



## **The sun is rising in the East...**

**By Daniel Zurbrugg, CFA / Alpine Atlantic Global Asset Management AG**

For many decades investors worldwide were always looking to the United States to find answers about the future direction of the world economy. Financial markets in the U.S. were always taking the lead and markets worldwide followed U.S. markets very closely. The correlations between international financial markets have risen quite a bit in the last two decades, especially in times of crisis where the link between the various markets is particularly strong. This time is no different. With global markets suffering badly, investors do not make a distinction between U.S. equities and other markets.

Comparable to previous crises, the world is looking for the U.S. to take the lead and help the world economy out of the dark, despite the fact that the global domino effect of the current crisis began in the U.S. We think that the focus of investors will shift in the coming weeks and furthermore believe that China will be the dominant force behind the economic recovery in coming months. This would be another confirmation that the global power shift from the West to the East is continuing.

In a time when most countries take on a very heavy debt burden to finance the various economic stimulus packages, China is using its enormous currency reserves to invest in the country's future. Just last week, a Chinese delegation visited Germany and signed contracts in excess of USD 10 billion to purchase industrial equipment and technology from German companies and announced further plans to increase spending in this area. The Chinese delegation is also visiting Switzerland and other European countries in coming weeks. A similar trend can be seen in the area of commodities where China has been moving very aggressively lately to secure its place of authority on the future supply of commodities.

The Chinese National Congress is to give further details this week about its plan to stimulate the economy. So far, their efforts have been focused on the domestic economy, but the attention is now moving to further measures to stimulate the economy. There is increasing evidence that the size of China's stimulus package could be twice as much as the initial outlay of USD 300 billion, which is already an enormous amount of money. Should the size of this package be substantially larger, then China's economic stimulus program would make many other countries' stimulus programs look very small in comparison.

The difference between China and the western world is that China has the budget surpluses and currency reserves to finance such a giant stimulus package without the need to drive the national debt to mind blowing numbers. It seems that China is making use of the current crisis and the opportunities it offers to further improve the structure of its economy and to again strengthen its position in the international community.



We think it is crucial that investors are aware of this structural economic change going on and consider Chinese investments in their asset allocation. The Chinese stock market lost almost two thirds of its value since its high at the end of 2007. We think the current levels offer a great entry point for investors. Look to the East; that's where some of the most tangible economic and market gains are going to be made. We believe their effective stimulus plan will bring China firmly out of the darkness of the current crisis and solidify them as a global economic stronghold. Surely, the sun is rising in the East...

**About Alpine Atlantic Global Asset Management AG**

**[www.alpineatlantic.com](http://www.alpineatlantic.com)**

**The company is an independent asset management company located in Zurich, Switzerland. The company offers “turnkey solutions” for offshore asset management, asset protection and banking, helping its clients to diversify assets globally.**

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