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Capital Dynamics: Inflation will ease in tandem with oil

KUALA LUMPUR: Capital Dynamics Asset Management Sdn Bhd is optimistic that the current high inflation rate will fall within 12 months on the assumption the oil price drops in six to nine months.

Managing director Tan Teng Boo said once oil price dropped, inflation would subside fast because commodity prices were determined by marginal changes and were always cyclical.

“If the crude oil price drops to US\$100 per barrel, we expect the CPO (crude palm oil) price to follow the downtrend (barring any adverse weather development) and push inflation down, and investors would start looking at upside again on Bursa Malaysia,” he told a media conference in conjunction with iCapital.biz's AGM yesterday.

Capital Dynamics manages iCapital.biz, a closed-end fund.



From left: Capital Dynamics Asset Management Sdn Bhd independent non-executive director David Loo Kean Beng, Capital Dynamics Asset Management Sdn Bhd chairman Tunku Tan Sri Ahmad Tunku Yahaya and Capital Dynamics Asset Management Sdn Bhd managing director Tan Teng Boo speaking to reporters at a media conference on Monday in conjunction with iCapital.biz AGM.

Asked if the crude oil boom was over, Tan said: “The secular boom is still there and the oil price would probably be much higher than now in three to five years.”

He remained optimistic on the local stock market and expected it to perform better next year as the current negative sentiment caused by political uncertainties would likely subside rather than magnify.

According to him, investors should not be too concerned about the performance of stocks over the next six to 12 months as they should look at longer term investment.

“Investors should look at companies with financial strength and focus on management capability to deliver what is promised and the ability to repeat performance,” he said, adding that they should look at specific stocks

rather than sectors.



Tan Teng Boo

On the latest addition to its portfolio, Tan said iCapital.biz bought 1.89 million shares in AirAsia Bhd at an attractive valuation of below RM1 per share.

Additionally, it recently sold down United Malacca Bhd and UMW Holdings Bhd seeing that valuations for the plantation and automobile stocks were no longer attractive.

As at July 25, iCapital.biz's investments totalled RM137.73mil at cost, while total unrealised gains, despite the current decline on Bursa Malaysia, were RM50.9mil. The fund still has RM56.9mil cash available.

As at July 25, iCapital.biz was invested in 18 companies, with Parkson Holdings Bhd, VADS Bhd, Petronas Dagangan Bhd and Fraser & Neave Holdings Bhd topping the list in terms of unrealised profits.

Meanwhile, Tan said Malaysia and many other countries had been decoupled from the US economy.

“Although the US economy has affected some sectors of the local market, it has not affected others, such as palm oil, oil and gas and tourism. It (the US economy) would not drag Malaysia into recession,” he said.

He also noted that the country's engine growth was more balanced now.

“We are able to maintain 5% to 6% gross domestic product growth with no increase in budget deficit at present,” he said.

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