

THE GLOBAL FINANCIAL MARKET: ANALYSIS AND PERSPECTIVES

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*The assessment of the situation on the global financial market is analyzed in the paper. The **actuality** of this research proceeded from the reality facing the entire global financial system. The **purpose** of this work is to research the situation on the global financial market based on the complex analysis of the sector. In the process of developing of this work were used the following **methods**: comparative analysis, synthesis, logical analysis. The **results** from the well-known companies which provided each year the analysis and ratings between the high net worth individuals wealth levels and growth by world regions, the most successfully International Financial Centres, leading wealth managers, wealth management innovators, Private Banks of the year, Private Bankers of the year etc. are analyzed in the paper.*

Key words: *global financial market, wealth management, high net worth individuals, assets under management.*

*În lucrarea data este analizată situația de pe piața financiară mondială. **Actualitatea** acestei teme de cercetare reiese din realitatea cu care se confruntă întregul sistem financiar mondial. **Scopul** lucrării constă în cercetarea situației de pe piața financiară mondială în baza analizei complexe al acestui sector. În procesul de elaborare a prezentei lucrări au fost utilizate următoarele **metode**: analiza comparativă, sinteza, analiza logică. Sunt prezentate **rezultatele** companiilor bine-cunoscute, care oferă anual analiza și ratingurile cu privire la cele mai înalte venituri nete ale persoanelor fizice, centrele financiare internaționale de succes cel mai bun managerul al patrimoniului, managementul patrimoniului inovator, Private Bank al anului, bancherul privat al anului etc.*

Cuvinte cheie: *pieța financiară mondială, managementul patrimoniului, persoane fizice cu venituri mari, active în administrare.*

В данной статье приводится анализ ситуации на мировом финансовом рынке. Актуальность данной научно-исследовательской темы вытекает из реальности, с которой сталкивается вся мировая финансовая система. Целью данной работы является исследование ситуации на мировом финансовом рынке на основе комплексного анализа данного сектора. При разработке данной работы были использованы следующие методы: сравнительный анализ, синтез, логический анализ. Представлены результаты известных компаний, такие как анализ и рейтинги самых высоких чистых прибылей физических лиц, успешных международных финансовых центров, лучших менеджеров по благосостоянию, инновационное управление благосостоянием, Private Bank года, частный банкир год и т.д.

Ключевые слова: *мировой финансовый рынок, управление благосостоянием, физические лица с высокими доходами, активы под управлением.*

JEL Classification: *F3; G0; G1; G2*

Introduction. There are well-known companies which provided each year the analysis and ratings between the high net worth individuals (HNWIs – those persons with 1 million US dollars or more in investable assets [1, p.3 (Preface)]), wealth levels and growth by world regions, the most successfully International Financial Centres, leading wealth managers, wealth management innovators, Private Banks of the year, Private Bankers of the year etc. The review of such kind of recent reports include: World Wealth Report 2013 prepared by companies Capgemini and RBC Wealth Management, Global Wealth Report 2014 prepared by company Allianz, Global Private Banking and Wealth Management Survey 2013 prepared by PricewaterhouseCoopers, Global Private Banking Benchmark 2014 prepared by Scorpio

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Partnership, Wealth Management Awards prepared by Spear's.

The basic content. According to the data from the report World Wealth Report 2013 [1], prepared by companies *Capgemini and RBC Wealth Management*, the number of "dollar" millionaires in the world has been growing steadily. This is evident from the research of world market based on the largest and most deep studies which include the responses of more than 4,400 high net worth individuals from 21 countries of the five regions of the world. For example, statistics show that the number of segment high net worth individuals in the world in 2011 was 10.0 million persons, but in 2012 their number increased to 12.0 million persons, i.e. on 2 million persons. During this time, the total wealth of private individuals also increased, and if before the crisis, in 2007 it amounted 40.7 trillion US dollars, in 2010 – 42.7 trillion US dollars, by 2012 it has increased significantly and amounted 46.2 trillion US dollars, reaching a record level. Thus, high growth rates the wealth of rich persons in general has led to an increase of the world's wealth.

Today, there are two largest regions with the high number of HNWI's, they are: North America and Asia-Pacific region. The richness of these regions has led to the growth of the world economy as a whole. According to such indicators, as the number of rich people and the size of their wealth, the global market is divided into parts. The market's share of North America by this indicator is 3.73 million rich individuals and the share of Asia-Pacific region – 3.68 million rich individuals.

