AN IN-DEPTH LOOK AT

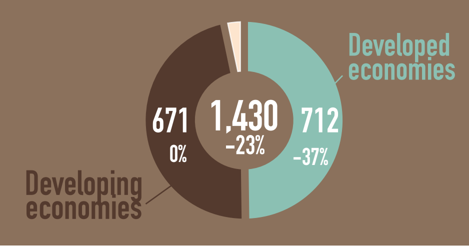
GLOBAL INVESTMENT TRENDS AND PROSPECTS

By Yutong Han
Unit: Billions of Dollars

Global foreign direct investment (FDI) flows fell by 23 percent in 2017, to $1.43 trillion from $1.87 trillion in 2016. In this case, developing countries, and the least developed countries in particular, face considerable challenges. For example, challenges are particularly pronounced in Africa. The share of manufacturing in the GDP of African countries is small, and it has further declined or stagnated over the past decade. To be more specific, economic change create how many hardships, it is worth discussion that benefits most where and which direction to invest through data.

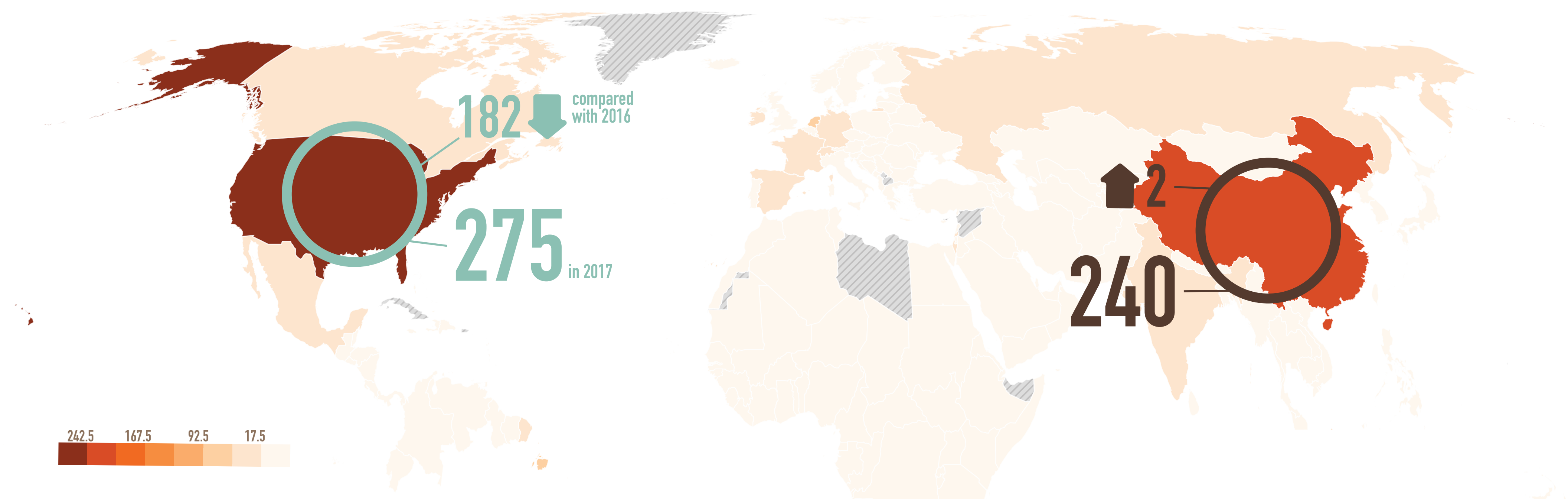
FDI inflows, by group of economies in 2017

The decline is in stark contrast to other macroeconomic variables, such as GDP and trade, which saw substantial improvement in 2017. Flows to developed economies dropped by more than one-third, to $712 billion.



FDI inflows, by economy in 2017

FDI flows fell in developed economies and economies in transition while those to developing economies remained stable. As a result, developing economies accounted for a growing share of global FDI inflows in 2017, absorbing 47 percent of the total, compared with 36 percent in 2016. Half of the top 10 host economies are developing economies. USA remained the largest recipient of FDI, attracting $275 billion in inflows, followed by China, with record inflows of $136 billion.

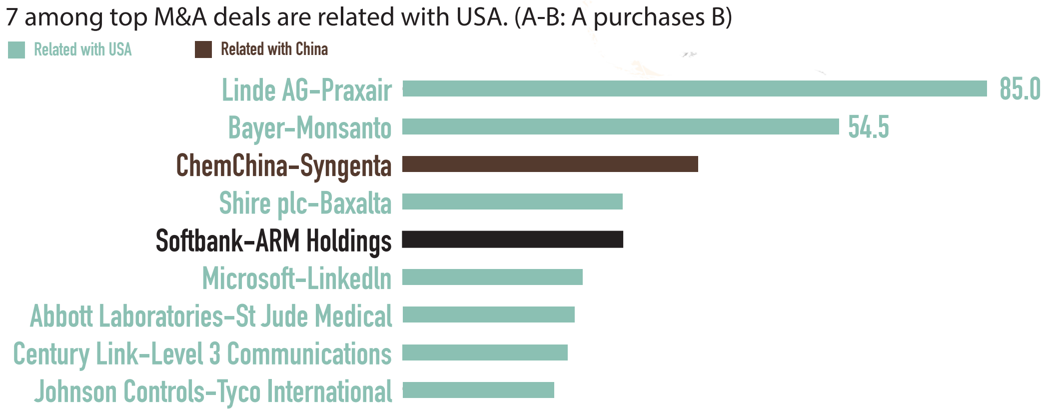


WHY DID FLOWS DROP?

