# Which Stock Market Will Soar Next?

**Before the credit crisis GDP growth meant big returns to investors; China was proof of that. So can you use economics to predict stock market returns?**

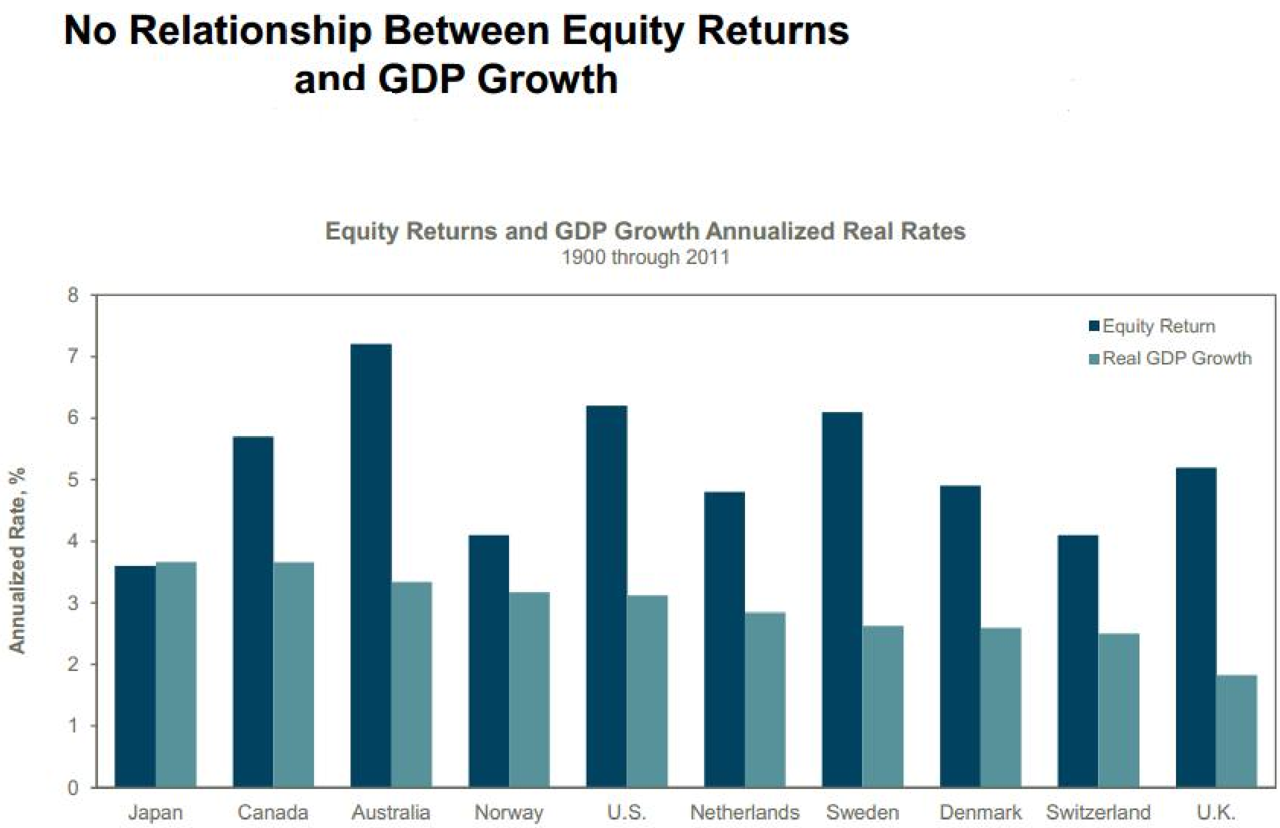
Emma Wall | 6 December, 2013 | 11:55AM

Investors in emerging markets could have used economic growth as a barometer of stock market growth before the global recession.

China was among the fastest growing economies - and offered savvy investors double digit annual returns. But fast forward to 2013 and this is no longer the case. Chinese GDP growth may have slowed, but it is still double that of the US, and yet while Shanghai Composite Index has fallen significantly over the past two years, the S&P 500 has climbed steadily upwards.

