

Can Asia overcome the Trump headwind?

In a video interview, Josh Crabb of Old Mutual Global Investors (OMGI) explains his outlook for markets and what he sees as driving the next phase.

Being earlier than many firms to develop a contrarian view in 2016, OMGI ended up having a good year, says Josh Crabb, head of Asian equities.

In China, in particular, the firm is most interested in the financials sector, and also in industrials and materials.

This is based on significant supply-side cuts as well as the Producer Price Index (PPI) picking up, allowing better pricing power for industrial companies.

IMPACT OF TRUMP

According to Crabb, many investors have associated the impact of US president Donald Trump with the improvement in markets.

And because they don't like him, they therefore believe the rally will come to an end.

Yet from OMGI's perspective, Crabb says the changes in the economy hap-

pened way before the election – around March 2016.

Instead, what is most likely to be passed in Congress – especially around tax cuts and a degree of fiscal stimulus – should be the focus for investors, he adds.

In terms of trade barriers, some markets like India – and in specific sectors like IT – might be more at risk given valuations and the relative ease of moving jobs back to the US.

More broadly, price-to-book is the key measure by which OMGI looks at valuations, explains Crabb. And based on this, the probability of making money in Asia is still favourable, certainly compared with the US markets.

When it comes to dispersion, he says there has been a big jump recently – on the back of emerging markets and commodities under-performing over recent years. But the general pick-up of the global



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economy will start to drive change, says Crabb, who says he welcomes dispersion given that he is an active manager. ■