

Potential for the Portfolio Diversification in Emerging Markets: A Survey of Empirical Evidence

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ABSTRACT

Finding diversification opportunities in emerging markets presents continuous challenge for international investors. This is the case because diversification opportunities in emerging markets change as a result of change in the expected level, dynamics and direction of cross-country, cross-area and cross-assets correlations, as well as the expected (dis)appearance of volatility transmission across countries and areas. In order to provide the most up-to-date evidence on potential for the portfolio diversification in emerging markets, the author will use recent literature. According to the author's findings, potential for portfolio diversification still exists in all emerging markets areas and the majority of individual emerging markets around the world. Additionally, portfolio diversification in different segments of an emerging financial market can also be beneficial to international investors. Due to the variability of key preconditions for international portfolio diversification, investors should frequently adjust their portfolio positions.

Keywords: Portfolio diversification, diversified portfolio, diversification opportunities, diversification benefits, emerging markets.

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