

Advanced - Investing in Emerging Markets (E0029)

- A: Dad, I'd like to borrow some money.
- B: Sure, Johnny, how much do you need? five bucks?
- A: Come on, Dad, I need thirty thousand. I wanna get into the market. You know, I'm tired of hearing all this news about the economic downturn, the inevitable recession, people stuffing their money in their mattresses. I look at this as an opportunity. This is a chance for me to get a jump start on building my nest egg.
- B: I don't know about that; with all the uncertainty in the markets right now, it would be a very unwise decision to invest. I don't know if you're aware son, but there has been a lot of turmoil in the markets recently. There have already been half a million layoffs in the last few months, and we have no idea how the proposed stimulus package will impact the economy. There's just too much instability. I wouldn't feel comfortable investing in this climate.

A: But look at it this way, every challenge is an opportunity. And anyway, I'm not talking about investing in the domestic market. There are emerging markets that promise great returns. Look at China, for example; they have 1.4 billion people, half a billion of whom have recently entered the middle class. Here alone, the aggregate demand for consumer goods represents an amazing wealth generating opportunity.

B: Come on, son, you're looking at this too naively, the Chinese market has exhibited a great deal of instability, and their currency has been devalued by almost a whole percentage point.

A: Fine, then! If that's the way you feel, so be it. But you're losing out on a great opportunity here. I'm going to go hit up Mum for the cash.

Key Vocabulary

inevitable

Adjective

unavoidable

nest egg	<i>Noun (singular)</i>	money that is saved to pay for something in the future, usually a house, or retirement
turmoil	<i>Noun (non-count)</i>	a state of confusion, disorder, disturbance
stimulus package	<i>Phrase</i>	amount of money the government uses to improve the economy
	<i>Noun (non-count)</i>	state of not being stable, being likely to change
emerging market	<i>Noun (plural)</i>	nations undergoing quick industrialization
	<i>Adjective</i>	combined
devalue	<i>Verb</i>	reduced in value
hit up	<i>Verb</i>	ask for money

Supplementary Vocabulary

depreciation	<i>Noun (non-count)</i>	an decrease in the value of something
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appreciation	<i>Noun (non-count)</i>	an increase in the value of something
inflation	<i>Noun (non-count)</i>	an continual increase in price
developing economy	<i>Noun (plural)</i>	growing economy
rapidly developing country	<i>Noun (plural)</i>	countries undergoing quick industrialization
industrialized nation	<i>Noun (plural)</i>	nations that have developed factories and businesses