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## **Mobius Says Financial Crisis ‘Around The Corner’**

By Kana Nishizawa - May 30, 2011 6:10 AM GMT-0500

Mark Mobius<sup>1</sup>, executive chairman of Templeton Asset Management's emerging markets group, said another financial crisis is inevitable because the causes of the previous one haven't been resolved.

“There is definitely going to be another financial crisis around the corner because we haven't solved any of the things that caused the previous crisis,” Mobius said at the Foreign Correspondents' Club of Japan in Tokyo today in response to a question about price swings. “Are the derivatives regulated? No. Are you still getting growth in derivatives? Yes.”

The total value of derivatives in the world exceeds total global gross domestic product by a factor of 10, said Mobius, who oversees more than \$50 billion. With that volume of bets in different directions, volatility and equity market crises will occur, he said.

The global financial crisis three years ago was caused in part by the proliferation of derivative products tied to U.S. home loans that ceased performing, triggering hundreds of billions of dollars in writedowns and leading to the collapse of Lehman Brothers Holdings Inc. in September 2008. The MSCI AC World Index of developed and emerging market stocks tumbled 46 percent between Lehman's downfall and the market bottom on March 9, 2009.

“With every crisis comes great opportunity,” said Mobius. When markets are crashing, “that's when we're going to be able to invest and do a good job,” he said.

The freezing of global credit markets caused governments from Washington to Beijing to London to pump more than \$3 trillion into the financial system to shore up the global economy. The MSCI AC World gauge surged 99 percent from its March 2009 low through May 27.

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<sup>1</sup> Mark Mobius, executive chairman of Templeton Asset Management's emerging markets group, speaks at the Foreign Correspondents' Club of Japan (FCCJ) in Tokyo. Photographer: Tomohiro Ohsumi/Bloomberg

## **'Too Big to Fail'**

The largest U.S. banks have grown larger since the financial crisis, and the number of “too-big-to-fail” banks will increase by 40 percent over the next 15 years, according to data compiled by Bloomberg.

Separately, higher capital requirements and greater supervision should be imposed on institutions deemed “too important to fail” to reduce the chances of large-scale failures, staff at the International Monetary Fund warned in a report on May 27.

“Are the banks bigger than they were before? They’re bigger,” Mobius said. “Too big to fail.”

The money manager had earlier said at the same event that Africa has an “incredible” investment potential and that he has stakes in Nigerian banks.

“These banks are doing very well and are much better regulated than they were in the past,” Mobius said, without disclosing which lenders he holds.

Banks account for five of the eight stocks in the MSCI Nigeria (MXNI) Index. Guaranty Trust Bank Plc, the country’s No. 2 lender by market value, surged 31 percent in the six months through May 27, according to data compiled by Bloomberg. Shares of Access Bank Nigeria Plc recorded the second-biggest decline on the gauge in the period, the data show.

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