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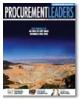


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#### Commodities boom strangling recovery in developed nations Rising commodity prices are stifling the chances of a recovery in the developed nations,

"Today's world is divided into two parts - emerging nations with low debt and developed

nations with very high debts," said Stephen King, chief group economist and global head of economics and asset allocation research at HSBC Bank in London.

"Emerging nations are extremely dynamic in response to global policy stimulus while developed nations are very sluggish. What in effect has happened is that policy stimulus has stimulated the wrong part of the world - we're seeing too much growth and inflation in emerging markets, while at the same time rising commodity prices have reduced the chances of a decent recovery in the developed nations.

The comments were made to attendees at the 2011 Economic and Investments Forecast Dinner presented by the CFA Society of Los Angeles (CFALA).

King said high debt levels among developed nations would dominate the global economic picture for some time to come.

"Emerging market assets should outperform, while the western world will have to think about the relationship between creditors and debtors," he said.

"This has already sparked a crisis in the Eurozone, which is a dress rehearsal for problems at the global level, where the biggest creditors are China, Russia, Saudi Arabia and others and the biggest debtor is the U.S. As emerging nations continue to grow, they may spurn the dollar, and its status as the world's reserve currency is in danger of becoming tarnished.

Luz M. Padilla, senior portfolio manager, emerging markets fixed income, at Los Angeles-based DoubleLine Capital recommends that investors in emerging markets credits focus on sectors that are vital to the host country's economy including commodities.

"Examples would include banking, natural resources, utilities, telecom - where in times of trouble the local government is more likely to be supportive of the companies in these sectors. We've been investing in this area for more than 16 years and we've lived through crises in emerging markets, and those sectors are where we've seen support from government in the past."

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