

Signs show markets 'on the verge of a bull run'

KUALA LUMPUR: Signs of a bull run are starting to appear with an almost two-month positive run of the stock markets plus better-than-expected economic indicators lending further credence that the global economy is finally on the road to recovery.

However, Capital Dynamics Asset Management Sdn Bhd managing director Tan Teng Boo said there was a divergence between investor sentiment, which was bearish, and economic fundamentals, which were beginning to look more positive.

"I've never seen so much pessimism and that's the reason why I'm so optimistic that the stock markets are on the verge of a bull run," he told a media briefing on iCapital International Value Fund yesterday.

The fund is an open-ended scheme that invests in 42 markets worldwide. It will be managed by Capital Dynamics (Australia) Ltd, a member of the Capital Dynamics group.

Tan said these were exciting times to be bullish and that "bull markets are born from bear markets".

Sentiments would eventually catch up with economic fundamentals, he said. "Banks will start to lend again as they start to notice the positive sentiments."

The current bear market had reached the bottom and that "we're seeing a synchronised V-shaped recovery," he said, adding that based on the most recent economic data, there was no danger of a deflation in the United States.

"A deflation is needed for a depression," Tan said.

Furthermore, he said, initial jobless claims in the United States were nowhere near the levels seen in the Great Depression years from 1929 to 1933. "The jobless claims are now at the same levels as the early 1980s. By year-end, jobless claims will start to come down."

China was the economy to look out for after the United States, he said, adding: "Economists tend to look at China in isolation but it should be seen as the economy that will help lift countries such as Australia, Brazil, Indonesia, Malaysia and South Africa as it expands."

Tan said domestic demand rather than exports was the main driver of growth in China.

"Retail sales adjusted for inflation have been very strong, auto sales in the January-to-March period are ahead of the United States and there is strong demand for decent housing."

On Malaysia, he said the political situation had not been reassuring although the uncertainty had subsided somewhat despite the troubles in Perak and Terengganu.

This would not help investor sentiments and would affect any broad-based bull market such as the one in 1993/1994, he said.

"The current administration faces many obstacles and the jury is still out on where Malaysia stands."

Meanwhile, Tan said the iCapital Value Fund was an investment opportunity for those wanting to hedge on the Australian dollar.

The fund will be launched with an initial price of A\$1 per unit and a minimum investment of A\$20,000 with subsequent investments of A\$2,000. "We're projecting a compounded return of 15% to 20% per annum," he said. The fund will distribute dividend annually on June 30.