

Globalization of the Capital Markets

Samuel R. Coleman – Tuck '83

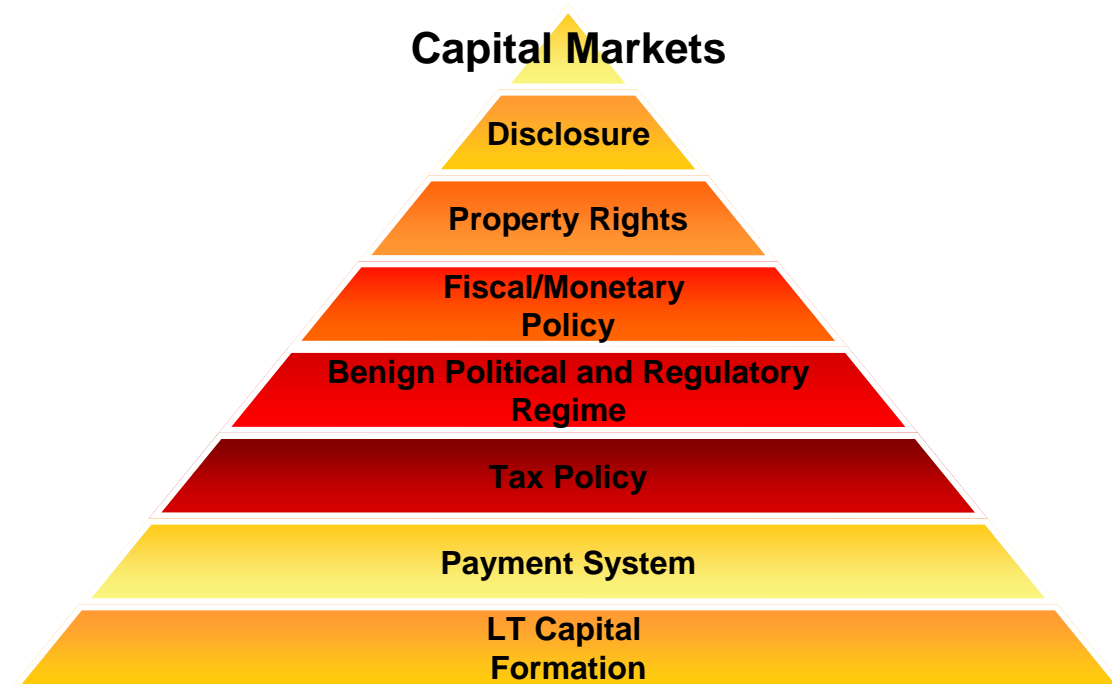
Personal Background

- Chemical Bank – 1977 to 1981
- Tuck '83
- First Boston – 1983 to 1996
 - M&A
 - Head of Diversified Financials
 - Head of FIG Europe
- Salomon / Citigroup – 1996 to 2006
 - US Depository Institutions
 - Co-Head of FIG Asia
 - Head of FIG Latin America
- S.R. Coleman & Co., LLC - 2007

What are the “Capital Markets”?

- “Securitization” broadly defined
- Derivatives & Structured Products
- Mergers and Acquisitions
- Venture Capital/Private Equity/Hedge Funds

