

Emerging-Market Stocks Rise on Stimulus Bets as Turkey Rebounds

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June 4 (Bloomberg) -- Emerging-market stocks rose for the first time in five days as Turkish shares rebounded from the biggest plunge in a decade and investors weighed prospects for Federal Reserve stimulus. South Africa's rand rallied.

The Borsa Istanbul Stock Exchange National 100 Index jumped the most on a closing basis in three years as Turkiye Garanti Bankasi AS and Akbank TAS surged at least 5.1 percent, while Turkish bond yields declined the most on record. Russian stocks climbed from a six-week low as the nation's biggest lenders advanced. The rand posted the biggest gain among 24 emerging-market currencies tracked by Bloomberg.

The MSCI Emerging Markets Index added 0.6 percent to 1,004.08 at 10:52 a.m. in New York, the most in a closing basis since May 8. Turkey's bonds, the lira and stocks surged as Deputy Prime Minister Bulent Arinc apologized to the victims of excessive police force. Recent U.S. data suggest the economy isn't strong enough to justify a reduction in bond buying, Fed Bank of Atlanta President Dennis Lockhart said yesterday.

"There's a lot of conversation about an exit strategy, but the cooler heads are saying the economy is not strong enough to exit QE," Alan Gayle, senior strategist at RidgeWorth Capital Management, said by phone from Atlanta, referring to the Fed's asset purchase program. His firm oversees about \$48 billion.

"Emerging markets are going to move higher as we've seen a market adjustment to changes in policy and we're likely to see better demand from the developed markets."

All 10 groups in the measure of developing-nation stocks rose, led by health-care and consumer discretionary shares. The broad gauge trimmed this year's drop to 4.7 percent, compared with an 11 percent jump in the MSCI World Index.

Emerging ETF

The iShares MSCI Emerging Markets Index exchange-traded fund slid 0.4 percent to \$41.66. The Chicago Board Options Exchange Emerging Markets ETF Volatility Index, a measure of options prices on the fund and expectations of price swings, added 1.3 percent to 23.09.

Brazil's Ibovespa rose 0.4 percent as phone company Oi SA surged after naming Zeinal Bava as its chief executive officer.

The MSCI Brazil/Energy Index was the worst performer among 10 groups as Petroleo Brasileiro SA followed crude lower.

The ruble-based Micex Index increased 0.5 percent in Moscow. The RTS Index rose 0.4 percent after plunging as much as 20 percent from this year's high yesterday. VTB Group increased 2.2 percent.

Benchmark gauges in the Czech Republic, Poland and Hungary added at least 0.5 percent. Kino Polska SA soared to a record after UniCredit SpA recommended buying shares of the Polish television broadcaster on expectations higher advertising spending on thematic channels will boost earnings.

Most Oversold

The rand has climbed 3.6 percent in two days since falling to a four-year low of 10.2847 on May 31 as investors bet the currency's decline had gone too far. The rand's relative strength index rose to 85 last week, making it the most oversold currency out of 16 major peers. South Africa's currency

may extend gains to 9.50 in coming weeks, said Bernd Berg, an emerging-markets strategist at Credit Suisse AG in Zurich.

The Shanghai Composite Index slipped 1.2 percent, while the Hang Seng China Enterprises Index of mainland companies dropped 0.1 percent. Nine Dragons Paper Holdings Ltd., a maker of paper and packaging materials co-founded by Cheung Yan, one of China's richest women, slumped 7.5 percent. The company may face more earnings downside risk if paper prices continues to weaken, Credit Suisse Group AG said.

India's S&P BSE Sensex lost 0.3 percent, a third day of losses and the lowest close since April 30. Volume on the gauge was 25 percent below the 30-day average. State Bank of India retreated to the lowest level in almost two months, leading its peers lower. Reliance Industries Ltd., owner of the world's largest refining complex, slid to a six-week low.

Stock Swings

The Philippine Stock Exchange Index's 10-day historical volatility increased to 33 yesterday from 12 two weeks ago, the highest level since October 2011 and the biggest jump among 21 developing-nation gauges tracked by Bloomberg. Overseas money managers sold a net \$78 million of the nation's shares yesterday. The PSE index fell 1.3 percent at the close in Manila, extending its drop from a May 15 record to 9.7 percent.

The extra yield investors demand to own emerging-market debt over U.S. Treasuries slid three basis points, or 0.03 percentage point, to 300 basis points, according to JPMorgan Chase & Co.'s EMBI Global Diversified Index.

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