

Economy Strides towards Recovery – Malaysian Stocks have Allowance for 10% Rise

(KL 13th day news) icapital.biz bhd (ICAP, 5108, closed end fund) Managing Director Tan Teng Boo said that the Malaysian economy is already on its way to recovery. The Malaysian stocks can be expected to reach 1250 points. If political conditions stabilize, and if the stock market continues to flourish, he would not exclude the possibility of exceeding the historical peak of 1524.69 points.

He pointed out during the Media Conference that FTSE Bursa Malaysia Index should not be able to reach 1500 points. It can only rise for 5 – 10% from the current level. With corrections, the Malaysian stock is expected to have better performance this year end and the beginning of next year – given better world economy condition, more reforms and more opened governmental regulatory support.

“Having flexible economy schemes is definitely in the right direction. If these schemes can be more rapidly put into actions, the predicted economy recovery will be even more remarkable.”

Protectionist measures becoming an obstacle

However, Tan Teng Boo is worried that government’s protectionist measures will be an obstacle for economy bounce back. If unemployment rate increases, it will trigger pressure on the government. Protectionist measures will be put into act. Fortunately, the probability of this happening has already reduced. Along with the market stabling, it is expected to have bigger improvement in the future.

“Another worry is the early withdrawal of stimulus packages by world’s governments. This will affect the building of market confidence because consumers’ emotions and confidence are very important when it comes to economy recovery.”

At the same time, he said that regardless of this year or next year, Malaysia will not face the risk of inflation. Even when it happens, it will only take place in 2011 or 2012. As for interest rates, it will remain at the current low of 2%, expecting it not to be reduced further.

He pointed out, a V shaped global economy recovery will be led by China. The main catalyst is China’s astounding average growth rate, which would effectively offset the decline in US.

Depending on China and India

“As shown in the economic figures, regardless if it is car sales or property development, China’s growth rate is earlier than predicted. As China constantly push for the concept of urbanization, the rapid development of property market will hold for at least 10 years.”

Tan Teng Boo said that along with the rapid growth of new markets such as China and India, Malaysia should actively tap onto the potential and opportunities presented by these countries. Taking China for example, besides importing large volume of Malaysia production of oil and rubber, it too contributes significantly to the Malaysia tourism and education sectors.