Preconditions to Successful Capital Markets

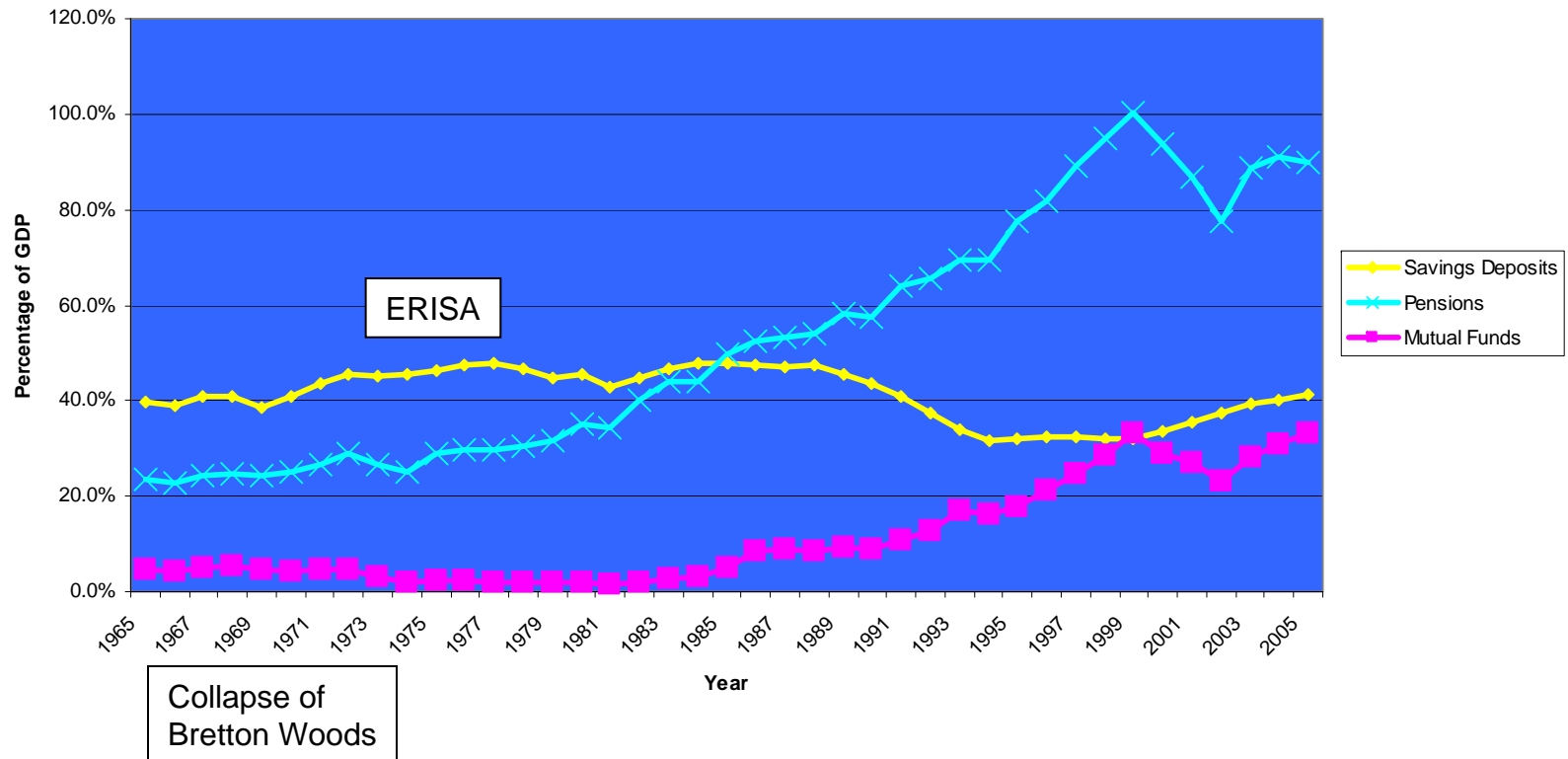


Benefits

- Transparency
- Scalability & Cost Efficiency
- Liquidity
- Speed
- Risk Management

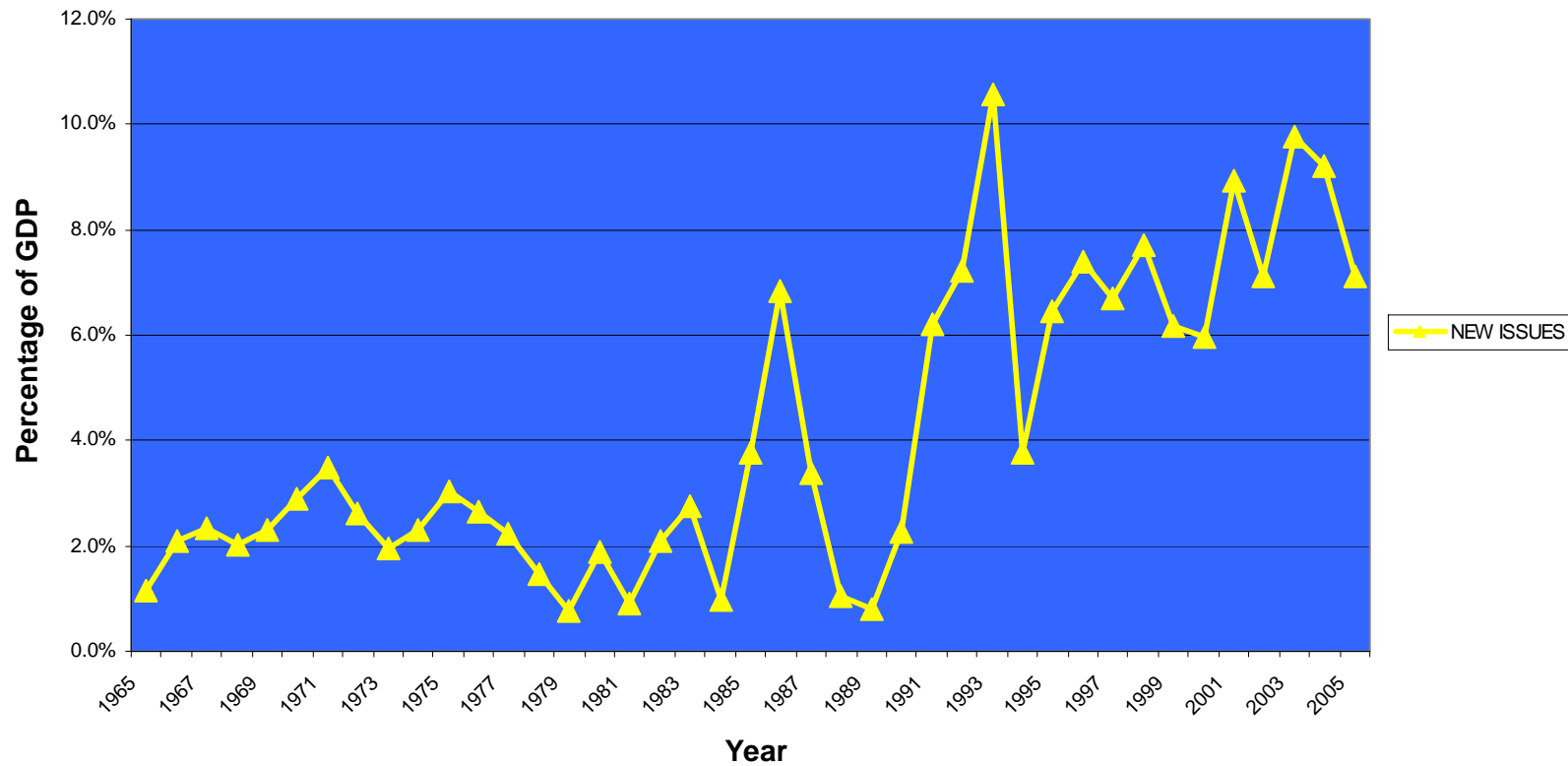
How Did the U.S. Develop?

