



The Forecast for Emerging Markets

Monday, April 27, 2009

09:30 AM - 10:45 AM

Moderator

Komal Sri-Kumar, Managing Director, Chief Global Strategist, TCW Group Inc.;
Senior Fellow, Milken Institute

Speakers

Hüseyin Erkan, Chairman and CEO, Istanbul Stock Exchange

George Hoguet, Global Investment Strategist, Senior Portfolio Manager, State Street Global Advisors

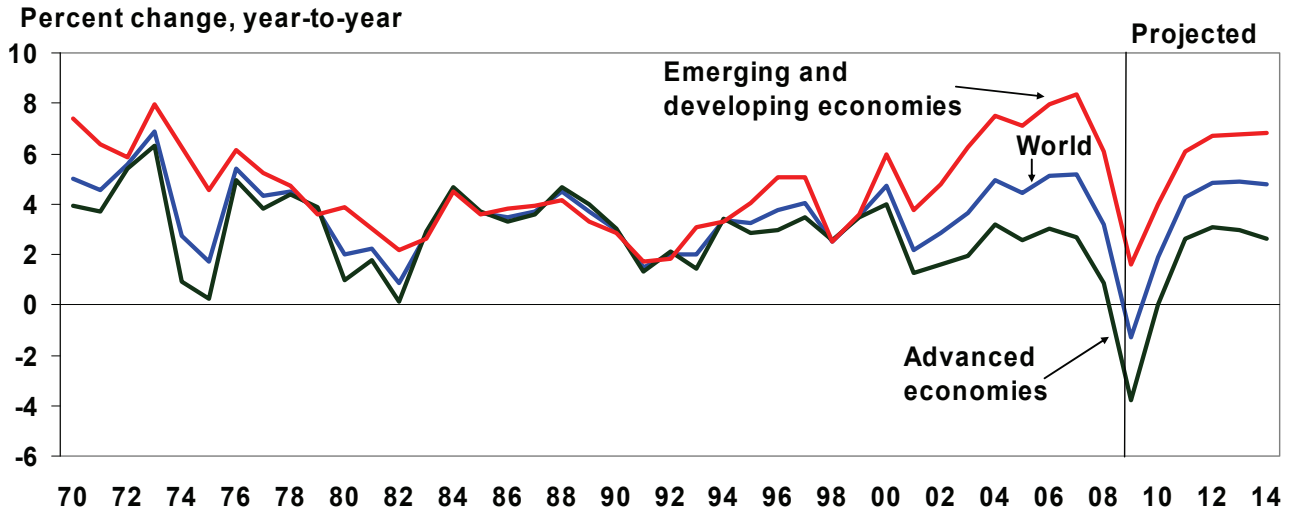
Vikas Kapoor, President and CEO, iQor Inc.

Vasant Prabhu, Executive Vice President and Chief Financial Officer,
Starwood Hotels & Resorts Worldwide Inc.

Jean-Louis Scandella, Emerging Markets Fund Manager, Comgest Group

Global real GDP growth

World real GDP growth is projected to decline by 1.3% in 2009



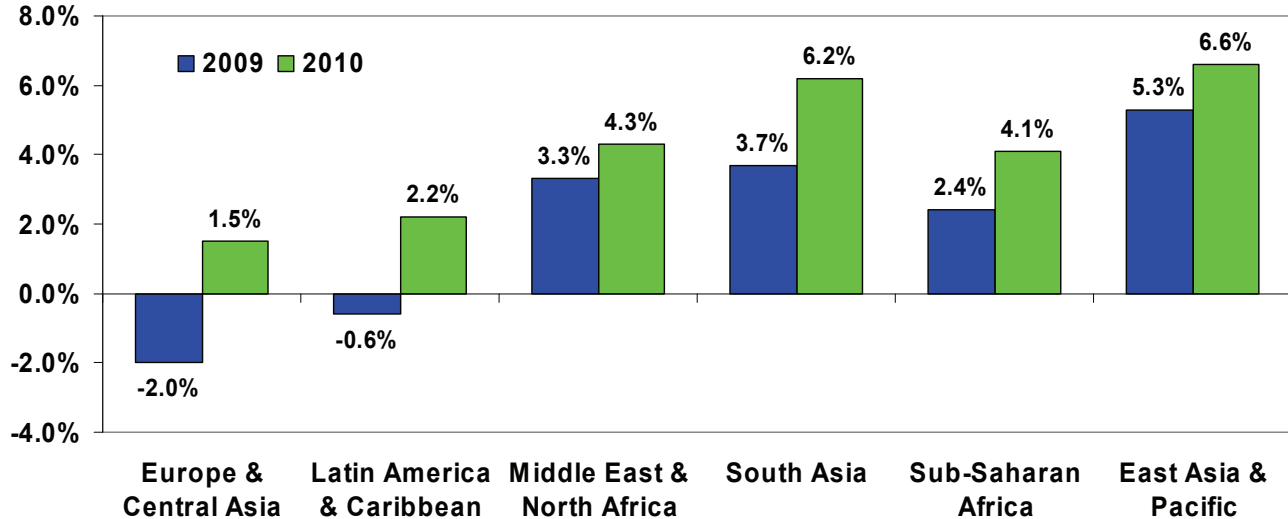
Source: World Economic Outlook, International Monetary Fund, April 2009.

