

Business Times

Stocks rally may not be sustainable: Prudential

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PRUDENTIAL Asset Management, which manages US\$19 billion (RM69.35 billion) of life insurance money in the region, said the recent share market rally may not sustain because real recovery after a banking crisis will take years.

Corporate earnings may not recover to trend for a few years, said Kelvin Blacklock, chief investment officer of global asset allocation. "Historically, financial crisis take a long time to work through and are very painful," he said. "Based on experience, 2009 is likely to be a year of further pain rather than recovery. "Equity is getting ahead of themselves. We are quite sceptical that this can be sustained. It's probably a bear market rally," Blacklock told reporters in a briefing in Kuala Lumpur yesterday.

At present, the fund is only 10 per cent invested in stocks, mainly Russia and Turkey shares which he said are cheap and may offer the best returns. It is holding another 30 per cent in bonds, mostly US credit and the rest is in cash. "Maybe we've lost some opportunity (in the current rally), but I'm willing to be patient and hopefully we could buy more cheap stocks later," he said.

There are still some "big picture" concerns, he said. Financial confidence and final consumer demand are two key aspects that must improve to make recovery possible. "Our concern is that policy measures are still not enough to address the essential issue, which is to recapitalise the insolvent banks," Blacklock said. If policy makers do not stabilise demand and solve the banking crisis by carving out bad assets from lenders and recapitalise the insolvent banks, then there may be a secondary downturn in growth, profits and share prices, he said.

"That means the current stabilisation in economies may not be sustainable and further macro deterioration could take equity valuations back to recent lows," he added.

Moreover, the US consumers, who are a major source of final demand in the world economy, are still suffering. "This leaves global final demand vulnerable and suggests it is too early to expect a sustainable recovery yet," Blacklock said.

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P&O wants to talk to Prudential

2010/08/03

PACIFIC & Orient Bhd (P&O) has asked for Bank Negara Malaysia permission to talk to Prudential Holdings Ltd about the sale of a stake in its insurance arm but the nod is still pending. P&O plans to sell a stake in Pacific & Orient Insurance Co Bhd to the British insurer. Talks will only start once central bank approval is given, it told Bursa Malaysia.

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Business Times

P&O said to get nod to talk to Prudential

2010/08/12

Malaysia's central bank has given the nod for Prudential Holdings Ltd (P&O) to begin talks to buy a stake in insurer Pacific & Orient, a source with direct knowledge of the deal said on today.

Prudential Holdings, a subsidiary of Prudential PLC, is the latest foreign insurer keen to enter Malaysia's growing insurance market.

"Pacific & Orient received the approval by fax (Wednesday) yesterday morning, but there have been no discussions about a price yet," the source said, asking not to be identified as the approval had not been made public.

Pacific & Orient shares were up 17 per cent to RM1.24 by 0847 GMT.

Pacific & Orient declined to comment while Prudential's Malaysian officials were not immediately available.

Pacific & Orient had said this month it asked the central bank for approval to begin preliminary talks for the potential divestment of an equity interest in Pacific & Orient Insurance to Prudential.

The news follows Malaysia's Hong Leong Financial Group announcement in June it would merge its non-life insurance business with Japan's Mitsui Sumitomo Insurance Co and sell a stake in its life business in deals worth about US\$480 million.

Analysts have said Prudential may be changing its approach to penetrating the Asian market after its failed bid for AIG's Asian unit.

Prudential now holds a composite license in Malaysia that covers both the life and general insurance businesses. - Bernama

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