Personal Wealth (excludes Home Equity)



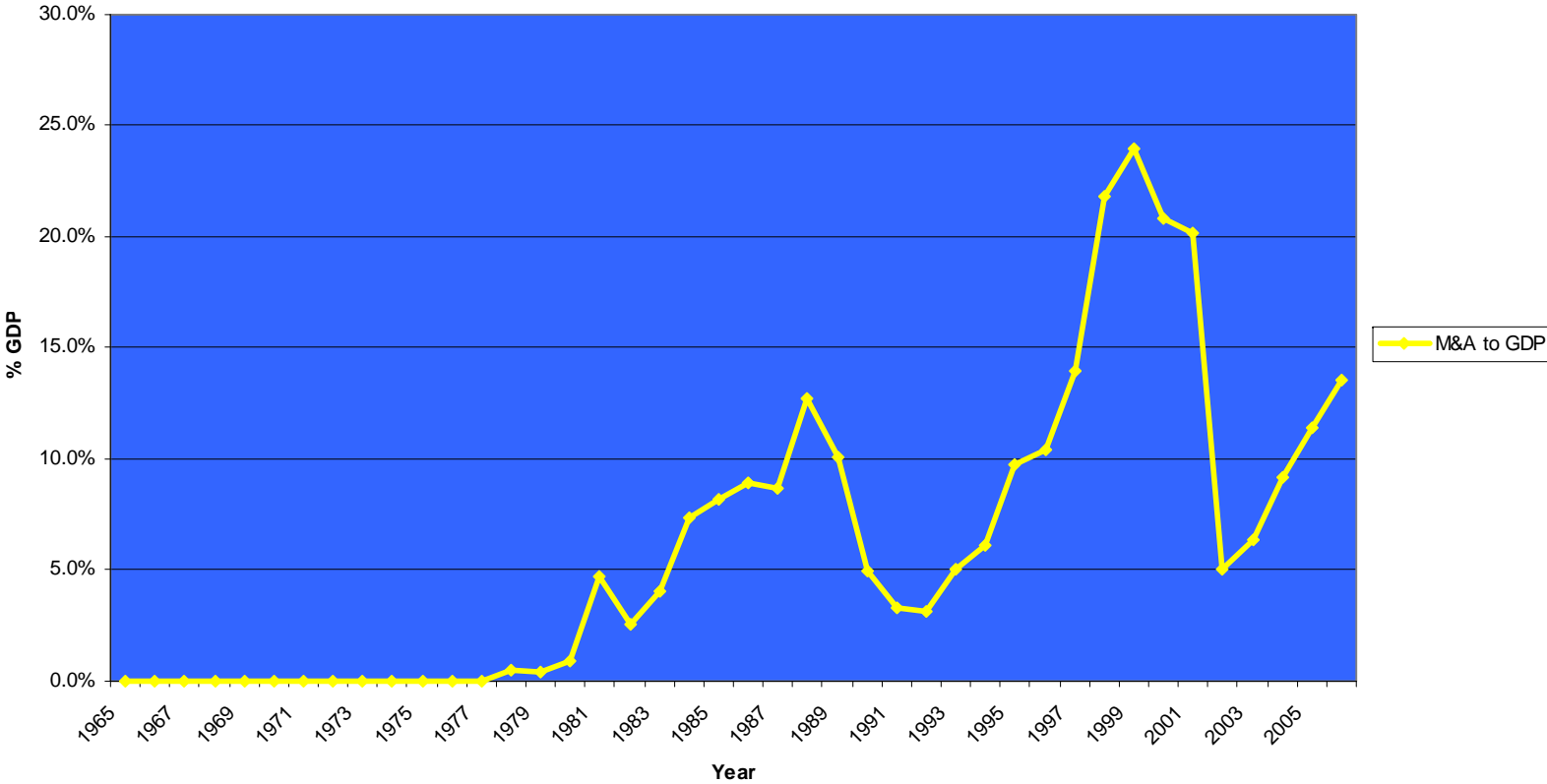
New Issues – U.S.

New Issuance of Stocks and Bonds in the U.S.



