

Global Trends and Market Performance

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The emergence of a global economic system has vastly increased interdependencies between geographically separated markets. This development began after World War II, gained momentum with the rapid industrialization of Hong Kong, Singapore, Taiwan, and South Korea in the 1960s, China's economic reforms and liberalization beginning in the 1970s, followed by the ascent of India and several Latin American economies. Globalization received a further boost with the fall of the Iron Curtain, which began the process of incorporating Eastern Europe and territories of the former Soviet Union into the world economy. The aggregate growth of national economies on all continents has had a tremendous impact and has already significantly changed the global balance of economic power. In the most advanced industrial economies- those with the highest labor costs- there has been a shift away from price toward competition based on innovation while production of goods where small price differences determine market success, have moved to economies with low labor costs. This process has not yet run its full course.

The movement of cost-sensitive routine production to low-wage countries takes several forms. Initially the most common was that a firm in country A established a production facility in country B, a process associated with the emergence and growth of multinational firms. This trend began before World War I, but slowed down and may even have been reversed during the crisis-torn inter-war years. By the last quarter of the 20th century, communication technology had progressed such as to allow smaller firms to also engage in the international selling and buying of finished and intermediate products and outsourcing of parts or all of production to other countries. Apple, Inc. may be the current poster-child of outsourcing because of recent international headlines about a subcontractor's labor relations.

Parallel to the developments described above, and intertwined with them, was the spread of urbanization to every corner of the world. While England became a majority urban society in the 19th and the United States in the early 20th century, the world reached this milestone only

a few years ago, in 2009. Like industrialization, global urbanization has also not yet run its full course.

Global industrialization and urbanization are powerful and pervasive forces that effect newly industrializing and urbanizing countries particularly much, but they also continue to influence even the economically most advanced places and regions. This is why in the United States there exist in parallel multiple definitions of what is rural versus urban because we are still far from having reached a new steady state. This is demonstrated, for example, after each census when a large number of places and regions have to be reclassified. Between 1974 and 2003, 477 of the 3,073 counties in the continental United States were reclassified from non-metropolitan to metropolitan, that is, 15.5% of all counties in the 48 lower states.

Tremendous and ongoing economic, political, and demographic changes have profound implications for stock and Forex trading. Most obvious is the continued growth in size of an interrelated global economic system. In addition, the increased speed of transactions in and between markets made possible by the communication revolution has significantly changed stock and Forex markets themselves. Past research results and experiences are therefore less reliable guides to what the future holds, than during a period of stability. Because market and economic environmental keep changing we need to ask questions about the effects of change, such as: Are the speed and increased and growing reach of market transactions-geographic and otherwise- more likely to be stabilizing than destabilizing? More generally, the magnitude and speed of change requires ongoing comprehensive research into the structure and characteristics of stock and Forex markets and trade. While comprehensive research about a whole market or system of markets is much needed, we also need to explore the characteristics and effects of new and changed products made possible by advances in technology and study their impact on the larger economy. These are the broad issues that motivate me to serve on the editorial board of the Journal of Stock and Forex Trading.

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