

Special Update

May 2025
www.roanpcp.com

Emerging Markets Update

Emerging market (EM) stocks, as tracked by the MSCI Emerging Markets Index, have shown resilient performance year-to-date (YTD) through May 2, 2025, with a gain of approximately 4% in USD terms, outperforming the S&P 500's -5% return (2). This follows a decade of underperformance relative to developed markets, driven by factors like China's economic slowdown and U.S. dollar strength (1). The 2025 YTD rally marks a notable reversion, with EM stocks benefiting from diverse regional dynamics and global economic shifts. Regionally, Latin America and Eastern Europe led performance, with Latin American equities up 20% and EMEA (Europe, Middle East, Africa) markets gaining 7% (5). Standout markets include Mexico (+10%) and Poland (+30–35% range), driven by domestic revenue streams less exposed to U.S. tariffs (7). China, a significant EM constituent, posted a 9.5% YTD gain, supported by fiscal stimulus expectations, while India rose 1.5%, tempered by high valuations (6). Taiwan, driven by AI-related demand for semiconductors, saw strong contributions from companies like TSMC, though its YTD performance weakened recently (-16.4% for TSMC) due to geopolitical risks (8). Key drivers include a weaker U.S. dollar outlook, which historically boosts EM returns, and anticipated Federal Reserve rate pauses, reducing pressure on EM currencies (4).

The AI supply chain, particularly in Taiwan and South Korea, has been a tailwind, though recent competitive pressures from Chinese AI firms like DeepSeek pose risks (9). U.S. tariff policies under the Trump administration, implemented in early 2025, have created mixed effects, benefiting domestically focused EM markets like Mexico while challenging export-heavy economies (7). Valuations remain attractive, with EM stocks trading at a 45% discount to the S&P 500, a record high (3). Looking forward, EM performance will hinge on U.S. monetary policy, trade developments, and China's economic stabilization efforts. While macro headwinds like tariffs persist, stock selection in high-growth sectors like technology and consumer discretionary offers alpha potential (9). The heterogeneous nature of EM markets underscores the need for diversified exposure to capture upside while managing volatility.

References:

- [1] AllianceBernstein. (2024, February 2). Rethinking three misconceptions about emerging-market equities. <https://www.alliancebernstein.com>
- [2] @charliebilello. (2025, March 30). Big reversion to the mean so far this year. <https://t.co/6g0lazFj1R>
- [3] East Capital. (2024, December 15). Outlook 2025: Trends shaping emerging and frontier markets. <https://www.eastcapital.com>
- [4] Invesco. (2025, March 6). A brighter season for emerging market stocks may be ahead. <https://www.invesco.com>
- [5] @KleimanIntCon. (2025, April 29). Emerging markets end April performance sweepstakes. <https://t.co/1>
- [6] @KleimanIntCon. (2025, May 1). Emerging markets stock index @MSCI 4 mo core +3.5%. <https://t.co/>
- [7] NerdWallet. (2025, May 1). Investing in emerging markets: ARGV, KTEC and more. <https://www.nerdwallet.com>
- [8] Securities.io. (2025, April 30). Top 5 high-growth stocks to watch in emerging markets (2025). <https://www.securities.io>
- [9] State Street Global Advisors. (2025, February 6). 5 emerging market wildcards for 2025. <https://www.ssga.com>

Disclosures:

Adviser believes that the content provided by third parties and/or linked content is reasonably reliable and does not contain untrue statements of material fact, or misleading information. This content may be dated.

The opinions expressed herein are those of the firm and are subject to change without notice. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Any opinions, projections, or forward-looking statements expressed herein are solely those of author, may differ from the views or opinions expressed by other areas of the firm, and are only for general informational purposes as of the date indicated.

Roan Capital Partners is a registered investment advisor located in the State of Tennessee. The information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.