
Look to Asian bonds for growth: AGI

By Editor Test Sun, May 20, 2012

Portfolio managers at Allianz Global Investors expect the renminbi (RMB) to become a fully convertible currency by 2020, but China will "have to liberalize its interest markets [first]."

Allianz Global Investors is bullish on Asia, according to a recent report in *Investments & Pensions Asia*. The firm expects Asian bond funds to become more available to Western investors, and expects Asian currencies to appreciate in the years ahead, despite some volatility.

Andreas Utermann, global chief investment officer at AGI, was quoted as saying that "investors remain completely risk averse [regarding Asia] but their risk assessment is based on experiences over the last 30 years - and this is wrong."

"Asian asset classes will outperform Europe and the US between 2010 and 2020 but there will be times when they will not and these are the times when you want to go in," said Stuart Winchester, Senior Portfolio Manager, Oriental Income, at AGI. "You have to be patient like a hawk waiting for a big fish."

David Tan, the new head of investments at AGI Singapore and CIO of Pan-regional Asian Bond Mandates, said that the Asian financial crisis of the late 1990s was "a necessary adjustment for Asia to go through" toward better fundamentals.

"Most of the Asian economies are export-driven and they have to switch to different ways of getting rich - and one of them is to let the currency appreciate," said Utermann, adding that the Chinese government "won't do anything that might spoil the once-in-a-lifetime opportunity of the RMB becoming a global currency."

Helen Lam, Senior Portfolio Manager RMB and Fixed Income strategies at AGI, expects the RMB to become a fully convertible currency "maybe by 2020" but first China will "have to liberalize the interest markets," among other things. Recently, the first RMB bonds were launched on the London Stock Exchange, and Lam thinks that New York, followed by Tokyo and maybe Sydney might be next.

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