Developing countries growth forecasts



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Percent change from previous year

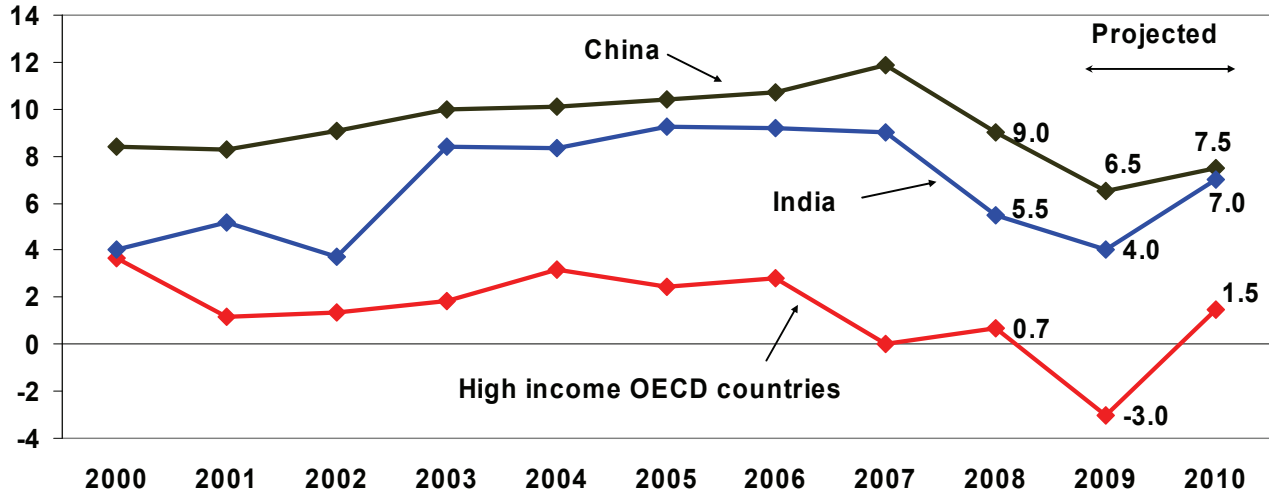


Source: World Bank, March 2009.



China and India growth forecasts

Real GDP growth (%)

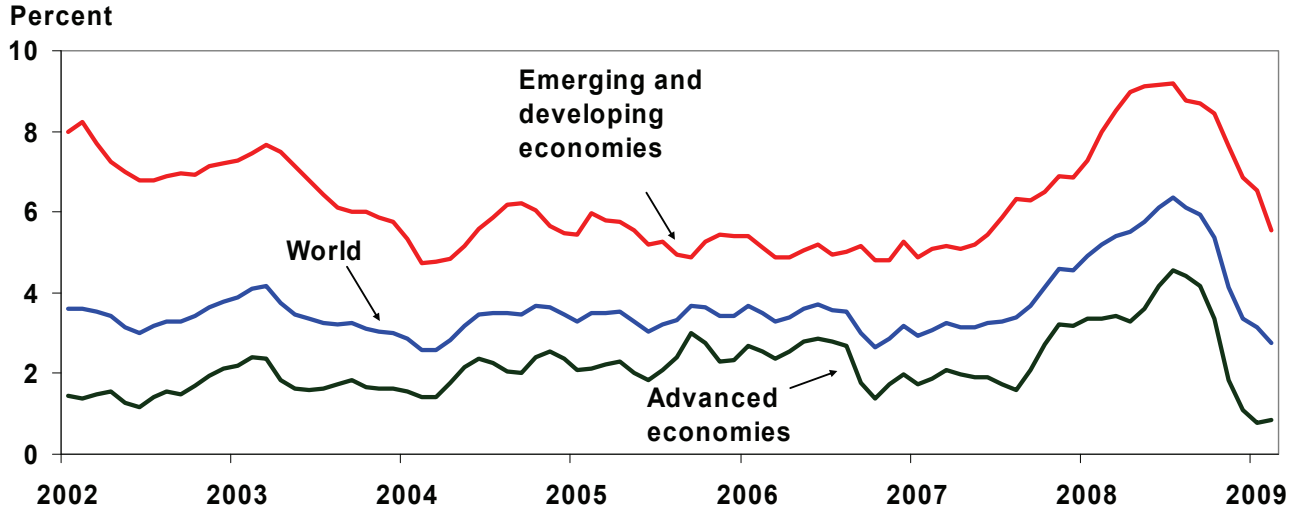


Source: World Bank, March 2009.

Global deflation risk has now risen



Percent change of consumer prices (year-to-year)



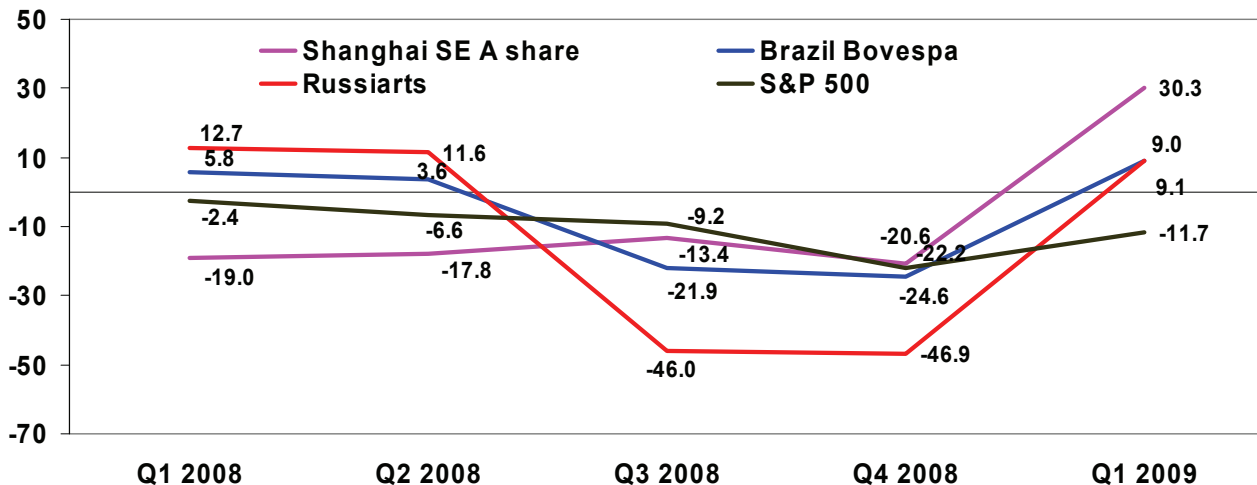
Source: World Economic Outlook, International Monetary Fund, April 2009.



Will emerging markets lead a global rebound?