U.S. Mergers & Acquisitions

U.S. M&A Volume to GDP



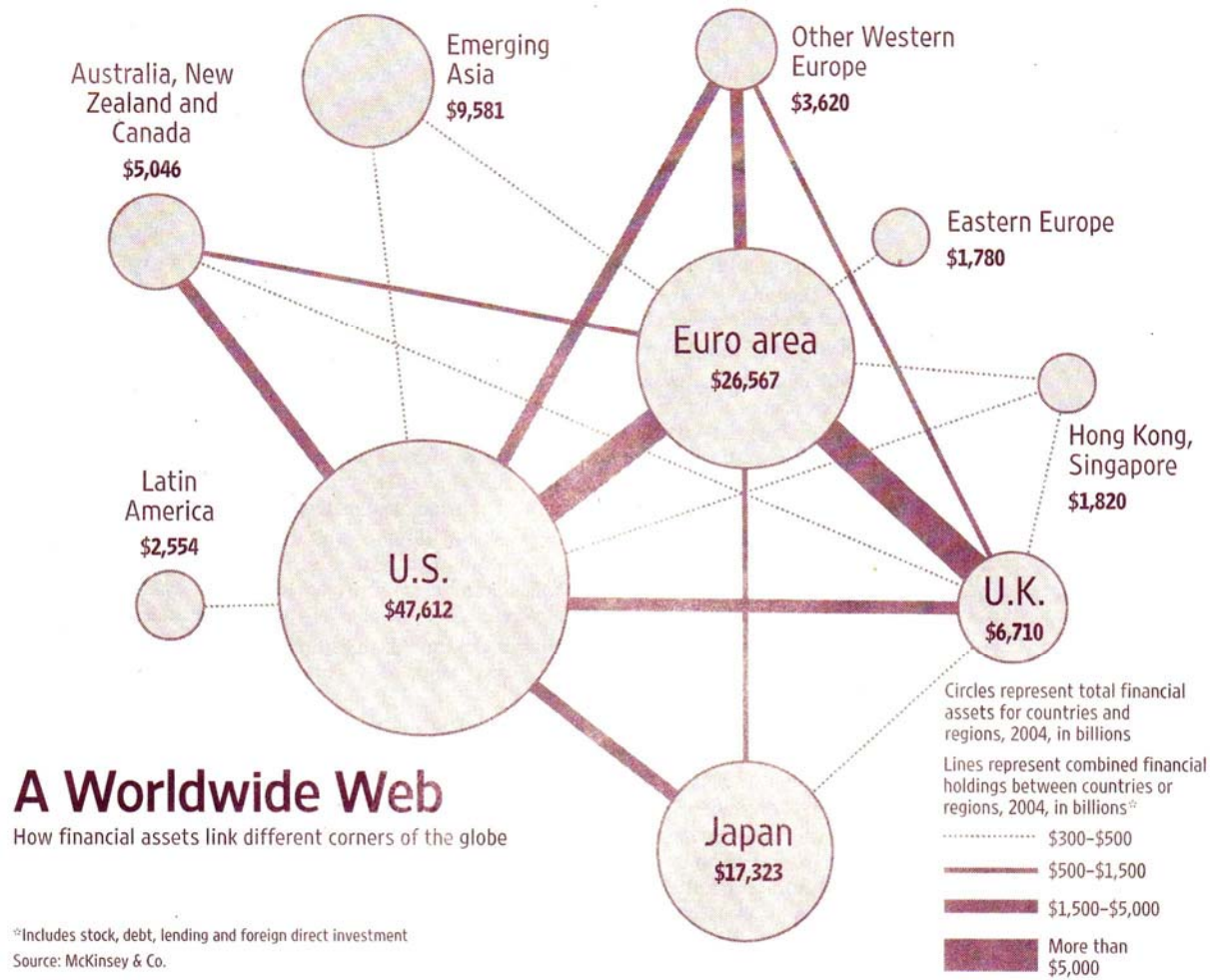
Collateral Damage

- '82 – Latin America
- '85 – US S&L's
- '87 – New Zealand
- '93 – Scandinavia
- '94 – Mexico
- '97 – Japan
- '98 – Russia
- '98 – Asia
- '03 – Argentina

1976



2006



²²Includes stock, debt, lending and foreign direct investment
 Source: McKinsey & Co.

How Global?

