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# CAPITAL



CAA INTERNATIONAL  
 COCOA CONFERENCE  
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 3-4 OCTOBER 2017  
 SINGAPORE

## JIM ROGERS: OIL PRICE BOTTOMING OUT

The veteran investor says the price of oil could return to around US\$30 per barrel and eventually reach a bottom. He also gives his views on Malaysia and the region, in an exclusive interview with Billy Toh, on [Page 48](#).



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# More bullish on Asia

BY BILLY TOH

The oil market is in the process of reaching its “complicated bottom” as oil reserves globally — except for those from fracking — continue to decline, according to Jim Rogers, co-founder of Quantum Fund.

“We are going to look back one day, a couple of years from now, and say that in 2015, 2016, 2017 and maybe even 2018, oil made its bottom.

“I don’t know what the absolute bottom will be but oil reserves around the world continue to decline, except for fracking. But after it makes its bottom, prices will go higher for a while,” Rogers tells *The Edge* in an exclusive interview, during the CAA International Cocoa Conference 2017 organised by the Cocoa Association of Asia in Singapore.

He does not rule out the possibility of oil returning to around US\$30 per barrel and eventually bottoming out. Recall that oil price fell to a five-year low of US\$27.88 per barrel last year but saw a steady climb to US\$55.74 a barrel recently.

The American investor, who is now based in Singapore, says he moved his family from New York to Asia because of the better growth opportunities in the region.

“I’m more bullish on Asia than the rest of the world, partly because Asia is more depressed than the rest of world and partly because Asia has a better future than the rest of the world. Money printed in the West is going to flow into Asia. I own more Asian stocks than I do American stocks,” he remarks.

According to Rogers, the 21st century will be a period for China and Asia, with the high savings rate in the region being the key.

“There’s a very high savings rate in Asia. In America, we save and invest 2% of our income. The Chinese [save and invest] 30% [of their income]. Most Asians save and invest and they have a vibrant economy. You need to have savings to invest. You have to



From left: Poelma, Singapore Management University vice-president Annie Koh, Rogers, Cargill Asia Pacific CEO Peter Van Deursen, Barry Callebaut Asia Pacific president Ben De Schryver and Von Alm Pte Ltd CEO Gerald Abwerzger

build capital to have a vibrant economy.”

However, Rogers cautions that the world, including China and Asia, could see the worst financial crisis in our lifetime in the next few years and it will last longer than any bear market the world has seen so far.

“When interest rates go higher, it’s going to cause a lot of problems in the world — make the US dollar go higher and other currencies go down for a while. Anybody with US [dollar] debt is going to suffer,” he says, referring to the rising interest rate environment globally.

“Everybody will be affected in the next bear market. It’s going to be much longer. The problem next time around is going to

be the worst in our lifetime because there is so much debt everywhere in the world.”

Rogers points out that in the last decade, major central banks around the world have printed a large amount of money and have had the lowest interest rates seen in history. Now that the cycle is beginning to turn, there will be a dramatic and frightening impact on markets, he says.

According to Rogers, the global financial crisis in 2009 was partly caused by the high level of debt then, but the debt level today is much higher. The balance sheet of the US Federal Reserve has grown by over five times since 2008.

“For China, in 2008, the country had saved a lot of money for a rainy day. It started raining and they began to spend. Now, even the Chinese have debt and it is much higher.

“When the problems come, there are going to be companies in China that suffer, which is going to surprise people because most people think China is invincible. It’s not invincible. When the problem comes, you’re going to see bankruptcies in China. It’s going to frighten a lot of people, including me, but there will also be a lot of opportunities.”

## Will Malaysia be a ‘Canada’ or ‘Mexico’?

For Malaysia, Rogers sees opportunities in the agricultural sector. He expects the country to benefit from the rise of China — similar to how Canada has benefited from being a neighbour to a rich country like the US.

“A good example is Canada, with a population of about 30 million people. It is an extremely successful country because of its neighbour. With a gigantic prosperous neighbour like China, countries such as Malaysia, Indonesia and the Philippines will benefit if they play to their competitive advantage,” he says.

However, Mexico — which also neighbours the US — has not been doing well because the country is not well run, Rogers remarks.

“If Malaysia, or any other countries for that matter, if they are well managed, they will do well. Singapore was a disaster 60

years ago but it was well managed and then, it became successful. Will it be successful 60 years from now? I don’t know but certainly over the last 60 years, it has been very well managed.”

Rogers says Malaysia has not been “so well managed” over the past several years, as reflected by its slower economic growth compared with countries such as South Korea. The latter has gone on to become one of the 10 largest economies in the world.

“I suspect that, for whatever reason, Malaysia has not been so well managed. It’s a shame because there are a lot there [in the country]. There are smart people, a lot of resources, it hasn’t been a huge debtor ... but for whatever reason, Malaysia has not been as well managed,” he adds.

With the increasing competition from neighbouring countries in Asean, there is a need for Malaysia to get back on track, and Rogers believes that an economy that is open and that treats everyone equally will help the country.

Rogers had co-founded Quantum Fund with George Soros. The fund gained 4,200% between 1970 and 1980. By comparison, the S&P 500 Index grew 47% during the same period.

## The cocoa squeeze

During the conference, it was highlighted that Malaysia was once one of the leading global producers of cocoa beans, before the planting of oil palm was given more prominence. The country has seen a decline in the production of cocoa.

Harold Poelma, president of Cargill’s global cocoa and chocolate activities, said in his opening remarks that a similar trend can be seen across Asia — the region recently turned into a net importer of cocoa beans. Currently, there is an increase in the flow of beans from Africa to Asia as consumer consumption in the region is increasing.

Asia has seen a strong growth in demand for cocoa products — more than double the growth seen in Europe and America, he added.

According to Poelma, if farmers do not receive sufficient earnings from their cocoa plantations, production is going to decline further.

Cathy Pieters — who leads Cocoa Life, Mondelez International’s sustainable cocoa programme — concurred, saying it is crucial to increase the resilience of cocoa farmers, especially in terms of their earnings.

She explained that one of the ways to improve the sustainability of cocoa production is through education.

“[According to the] Wave 1 report for the 2015 cohort of Cocoa Life farmers in Indonesia ... cocoa farmers [saw an increase in income], driven partially by the increase in yields and alternative-income livelihood. This helps to create better resilience for cocoa as farmers can diversify into other crops on their farms to generate an income stream,” said Pieters. **E**

**The Edge is the official media partner for the CAA International Cocoa Conference 2017**



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