China, Brazil and Russia stock markets ended the first quarter 2009 with gains

Stock market returns, quarter-to-quarter (%)

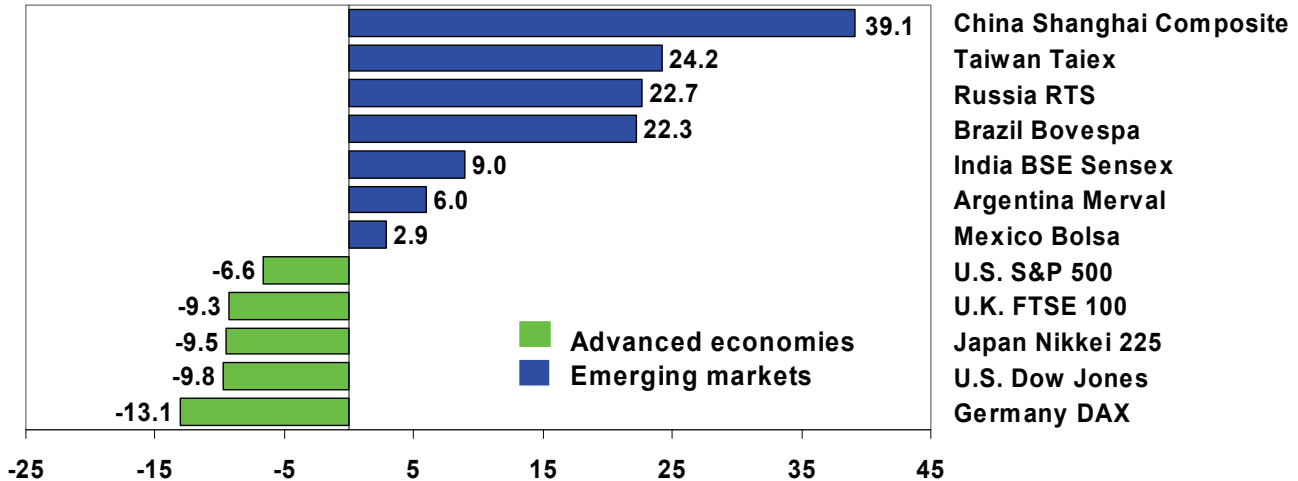


Source: Datastream.

Will emerging markets lead a global rebound?

Year-to-date stock market returns (%)

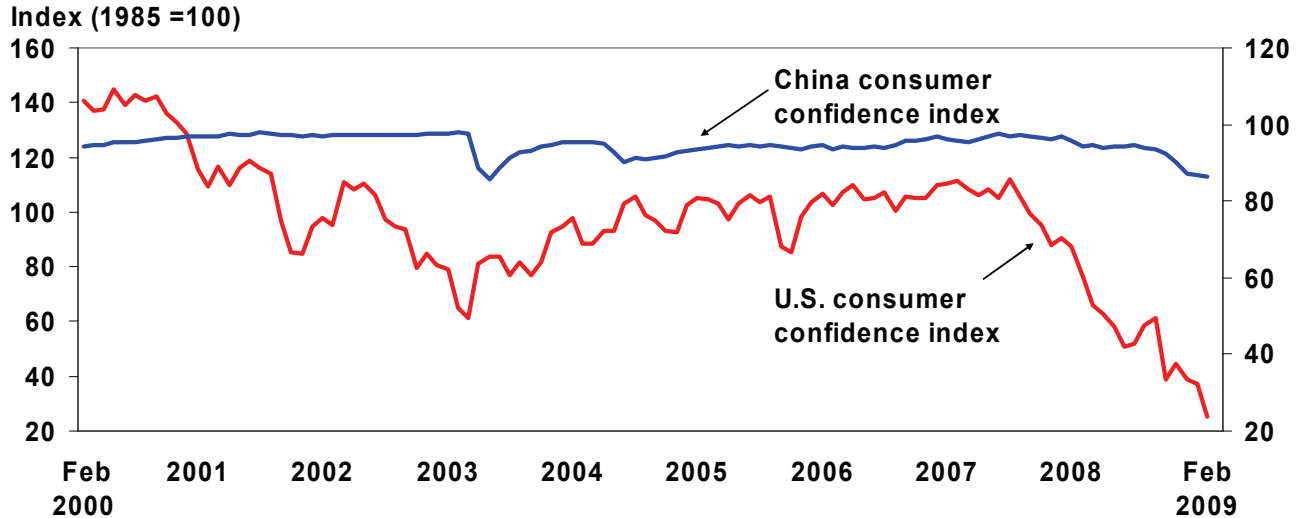
Year-to-date returns (%), as of April 21, 2009



Source: Bloomberg.

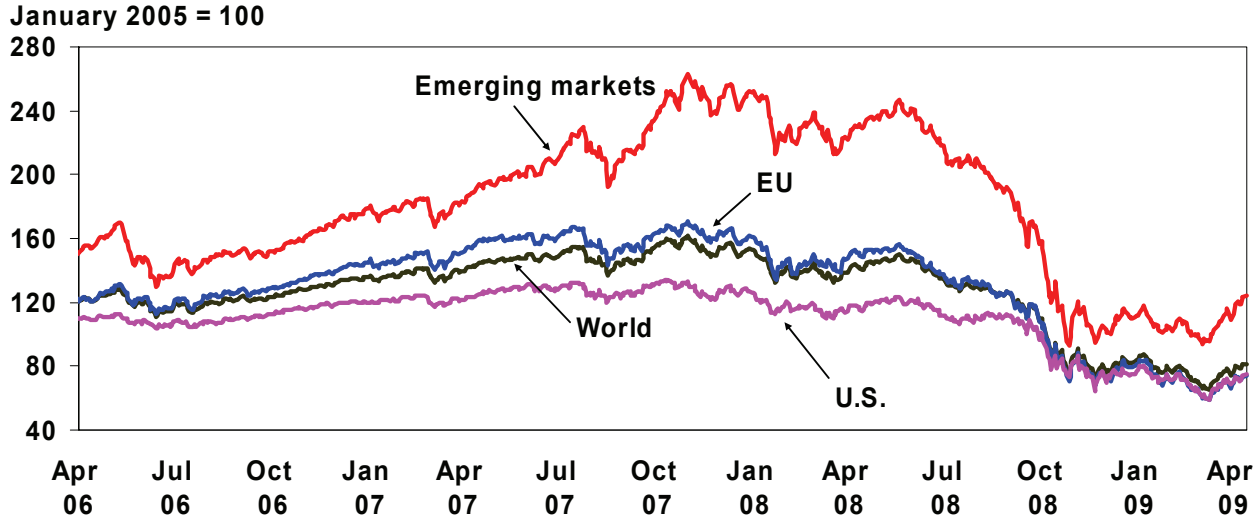
Consumer confidence index

China's consumer confidence dropped slightly amid the U.S. credit crisis



Source: National Bureau of Statistics, China, Bloomberg.

