

## Emerging Markets & Tariffs?

In January of 2018, I traveled to Bangkok Thailand. It was mainly a sightseeing trip, but I was able to meet with a mutual fund analyst that covers companies in the far east. There is significant economic growth throughout the region. Some emerging market mutual funds now pay a 3% dividend! These publicly traded companies have improved their fundamentals over the last few decades. There are many positives, but they still carry more risk because of political situation as well as currency fluctuations. It is recommended that if you invest in this sector; your time horizon should be at least five years or even a decade or longer. This sector has struggled for many years. Last year was terrific, yet this year has been more challenging because of currencies. I bring it up, as most of us are glued to the large cap sector which continues to perform, and then other sectors get left behind. Sectors rotate over time and sometimes when you least expect it!

At a mall in Bangkok, we were shown a luxury car dealership. The locals said the tax to buy a luxury car was 100%. I was a little shocked as a \$100,000 was now \$200,000. Upon returning to work back in Virginia, I did a little research on this tax, only to find one article that talked about a 200% tax, not 100% to buy a new car. Regardless, these taxes/tariffs have been going on for years. I personally, haven't found anyone business person that things adding tariffs is a good idea. However, like all economic cycles, this will run its course, meaning goods will adjust per the new rules. Some sales may go up, down, or sideways, depending on the country you live in and the product you buy. The consumer always adapts and subsequently so will companies and governments.

Another interesting factoid about the far east is how many expatriates are now retiring overseas. The dollar goes farther in some of these countries. In Thailand, there were many retired Australians, Europeans, and Americans. The banking is much easier than it used to be and of course; mobile phones work in many of these countries.

Sincerely,

Andrew D. Wade, CFP®  
President