The fall was caused in part by a 22 percent decreases in the value of net cross-border mergers and acquisitions (M&As). The fall can be explained in large part by a decline from high inflows in the preceding year caused by cross-border M&As and corporate reconfigurations. A significant reduction in the value of such transactions resulted in a decline of 40 percent in flows in the United States to $275 billion and 92 percent in the United Kingdom to $15 billion.

Top M&A deals worldwide by value in 2016

7 among top M&A deals are related with USA. (A-B: A purchases B)

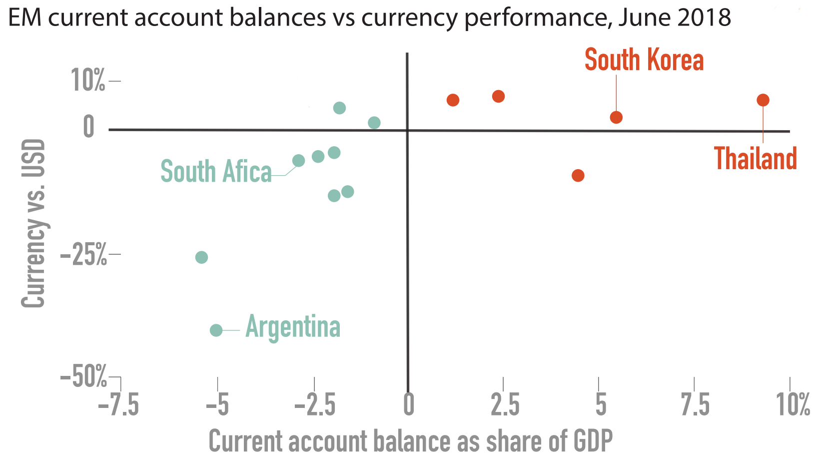


WHERE TO INVEST

US dollar has hit the currencies of countries most dependent on borrowing in hard currency - those with large external deficits(eg: Argentina). The good news: many EMs are in better shape today than in past crises, especially developing Asia.

EM vulnerabilities

EM current account balances vs currency performance, June 2018



AN INVESTMENT PERSPECTIVE

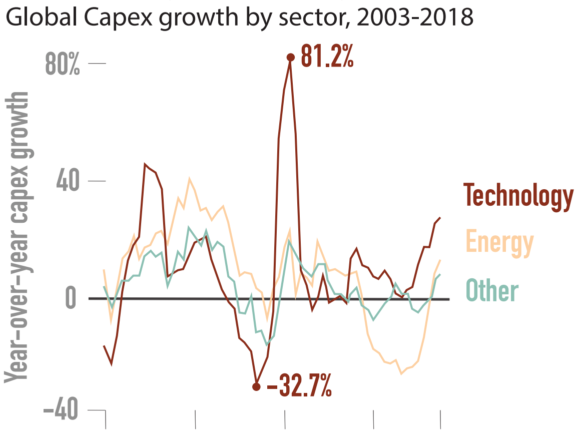
Equities

Capes is picking up globally with tech leading the charge

'Quality" and technology companies might be good choices because of high-yielding 'bond proxy' stocks that could revert to pre-crisis levels.

Spending upswing

Global Capex growth by sector, 2003-2018



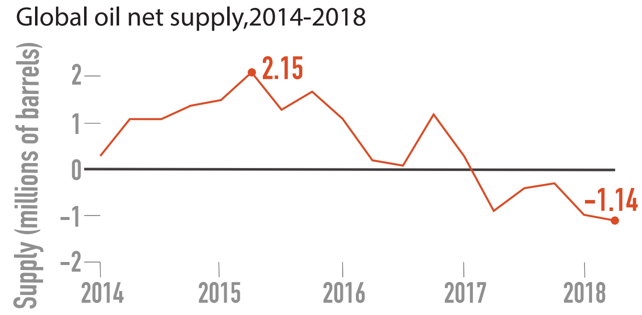
Commodities and currencies

Oil prices have been on a tear

Blackrock sees oil prices well supported in the second half. A rise in Middle East-related geopolitical risks, along with a recent decision by the OPEC to ease oil output restrictions doing little to knock oil off its solid footing.

Sizing up supply and demand

Global oil net supply,2014-2018



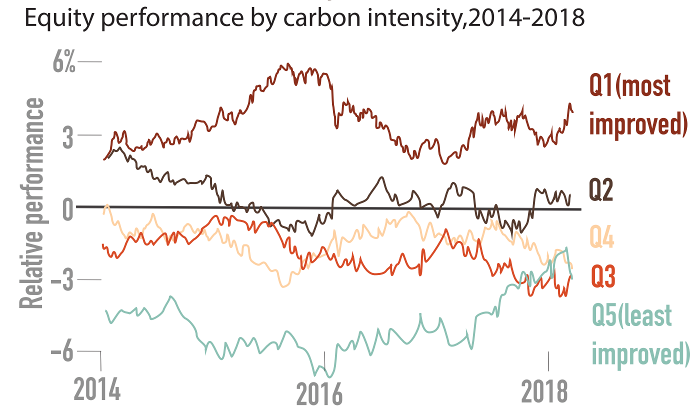
Thematic investing

ESG's quality bent add resilience

Blackrock research suggests entities with high ESG scores may be more resilient to perils range from ethical lapses to climate risks. This implies a focus on ESG may offer some cushion during market downturns.

Carbon efficiency

Equity performance by carbon intensity,2014-2018



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