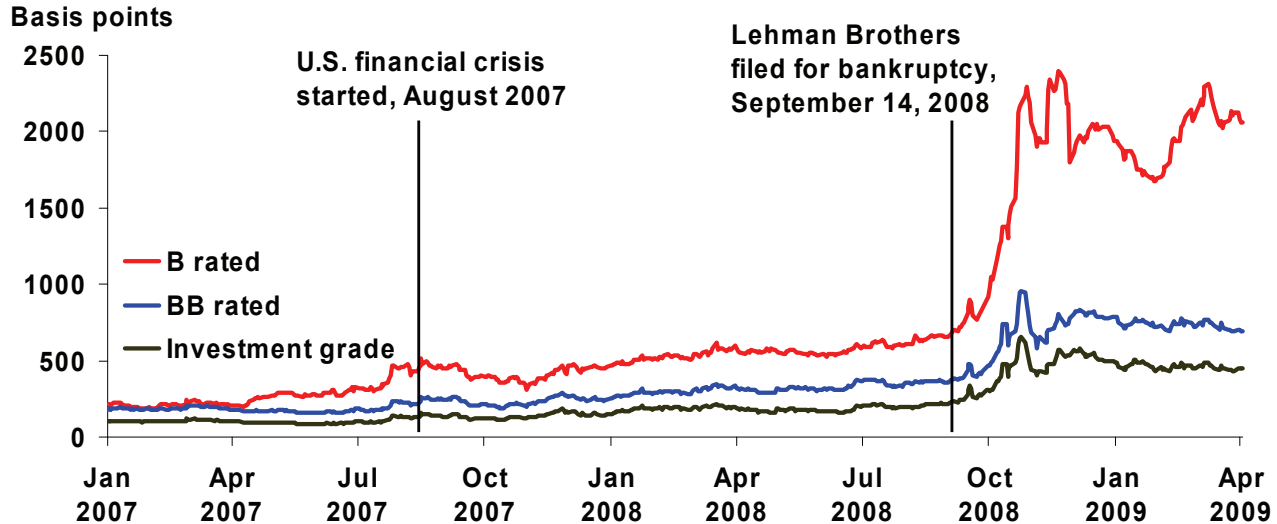
Emerging market stocks fell by more than those in industrialized nations



Source: Datastream.

Emerging market bond spreads widened dramatically

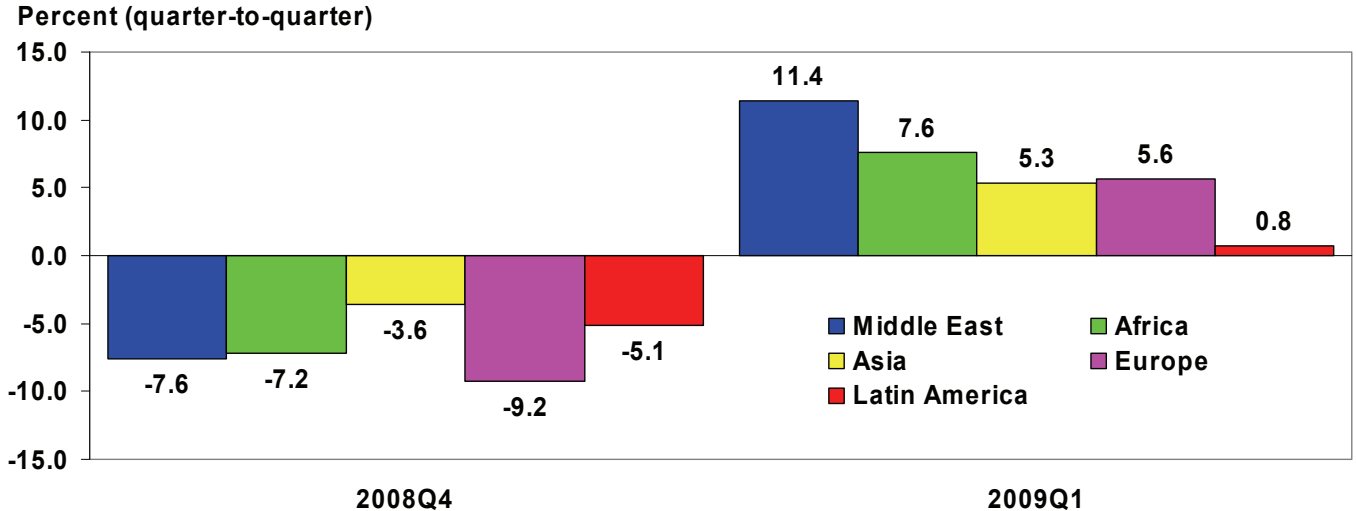
Yield difference between emerging market bonds and U.S. Treasuries



Source: JP Morgan Emerging Markets Bond Index Global (EMBI Global).