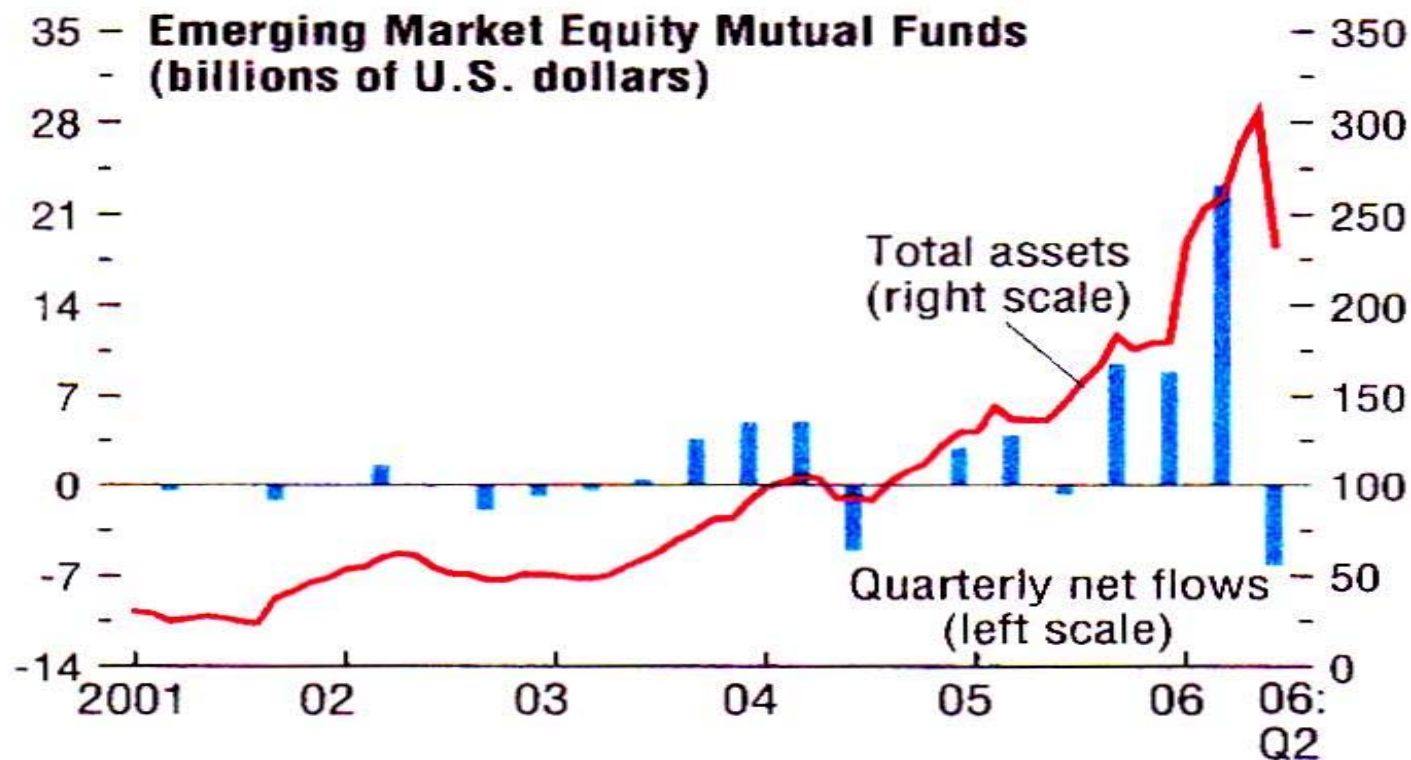
	Population	Financial Assets	GDP/Capita \$ 000's
U.S.	5%	39%	\$41.5
Greater Europe	13%	37%	\$20.1
Japan	2%	14%	\$30.5
Emerging Asia	49%	8%	\$5.6
Latin America	9%	2%	\$8.0
Rest of World	23%	0%	\$3.4

Drivers of EM Growth

- Demand
 - Exports (early stage development)
 - Domestic consumption (later)
- Technology (widely available)
- Investment
 - Public Sector Investment (constrained)
 - Foreign Direct Investment (volatile)
 - Internal Savings (KEY)

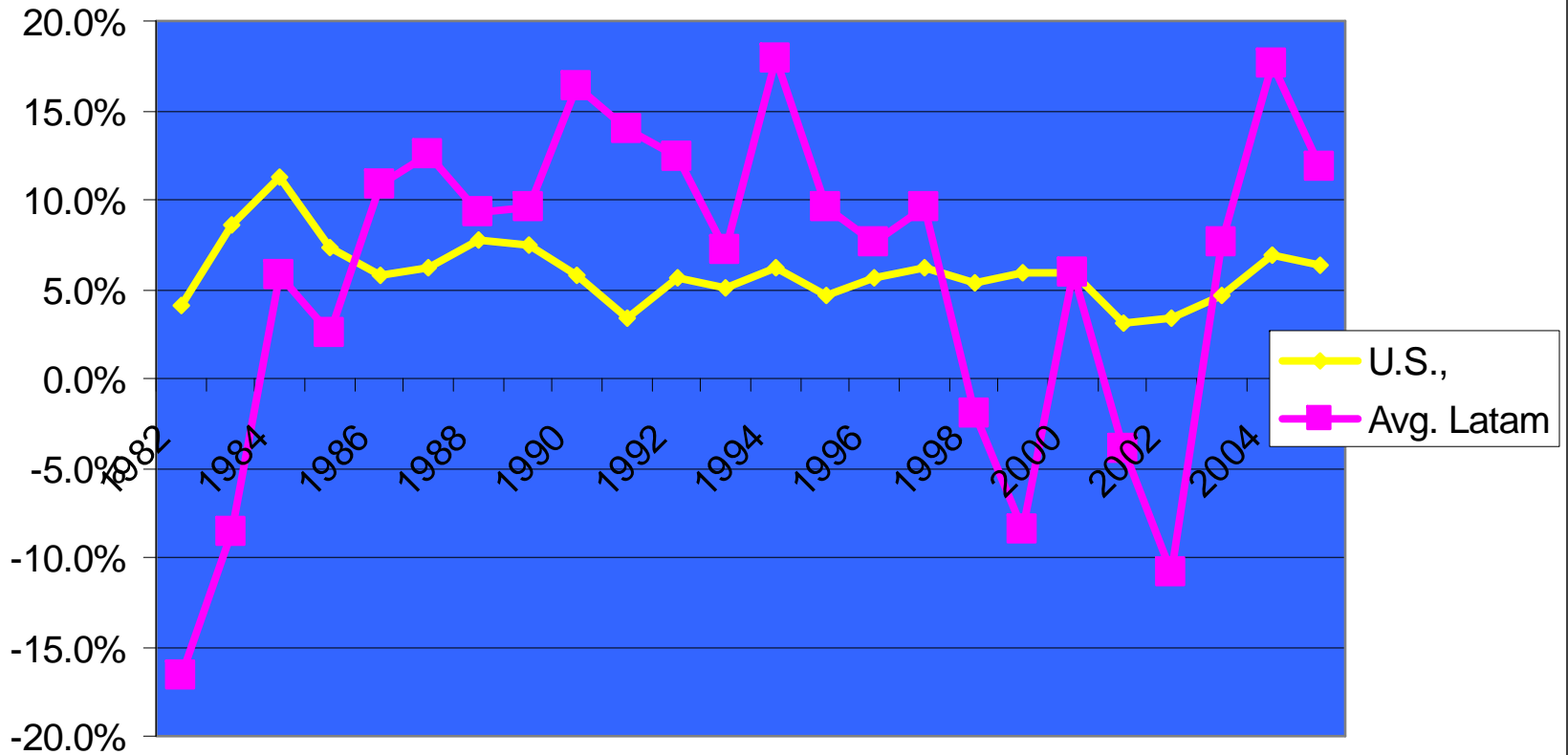
Hot Money?

