

Market rally sustainable, says Capital Dynamics



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KUALA LUMPUR: The current stock market rally seems sustainable as the global economy is heading towards a V-shape recovery, said Capital Dynamics group managing director Tan Teng Boo.

Tan said the current rally was not a short-lived bear market rally and it would be sustained by the spending from cash-rich institutions and fund managers.

“When the economic fundamentals start to improve, these (cash-rich) institutions will realise that if they don’t start investing soon, they will be underperforming the stock markets.

“As always the case, they will panic-buy and this will set the stage for a non-bear market rally,” said Tan.

He said the rally would be further backed by a synchronised V-shaped global economic recovery — a steep decline that hits the bottom and then ascends rapidly.

Tan also noted that investor sentiment had been too negative and ‘divorced’ from the real economic fundamentals.

A firm believer in a China-led decoupling of economies from the US, Tan shrugged off concerns that the Asian market rally would face a correction soon.

“I won’t be surprised to see the KLCI at the 1,400 or 1,500 level in one or two years,” he told reporters at the launching of its Australian unit Capital Dynamics Australia Ltd and its latest fund iCapital International Value Fund.

Tan said the US stock market rally was sustainable, with the S&P 500 estimated to retest the 1,500 level in one to two years.

The KLCI on Monday crossed 1,000 for the first time since Oct 7, 2008, following positive economic indicators from the US and China and a rally in commodities.

“The Malaysian market will be able to leverage on the global economic recovery. However, because of the overhang of the political landscape, we might not get a really broad-based, full-fledged type of bull market we saw in 1993 and 1994,” added Tan.

On its iCapital International Value Fund, Tan said unlike its earlier iCapital Global Fund, the new fund is targeted at retail investors, with a minimum initial investment of A\$20,000 (RM51,965) and subsequent investment of A\$2,000 (RM5,200).



Capital Dynamics Group managing director Tan Teng Boo at the launch of iCapital International Value Fund. Tan says the current market rally is sustainable at it is backed by a V-shaped global economy recovery. Photo by Mohd Izwan Mohd Nazam

He said the open-ended fund's aim was to achieve a compounded return of 15% to 20% per annum, which he described as 'wonderful' compared to any stock market in the world.

The Australian Securities Exchange (ASX) for example, saw a 7% compounded annual return between 1991 and 2008, he added.

Tan said the AUD-denominated fund, to be managed by Capital Dynamics Australia, would invest in 40 stock markets or countries.

He was confident that the fund would appeal to sophisticated retail investors and young families, and those who seek long-term capital appreciation.

Tan said the addition of the Australian entity was in line with Capital Dynamics' regional aspiration after having established units in Malaysia and Singapore.

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