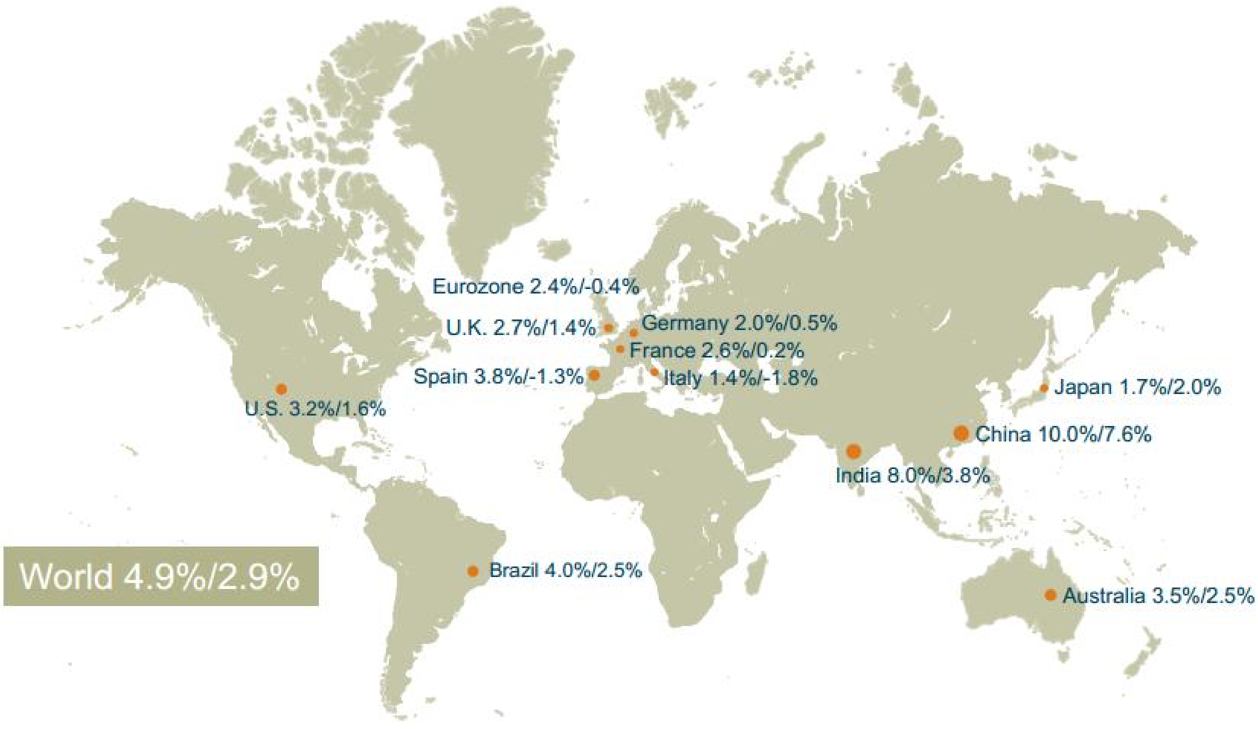
Global equities fund manager for T. Rowe Price Ray Mills revealed at a conference in New York on Tuesday that these are not unprecedented times however.

Looking at a century of data, Mills revealed that the decade to 2008 was in fact the anomoly, and there is no connection between economic growth and stock market performance.




Over the past 100 years it has been Canada and Japan with the greatest annualised GDP growth - yet the stock markets that have performed the best belong to Australia and Sweden

This bodes well for the current low-growth environment. Mills revealed that over the past five years, both developed and emerging economies have seen their growth forecasts slashed.




Key: 2008 estimate of 2013 GDP growth/current estimate of 2013 GDP growth

Only Japan has seen its forecast upgraded - from 1.7% in 2008, to 2% today. This does not mean that only Japan will see stock market returns in the near future however.

"Yes Japan offers investors opportunities - but so does Europe and the emerging markets," he said. "There is actually no pattern between GDP and stock market growth. There are factors that matter a great deal more, such as corporate governance, quality management and shareholder relations."