

Small fund owner sees strong NYSE rebound by end '08

Capital Dynamics' Tan says Buffett, Stephen Roach, GIC exec got it wrong

By **SIOW LI SEN**

LEGENDARY billionaire investor Warren Buffett has got it wrong. So has Morgan Stanley Asia chairman Stephen Roach and GIC group investment officer Ng Kok Song, says Tan Teng Boo, the owner of small fund company Capital Dynamics.

The US is not in recession. Its severe housing problems will come to an end soon. And by year-end, there will be a strong recovery on the New York Stock Exchange, says Mr Tan, who reckons the global economy decoupled from the US as far back as five years ago.

These beliefs, which he espoused at a news confer-

ence yesterday, contradict statements by some of the most respected fund managers and investors around.

But Mr Tan, a Malaysian who began his fund management business in 1989, believes that China and its demand for goods from the rest of the world has sparked a global boom that can last decades.

He also says that many people are focusing only on the financial fallout from America's housing problems, and are failing to see other aspects of the US economy which are doing well.

"There is so much pessimism, confusion and noise with regard to the US economy that one needs to look at the current conditions in an objective manner," said Mr Tan.

"Warren Buffett said on CNBC that carpets and furniture are not selling. But if

you talk to Boeing workers, business has never been better."

He also noted that while stocks such as Google, Microsoft and GE have been doing badly, Intel, IBM and Johnson & Johnson are trading at near or record levels and these companies have large overseas markets. In the 2001 recession, US exports tumbled. But US exports are surging now, thanks to China.

Another statistic on why Mr Tan does not see a recession in the US is job losses, which in 2001 were three times more than the present monthly rate of employment contraction.

He notes that three estimates of the US GDP growth for the first quarter of 2008 were revised upwards.

"One of the main reasons for this is the fact that US exports have been a



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Mr Tan: *He says that many people are failing to see other aspects of the US economy which are doing well*

strong contributor to US economic growth," he said. "As US residential investment slumped, US exports – or rather the strong global economy – came to the rescue of the US economy."

US housing starts have fallen for the past three years, while in the same period, the population has grown 7 million, he said. The upshot, according to him, will be that the US housing sector will begin recovering next year.

Farmland prices have risen some 19 per cent per year the past five years, and farmers have in some places been buying properties whose prices have collapsed, he said.

Mr Tan launched the iCapital Global Fund in 2006 here with a minimum investment of US\$200,000. Its current size is US\$40 million, and he says total assets under management by him are US\$250 million.