

Capital Dynamics bullish on stocks

By **OH BOON PING**

BOUTIQUE fund manager Capital Dynamics (S), which has US\$300 million of managed assets, reckons the Singapore stock market may shoot up as much as 40 per cent next year.

At a news briefing this week, its fund manager Tan Teng Boo said the region-wide gains in stock prices are not bear market rallies but indications of an improved corporate environment and a "long boom" in China. Specifically, medium-term growth could come from higher investment spending as inventories are now at an all-time low.

He sees companies raising their investments, while household spending – largely dependent on personal disposable income rather than property prices – holds steady. Already, "the US ISM Manufacturing Index has shown signs of recovery and job losses are coming down," he said. Tell-tale signs of a V-shape recovery can also be seen in sequential changes in GDP growth in South Korea, China and Singapore. "So we believe that a bull market is well under way and this run could last for three to four years."

Longer-term, Mr Tan sees a boom in China, not just because of its export-driven economy but also the rise of the consumer spending there. For example, car sales in China exceeded those in the US in the first nine months of 2009, and the retail sales index is on an uptrend. China's industrialisation has fuelled demand for resources worldwide, to the benefit of countries such as Australia and Brazil, Mr Tan said.

For the first nine months of this year, Capital Dynamics' iCapital global fund posted a return of 63.92 per cent, compared with the 22.47 per cent return from the MSCI World Index over the same period.