

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Are Latin American Investments Going to Soar?

Despite continuing economic concerns in Latin America their stocks markets are doing well. Partly this is because of the commodity slump the reduced values in all nations that export raw materials. And, of course, there was the impeachment of Brazil's president and Venezuela's Chavez/Maduro meltdown. Nevertheless markets are doing well down south. *CNBC* offers three reasons why Latin American stocks will continue to soar.

If you just pay attention to the headlines, it looks as if Latin America has taken a turn for the worse. Data revealed last week showed that Brazil GDP contracted by 3.6 percent in 2016, prolonging its worst-ever recession, Mexico's peso has been sunk by talks of U.S.-built walls and renegotiated trade deals, and Venezuela is nearing a total collapse.

However, stock markets tell a different story. In 2016 several Latin American markets began soaring, reversing years of negative returns. The MSCI Emerging Markets Latin America was up 21 percent, the MSCI Brazil climbed by 61 percent – it was the best-performing emerging market country last year – MSCI Peru rose by 53 percent, and others experienced gains as well.

Why is this happening? Here are the three reasons cited by *CNBC*.

New governments that are better run and pro-business

The impeachment of Dilma Rousseff was not an isolated event. Neither were the investigations into murder and corruption in Argentina. Many South American countries labored for years under corrupt and badly managed regimes and their removal has shown the light of day on corresponding economies.

Recovery of South American currencies

This is a result of foreign direct investment in these countries. More dollars are used to purchase the currencies of Brazil or Argentina and this drives up the value of those currencies.

Good and cheap deals remain

The markets in Latin America are still underpriced if you apply fundamental analysis and assess intrinsic stock value.

Currently, the S&P 500 is trading at 25 times earnings, while Latin America is trading at 14.3 times earnings, according to data from Credit Suisse. While that's higher than it has been in the past, there are still plenty of good deals in the region, says Zamorano.

On a country-by-country basis, Peru and Colombia look cheap, trading at 12.3 and 11.9 times 2017 earnings, respectively. Brazil is slightly more expensive, trading at around 13.2 times earnings, but with an expectation of a turnaround – the country's central bank is predicting 2.8 percent growth in 2018 – multiples will likely expand from here, says BlackRock's Landers.

If you are not a fluent Spanish or Portuguese speaker you can still invest in Latin American stock by way of American Depositary Receipts. You can find [lists of Latin American ADRs](#) by country at *Emerging Market Skeptic*.

Caribbean ADRs

*Bahamas ADRs
Bermuda ADRs
Cayman Islands ADRs
Puerto Rico Stocks*

Central America ADRs

*Mexico ADRs
Panama ADRs*

South America ADRs

*Argentina ADRs
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Brazil ADRs
Chile ADRs
Colombia ADRs
Ecuador ADRs
Peru ADRs
Venezuela ADRs*

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