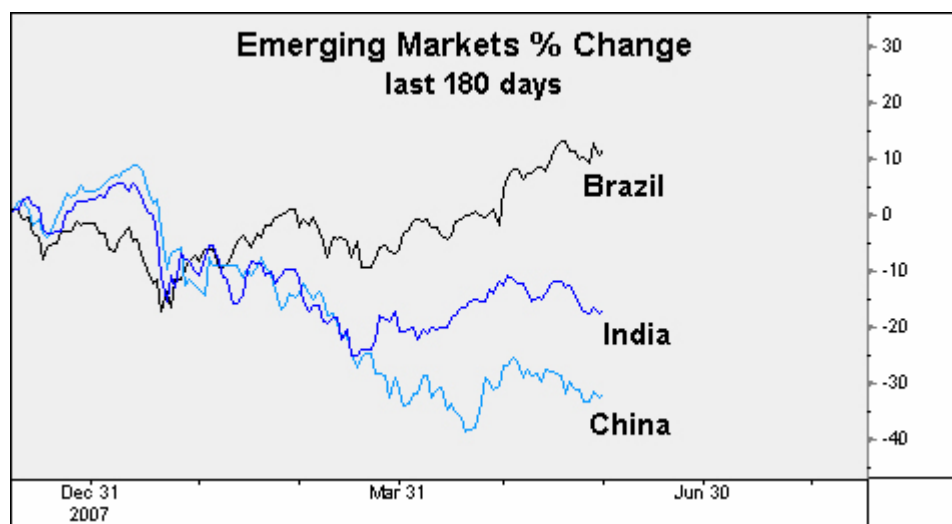


Brazilian Market Dances but Red Dragon Burns Chinese Investors

Having one's credit worthiness upgraded amid the recent market turmoil seems to carry great benefits in the eyes of investors. Such a trend has been witnessed in Brazil, which was awarded an investment grade credit rating for the very first time from one of the world's leading credit ratings agencies, Standard & Poor's.

The news sent Brazil's benchmark stock market index, known as the 'Bovespa', to record highs. To put the Brazilian market's strength into context, we need only look at the recent stock market performance of other high profile emerging markets which are far from recovering from the recent turbulence induced by global credit markets. While the Bovespa has made a bullish break above resistance levels to new highs, the Chinese market remains around 35% below its high late last year, while the Indian market remains around 20% below.



The fortunes of emerging markets bear significant contrasts, with Brazil the clear leader.

Source: wise-owl.com, Bloomberg

This stark contrast in recent stock market performances comes despite unchanged similarities in their respective economic growth profiles. The long term outlook for these economies remains strong, however wild fluctuations in their financial markets often see share prices become grossly misaligned with fundamentals. While this poses high rewards for investors when emerging growth stories are overlooked by the broader investment community, the risks are also high if investors are caught on the other side of the spectrum when these markets reach 'glamour' status.

So, what does this mean for investors?

While these emerging growth stories can offer high rewards, timing is critical. When these stories receive a lot of media hype or you hear them spruiked to you by friends at cocktail parties – two properties typical of 'glamour status' – it is often the worst time to invest.

In order to 'get in early' and avoid being caught out when speculative bubbles finally burst, investors need to consider the relationship between price and fundamentals, which is where quality research comes into play.



In December last year, wise-owl.com members were warned of the potential pitfalls of investing in Chinese stocks:

“The Chinese stock market has entered bubble territory”

“Valuations in the Chinese stock market are stretched”

- The Pearl Report, December 2007

Keeping up to speed with the relationship between price and fundamentals can be a very time consuming task, but not if you have a team of dedicated industry-leading analysts, such as those at wise-owl.com, working around the clock for you.

Disclaimer

This report was produced by wise-owl.com Pty Ltd (ACN 097 446 369), which is an Australian financial services licensee (License no. 246670). Wise-owl.com Pty Ltd has made every effort to ensure that the information and material contained in this report is accurate and correct and has been obtained from reliable sources. However, no representation is made about the accuracy or completeness of the information and material and it should not be relied upon as a substitute for the exercise of independent judgment. Except to the extent required by law, wise-owl.com Pty Ltd does not accept any liability, including negligence, for any loss or damage arising from the use of, or reliance on, the material contained in this report. This report is for information purposes only and is not intended as an offer or solicitation with respect to the sale or purchase of any securities. The securities recommended by wise-owl.com carry no guarantee with respect to return of capital or the market value of those securities. There are general risks associated with any investment in securities. Investors should be aware that these risks might result in loss of income and capital invested. Neither wise-owl.com nor any of its associates guarantees the repayment of capital. **WARNING:** This report is intended to provide general financial product advice only. It has been prepared without having regarded to or taking into account any particular investor's objectives, financial situation and/or needs. All investors should therefore consider the appropriateness of the advice, in light of their own objectives, financial situation and/or needs, before acting on the advice. Where applicable, investors should obtain a copy of and consider the product disclosure statement for that product (if any) before making any decision.