

02/02/04: Sir John Templeton's Outlook On Business & The Stock Market

LINDA O'BRYON: Well, when it comes to the legends of the financial world, Sir John Templeton is on that list. He's the creator of some of the world's largest and most successful international investment funds. Now he runs the John Templeton Foundation, which examines the boundaries between theology and science. Recently, Paul Kangas sat down with Sir John at his home in the Bahamas to talk about business and the stock market today.

PAUL KANGAS, NIGHTLY BUSINESS REPORT ANCHOR: Sir John, among your many memorable observations about common sense investing is this one, and I quote. "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." Where in this sequence do you believe the U.S. stock market is now?

SIR JOHN TEMPLETON: In dangerous ground, Paul. Let me put that in slightly different words. Usually god favors the people who try to do good. So when you find that the crowd is desperately trying to sell, help them and buy. When you find that the crowd is over enthusiastically trying to buy, help them and sell. It usually works out.

KANGAS: It certainly has for you over the years, that's for sure. So you don't think the U.S. stock market is particularly attractive right now. Are there foreign markets where you do see value?

TEMPLETON: Not really. This is a period to play safe. Usually there are great differences between markets in different nations and you can find remarkable opportunities somewhere. But more than any time in my 91 years, I find more uniformity and less opportunity by going into different nations or different industries.

KANGAS: What is an investor to do if he's not to be investing anywhere in the world right now? What should he do?

TEMPLETON: Play safe. But you can't play safe by doing nothing. If you take your money out of high priced stocks, you have to put it somewhere. So probably put it into U.S. treasury bonds. But even better than that, maybe a new thing that didn't exist until a few years ago called market neutral funds. These are not usually SEC registered, but there are a dozen or more now where the managers try hard

to be always equally long and short. So it doesn't matter whether the stocks go up or down, you make profit depending on how wise the manager is.

KANGAS: How about China? What are your thoughts on this emerging power?

TEMPLETON: Wonderful. Honest. Delighted to have people more prosperous. My guess is that within as short a period as 20 years China, which has been poor for all centuries, will become the dominant -- well, not the dominant, but the largest gross national product that any nation ever had. So it's something we should all rejoice about, one of the great blessings we don't fully appreciate.

KANGAS: Gold stock stocks have been surging. Does this indicate trouble down the line? And wouldn't they make good investments or do you think that that bull market is over for gold?

TEMPLETON: No one ever knows when the market is over. But the great boom in gold is more than half over. Let's put it more broadly, Paul. All currencies, not only the American dollar but all currencies always go down, mainly because of democracy. The voters will vote for a person who is going to spend too much. And so you have to expect all currencies to go down. And just recently, America has started to spend too much and the currency has already gone down a lot. But other nations now realize that and they don't want to lose out to America. So they make their money go down, too.

KANGAS: The Bush administration has shown little concern over the significant weakness in the U.S. dollar rates recently, especially against the Euro. Do you think that they're doing right by not being concerned?

TEMPLETON: Yes, I do.

KANGAS: But there comes a point, does there not, Sir John, when it becomes a danger?

TEMPLETON: Well, not to America, no. It becomes a danger in the sense that other nations will have to compete. Other nations will have to reduce the value of their money, too. But I don't think it's anywhere near being a danger to America. I don't see how it would cause enough danger to America.

KANGAS: So it is a time for the investor to go for safety?

TEMPLETON: Yes, well, your time horizon there, if we're talking the next two, three, four years, I would certainly advise your audience to play it safe, as we just spoke about.

KANGAS: Sir John Templeton, thank you so much for your time. We really appreciate it at NIGHTLY BUSINESS REPORT.

TEMPLETON: Thank you, Paul.