Performance of emerging bond markets by region

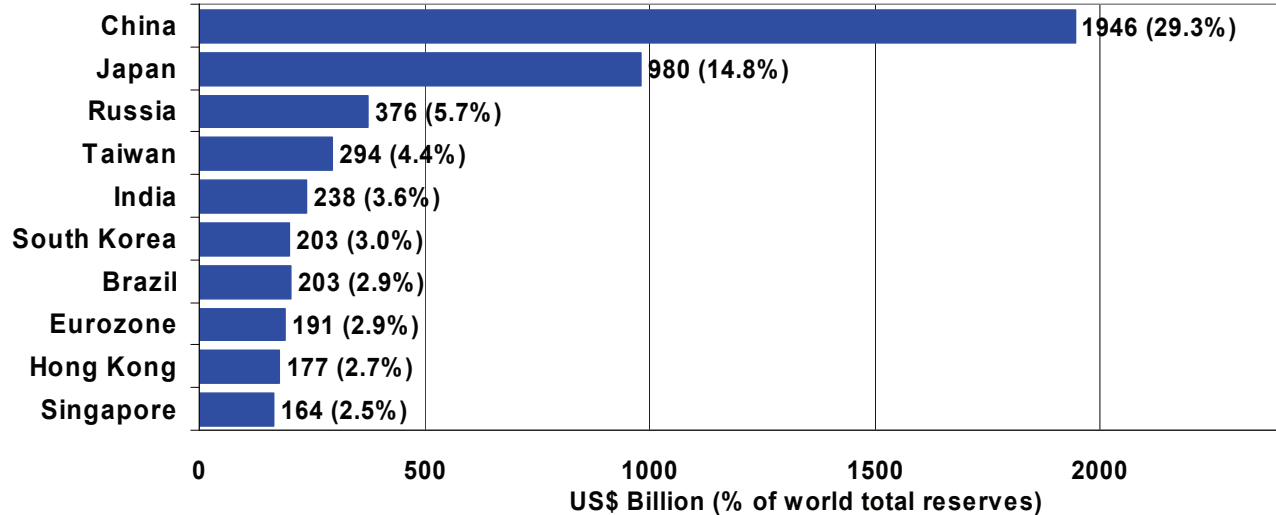
Quarterly total return of JP Morgan bond index (in percent)



Source: JP Morgan Emerging Markets Bond Index Global (EMBI Global), The Milken Institute.

Foreign exchange reserves (in US\$ billions)

Most recently available data, as of March 2009



Source: Bloomberg.

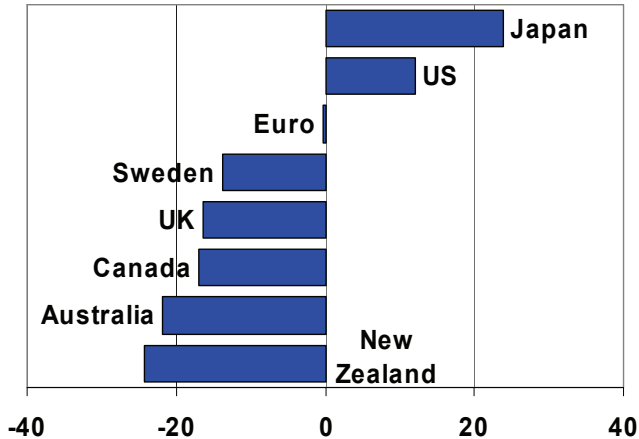
Real effective exchange rate movement



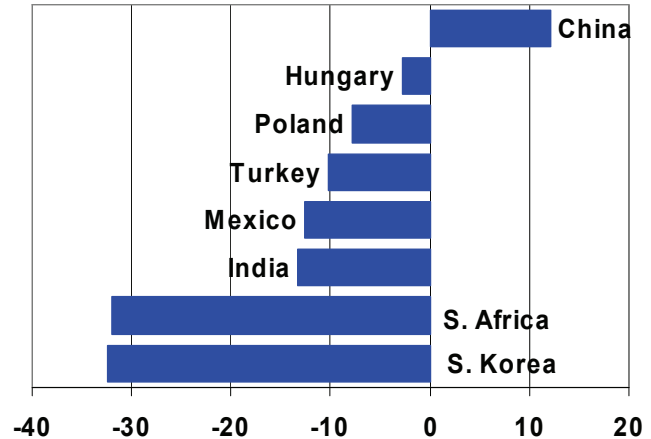
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Percentage change; most recently available data as of March 2009

Advanced economies
(change from 02/08 to 02/09)



Emerging markets
(change from 12/07 to 12/08)

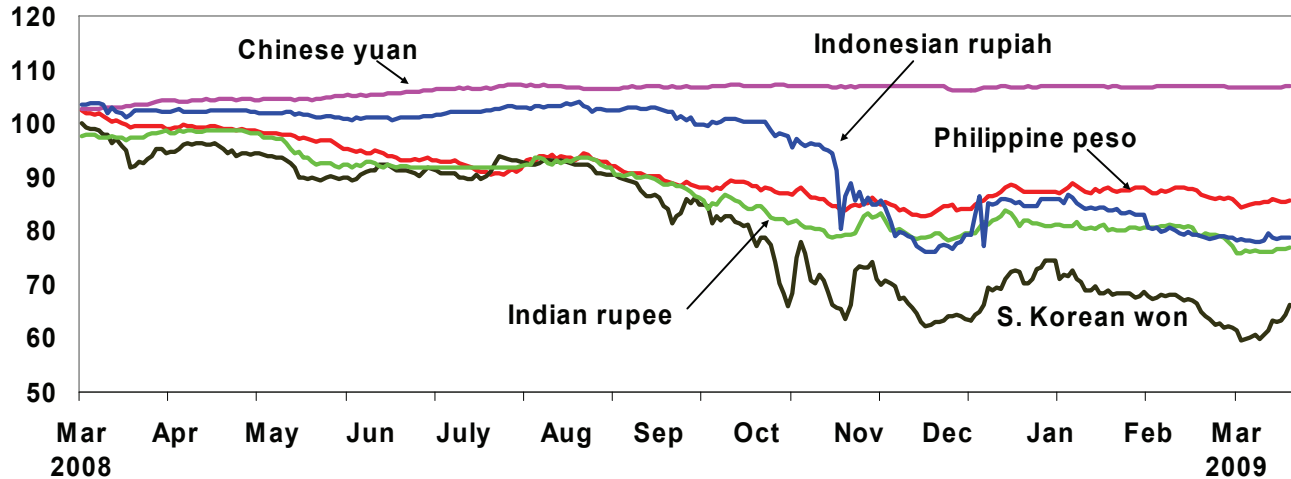


Sources: Datastream, International Financial Statistics.

