

EAGLEs Flash



The latest Fortune 500 ranking confirms EAGLEs corporations as global players

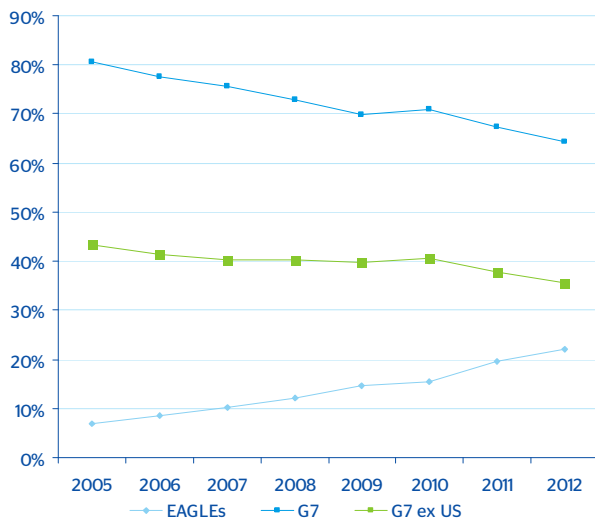
EAGLEs companies have three folded their global revenue share since 2005

EAGLEs are not only the largest contributors to global growth; their corporations are also becoming world-class players. In this year Fortune Global 500 ranking¹, EAGLEs corporations' revenue peaked up to 22% of total revenue reported. Their stronger relevance is even more dramatic when considering that in 2005 their share was only 7%. Among EAGLEs, Chinese companies are the ones with the largest current share of revenues, 14%, followed by Korean, Brazilian and Russian with a share around 2% each. Meanwhile G7's corporations share decreased to 64% from 80% in 2005. US companies led the decline with a reduction of almost 9 percentage points.

State Owned Enterprises (SOE) in oil business, utilities and finance lead the EAGLEs ranking, with the exception of two electronics private companies in Korea and Taiwan. These sectorial and ownership facts highlight the strategic role of commodities as well as banking in the growth agenda. Concerning the G7 corporations although oil business and utilities also lead the ranking, these are private and among the top 10 we find them together with retail, automotive and communications companies.

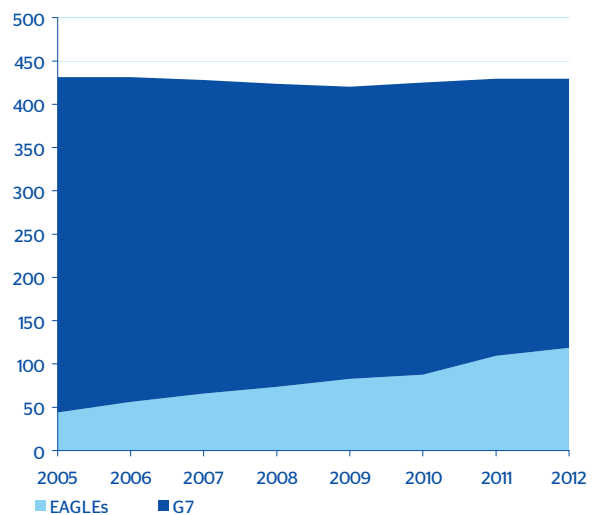
1: The whole ranking is available at <http://money.cnn.com/magazines/fortune/global500/index.html>

Chart 1
Fortune 500: Revenue share (percentage)



