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GLOBAL DEVELOPMENT TREND IN MANAGING: DO FINANCIAL STRATEGIES OFFER HOPES RECOVERY?

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Abstract

Improving the terms of trade, tends to increase the welfare of the country, its domestic demand and the prices of non-traded goods, with real appreciation of the domestic currency (effect of welfare). Growth prospects are weakened on global level, giving that it is 2.4% for 2016. Global growth is projected to be 3.0 percent by 2018 due to the stabilization of the commodity prices and the possibility for more exports on emerging markets and developing countries. Also, there are low commodity prices - low oil prices on the global market. Structural reforms could boost global growth besides persisting divergences. This is the reason why global trends require forecasts and risk assessment. The most risk indicators underline a few aspects. For example, it's very important to follow the prices of equity as the prices of oil as term spreads, too. Forecasts and analysis of risk distribution have essential meaning for global growth. This paper has the aim to recognize the signs of warming and the opportunity prospects. This is the first step for creating good and productive strategies on global market by policymakers. It is very important to understand the macroeconomic stimulus for financial stability and sustainable development in this time of changes.

Key words financial strategy, economy, growth, global market, development.

1. Introduction

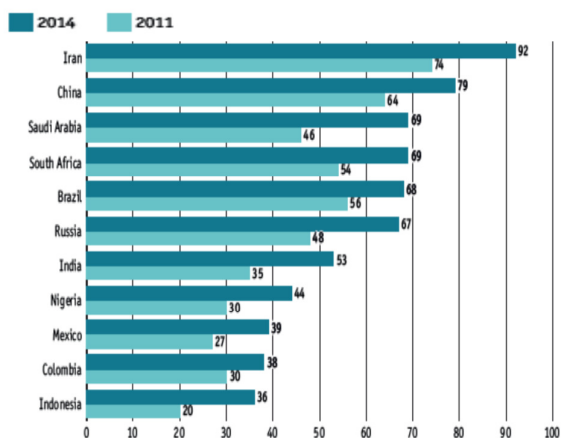
The term successful economy means prosper in the industry. This is the reason to think that companies should be prepared for volatility which is characteristic for emerging markets, especially this year - 2016. According this, 2015 ended with the beginning of a tightening monetary policy of US (Frankel, 2015).

3. Signs of hope in financial services

Financial services showed signs of hope in 2016. On global level, the first good sign are the people in finance that stopped to talk about the financial crisis. It is known that the bad period in the industry started in 2008. This was challenge to think more on new developments, technological innovations and economic recovery in advanced countries.

It's good to underline the positive activities in 2016. The first one, is the rise of financial technology or FinTech. The FinTech companies use straightforward mobile applications and excellent customer services. The second promising development is the fast proliferation of bank usage in emerging markets. By bringing money out from underneath the mattress and into the financial system, will bolster the revenues of firms offering remittances, savings and lending, and eventually those with sophisticated products like insurance policies and brokerage accounts. Many companies make profits on emerging market customers which include new business models and lean tech interfaces.

Figure 5: Banking – people account at financial institutions (%).



Source: World Bank dataset.

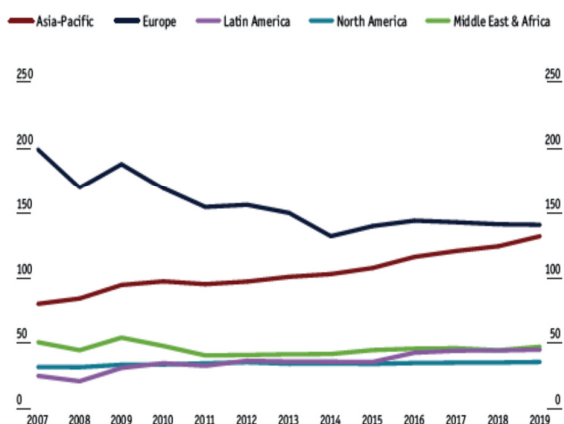
The third positive trend in 2016, is the new force that drives the sector forward stems from a growing realisation where workers will save more at the expense of current consumption—a trend that will boost the financial sector, given its key role in gathering and allocating savings.

4. The situation in advanced economies in 2016

The advanced economies will continue with the gradual recovery of the stronger markets in US, UK, and northern Europe boosting financial firms' income statements. The situation is tougher for financial firms in Japan as for Southern and Eastern Europe, too (Draghi, 2016). As it was mention at the beginning, the interest rates are gradually rising by the Central banks in US and UK. Also, the 2016 is year when

insurers and investment funds are felt.