Foreign exchange rate vs. U.S. dollar

Emerging Asia

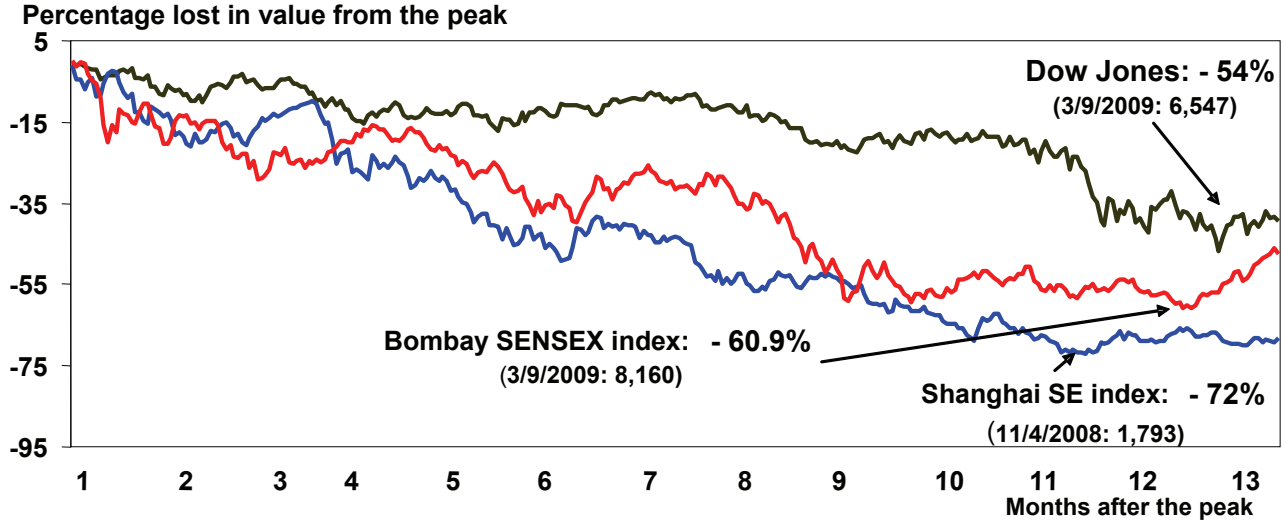
US\$ per local currency (Jan 2008 = 100)



Source: Datastream.

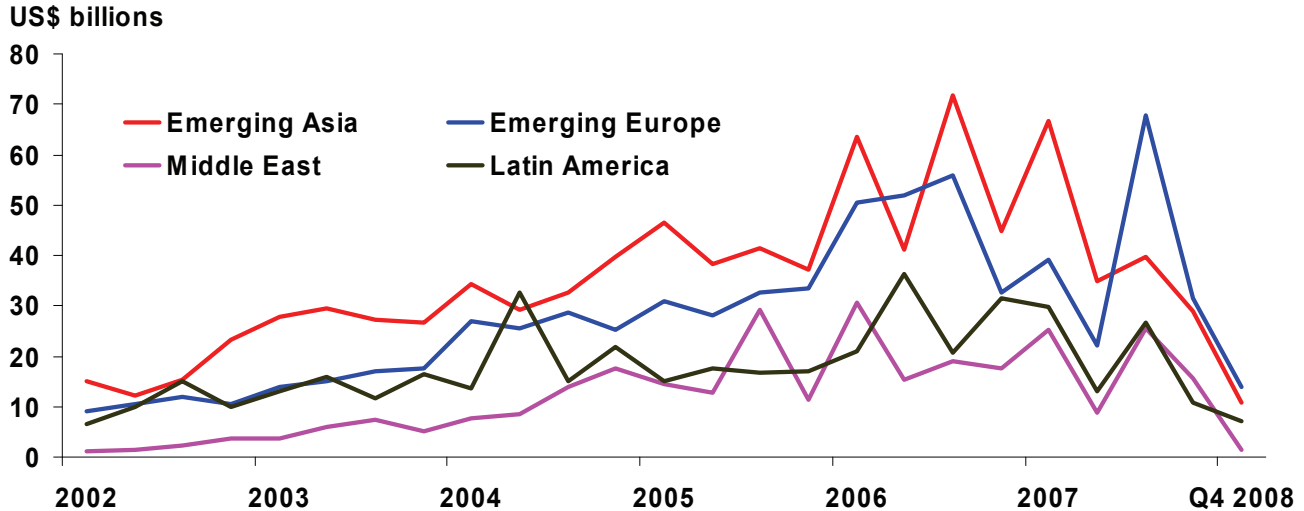
China, India and U.S. stock markets

These markets lost far more than half of their value from the peak



Sources: Bloomberg, the Milken Institute.

Capital flows to emerging markets suffer large declines in 2008



Sources: International Monetary Fund.

World trade volume

World trade volume is projected to decline by 11% in 2009



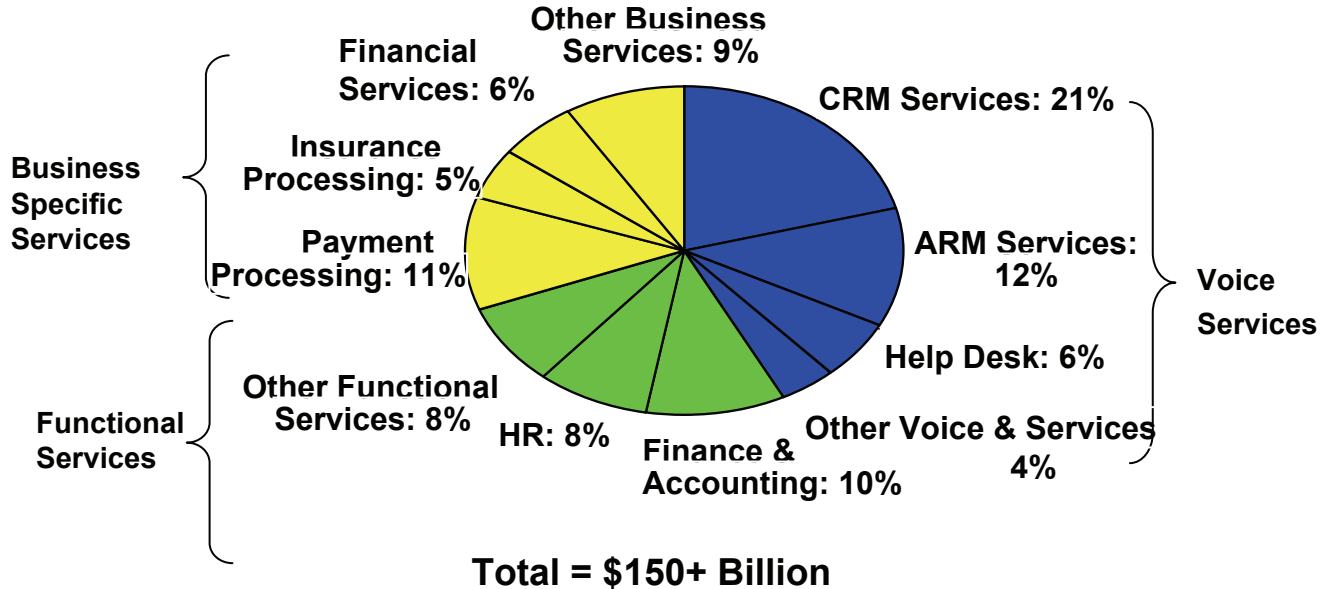
Source: World Economic Outlook, International Monetary Fund, April 2009.



