

# Long-term Bursa outlook bright

It will be on stronger footing next year if 3 scenarios turn out to be true, says fund manager

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THE US stock market is probably near its bottom, the crude oil price has reached its temporary peak, while inflation is close to its peak for this cycle.

If all these turn out to be true, Capital Dynamics Asset Management fund manager Tan Teng Boo said the local stock market will be in a more solid footing by next year.

He said from the technical analysis standpoint, the S&P500 index is set to rebound in the next three to six months, while the Dow Jones Industrial Average is soon to hit its bottom.

He also believes that crude oil prices have already reached the temporary peak at US\$145 (RM474) per barrel — a level where consumers and businesses around the world are feeling the genuine pain and beyond which will force the world into a recession.

Under such circumstances, even financial speculators will not chase oil price up too much, too fast because they will risk not being able to clear their position fast enough, he said.

Tan predicts that oil prices will drop in the next three to nine months to around US\$100 (RM327) to US\$110 (RM357.7) per barrel.

His global fund had a month ago sold oil-related stocks, while his local fund has just bought shares of budget carrier AirAsia Bhd to ride on the rebound, he said.

Inflation will also ease if oil prices fall back to a more sustainable level.

Tan said the high inflation the world is seeing now is not due to the sustained increase in wages, which is harder to control, but the sudden surge in commodity prices. Hence, once the commodity prices subside, inflation will also ease.

While the political uncertain-

ties have clouded the domestic market since the March 8 polls, he said investors should look beyond the current political squabbles to focus on the state of the domestic and the global economy.

"It's true that the political landscape is unprecedented and people don't know what will happen. It's then useful to look at the history," he said, pointing to the bull run in the OCBC Index, which tracked the shares of Singapore and Malaysia at that time, from January 1970 to 1973.

"That's the period right after the 1969 racial incident and the share market actually underwent an impressive bull run. That remains one of the strongest bulls in history," Tan said in a media briefing in Kuala Lumpur yesterday.

"For the stock market, what is important is the local economy and the world economy. As long as Malaysia is not facing



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a major political calamity, which I don't expect to see, the long-term outlook for Bursa Malaysia is still optimistic," he added.

Tan also said that many Malaysia companies are performing well, but their share performance is being dragged down by the negative sentiment.

"I am a realist. I think these uncertainties in Malaysia will subside rather than magnify over the longer period. We are pretty sanguine with the global economy, and we believe sentiment will soon change once things get clearer. Once the negative sentiment subsides, shares will rebound," he added.