

# i-VCAP sees stock market recovery in second half

i-VCAP Management expects Malaysia's stock market to hit the bottom of the downcycle in the first half of 2009 and tips plantation stocks to gain on an expected recovery in crude palm oil prices.

"My view is in the first half of this year we probably will see the worst of the stock market, and into the second half of this year, I believe the stock market will start to perform," said i-VCAP chief executive officer Zainal Izlan Zainal Abidin.

Malaysian stocks have gained 0.33 per cent so far this year after a 39 per cent drop in 2008. Regional peers have performed worse, with Singapore dropping 2.82 per cent and Thailand down 10.03 per cent.

Economic growth this year is expected to slow to 3.5 per cent in the grip of the global economic downturn, after an estimated 5 per cent growth in 2008, the government says.

Many private economists are more pessimistic. Brokerage CLSA, for example, is looking at a contraction of 1.2 per cent.

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i-VCAP is a wholly-owned subsidiary of state fund manager Valuecap. The firm manages My-



Zainal Izlan, CEO i-VCAP

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ETF Dow Jones Islamic Market Malaysia Titans 25, a syariah-compliant exchange traded fund with a net asset value of about US\$150 million (RM541.5 million).

Izlan said plantation stocks, a big component of the benchmark stock index, are likely to perform better in the second half of the year as CPO prices rebound from their recent lows.

Domestic demand from big consuming countries such as India and China could drive up CPO prices to around RM2,500 per tonne over the next six to nine months, he said.

Benchmark CPO is currently

trading around RM1,800 per tonne.

"It may not be as strong as before, but domestic demand from these countries is still there. We could see some recovery in CPO prices which will then contribute towards performance of the plantation sector," said Izlan.

Shares in top Malaysian planter Sime Darby have gained 3.85 per cent this year and second-ranked IOI Corp is up 10.11 per cent.

Elsewhere, Izlan said Malaysian oil-and-gas companies have been hit by falling crude oil prices as new exploration activities slow.

But companies with a more diversified business model, such as KNM, Dialog and Kencana Petroleum, would fare better.

"Not all Malaysian oil-and-gas companies are providing support directly for exploration activities, some of them are providing other services such as maintenance and equipment upgrading," said Izlan.

"So to some extent they are affected by lower exploration activities but this is partly offset by the fact that most of their services are required regardless of the level of exploration activities," he added.

— Reuters