Vikas Kapoor's Slides



B.P.O. industry segments

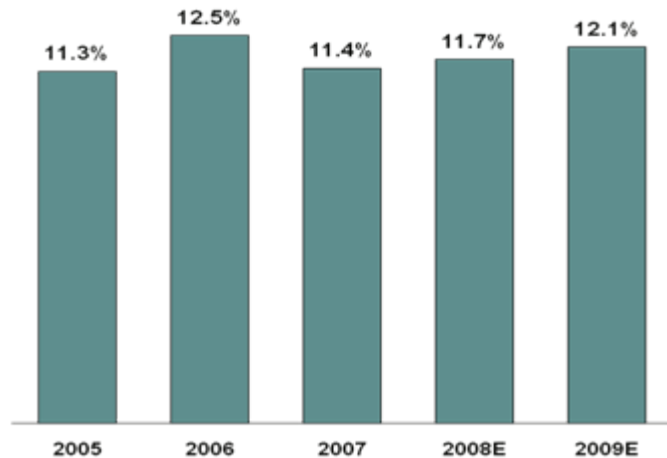
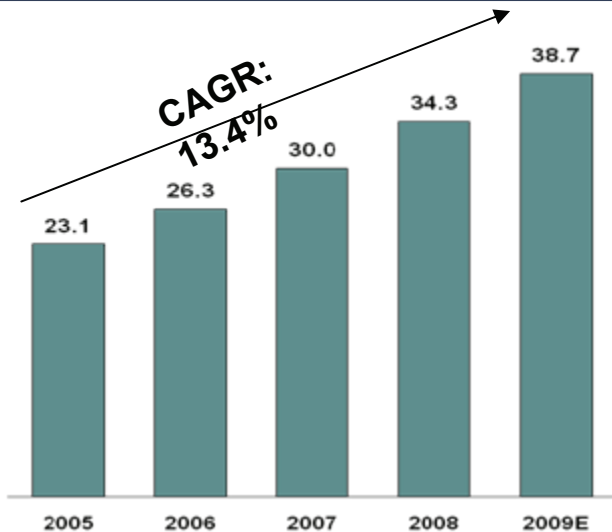


Voice services growth

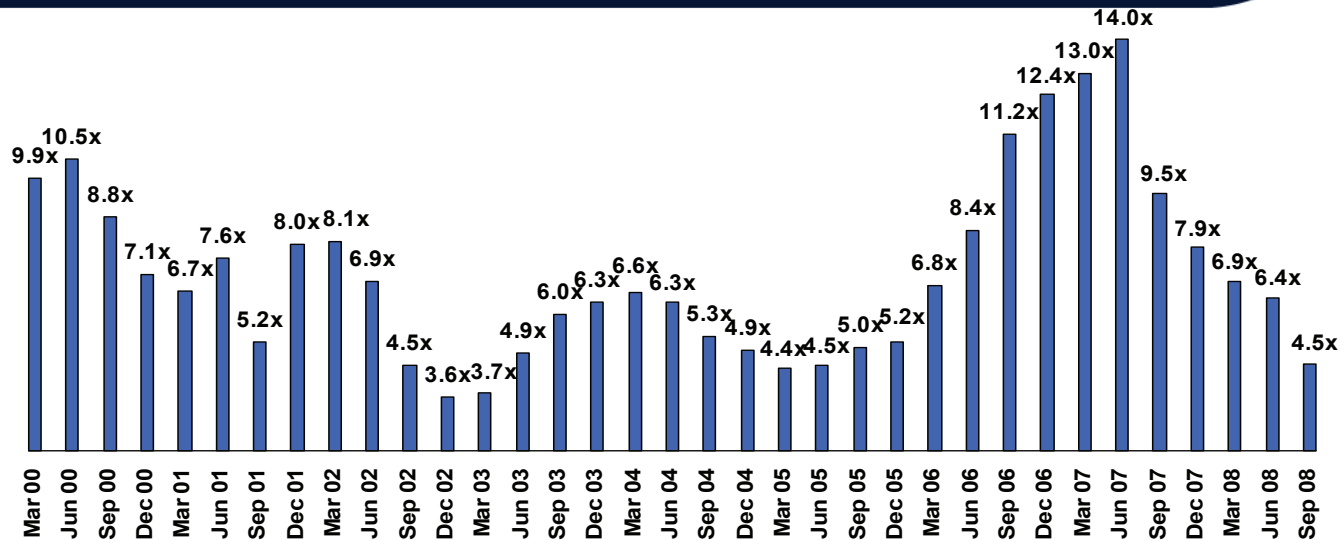


Growth

EBITDA Margin



Valuation volatility



Note: Universe consists of Convergys, TeleTech, ICT Group, Sykes Enterprises and APAC Customer Services.



Value chain: insight or fallacy?