Asia-Pacific region is considered to be very perspective and rapidly growing region for the rich individuals. As expected in the near future, Asia-Pacific region will overtake North America. Due to the wealth growth of the rich individuals in the Asia-Pacific region it is predicted the annual growth of the world's wealth by 6.5%, which will be reached in 2015 – 55.8 trillion US dollars. After 2011, the population of HNWI's grew up by 9.2% worldwide. The high growth rates in the higher market segments of rich individuals are explain by the high overall productivity. The dynamic of the world's wealth increasing by the regions is shown in Figure 1.

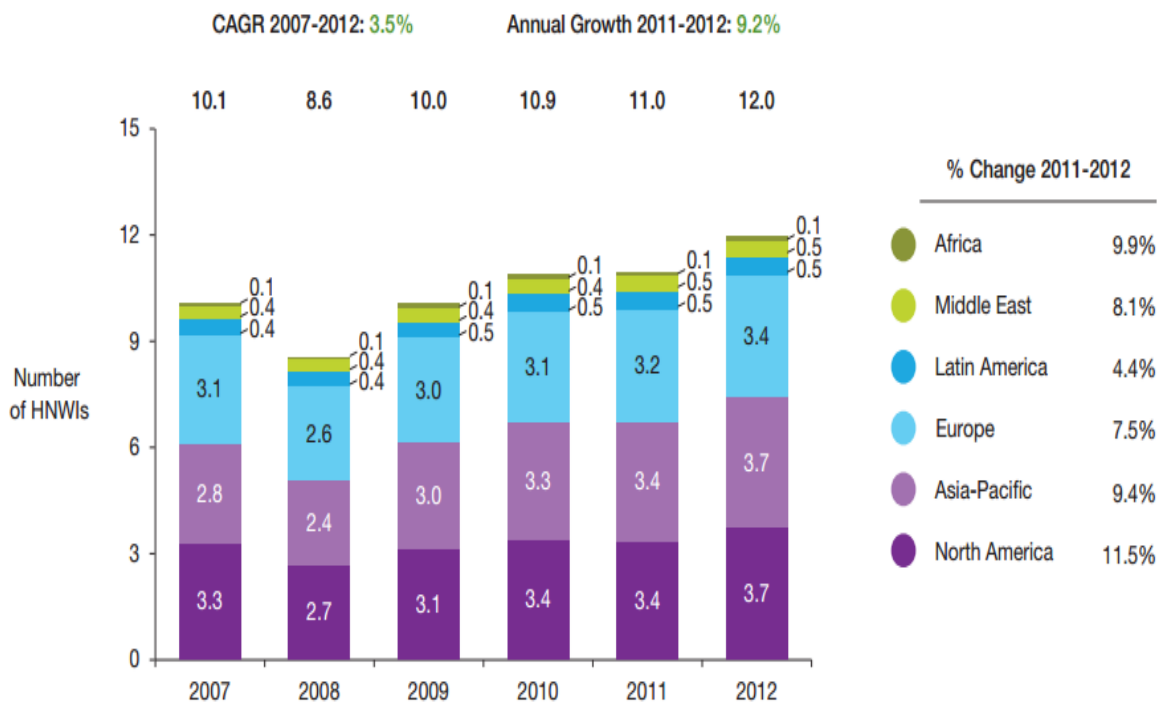


Fig. 1. High net worth individuals population by regions in 2007-2012, million

Note: Chart numbers and quoted percentages may not add up due to rounding;

CAGR – compound annual growth rate

Source: *Capgemini Lorenz Curve Analysis, 2013 [1]*.

Approximately 53% of rich individuals in the world, i.e. more than a half, are concentrated in three countries: United States (3,068 thousand HNWI's in 2011 and 3,436 thousand HNWI's in 2012), Japan

(1,822 thousand HNWI in 2011 and 1,902 thousand HNWI in 2012) and Germany (951 thousand HNWI in 2011 and 1,015 thousand HNWI in 2012). Their number has been decreased slightly to 54.7% compared to 2006.

On the latest place of this top-12, there are such countries as: South Korea (144 thousand HNWI in 2011 and 160 thousand HNWI in 2012), Brazil (165 thousand HNWI in 2011 and 165 thousand HNWI in 2012), Italy (168 thousand HNWI in 2011 and 176 thousand HNWI in 2012), Australia (180 thousand HNWI in 2011 and 207 thousand HNWI in 2012) and Switzerland (252 thousand HNWI in 2011 and 282 thousand HNWI in 2012).

