GLOBAL X INSIGHTS

Five for Five: Five International ETFs and Top Themes Within Them

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Topic: Emerging Markets

As demand grows for Emerging and Frontier Market exposure, allocators have continuously asked for our top regional- and sector-specific preferences heading into the end of the year. The below covers our current favored regions, Global X ETFs that provide exposure to them, and themes that we're bullish on within them.

Region: India
ETF: Global X India Active ETF (NDIA)
Reason: We view India as the best structural story in Emerging Markets (EM), if not the world, based on 1. Favorable demographics (India has the world's largest general and youth populations, with 65% of people below 35 years old) 2. Friendshoring and 3. A market friendly government. [1]
Theme: Consumption. From property to luxury goods, we see opportunities in India's rapidly growing middle class. Holdings that we're particularly excited about span a jewelry retailer (Titan Co.), a residential builder (Prestige Estates), and an online beauty & personal care company (FSN e-Commerce).

Region: EM ex-China
ETF: Global X Emerging Markets ex-China ETF (EMM)
Reason: We believe EM ex-China is running on three pillars 1. Artificial intelligence/semiconductor/electric vehicle demand in Taiwan and Korea 2. Structural growth in India and Southeast Asia and 3. Cyclical strength in Latin America and the Middle East.
Theme: Sector leaders. Some of our favored names within EMM include Salik Co., Dubai's monopoly toll operator that we see benefitting from an asset light and predictable business model; Arcos Dorados, the largest master franchiser of McDonald's restaurants in Latin America; and United International Transportation, a leading car rental company in Saudi Arabia.

Region: Argentina
ETF: Global X MSCI Argentina ETF (ARGT)
Reason: Argentina appears to be moving on from decades of socialist policies and government intervention that led to five defaults since 1982, hyperinflation, and extreme poverty to a new president promising significant market friendly reforms.[2]
Theme: Energy. Argentina's largest energy companies stand to potentially benefit from the country's reforms, which have already led to new professional C-level management, selling non-core assets, and raising fuel prices. Longer term, we see a potential opportunity for privatizations in state owned entities.

Region: Greece
ETF: Global X MSCI Greece ETF (GREK)
Reason: We view Greece as a deep value play, with market friendly governance and geopolitical isolation from Eastern Europe, the Middle East, and the South China Sea.
Theme: Banks. Greek banks trade at 0.7x book value and have moved from near zero profitability to 10%+ returns on equity (ROEs) in the past three years.[3] In early June, regulators allowed banks to begin paying dividends again for the first time in more than 15 years.[4]

Region: Brazil
ETF: Global X Brazil Active ETF (BRAZ)
Reason: Brazil should benefit from 1. Valuations well below historical averages (based on price-to-earnings and price-to-book values that are roughly one standard deviation below their five-year historical averages)[5] 2. A strong and diverse mix of commodity production and 3. Advanced monetary policy (Brazil's Central Bank cut its benchmark interest rate by 325 basis points over the course of seven cuts between August 2023 and May 2024 and, despite a recent pause, we believe there is more room to go).[6] We see Brazil as one of the best ways to play lower U.S. Treasury yields and a weaker U.S. dollar. Brazilian equities are traditionally very sensitive to both (historically, the MSCI Brazil Index (Net) has traded inversely to 10-year U.S. Treasury yields and the U.S. dollar).[7,8]
Theme: Industrials. In Brazil, we believe Industrials could benefit from an advanced monetary policy cycle and improving global purchasing managers' indexes (PMI). The JPMorgan Global Manufacturing Purchasing Managers' Index (PMI) has been above 50 (a level above 50 indicates economic expansion) every month this year through June and on rising trend through May (after being in contractionary territory for 16 straight months) but is still well below the previous cycle peak of 55.5 in the second quarter of 2021.[9] Some of our favored names include Brazil's dominant railway company (Rumo), the country's largest car rental company (Localiza Rent A Car), and the region's largest producer of both truck beds and aftermarket auto parts (Randon).

Related ETFs

NDIA – Global X India Active ETF

EMM - Global X Emerging Markets ex-China ETF

ARGT - Global X MSCI Argentina ETF

GREK - Global X MSCI Greece ETF

BRAZ - Global X Brazil Active ETF

Click the fund name above to view current performance and holdings. Holdings are subject to change. Current and future holdings are subject to risk.

Footnotes

1. The Times of India. (2023, Feb 2). Is India's Rapidly Growing Youth Population a Dividend or Disaster?
2. Bloomberg News. (2019, Sep 11). One Country, Nine Defaults: Argentina is Caught in a Vicious Cycle.
3. Bloomberg LP. Data as of July 25, 2024. Financial sector of MSCI Greece Index.
4. The Wall Street Journal. (2024, Jun 6). Greek Banks to Pay Dividends…After 16-Year Drought.
5. Bloomberg LP. Data as of July 25, 2024. MSCI Brazil Index.
6. Bloomberg News. (2024, Jun 19). Brazil Central Bank Pauses Cycle of Interest Rate Cuts in Unanimous Decision Sought by Markets.
7. Global X ETFs analysis of data from Bloomberg LP. January 1, 2019 through June 30, 2024.
8. Global X ETFs analysis of data from Bloomberg LP. January 1, 2003 through December 31, 2023. Data accessed on January 16, 2024.
9. Bloomberg LP. Data as of June 30, 2024.

Glossary

JPMorgan Global Purchasing Managers' Index (PMI): The JPMorgan Global Purchasing Managers' Index surveys output and employment intentions of manufacturers to create a measure of economic health. A level above 50 indicates economic expansion, and a number below 50 suggests a contracting economy.
Standard Deviation: Standard deviation is a statistical measure of a dataset's dispersion around the mean.
