

Thank God It's Friday!

November 13, 2009



This week the world celebrated the 20th anniversary of the end of the Cold War in Berlin. The liberation of millions of people from Communism was an extraordinary event and a great triumph for America and freedom. In his campaign stop in Berlin last year, Barack Obama said: "When you, the German people, tore down that wall--a wall that divided East and West; freedom and tyranny; fear and hope--walls came tumbling down around the world. From Kiev to Cape Town, prison camps were closed, and the doors of democracy were opened. Markets opened too, and the spread of information and technology reduced barriers to opportunity and prosperity. While the 20th century taught us that we share a common destiny, the 21st has revealed a world more intertwined than at any time in human history."

We all know that Wars destroy international trade. Countries don't trade with their enemies. The end of the Cold War marked the end of the greatest trade barrier in history. Global trade has flourished as world exports soared 332% from \$4 trillion in 1989 to about \$16 trillion in 2009. Globalization is the integration of national economies through free trade following the end of the Cold War. It led to a proliferation of prosperity around the world.

On December 11, 2001, China joined the World Trade Organization. This event might prove as momentous for the global economy as the dismantling of the Berlin Wall was for international relations. Six emerging markets, namely, Brazil, China, India, Indonesia, Russia, and South Africa peg their growth genesis to 2001. Since then, their cumulative production rose 39.4% until it peaked during June 2008. Over the same period, production in the developed world rose only 17.2%. This is why our international tactical investments have done so well over the past few years.

The global boom was interrupted by the financial meltdown in New York and London nearly causing a global depression. Production in mature countries plunged 17.5% from January 2008 through March 2009; versus the developing nations where production retreated only 8.8% over this same period. Then both started to recover. One might conclude from this vantage point that Globalization averted a worldwide depression. Emerging economies proved to be remarkably resilient. Indeed, they decoupled from the worst of the recessionary forces among the developed economies. As their economies improved, their recovery trickled down to the developed countries. It has been an extraordinary and fortuitous reversal of fortune. We see the great global boom is back on track following the rude interruption of the past couple of years.

Today, President Obama and his senior Cabinet Secretaries visit ASIA seeing 4 countries in 8 days. America's goods and services are selling at bargain prices due to the US Dollar's plunge. With interest rates near 0%, the US Dollar was temporarily hit in order to flood the economy with spendable cash to jump-start the business cycle. Cheap greenbacks promote our exports....and conversely make China's goods more expensive for Americans to buy. This dichotomy brings prosperity to American manufacturers and our service providers.

The President's trip should highlight and confirm China's resumption of solid growth which is a proxy for our upbeat assessment of the global economy. For instance, Chinese sales of motor vehicles rose 43.6%. Sales of household appliances, music and video equipment increased 35.4% while automobile production increased 78.6%. Steel production increased 41.6% although most of the iron ore was imported. It's amazing. We shall continue to invest in the phenomenon and jump on any opportunities to cash-in on globalization.

By: Jude Bedell