In the middle of the top-12, there are such countries as: China (562 thousand HNWI in 2011 and 643 thousand HNWI in 2012), United Kingdom (441 thousand HNWI in 2011 and 465 thousand HNWI in 2012), France (404 thousand HNWI in 2011 and 430 thousand HNWI in 2012), Canada (280 thousand HNWI in 2011 and 298 thousand HNWI in 2012), and South Korea (280 thousand HNWI in 2011 and 298 thousand HNWI in 2012).

Over the past four years there have been no changes in top-12 countries on the market of rich individuals. Percentage growth of rich individuals and geographical location of capitals on different continents, as well as their ratings are shown in Figure 2.

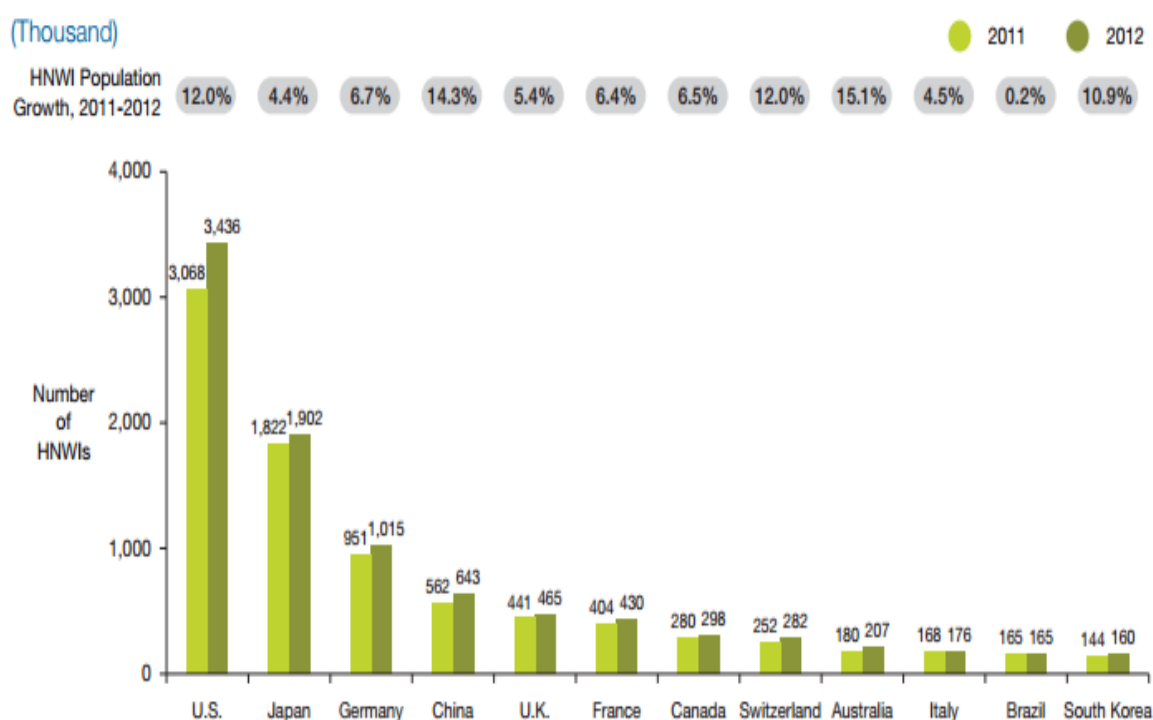


Fig. 2. Leading countries by the number of rich people in 2012, thousand

Note: Percentage growth rates will not match column totals due to rounding.

Source: Capgemini Lorenz Curve Analysis, 2013 [1].

In many countries from Asia-Pacific region has been observed the fastest growing of rich individuals markets. Among the most perspective are Hong Kong, India, Indonesia, Australia, China, New Zealand, Thailand. The number of HNWIs in Indonesia, Australia, China, New Zealand and Thailand doubled. In Hong Kong marked the increasing in the number of HNWIs by 35.7% due to the combination of relatively less conservative view of many richest people to invest and strong equity markets. In India, the growth in the number of rich people was 22.2%, which occurred on the basis of the positive trends in the securities market, increasing the gross national income, consumption and property.

