

Economic factors outweigh political uncertainties, says icapital.biz

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KUALA LUMPUR: As long as a country gets its economic policies right, political uncertainties would not necessarily affect the performance of the stock market, said Tan Teng Boo of Malaysia's only listed closed-end fund icapital.biz Bhd.

Speaking during a media conference after the company's AGM and investor day held on Saturday, Tan said Thailand is an example where economic policies outweigh political uncertainties. The situation here is more worrisome than other countries in Asean and yet the economy and stock market have been able to perform well.

"Political development and stock market performance do not always go hand-in-hand," he said, adding that Thailand has been able to attract foreign direct investments, particularly from Japan.

"For stock market investors, between political and economic factors, the more crucial variable will be economic performance. But if there is a total political breakdown leading to major disruptions to economic sectors, then the stock market will be affected," he said.

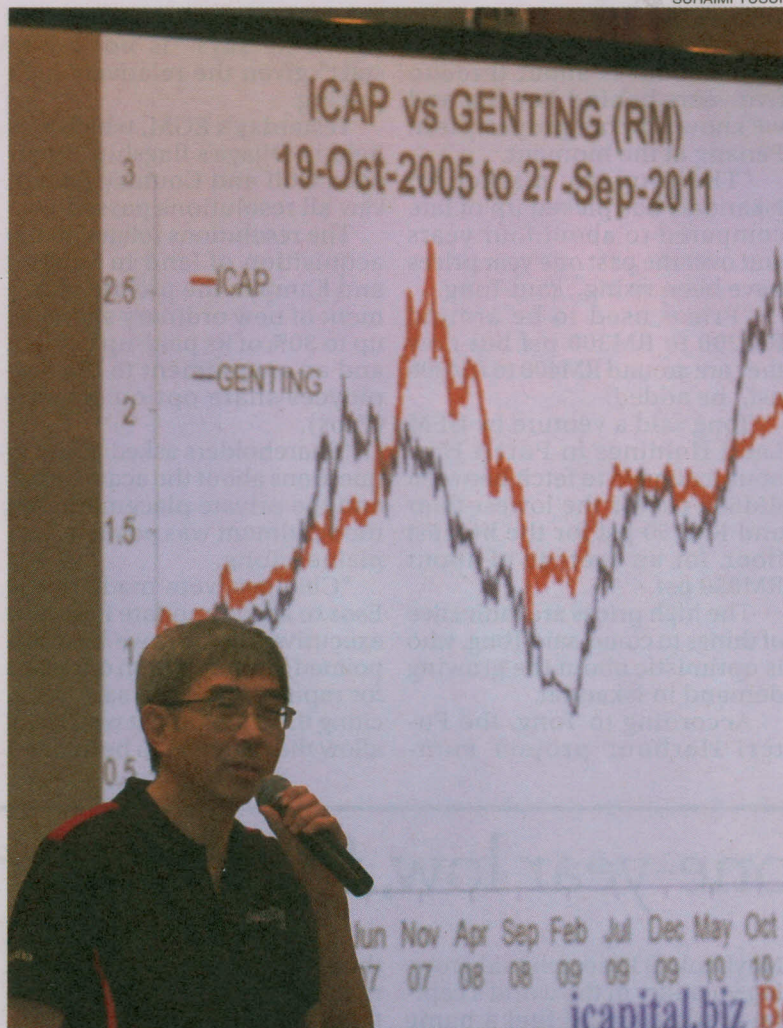
On the potential of Asean as a regional investment block, Tan said the region is overlooked, undervalued and undiscovered.

"Asean has a large population and a variety of stocks ranging from coal mining to plantations and airlines. We have been excited about Asean and would like to get an Asean fund listed on the Australian stock exchange," he said.

He cited Indonesia as prominent among the Asean economies in which the country's budget deficit as a percentage of GDP is among the lowest in the world and the only emerging economy whose government is able to bring down the inflation rate.

"Even in 2009, when the whole global economy was hit, Indonesia's GDP was about 4½% and budget deficit was only 1½%," he said.

Since the election of President Susilo Bambang Yudhoyono as president in 2004, Indonesia has



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enjoyed political stability with a huge amount of foreign inflow of funds on the back of economic reforms. Susilo's two-term presidency ends in 2014 and his replacement is being closely watched by investors.

Tan said if Indonesia's next president is as good as Susilo, all the republic needs is another five to seven years of political stability and economic growth.

"Then Indonesia's development cannot be reversed anymore. It will be a powerhouse in Southeast Asia," said Tan.

Other countries in Asean whose huge potential has yet to be unleashed are Malaysia and the Phil-

ippines. Tan said the government's initiatives to reform the economy are good as they provide a glimmer of hope to investors and should be supported.

He said the Philippines under its new president has been able to clean up corruption and inefficiencies. The country is another sleeping giant that is rich in commodities and natural resources.

On the global outlook, Tan said after what has happened so far in 2011, the next 12 to 18 months will be equally troublesome for the global economy and markets. He added that Malaysia's economy will not be spared following the rest of the global economy.