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Local market index may reach 1,250 points by year-end

By FINTAN NG

KUALA LUMPUR: The local stock market benchmark index, FBM KLCI, may rise 5% to 10% from current levels to the 1,250-point level at year-end, assuming the global economic recovery does not slow down and that the local political situation continues to stabilise, a leading local fund manager said.

The FBM KLCI index has risen over 35% since the beginning of the year.

"By the end of this year, another rise of 5% to 10% to the 1,250-point level is very realistic although there will be some corrections along the way," icapital.biz Bhd managing director Tan Teng Boo said at a media briefing yesterday.

icapital.biz is the only listed closed-end fund on Bursa Malaysia.

The local economy's strengths lay in having a current account surplus double that of China's while the international reserves were strong with a nine- or 10 month-buffer, he said, adding that one of the factors that could erode confidence was if governments withdrew stimulus packages that might have been implemented too soon.

"This will forestall further recovery as the stimulus packages are as much for boosting confidence as for supporting consumption growth," Tan said.

On the reform and liberalisation measures already announced by the current administration, he said there had to be political will to see through the reforms.

"Don't look at short-term political gains but long-term growth," he advised.

Tan said inflation would not be a risk this year or next, resulting in low interest rates, but it could rise in 2011 or 2012.

Economic growth in China and India, still largely untapped as both countries have vast under-developed interiors, would benefit countries in the Asia-Pacific region and offset any slowdown in demand from the US, according to Tan.

"China's growth will influence an economic bloc comprising countries in South-East Asia, Australia, Brazil and Canada with a combined economy of US$47 trillion which is about the same size as the US," he noted, adding that the underlying rate of growth was important and that China and India would have higher compounded annual rates of growth compared to the US, EU or Japan.

"From an Asian perspective, US consumers make up US$9 trillion in demand compared to China's US$2 trillion but the rate of growth in China is 15% while that in the US is 3%," he said.

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