

Financial Standard

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Danger signs ahead but bargain stocks a-plenty: Faber

Thursday, 6 August 2009 12:40pm

Leading contrarian investor Dr. Marc Faber wears his "ultra bearish" cap in his Australian visit, predicting another financial crisis could happen in the next five to 10 years - but even that doesn't mean there aren't any investment opportunities, particularly in Asia.

Visiting Australia as a guest presenter for Treasury Asia Asset Management (TAAM), Dr. Faber said that the Federal Reserve's policy in the past decade only added to the market volatility. By keeping rates artificially low and pumping money into the system, equities, markets and economies will face "unintended consequences", including another financial crisis in the next five to 10 years.

This crisis has not been fully cleansed out of the system, he said.

He repeated his bearish views of the US dollar, which he believes will approach zero (not overnight, but it will happen) while many Asian currencies will rise on the back of a continually improving Chinese currency.

Against that environment, he highlights various investment themes including going long on gold and silver (sovereign funds will likely buy gold when interest rates are around zero), corporate bonds and Asian equities (many markets in Asia are near 20-year lows).

Tapping on socio-demographic trends, Faber is bullish on healthcare stocks in Asia, infrastructure stocks, commodities, REITs in emerging economies and tourism stocks ("every hotel will soon have a Chinese restaurant in it," he said).

As uncorrelated investments to more established equity markets, Faber also sees opportunities in plantations and farmland (in Latin America and Ukraine), Japanese banks and new regions including Cambodia and Mongolia.

In short, Faber believes that based on how economies and markets fared over the last few years, a new world has emerged where it is now the poor countries driving global consumption and global markets.

But for many fund managers who believe they can take a breather now that the GFC has passed, Faber believes US and European stockmarkets are still overvalued relative to the lows reached in previous recessions.

"The ultimate crisis is still ahead of us," he said.

Michelle Baltazar

This story was found at: <http://www.financialstandard.com.au/news/view/26470>

Printed: **Thursday, 6 August 2009 3:06pm**