

REAL VALUE AS THE CANARY SIGNALS DANGER



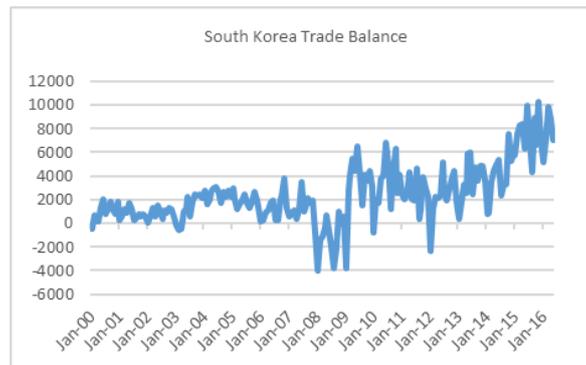
John-Paul Burke's
Market Views

"Korean trade data is widely regarded as a "canary in the coalmine" because of the timeliness of releases and the high correlation with the export growth of other economies. In this respect Korean exports to individual countries can serve as an indicator of their growth."

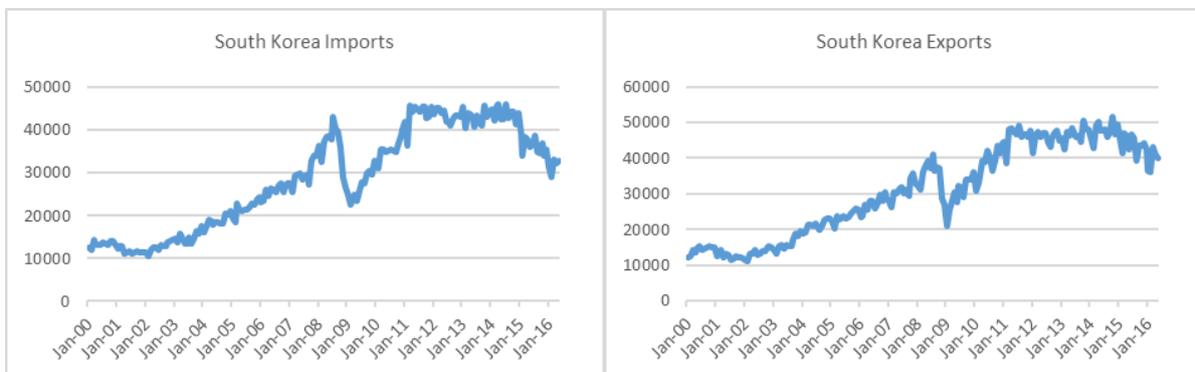


The Korean Won (KRW) does not qualify as a safe haven currency in my view. The collapse in world trade and persistent, if gradual, decline in the Renminbi's value exert a downward pressure upon the currency.

South Korea runs a substantial current account balance of around 7.5% of GDP. Over 80% of the balance is made up of trade.



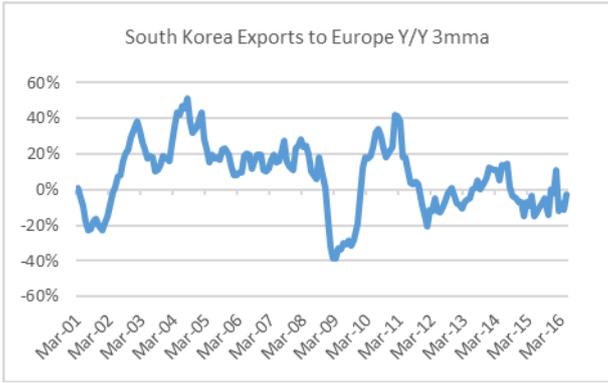
Like many currency areas, South Korea's growing trade surplus is derived from a greater fall in imports than decline in its exports.



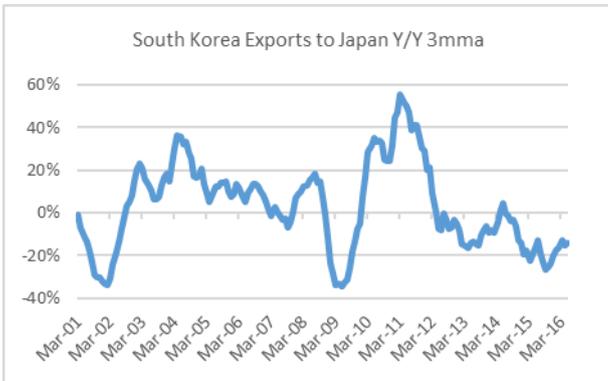
For the KRW to look more attractive, we would need to see a pick-up in its exports. However, Korea's main export destinations, the world's biggest economic blocks, look woeful.

Korean trade data is widely regarded as a "canary in the coalmine" because of the timeliness of releases and the high correlation with the export growth of other economies. In this respect Korean exports to individual countries can serve as an indicator of their growth.

Negative Korean exports growth to Europe (for the most recent 3 months versus those one year ago) has signalled European weakness since late 2014.