BusinessWeek online

JULY 28, 2008

OUTSOURCING

By Manjeet Kripalani, Louise Lee and Nichola Saminather

Call Center? That's So 2004

Outsourcing shops are moving fast into higher-paying businesses

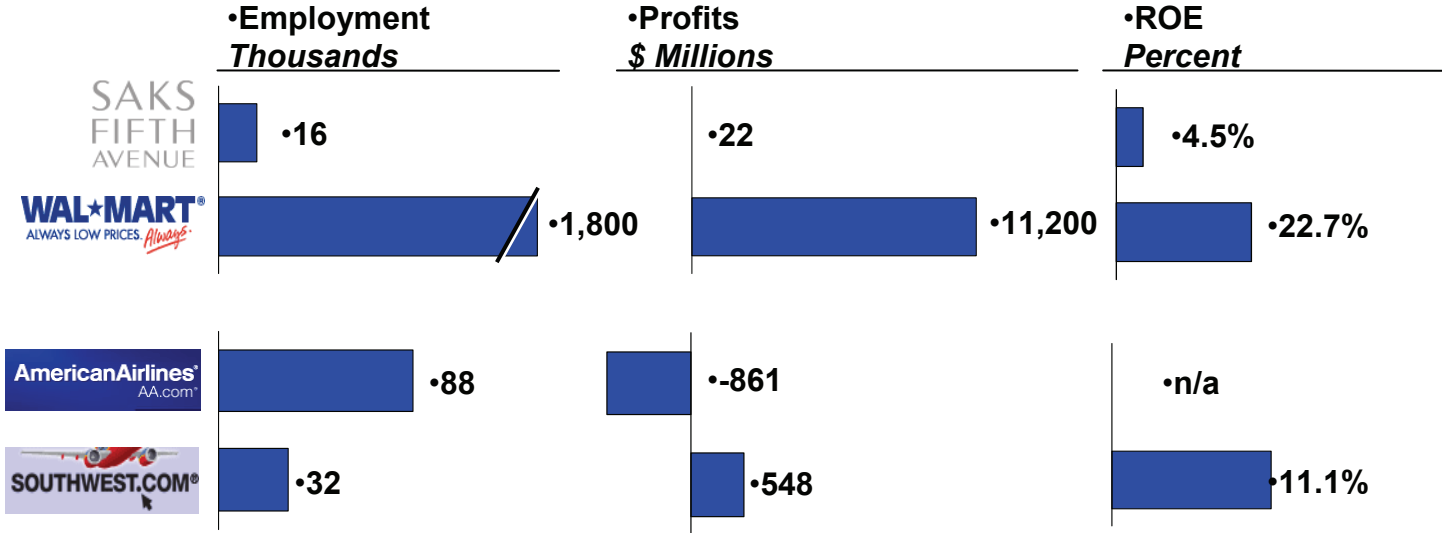
Americans, it seems, hate calling customer service number to find Well, guess what, America? India want to talk to you, either. As India get more sophisticated at taking work from U.S. and European multinationals, they're finding that the lowest end of the centers -- just doesn't pay anymore have become commoditized," says Raju, chairman of Satyam Comp

•“As India's top companies get more sophisticated at taking over outsourced work from U.S. and European multinationals, they're finding that the lowest end of the business -- call centers -- just doesn't pay anymore.”

*•“While outsourced call centers are here to stay, some are likely to migrate to locales closer to the markets they serve. **Some jobs may migrate to the Philippines, which has a close cultural affinity with America...**”*

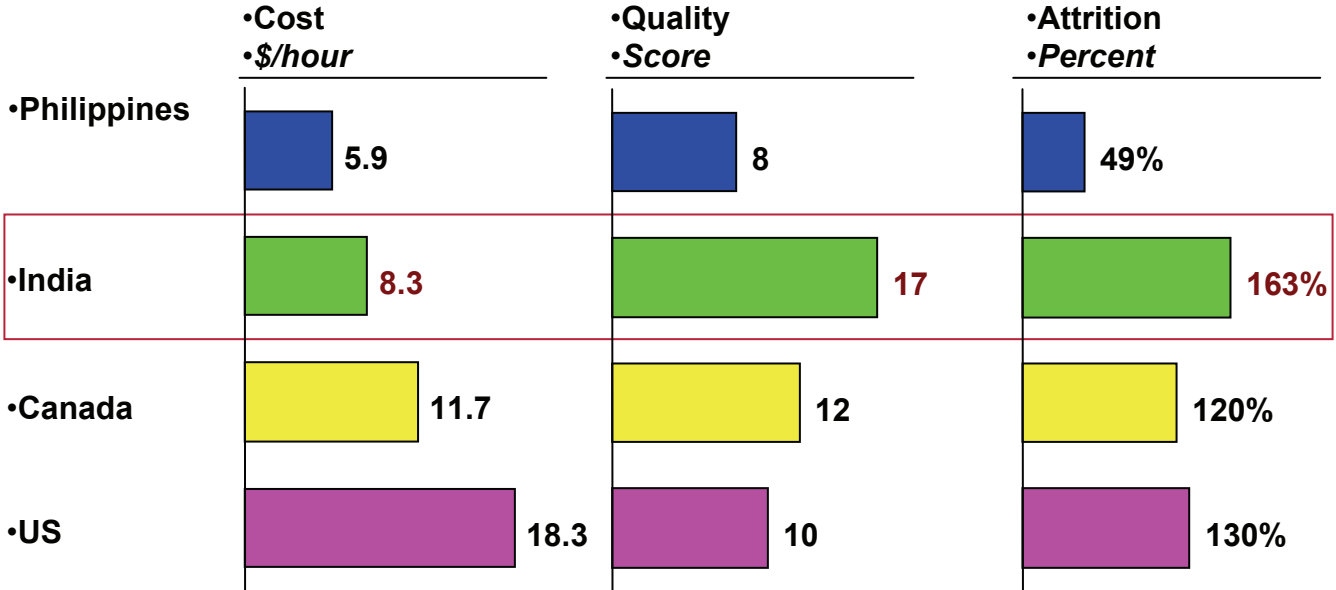


Lessons from other industries





Country performance comparison





The Canadian Cameo

