

Emerging Markets Spotlight



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Elections Set the Agenda for 2024

In 2024, the world will witness the highest concentration of elections in modern history, setting the tone for Emerging Markets across the globe.

KEY POINTS

- Historic concentration of global elections in 2024, potentially shaping a significantly improved or worsened world.
- Key geopolitical trends and their impact on the world, including elections in Taiwan, Russia, Venezuela, and other critical regions.
- Investor considerations for navigating the complexities of emerging markets, focusing on economic policies and geopolitical stances.

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The world in 2024 sees possibly the highest concentration of elections in modern history, with key parliamentary and/or presidential elections in Taiwan, India, Indonesia, South Africa and Mexico. These elections account for 40% of the MSCI Emerging Markets Index by weight and 1.9 billion people. In addition, there are various other elections that have the potential to affect the global macro environment that matters so much to emerging equity markets. Factors such as sanctions on China, the impact of the Russian invasion of Ukraine on commodity prices and trade, and the evolving set of overlapping conflicts in the Middle East and Red Sea directly impact financial markets. There is much that can be written about each of these elections; in this piece we will focus on one particular characteristic of this year's political calendar.

A developing trend that affects all investors, including those investing in emerging markets, is the steady worsening of the global geopolitical environment. It is hard to date the start of this precisely, but sub-Saharan Africa, the Middle East and the former Soviet Union have all experienced combinations of coups, instability and violence in recent years. Some other international relations have been characterised by a shift from peaceful cooperation to antagonistic confrontation. Conflict zones scheduled to have elections this year that may lead to better or worse outcomes.

First up was Taiwan, with presidential and legislative elections earlier in January. The governing Democratic Progressive Party's (DPP) President Tsai Ing-wen could not stand for a third term, so the previous Vice President Lai Ching-te stood as the DPP's candidate, winning the presidency but not an outright majority in the legislature. This constraint on President Lai's policy choices may limit the negative reaction from Beijing. The portfolio is underweight both Taiwan and China, although geopolitics is only one of the drivers that leads us to those positions.

March brings the presidential election in Russia. The last election was in 2018 and is widely thought to have been neither free nor fair; incumbent Vladimir Putin received

77.5% of the vote then, and the political system in Russia has become intensely more repressive since. Economic strain is substantial, many Russians have seen their ambitions destroyed and the country may have taken over 100,000 casualties so far in its invasion of Ukraine. A Putin victory has to be the expectation, but there is the possibility of protests and crackdowns that may alter Russian policy.

Similarly, the first half of the year should see a presidential election in Venezuela. Like Russia, the country is in no meaningful sense a democracy and the leading opposition candidate, Maria Corina Machado, was barred from politics in June 2023. Therefore, the expectation is for a victory by the governing coalition, likely the incumbent Nicolás Maduro. The run-up to the election has seen Venezuela adopt the position that almost all of the territory of neighbouring Guyana belongs to Venezuela, and that a military solution (backed by Iran, Russia and China) may be required. Such a scenario could substantially worsen global geopolitics, so the potential outcomes here are very varied.

The middle of the year sees five non-permanent members of the UN Security Council elected. Although almost all the power sits with the five permanent members (who have vetoes), it is here where any attempts to resolve these conflicts will start. Among the countries likely to be elected are Pakistan and Somalia. Pakistan is close to China and Iran and in dispute with India; Somalia is in a dispute with Ethiopia which has the potential to further worsen the geopolitics of the Red Sea region.

While Israel does not have elections scheduled, the country underwent five elections between April 2019 and November 2022 in search of a viable coalition. The current emergency government formed after the Hamas attacks in October 2023 may not last throughout 2024. A snap election could lead to anything from a mandate to negotiate a political settlement to the current crisis to a shift toward an even more overtly nationalist government. Such a shift would deepen the conflict with both the Palestinians and with Israel's neighbours.

Finally, the end of the year sees the election of the next president of the United States. While the economic and trade policies of whoever wins will be key for all emerging markets, so will their geopolitical stances. The relationship between China and Taiwan, the Russia-Ukraine war, the war in Gaza and related conflicts and tensions (including the navigability of the Red Sea), along with on the Venezuelan-Guyanese border, will all be substantially influenced by the outcome of the US election on the first Tuesday of November 2024.

Global geopolitics are fraught as we go into 2024 and these six elections have, between them, the potential to lead to a substantially better or worse world. Investors will need to follow them closely and react accordingly

Source for all data JOHCM/Bloomberg (unless otherwise stated).

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