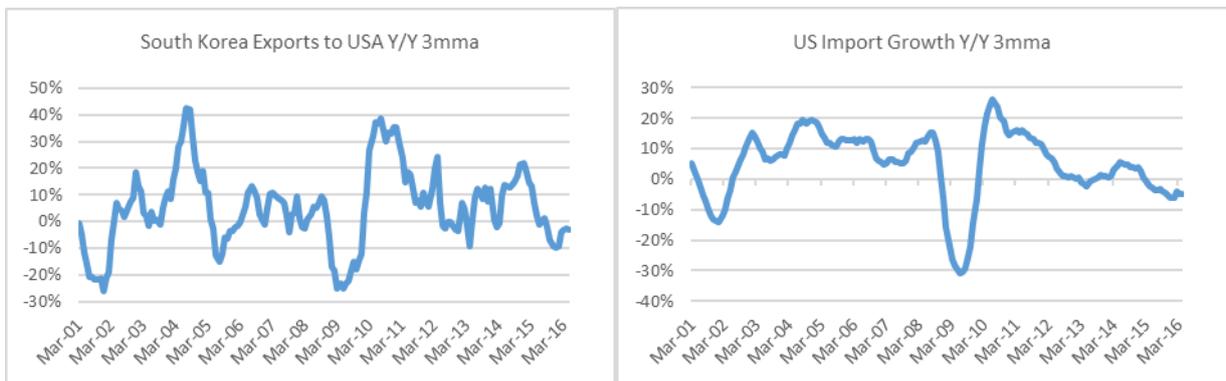
Japan since mid-2014.



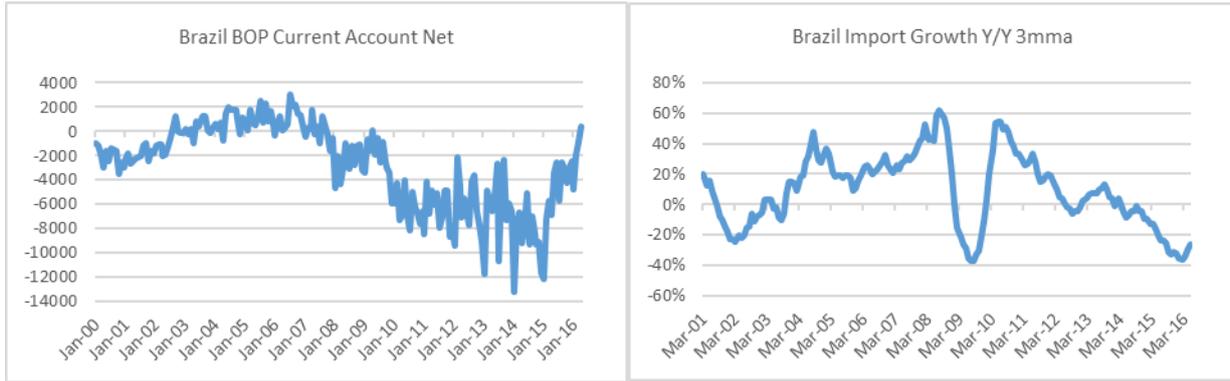
And China since the first quarter of 2015.



Concerningly, this indicator has also recently turned negative for the US as its import growth slows down.



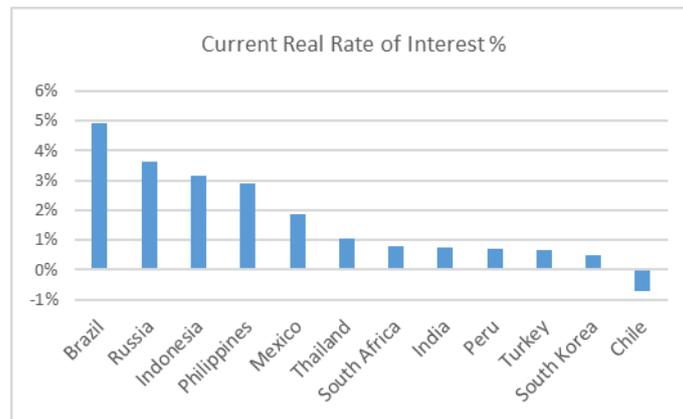
However, in Brazil the dramatic improvement in trade balance (and therefore the current account) has been brought about by a collapse in imports but also a stabilisation in its exports.



Exports are no longer falling year on year for the past 3 months because of a growing contribution from soft commodities and a falling share of industrial commodities.



When this is considered together with the high level of absolute and real interest rates in Brazil (the highest across Global Emerging Markets), it should support Brazilian Real (BRL) appreciation, especially when the message from Korean exports to the US is for weakness ahead and therefore potential dollar vulnerability.



INFORMATION

Issue Date: 21st June 2016
Source: Bloomberg, unless otherwise stated
Investor Relations: Samantha Dunn
Email: info@russellclarkim.com
Telephone: +44 (0)20 7838 7580
Website: www.russellclarkim.com

Business and registered address: Russell Clark Investment Management Limited, 9 Chester Close, London SW1X 7BE, United Kingdom. Registered in England and Wales - Company number: 04034280

DISCLAIMER

This Market View has been prepared and issued by Russell Clark Investment Management Ltd (the "Firm") authorised and regulated by the Financial Conduct Authority. It has been approved as a financial promotion by the Firm and as such is intended **for professional clients and eligible counterparties only and is not intended for retail client use**. It is not intended for distribution to any country where such distribution or use would be contrary to local law or regulation.

This Market View is provided for information purposes only and should not be regarded as an offer to buy or sell any investments or related services that may be referenced herein. No guarantee is made as to the accuracy of the information provided which has been obtained from sources believed to be reliable. The view expressed in this Market View are the views of the portfolio manager at time of publication and may change over time.

Nothing in this Market View constitutes investment, legal tax or other advice nor is it to be relied upon in making an investment decision. No recommendation is made positive or otherwise regarding individual securities mentioned herein. Past performance is not indicative of future performance. The price of investments can go up as well as down and can be affected by changes in the rates of exchange. The information contained in this document is strictly confidential and is intended only for the use of the person who has been provided the Market View by the Firm.

No part of this Market View may be divulged to any person, distributed, resold and or reproduced without the prior written permission of the Firm. Where "forward looking" information, including estimates, projections and subjective analysis and judgement are provided no representation as to the accuracy of such projections or estimates or that they may be realised. Certain assumptions used in formulating such "forward looking" information may differ materially from actual events or conditions.