

Mobius signals hope after rout

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EMERGING markets are at a turning point with a reversal in sight, said Mark Mobius, executive chairman at Templeton Emerging Markets Group, signaling optimism after the worst annual rout in four years. The "turnaround potential" for Asia is great amid growth in the region, Mobius said in a speech in Kuala Lumpur Tuesday. It "makes me happy" that investors are underweight on emerging markets, he said.

The MSCI Emerging Markets Index last week erased its decline for 2016 and has rallied 16 per cent from a 2009 low in January, while a gauge of developing-nation currencies is 2 per cent higher this year. Demand for riskier assets is rising as oil's rebound from a 13-year low and cheaper valuations are outweighing concerns about China's economic slowdown and the end of near-zero interest rates in the US



While there is "maximum pessimism" in emerging Asia, China is still an "enormous growth story" while India is expanding at a "very nice rate," Mobius said. In Templeton's view, the Malaysian ringgit is undervalued by 28 per cent, and the country is an attractive prospect, he said.

Commodity prices bottoming out, Mobius said. He also said US markets have peaked and may either go sideways or down, which is good for emerging markets. The Federal Reserve may abandon raising interest rates this year, which will see money in search of better opportunities, he said.