Figure 6: Europe bank loans to GDP (%)



Source: World Bank dataset.

Continental Europe has steady rise of stock volume and bond offerings. This suggests that there is a hope for important shift as the fact that sustained fall in credit to European economies would undermine the business investment and household consumption. The other two trends will be visible among banks from advanced economies. First, the network banks with a global footprint will keep abandoning far-flung parts of their realms. Second, the banks will flock to the stable businesses of asset management and private banking, and away from volatile activities in investment banking and trading.

5. Emerging markets in 2016

Emerging economies that are dependent on commodities are especially vulnerable in the present downturn. One reason for this could be the bank crises. Financial firms in big emerging markets tend to be well-fortified, with long experience of financial storms. In 2016 emerging world financial systems became more market oriented. Financial systems have changes by new developments meaning adaptation of these.

From the beginning of 2016, lenders designated that systemically important banks will start with building of supplementary capital buffers. These are important on global level and offer much more in looking forward to financiers. The reports showed results from stress tests for EU and US – grueling exercise for bank boards and bank offices. Thus, many firms are facing with tough challenges in complying with regulations. The prospects are brighter for the future of the financial industry.

2016 is year of currency fluctuation. The ongoing slump in commodity prices since mid-2014 has been a

powerful force weakening many currencies. For example, excess supply and shrinking demand from China have decreased the value of exports from Australia, Brazil and Canada, among others, causing their currencies to wither further. Even China, which has long held a firm grip on its own currency controls, has taken repeated steps to devalue the Renminbi in the last 12 months. Also in Argentina, price inflation has done much to offset the cost-of-living decline caused by currency weakness over the last few years.

6. The crisis in Europe

The crisis in Europe is seen through the failure of the region's institutions in providing effective governance and leadership. The early stages of the region's institutional crisis were characterised by challenges to the survival of the single currency. Regional policymakers have yet to reach consensus about what types of action should be implemented at supranational level, while divisions are ever starker depending of the type of policies which should be pursued. However, Europe would find itself particularly stretched if several of these crises were to crystallise at once.

7. Europe and the Central Banks

In the most countries in Europe, monetary policy is exceptionally accommodative. Having behind the curve with its crisis response, the European Central Bank (ECB) has steadily become bolder and more creative in its policymaking. In the UK, the initial monetary response to the financial crisis was much more decisive than in the euro zone, and the economic recovery was much more robust. However, we have been cautioning for many years that the UK economy's underlying vulnerabilities would hamper the process of normalisation, and this is precisely what has happened. A significant slowdown in economic activity is under way—exacerbated by nervousness ahead of the “Brexit” referendum on June 23rd—leading the Bank of England (BoE, the UK's central bank) to adopt a more decisively dovish stance. Inflationary pressures are extremely subdued at the present, although they will build by 2018-19. Our forecast of a short-lived US downturn in 2019 leads to project where BoE will delay policy tightening until mid-2020. Meanwhile, the government's planned fiscal targets have so far been unbending in the face of downward revisions to official growth forecasts. Far from allowing, the process of fiscal consolidation to decelerate, the government is pencilling in sharper than expected adjustments to meet its target of a budget surplus in 2020 (IMF, 2016b).

Because of the ECB policy, a key challenge facing several central banks in Western and Central Europe has been the strength of their countries' currencies against the euro. This has been a concern due to the impact on export competitiveness (by extension, GDP growth), as downward pressure on import prices. The second is an issue in the context of generally weak domestic demand-pull inflationary pressure and collapsing commodity prices. The policy response from other central banks to the ECB's stance has been varied but proactive. A number, including Switzerland and Denmark, have opted for a combination of

internationalization that managers of diversified firms have, may be influenced by their experience of additional borrowing to extend product scope (i.e., diversification), leading them to conclude that additional borrowing is also necessary when it comes to extending geographical scope (Bordo et al., 2009). These strategies are formula used by companies due to the volatility and uncertain future on global level, especially for emerging markets in 2016.

The global trends require forecasts and risk assessment. The most risk indicators underline a few aspects. For example, it is very important to follow the prices of equity, the prices of oil as term spreads, too. Analyzing the risk distribution as forecasting too, have essential meaning for global growth.

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