Allianz presented the 5th edition of the report Global Wealth Report 2014 [2], which researches the level of welfare and public debt in more than 50 countries worldwide. According to a new study by the level of global wealth the financial assets of the population in 2013 increased to 118 trillion euro. Figure 3 shows the level of financial assets growth of the population in the context of the continents according to the data Allianz from report Global Wealth Report 2014. The first places are occupied by North America (51.8%), Western Europe (30.1%), Japan (11.7%), Latin America (2.6%).

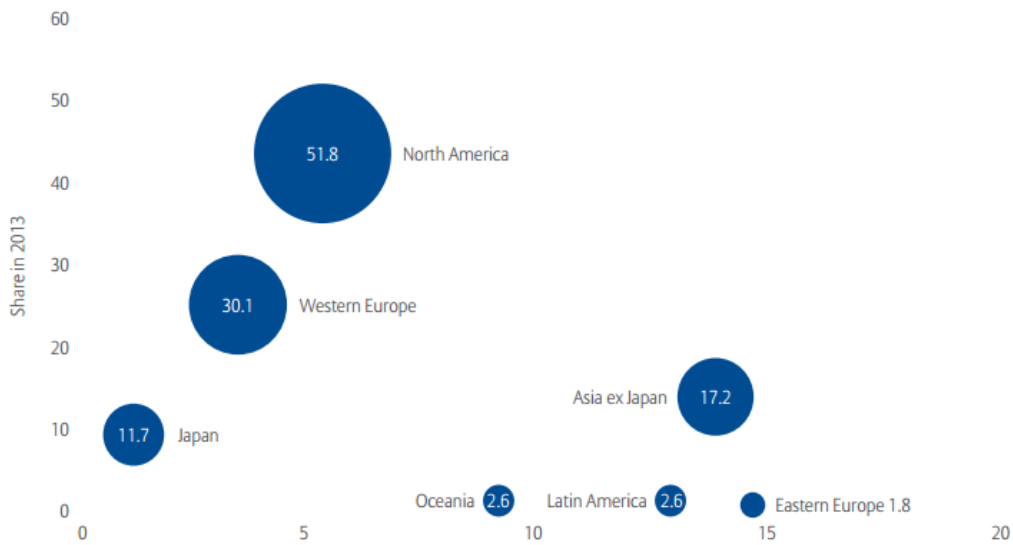


Fig. 3. Wealth levels and growth by region, 2000-2013, %

Note: Absolute amount of gross financial assets, in thousand EUR

Source: National Central Banks and Statistical Offices, Allianz SE, Allianz «Global Wealth Report 2014» [2, p.23].

According to surveys of PwC's 2013 Global Private Banking and Wealth Management Survey [3], in which participated 200 organizations from 51 countries, Switzerland remains one of the most attractive country among International Financial Centers despite the pressure on the transparency. Switzerland is not only ahead of Singapore but faced strong competition with London.

The Figure 4 shows the status and location of the most successful International Financial Centres in 2013 with a forecast for the next two years. Today, top-5 of the most successful International Financial Centres include: Switzerland, Singapore, London, Hong Kong, New York. According to the forecast it is assumed that in the near future, Singapore will overtake Switzerland by the indicator of financial assets.

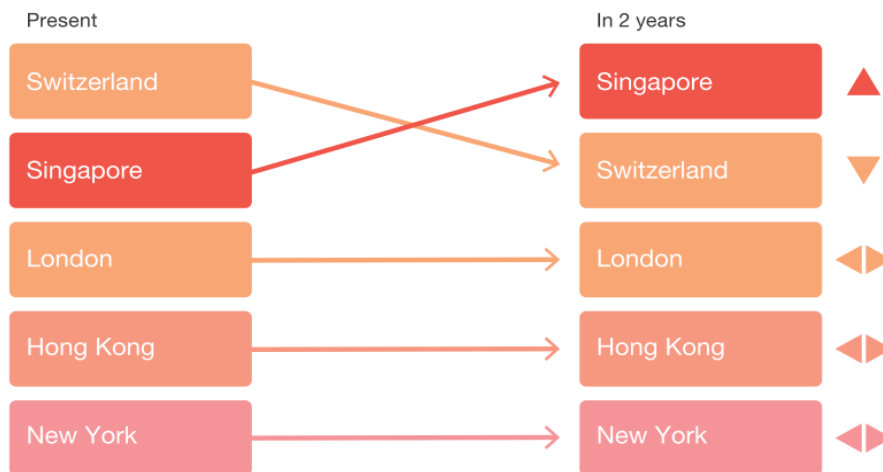


Fig. 4. The top-5 of the most successful International Financial Centres in 2013 and forecast on the next 2 years

Source: PwC's 2013 Global Private Banking and Wealth Management Survey [3, p.18].

