

Pakistan's Market Leaves India's And China's In The Dust- Forbes

Unshaken by the rise in US interest rates, Pakistan's equity markets continue to beat China's and India's markets by a wide margin. In the last twelve months, Global X MSCI +% Pakistan ETF was up 16%, beating India's and China's comparable ETF's, which were in negative territory for the year.

Index/Fund	12-month Performance
Global X MSCI Pakistan (NYSE:PAK)	16%
iShares China (NYSE:FXI)	-1.5%
iShares S&P India 50 (NASDAQ:INDY)	-3.24%
iShares MSCI Emerging Markets (NYSE:EEM)	1.10%

Source: Finance.yahoo.com 11/23/2016

Index/Fund	12-month Performance
Global X MSCI Pakistan (NYSE:PAK)	20%
iShares China	9.80%
iShares S&P India 50	12.77%
iShares MSCI Emerging Markets	5.38%

That's contrary to what one would have expected. India has become more competitive in the global economy recently, rising by 16 rankings in 2016 to the 39th position, while it is still at 122th position, near the bottom of the World Forum ranking.

Country	2016	2015
India	39	55
China	28	28
Pakistan	122	126

Source: World Competitiveness Index, World Economic Forum

Pakistan's, India's and China's Key Metrics

Country	China	India	Pakistan
GDP	\$10866 billion	2074 billion	\$270 billion
GDP Growth yoy	6.7%	7.1%	4.24%
Unemployment	4.05%	4.9%	5.9%
Inflation Rate	1.3%	5.05%	3.56%
Capital flows	-594 HML (High Minus Low)	-\$300 million	-\$1882 million
Government Debt to GDP	43.9%	67.2%	64.8%

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As termed by Forbes report, Pakistan is a frontier market economy, while India and China are emerging market economies. This means that Pakistan's economy is less exposed to the global economy than India and China. Thus, it is less vulnerable to interest rate fluctuations in developed countries, most notably in the US. Then there's the pouring in of Chinese investment (CPEC now worthy of \$55bn, which is turning Pakistan into Beijing's corridor to Middle East oil and to Africa's riches. Add to that a couple of overseas endorsements for Pakistan's market reforms from overseas institutions that have been hyping investor expectations. Like \$1 billion in support from the World Bank – and a couple of domestic acquisitions from foreign suitors like the acquisition of Karachi's K-Electric by Shanghai Electric Power Co.

While Pakistan's market has been getting praise from overseas institutions and investors, India's markets have been rattled by Modi's experimentations with the country's currency. And China's markets have been unsettled by the return of heavy-handed government policies, which have scared away foreign investors. To be fair, frontier markets are highly volatile, with one year's big winners turning into next year's big losers. Besides, with a big run up over the last five years, the big gains are already behind, for now.