Emerging Market Countries: Equity Market Developments



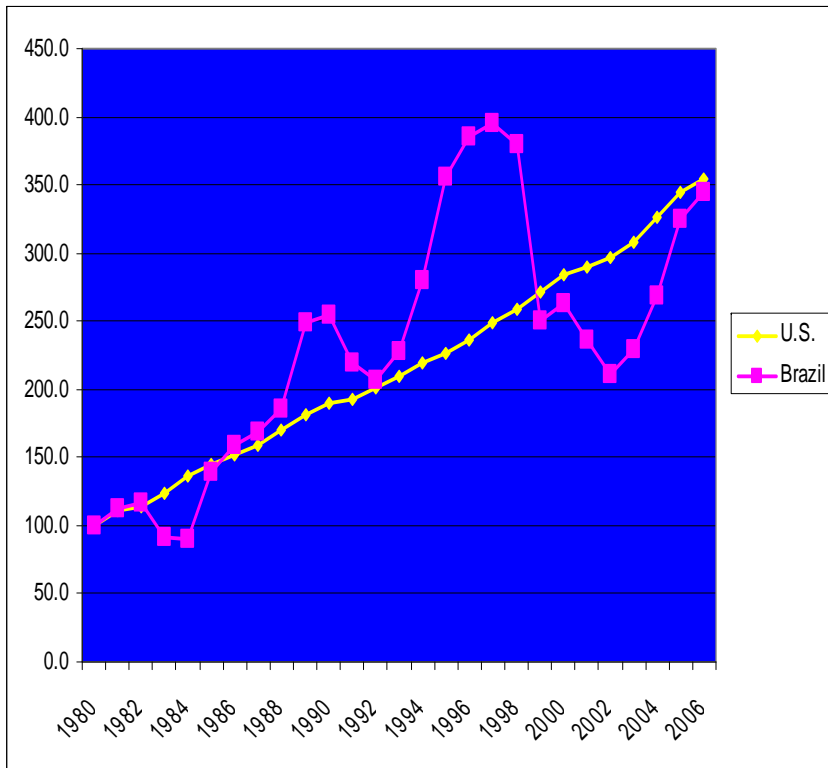
Volatility

Nominal GDP Growth in \$

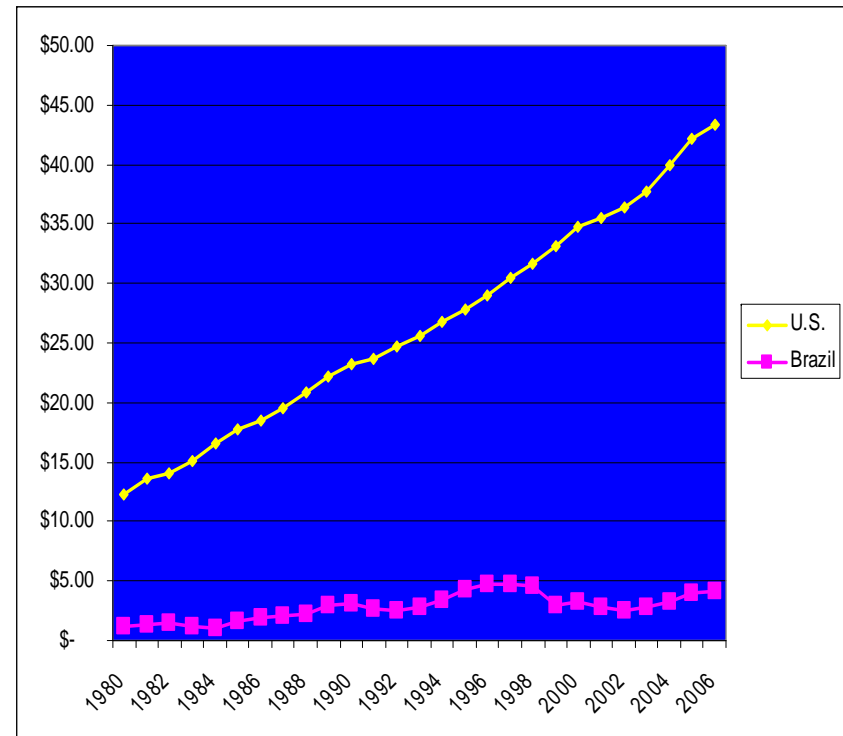


Gap in GDP per Capita

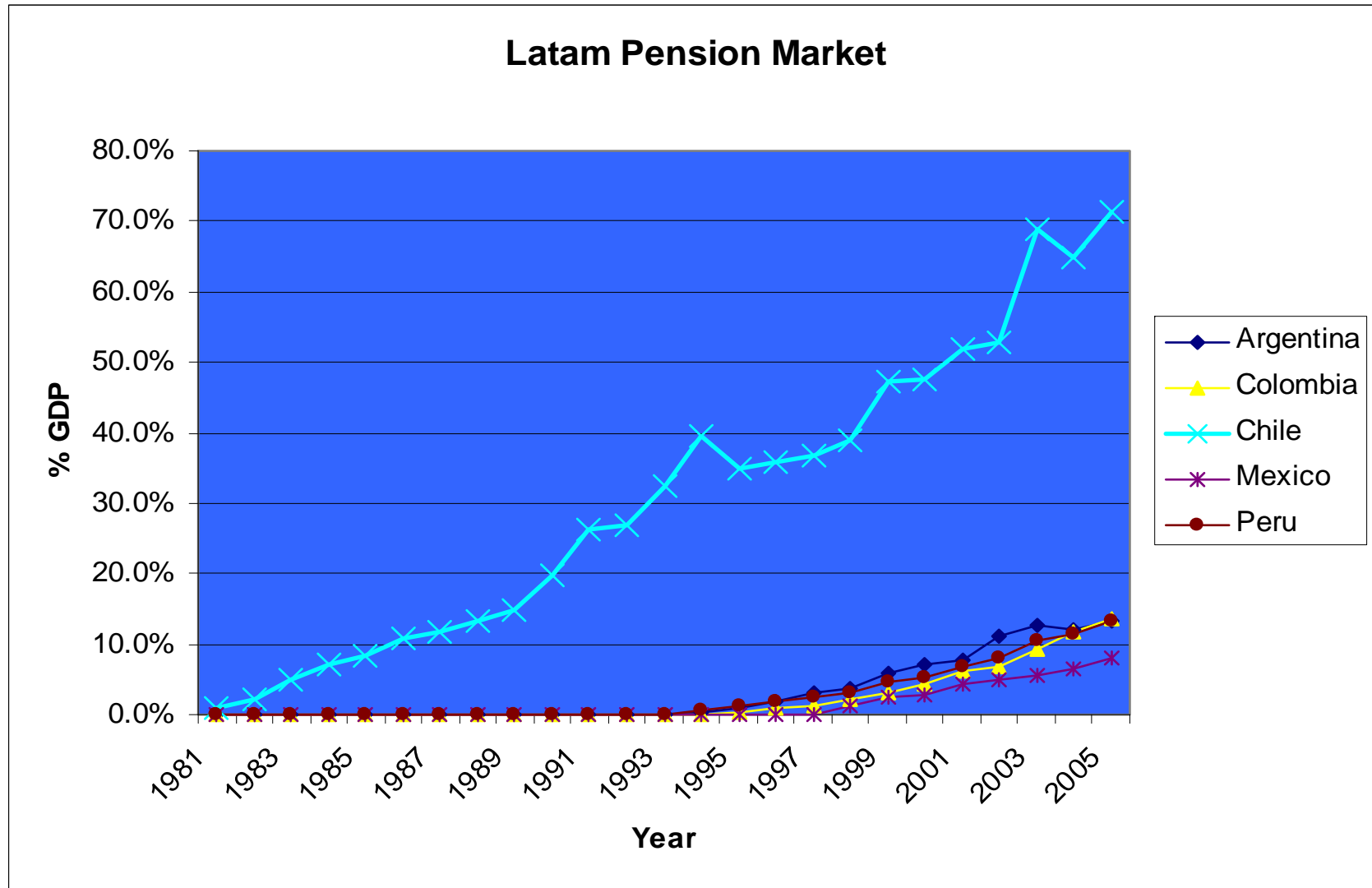
Same Growth Rate Over Time



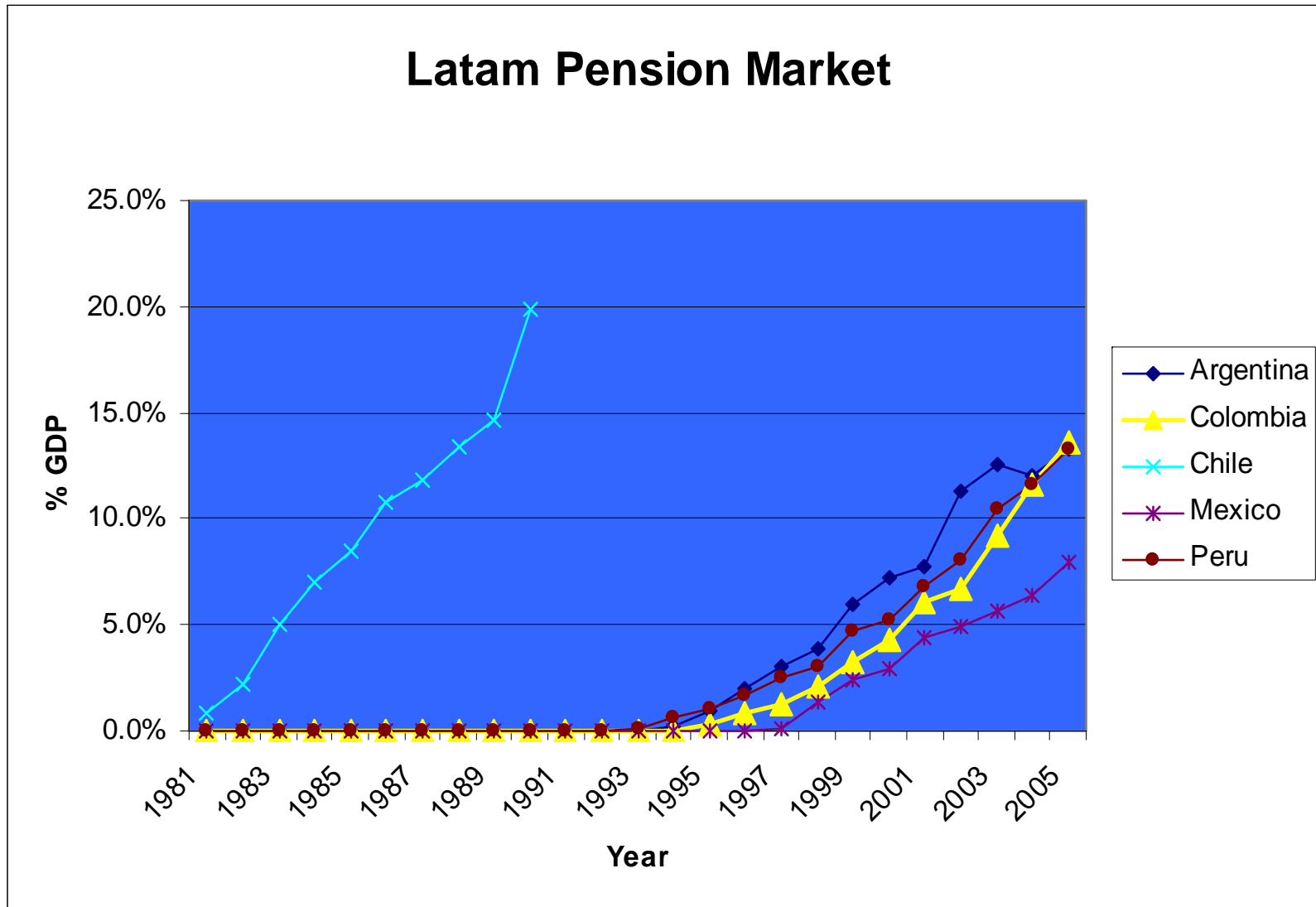
Wider Gap in Purchasing Power



The Promise from Pension Reform

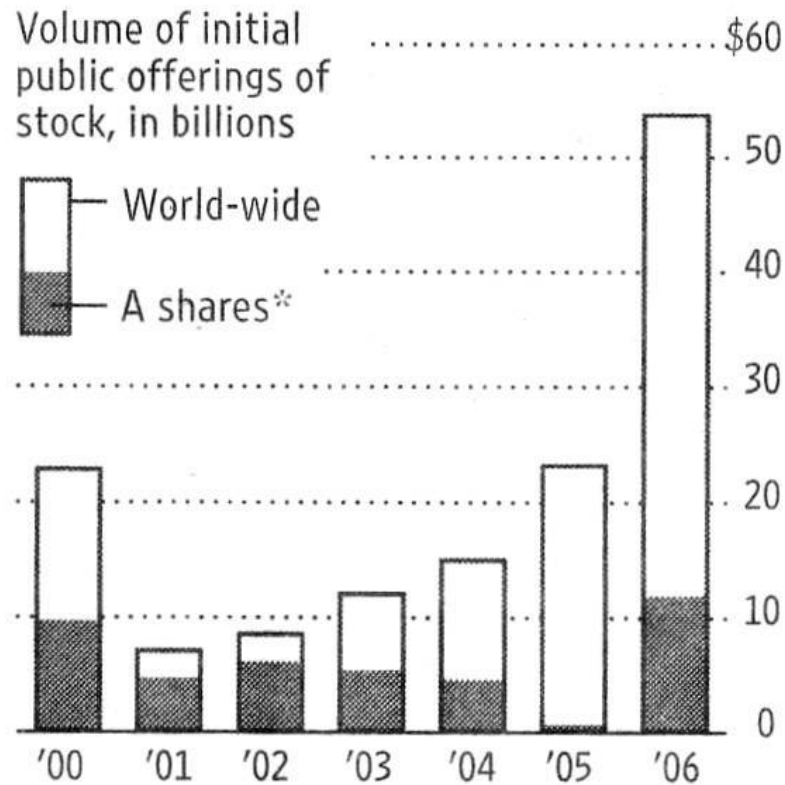


First Ten Years



Asia's High Savings Rate

Chinese IPOs



*A shares are issued by Chinese companies to domestic investors and listed on the Shanghai or Shenzhen stock exchanges.

Source: Dealogic

Challenges & Controversies

- Fairness v. Freedom
- Corruption
- The Dark Side of Debt
- Concentration Effect

Fundamental Progress

- Multiple Money Centers
- Mature regulatory framework
- New paradigms for international aid
- Rapid growth in Russia, China, India
- Fiscal/Political moderation
- Growth of consumer, micro-finance, mortgages

“The prospects for developing countries are more favorable now than they have been since WWII” - Michael Spence, 2001 Nobel Laureate

Implications for Tuck Students

- U.S. market leadership
- Independent money centers
- Principal investing
- Opportunity on the frontier

Thank You