

# Global Risk Watch Newsletter

## When Stopgap Measures in Emerging Countries Fall Apart, etc.

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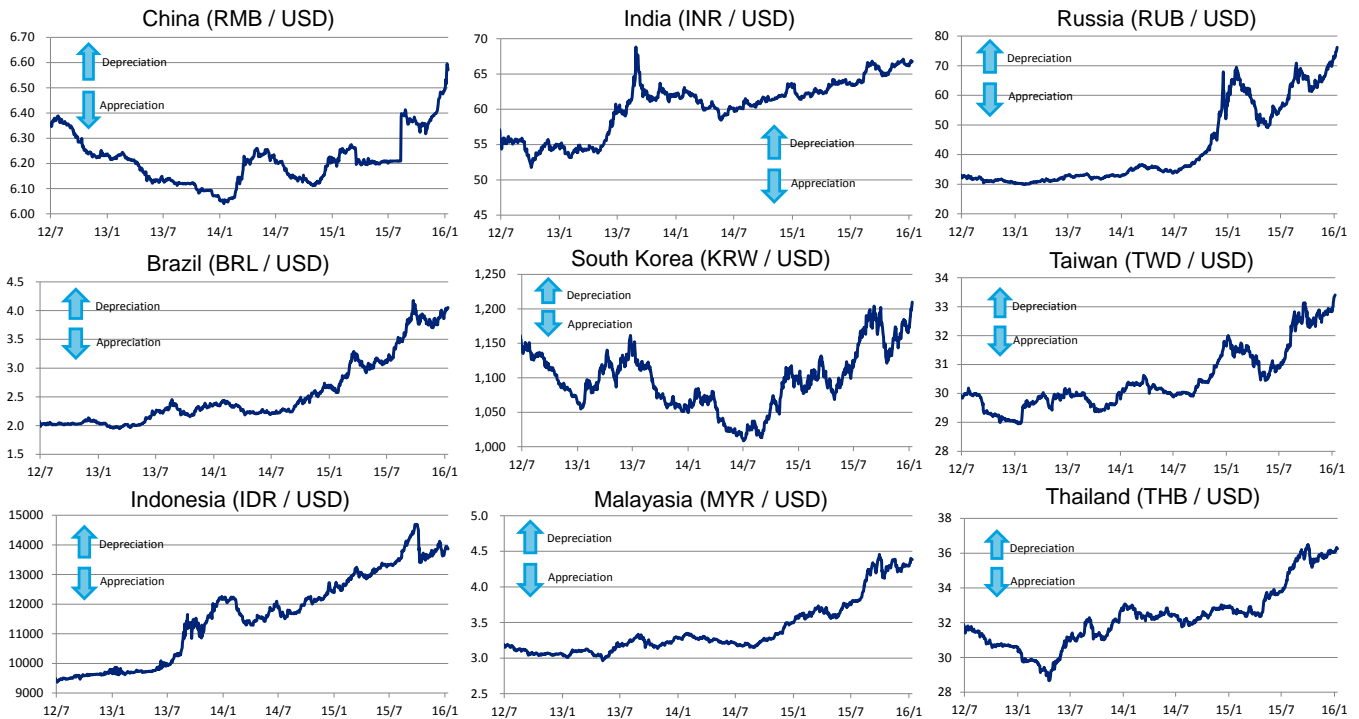
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### 3.Highlight of Indicator for this Month

#### # Emerging Countries Once Again to face Strong Headwinds (Yasuhiro Sobue, Manager, Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC)

Since last August, the strengthened headwinds against emerging economies and financial markets have once again gained momentum. The symbolic indicator is the movement of foreign exchange rates, as the currency depreciation pace is accelerating in many countries, while several countries have exceeded the level we have seen last August. The 'risk-off' trends gained more momentum as the result of prolonging crude oil price slump, and plummeting stock prices in China, thereby, also considered to be the direct factors to trigger the recent currency depreciation trends. As for more fundamental factors, the US raised their interest rates for the first time since the Global Financial Crisis, while monetary policy was changed over to a tightening cycle. A large amount of money has been flowing into emerging economies supplied by the monetary policy in advanced economies. However, in the current monetary tightening cycle, emerging countries are expected to face a reversed flow of capital.

Therefore, in the emerging financial markets, the current environment can be easily affected by the investors' sentiment, more than ever.



\* The latest data is at January 11th, 2016.

Source: Bloomberg

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