal discipline. It even boasts several companies listed on the New York Stock Exchange or NASDAQ and dozens of others that trade over the counter, including Wal-Mart de México.

Money managers are especially keen on stocks in the residential construction business as more and more Mexicans qualify for loans to build their own homes. These include NYSE-listed Desarrolladora Homex and cement maker CEMEX. The home sector is very exciting. We got huge unmet demand for housing.

Brazil is a leading producer and exporter of food products and minerals. Other industries, such as steel, aluminum, pulp and paper, chemicals and textiles, and car marking, are also highly developed.

A quick economic growth projected to 5.7 percent thanks to the increased investment and a recovery of manufacturing.

The country's economy had increased by 4.3 percent year on year in the last quarter of 2009, despite a 0.2 percent decline in the whole year. Industry has been keeping sound growth momentum, which indicates a fast economic growth in 2010.

Today Brazil and Mexico rides wave of growth and Latin America owns her own destiny now it's time to invest.