“Switzerland is losing ground on players in Singapore, Dubai, Miami and Hong Kong. The power is shifting away from Western Europe and the US. New players are looming on the horizon” [3, p.18].

Not all regions can to use the favorable situation recorded last year for their strong growth. On the developing markets, particularly in Latin America, growth of assets slowed due to shocks in the foreign exchange market and capital market.

In Eastern Europe region, including Bulgaria, Estonia, Kazakhstan, Croatia, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Czech Republic, Turkey, Ukraine and Hungary as a whole the growth rate slowed by 1 percentage point to 11.2%, although the growth was 2 times higher than in Western Europe (+ 5.2%).

In the long term perspective, all regions will be able to be the leader by growth rate. The average indicator as 14.5% per year remains the highest since 2000 compared with any other region in the world.

Despite this, many countries in the region, especially the countries of Eastern Europe – EU members, since 2007, slightly slowed the accumulation of assets.

The estimation of asset growth in real terms confirm that the rate of growth in Eastern Europe 6% per year is approximately equal to the real rate of growth in Latin America (+5.5 p.p.), but significantly lower than the growth in Asia, such as Japan, which reached growth almost 10% in 2001.

"Despite the unfavorable market conditions, assets in Eastern Europe showed a positive trend in the last two years" – says Michael Heise, chief economist from Allianz. "This shows that the competition still continues. The escalation of the crisis in Ukraine, however, added a few new dark clouds gathering on the horizon".

Analyzing the data from the report Scorpio Partnership Global Private Banking Benchmark 2014 [4] about the situation of the global financial market, it should be noted that the list of the largest banks in the world for several years remains unchanged. The largest banks, by the indicator of assets under management of rich persons in 2013, are presented in Table 1.

Table 1

Top 25 private banks worldwide by assets under management

	Institution	Country	Assets under management in 2013, (USD billions)
1	UBS	Switzerland	1,966.9
2	Bank of America Merrill Lynch	USA	1,866.6
3	Morgan Stanley	USA	1,454.0
4	Credit Suisse	Switzerland	888.2
5	Royal Bank of Canada	Canada	673.2
6	BNP Paribas	France	395.1
7	Deutsche Bank	Germany	384.1
8	HSBC	United Kingdom	382.0
9	JP Morgan	USA	361.0
10	Pictet	Switzerland	338.1
11	Goldman Sachs	USA	330.0
12	Julius Bär	Switzerland	282.5
13	Barclays	United Kingdom	233.2
14	ABN Amro	Netherlands	231.7
15	Northern Trust	USA	221.8
16	Wells Fargo	USA	218.0
17	Lombard Odier	Switzerland	198.0
18	Santander	Spain	196.5
19	Bank of NY Mellon	USA	185.0
20	Credit Agricole	France	182.0
21	BMO Financial Group	Canada	171.7
22	CIC	France	141.8
23	Societe Generale	France	116.3
24	Bank Safra Sarasin	Switzerland	115.6
25	Citi Private Bank	USA	112.3

Note: All results are rounded.

Source: Created by the author according to the data from Scorpio Partnership Global Private Banking Benchmark 2014 [4].

The high concentration of the market at the present stage of development is reflected in the following table which include of assets under management in the 25 largest financial institutions on the world market:

- 5 largest financial institutions account about 41% of the world market of all financial assets under management – 6.8 trillion US dollars (exactly 6,848.9 billion US dollars);

- 10 largest financial institutions account about 53% of the world market, i.e. more than half of all financial assets under management that is in terms of money – 8.7 trillion US dollars (exactly 8,709.2 billion US dollars);

- 20 largest financial institutions account about 64% of all financial assets under management of the world market, in terms of money – 10.99 trillion US dollars (exactly 10,987.9 billions US dollars).

The share of all 25 financial companies, presented in Table 1, consist in the global market of financial assets more than 78% (11.6 trillion. US dollars = 11,645.6 billions US dollars). This indicator increased compared to previous year by 1%.

It may be noted that from the 25 leading financial companies – 8 are located in the United States (Table 2).