Source: Fortune and BBVA Research

Chart 2
Fortune 500: Number of companies

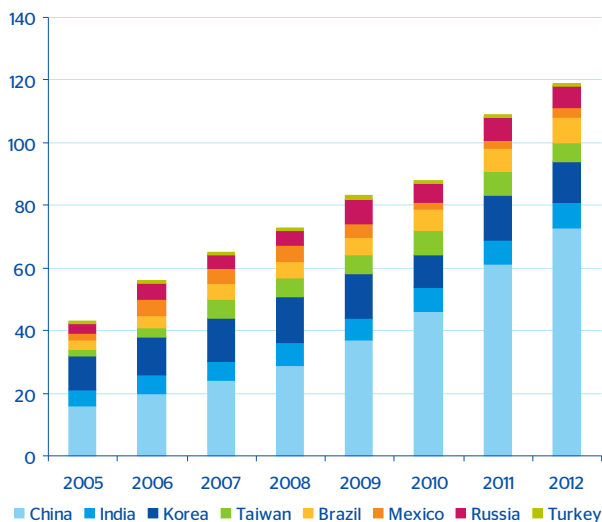


Source: Fortune and BBVA Research

EAGLEs corporations lead the new entries in the world ranking displacing G7 companies

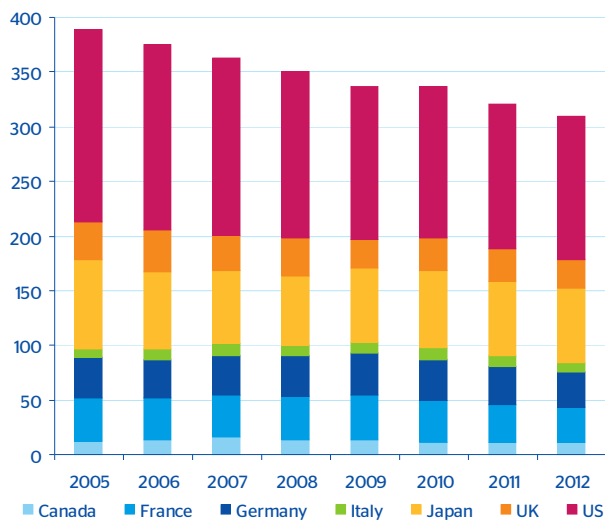
The number of EAGLEs corporations in the ranking has risen systematically. Now we find 119 from 43 in 2005. Once again China is the main contributor (73) followed by Korea (13), Brazil (8) and India (8). It is worth to notice no Indonesian company is included in the ranking, in spite of its high growing expectations. On the other hand, 79 G7's corporations left the ranking, with US companies having the largest number of exits (44) followed by Japanese ones (13). The increasing trend of EAGLEs companies included in the ranking is also a consequence of the rise of foreign investment outflows from emerging economies. Considering the decline in market capitalization value of G7's corporations in the last years, it cannot be ruled out in the near term an expansion process of EAGLEs corporations through M&A operations.

Chart 3

Fortune 500: EAGLEs number of companies

Source: Fortune and BBVA Research

Chart 4

Fortune 500: G7 number of companies

Source: Fortune and BBVA Research

What is in for investors? Reliance on high commodity prices and trust in SOE

The good news for investors is that almost all of the 119 companies in the ranking are listed in their local stock exchange, and also in major financial centres as New York, London, Hong Kong or Singapore. The market cap of these companies reached almost 4 trillion dollars last April, 50% higher than the one registered in 2007. Hence investors who are willing to add direct exposure to emerging markets can do it purchasing these companies shares. In the medium term as more EAGLEs companies join the ranking; there will be new opportunities for IPO's if they are not already listed in a stock exchange. Also, it can not be ruled out that current companies may want to increase their equity through new stock issuances.

On the other hand the rise of these companies anticipates a catch up process between GDP and GNP within EAGLEs in the following years. This will imply an increase of the net balance of their International Investment Position (IIP); for the case of China this anticipates a further rise in their international assets plus a rebalancing of its portfolio towards assets with higher yields than US treasuries, where as for the rest of the EAGLEs this will help reducing their current negative balance². However it is important to highlight that the rise of these public EAGLEs companies are at the same time increasing the reliance on high commodity prices and the importance of SOE. Investors should be aware of the vulnerabilities and risks implied.

2: For further information about the EAGLEs IIP check: http://www.bbva.com/KETD/fbin/mult/EW_International_Investment_Position_final_version_tcm348-286577.pdf?ts=2472012

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