

Global financial markets will benefit from US economic growth: Michael Hasenstab, Templeton Global Macro

Biswajit Baruah, ET Bureau Dec 15, 2015, 04.48PM IST

Michael Hasenstab, Chief Investment Officer, Templeton Global Macro, said [global financial markets](#) are poised to benefit from the US economic expansion. In an interview to ET, he said with the likelihood of higher US interest rates, the fundamental differences may increasingly magnify between healthy and vulnerable economies. Excerpts:

What would be the impact on global financial markets post the Fed rate hike?

We expect rising interest rates from the Fed and additional quantitative easing from the BOJ and ECB. Overall, we remain confident in the economic outlook for the United States and continue to expect rising interest rates from the US Federal Reserve.

Labour conditions in the United States have been strong while wages and earnings have increased, which we believe will continue to drive consumption.

In our assessment, global financial markets are poised to benefit from the US economic expansion and substantial quantitative easing (QE) from the Bank of Japan (BOJ) and European Central Bank (ECB).

Which countries in the EM basket will get impacted from the Fed lift-off?

A strengthening US economy, along with the likelihood of higher US interest rates, may increasingly magnify the fundamental differences between healthy and vulnerable economies. We anticipate that countries with relatively stronger fundamentals, such as Mexico, will likely be in a better position to raise interest rates either in conjunction with US interest-rate hikes or shortly thereafter.

However, countries with relatively weaker fundamentals, such as Turkey and South Africa, are likely to be negatively impacted by US interest rate hikes. We selectively added to our strongest convictions in emerging markets during the recent periods of volatility and believe that global market fundamentals will eventually re-assert themselves.

As the Fed hikes rates and market interest rates go up, we expect markets to be better positioned to normalize. In our view, apprehensions about risks in places like Mexico, South Korea and Malaysia are likely to abate as these countries prove their resilience to Fed rate hikes.

http://articles.economicstimes.indiatimes.com/2015-12-15/news/69061856_1_interest-rates-ecb-european-central-bank