Table 2

Leading USA wealth managers by assets under management in 2013

US Ranking	Institution	Assets under management in 2013, (USD billions)	Growth 2013	Ranking move
1	Bank of America Merrill Lynch	1,866.6	12.5	-
2	Morgan Stanley	1,454.0	17.5	-
3	JP Morgan	361.0	13.5	-
4	Goldman Sachs	330.0	12.2	-
5	Northern Trust	221.8	12.2	1
6	Wells Fargo	218.0	7.0	-1
7	Bank of NY Mellon	185.0	3.4	-
8	Citi Private Bank	112.3	10.2	-

Source: *Scorpio Partnership Global Private Banking Benchmark 2014 [4]*.

Regarding the world ranking of financial companies, in 2013, in terms of assets under management, was happened some significant changes. The BNP Paribas and Deutsche Bank in the ranking of the best financial companies both moved up one position, while HSBC fell from sixth to eighth place. A negative percentage change in HSBC's top 25 financial institutions was due to his current exit strategy for non-core markets. Conversely, at the Julius Bär assets rose sharply by 40.7% last year, largely due to his constant international transactions with Bank of America Merrill Lynch (Table 3).

Table 3

Global Ranking in assets under management in 2013

Institution	Country	Global Ranking in 2013	Global ranking move
UBS	Switzerland	1	-
Bank of America Merrill Lynch	USA	2	-
Morgan Stanley	USA	3	-
Credit Suisse	Switzerland	4	-
Royal Bank of Canada	Canada	5	-
BNP Paribas	France	6	1
Deutsche Bank	Germany	7	1
HSBC	United Kingdom	8	-2
JP Morgan	USA	9	-
Pictet	Switzerland	10	-
Goldman Sachs	USA	11	-
Julius Bär	Switzerland	12	3

Barclays	United Kingdom	13	1
ABN Amro	Netherlands	14	-2
Northern Trust	USA	15	1
Wells Fargo	USA	16	-3
Lombard Odier	Switzerland	17	1
Santander	Spain	18	2
Bank of NY Mellon	USA	19	-2
Credit Agricole	France	20	-1
BMO Financial Group	Canada	21	-
CIC	France	22	-
Societe Generale	France	23	-
Bank Safra Sarasin	Switzerland	24	4
Citi Private Bank	USA	25	-

Source: Created by the author according to the data from Scorpio Partnership Global Private Banking Benchmark 2014 [4].

The Spear's Wealth Management Awards were announced the winners of 2013 between about 700 HNWs, entrepreneurs, philanthropists, wealth managers and society figures [5]. Winners included family lawyer *Sandra Davis*, Mishcon de Reya, for Lifetime Achievement; *RBC Wealth Management* for Private Bank of the Year; *Charlie Hoffman*, HSBC Private Bank, for Private Banker of the Year; *Metro Bank* for Wealth Management Innovator; *Marcelle Speller*, LocalGiving.com, for Philanthropist of the Year; and *Nick D'Aloisio*, Summly, for Entrepreneur of the Year. Three main nominators and winners are presented in Table 4.

Table 4

Winners of Spear's Wealth Management Awards in 2013

Private Banker of the Year	Private Bank of the Year	Boutique Wealth Management Firm of the Year
Jim Bouley, Merrill Lynch/Julius Baer	Barclays	Berry Asset Management
Julian Cooper, Barclays	Citi Private Bank	James Hambro & Partners
Etienne d'Arenberg, Mirabaud	C Hoare & Co	McInroy & Wood - winner
Charles Hoare Nairne, C Hoare & Co	HSBC Private Bank	Odey Wealth
Charlie Hoffman, HSBC Private Bank - winner	Julius Baer	Ruffer
Giovanni Revedin di San Martino, JP Morgan	Metro Private Bank	Veritas Investment Management
Helen Watson, Rothschild	RBC Wealth Management - winner	
	Schroders Private Bank	
	Weatherbys Bank (highly commended)	

Source: Winners Announced of Spear's Wealth Management Awards 2013 [5].

Conclusions. The data from different sources confirm that the modern geography of financial institutions with large financial assets is very broad and focused both on internal national markets, and covers many markets of other countries on different continents, which became possible with the development of IT technologies, through advanced communications, expanding the information field. Thus, the modern world is the world of all-round business globalization, increasing the rates of accumulation and concentration of capital.

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