

## De-coupling is dead... or is it?

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“**De-coupling is dead**” was a familiar refrain from brokers and clients (and us) as emerging markets collapsed last autumn. Well, a comparison of returns from emerging markets and the S&P500 over either short or long periods suggests we were premature to write off that concept.

In 2007, the S&P was up 5.5%, emerging rose by 39.8%. In 2008, the S&P fell 37%, emerging fell 53.2%. For this year so far (to 7<sup>th</sup> August), the S&P is up 13.6%, emerging is up 53.4%. So, in the short term (i.e. since the start of 2007), emerging markets are unchanged while the S&P is down almost 25%. Over the longer term (10 years) coincidentally, the S&P is still down 25%. Emerging has almost exactly doubled during that time. If that’s not de-coupling, what is?

Source: Rexiter, Factset, MSCI.