



## 15 Emerging Markets to Avoid and 1 Red-Hot Contrarian Gold Play

### Description

What looks like Turkey, feels like Turkey, and is starting to act like Turkey, but isn't Turkey? Well, any number of emerging markets right now. Feeling the pinch after the lira's recent slide, a number of key emerging markets are looking like no-go areas at the moment so far as investing goes.

#### Five key similarities to Turkey to look for

The IMF has identified 14 emerging markets similar to Turkey and therefore vulnerable to contagion. In order of similarity, these are Argentina, South Africa, Chile, Hungary, Malaysia, Mexico, Indonesia, Poland, India, Brazil, China, Russia, South Korea, and Thailand. Their similarity to Turkey was calculated using a five-factor index, weighted by: current account balance relative to GDP, government balance relative to GDP, external debt, foreign reserves, and foreign debt.

You'll notice that this list contains all of the BRICS bloc countries: Brazil, Russia, India, China, and South Africa. Is it really a good idea to scale back on investment in countries with currently red-hot economies on a tear, such as India? In fairness, the BRICS nations (with the exception of South Africa) are at the least-vulnerable end of the Turkey-alike scale, but even so, the implications are worrisome.

#### Limiting exposure to risky commodities is a good idea

The electric vehicle (EV) industry is still looking for an alternative to cobalt, and this is something mining investors need to be aware of. A once-niche mining asset, used predominantly in smartphones and other battery-powered gadgets, [cobalt](#) is now one of the most overpriced metals on the market and one of the most hotly contested on investment forums.

But that's set to change. Investors looking to squeeze more upside out of cobalt and lithium can still do so, but be warned: geeks in labs around the world are working to close that window of opportunity. Newer, cheaper batteries are required before the EV boom can happen, and there is determination from many quarters to bring said batteries into existence.

In short, the combination of threatened commodities and potential contagion from a weakened lira may be too much for even risk-loving investors to stomach.

### Is this the best contrarian play ever?

While anyone holding affected stocks in any of the above Turkey-alike emerging markets may want to think about limiting their exposure, one contrarian exception may be **Alacer Gold** (TSX:ASR), one of the most solid pure-play gold stocks you can find on the TSX index.

Why mention this stock here? [Alacer Gold](#) holds an 80% interest in Turkey's Çöpler Gold Mine, with potentially very productive mining interests dotted around the region, and it actually seems to be benefiting from a weakened lira. While lithium and cobalt have their own very specific problems, gold doesn't share them and remains a better option.

Currently discounted by over 50% of its future cash flow value, Alacer Gold is likely suffering somewhat because of its Turkish base. While this is a shame for anyone looking to sell, it creates a tasty value opportunity for everyone else, with a P/E of 9.3 times earnings, PEG of 0.3 times growth, and P/B of 0.7 times book today.

### The bottom line

In terms of public deficit and external debt, countries like South Africa and Argentina are far too similar to Turkey at present, making for a bearish climate in international investment, while the biggest emerging markets — Brazil, Russia, India, and China — may also be at risk. Owners of international funds that are heavily weighted by any of the 15 emerging markets listed above may wish to scale back and replace such stocks with more stable alternatives.

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