



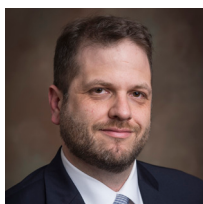
## Getting a Firsthand View of Politics and Credits in Emerging Markets

With Brazil being Latin America's largest investible country by far, T. Rowe Price investment professional Richard Hall had a laserlike focus on the country's 2018 presidential election outcome. Brazil's bond market had sold off prior to the election, as investors feared that the expected victory of a left-wing populist candidate might mean that the country would be unlikely to tackle much-needed pension reform and could impose damaging economic policies.

With the outcome highly uncertain, Richard, a sovereign credit analyst covering Central and South America, visited Brazil in September 2018, a month before the first round of voting. Richard embarks on such research trips about one week of every month to stay abreast of economic and political developments in these volatile regions.

Having lived and worked in Brazil for the U.S. Treasury Department prior to joining T. Rowe Price in 2012, Richard, whose wife is Brazilian, knew the country well and had developed wide-ranging "go to" contacts. These include government officials, political analysts and consultants, local investors, journalists, and even cab drivers.

Based on conversations with his sources, Richard concluded that Brazilian candidate Jair Bolsonaro, a controversial conservative, would emerge the winner. Although investors also had concerns



*Talking with*

**Richard Hall**

Investment Professional, Latin America Sovereign Debt, T. Rowe Price

about Mr. Bolsonaro, Richard projected that the Brazilian bond market would rally following the election, reflecting confidence in Mr. Bolsonaro's key economic advisor, Paulo Guedes, a U.S.-educated economist.

Both predictions proved accurate. Following Richard's recommendation, some T. Rowe Price portfolios retained their ownership in Brazilian bonds. "Sometimes the hardest thing to do is hold on to your position when the market is moving against you," Richard says. "But this visit reinforced my conviction that this was going to work out. And the market had a huge rally after the election; the bonds went from trading like a BB credit to being priced like an investment-grade credit."

### **Going Beyond the Numbers Reveals the Full Story**

At T. Rowe Price, our investment approach is to go beyond the numbers when evaluating which companies may offer the best future potential. By getting out into the field, we gain insights and a deeper understanding of where a

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company or industry stands and where it could go in the future.

“Visiting countries in my coverage area on a consistent basis to meet with central bankers and finance ministers is crucial,” Richard says. “In our sovereign credit rating model for emerging markets, governance issues are very important. We really have to understand how strong the institutions are in a country. We also try to gain in-depth insights into the country’s monetary and fiscal policies.”

### **In-Depth Coverage Provides Benefits for Investors**

Richard says T. Rowe Price “has a much bigger emerging market research platform than most of our competitors

and that allows me to go into more depth and to visit Brazil three or four times a year.

“I collaborate closely with our emerging market corporate debt analysts as well as our Latin America equity team,” he says.

“Meeting regularly with finance ministers and central bankers really helps us understand their thought process and how their views or policies are changing over time. A lot of other analysts don’t have the bandwidth to research these countries in such detail.”

## **INVEST WITH CONFIDENCE<sup>SM</sup>**

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