From Saman Saama to Everyone 12:20 PM

Does that contribution question

From Kalle Niskanen to Me (Direct Message) 12:22 PM

Will the lectures be recorded?

SL: Yes.

From Hiep Nguyen to Me (Direct Message) 12:22 PM

Will the exam be open book and take home exam?

SL: Take home exam.

From Ville Leppänen to Everyone 12:22 PM

Are the lectures going to be recorded?

SL:Yes.

From Fredrik Lindstedt to Everyone 12:33 PM

Are there any quantitative numbers one can look at too identify if a country is developed/emerging/frontier market? In the case of accessability/openness

SL: You need to look into classifications I told about during the lecture. Particularly, benchmark indices like FTSE, MGCI. There are no “number” measure that would determine the type of the country.

From Matteo Venturi to Everyone 12:35 PM

How can we measure and what kind of indices do we use to understand differences between markets and to classified them into developed, emerging or frontier markets?

SL: As I told in the lecture, there are multiple indices that are computed by various companies (FTSE, MGCI, etc.). These indices reflect the companies` performance in groups of countries on average (advanced emerging versus frontier emerging, for example). These indices can be computed for certain countries and sectors, also.

From Toni Niukkanen to Everyone 12:37 PM

Can investors effectively hedge against political risk through other methods than diversification (other emerging countries)?

SL: Diversification is the core method. But there are other possibilities to hedge against the risk. They depend on the transaction. For example, exchange rate risk can be hedged by buying forward currency contract.

From Olavi Nummisto to Everyone 12:37 PM

Could this classification (for example E30 presented in reading) be harmfull for the nations that fail to accomplish developing-->emerging market treshold? As this arbitrary treshold could quide investors away from their markets to emerging markets.

SL: Yes, you are right in some sense. However, these classifications are rather designed to give reliable information for investors than to encourage investment into developing economies.

From Kalle Niskanen to Me (Direct Message) 12:39 PM

How many countries are currently considered emerging markets?

SL: Numbers differ depending on the classification. In general 20-25 but still this number can differ even for individual investors.

From Carl Hauck to Everyone 12:40 PM

Is being an emerging market a criteria to determine a country's credit rating?

SL: Not exactly though indeed country credit rating correlate with the type of a country.

From Zoya Fallahramezani to Everyone 12:44 PM

If a country has inflation and investment is a high risk, should it be classified as an emerging market? for example Turkey

SL: Turkey is often classified as an emerging market. Hence, yes, in many cases at least.

From Amanda Cotti to Everyone 12:44 PM

does it make sense to create emerging markets indices? I feel that using emerging market indices we put very different countries in one box and treat them the same

SL: This is just one way to formally identify such countries. However, individual investors can use their own approaches to classify the countries.

From Lorenzo Avezzù Pignatelli di Montecalvo to Everyone 12:47 PM

Are the social indicators (ex. health, demographic..) useful to determinate if a country is an emerging one or not?

SL: They can be considered, of course, by individual investors. But still the main criteria are economic.

From Andre Wei Xuan Tay to Everyone 12:49 PM

How do investors use indices to forecast returns when we know that historical expected returns does not equate to future real returns, especially when emerging markets are likely more volatile?

SL: Forecasts are never exact. Hence, one can use historical indices to forecast future indices but need to take into account other factors (perspective domestic policies, for example, or changes in commodity prices in the world market).

From Olavi Nummisto to Everyone 12:49 PM

Do these classifications take external stability into account? As many of them are in conflict areas countrys neighbours could try to unstable the economy or even use military force to unstable the nation. For example countrys military capasity compared to neighbours could give us some information of its stability.

SL: I think that in general it is taken into account, at least indirectly, since it should correlate with economic stability. There have been several similar questions above. Indeed, the classifications are formally based on economic indicators but individual investors are free to create their own classifications taking into consideration a broader range of indicators.

From Teemu Hämäläinen to Everyone 12:52 PM

Is there any reasons behind emerging countries not having independent central banks?

SL: they are less democratic, on average, and, hence, their central banks can depend more on the governments.

From Julia Joki-Anttila to Me (Direct Message) 12:52 PM

Could you give an examples of countries that don't have an independent central bank?

SL: You can look for the answer here: https://www.ijcb.org/journal/ijcb14q1a6.pdf

From Carmina Nyfors to Everyone 12:54 PM

It was proven that EM can indeed work without their own central bank (e.g Panama from the reading). Would it really be beneficial for some countries especially with unstable currencies to adopt other country’s currencies? What are the implications?

SL: We will speak about this in the third lecture.

From Loc Pham to Everyone 12:55 PM

Is the control of foreign portfolio investment (e.g. limiting the free movement of capital in the stock market) a good policy to avoid a financial crisis in an emerging market country?

SL: Can be an appropriate policy in Ems with less developed financial markets.

From Kaarlo Ignatius to Everyone 12:55 PM

Can grey markets in developing countries be beneficial for investors in any way (there are obvious cons but are there any pros)?

SL: Yes, they can be beneficial and there is even a direction in literature that helps to understand investors how to benefit in these markets. We speak about this in one of our last lectures.

From Lucas Lönnqvist to Everyone 12:55 PM

Did the EMs fare better during the covid pandemic?

SL: On average, yes, but this conclusion is preliminary and might not take into account many important issues. It might just rely on economic consequences that is too narrow approach.

From Daniel Ezer to Everyone 12:59 PM

It was mentioned in one of the slides that since 2000 EM have been less crisis-prone than developed countries. How did that come to be? And what are the determinants making them less vulnerable to crises?

SL: Indeed, in recent 20 years it can be the case on average as many emerging markets suffered less than developed in global financial crisis of 2009. In pandemic, many EMs have been doing quite well.

From Joonas Remes to Everyone 12:59 PM

What book for further reading on analysing emerging markets would you recommend?

I would recommend to read articles on emerging markets in leading economics journals. I would also recommend articles and books authored/co-authored by Daron Acemoglu – he is in the front of this direction in academic literature now.

From Ville-Matias Lammi to Everyone 01:00 PM

Is income differences smaller in those developing countries which are more democratic compared to authoritarian countries?

SL: I guess that “yes”.

From Alex Kaukojärvi to Everyone 01:04 PM

Would you say that a growing middle class is a significant phenomenon in all emerging markets? Or only in some specific countries, i.e India / China.

SL: I think this can be one of the feature that enables experts to say that the country becomes an emerging market.

From Olli Uotila to Everyone 01:04 PM

Do you think that some particular developed country would ”fall” back to developing country in near future?

SL: There are developed countries that are classified as emerging by some classifications – Greece, Ireland, Iceland, Portugal, Spain. They can be at risk but not high.

From Hiep Nguyen to Everyone 01:08 PM

Is there empirical evidence that countries with higher index/better classification have more investors?

SL: I think this is obvious since high index implies high performance of that country companies.

From Matteo Venturi to Everyone 01:09 PM

I am particularly interested in the transition between one definition to another. For example, Why Argentina went from emerging to transition EM? In what way can we decide this shift? How ca we measure it?

SL: Argentina has moved from emerging to frontier country. There is significant difference between transition and frontier markets. These are different classifications. Emerging and frontier correspond to different levels of emerging markets (more and less developed). Transition and developing countries characterize the type of emerging/frontier market based on their past development model.