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Insight - Market analyst sees downturn only lasting one more month

Shanghai. March 20. INTERFAX-CHINA- Well known Asian market analyst, David Bensimon, told Interfax that he predicts the current market downturn which started in October "will last one more month". He said: "We are still in a consolidation zone, a choppy area, but following this period we should see strong growth over the next 5 years, especially in the Asia Pacific region." According to Bensimon, the Shanghai index should dip further to 3,500 but could fall as much as 20 percent from current levels to reach the important support level at 3,000. He adds that the key target zone for Hang Seng is 19,000-20,000.

Bensimon is a former senior interbank trader who now advises institutional investors via his company Polar Pacific, and also manages the Polarcap Prosperity investment fund.

For the last 10 years, Bensimon has been developing his own forecasting methodology combining fundamental and technical analyses. His approach to determining key turning points includes examining very long term trends, and uses mathematical equations to uncannily predict market movements in both price and time. Throughout this decade he has called some major turns in advance with remarkable accuracy. "Markets are non-random, they display strong symmetry and proportionality. The key is to catch the rhythm," Bensimon said. At the root of his system is the natural ratio of 1.618, which effectively serves as the building block for price growth and cyclic behavior in financial markets.

According to his long term historical analyses, global markets are in the midst of a multi-decade upswing, led by supply and demand from China, Russia, India and South America. "This is demand that did not exist before, this is 3 billion people with rising income, and the sheer size of demand will only get larger; world markets are no longer entirely dependent on the U.S. and EU," Bensimon said. He adds that combined with the inexorable rise in total demand for resources, the supply side also has tightness, with bottlenecks in some energy and metals sectors resulting in higher prices. "Fundamentally, we are in a prosperity-driven inflationary era."

Bensimon said that an important benefit of his long-term approach is that "you can see how targets 5 to 10 years ahead fit into the larger structure, and thus when in the midst of a sharp temporary decline like now, you can be comfortable about the scale and duration of the correction and confident that the main uptrend will resume from a particular juncture. For instance, the S&P500 has a dominant 80 year cycle related to major wars, after which the decks are cleared for a multi-generation era of growth and prosperity. Within this main cycle are 40 year and 20 year sub-cycles. By his calculation, the last 20-year low was 2002, and the US market is now in the midst of a 10-year climb to 2012 - with an extension for Asia to 2016."

Bensimon notes that at the last big bottom in early 2003, Hong Kong and Singapore indices printed higher highs than they did in 1998. This was a bullish divergence with the situation for U.S. indices, which reached lower levels in 2003 than they had in 1998 - thus correctly signaling out-performance for Asia over the next 5 years, as Hang Seng increased in value four-fold while S&P500 only doubled in value.

In the current situation, Bensimon observes that on a relative basis Asian markets are again delivering a signal for out-performance, and he expects Hang Seng to grow five-fold from 20,000 to 100,000 over the next five years while S&P only triples in value to 3600 in 2012.

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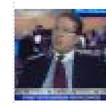

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Bensimon is very bullish on Shanghai as well as Hong Kong. He said: "Australia will do well, too, but they are only a supplier of resources to the center of prosperity, and it is even better to be at the front end in China." His view is that all three of these markets will offer extra benefits for American investors from currency gains against the US Dollar.

The current credit crisis and economic slowdown in the United States does not shake Bensimon's belief in longer term prospects for growth. "Ten years ago, if the US suffered a slowdown the world would feel the effect, but now the problem is less significant - financial markets may move in sympathy as liquidity concerns affect global valuations and indices give back 20-30 percent, but this is normal. When you look at the bigger picture of real economic activity, the fundamentals in Asia are strong, and intra-Asian trade and demand is picking up the slack from US consumers."

For commodities, Bensimon sees a strong market for gold through to 2014. In 2001 he advised his clients to "get long and stay long for a 13 year climb." Along the way, he very precisely and publicly called a 25 percent pullback in May 2006 from 732 to 546. He told *Interfax* that the next significant junctures will be at 1220 in April 2009 and then 2100 in 2011 which should produce another 25 percent drop before a surge to 2600 in 2014. Near term, his latest monthly report to institutional clients highlighted a push up to 1030 and then short-term profit-taking. The high on Nymex futures this week was 1034 and the market has already dropped back nearly 8 percent to 952.

Despite his favorable outlook for gold over the coming years, Bensimon notes that silver will outperform gold due to very strong supply/demand fundamentals. Copper will also advance strongly after it breaks above 4.00 later this year.

For oil Bensimon correctly called the jump from 50 to 100 during 2007 in public forecasts and sees the price reaching a high next quarter at $126. He says "The interesting story will be what happens at $126 - people will be talking about $200 per barrel of oil, but $126 is a juncture with significant resistance, and I expect oil to fall back about 30 percent to $85 during 2009-2010." He adds that this decline may come as a surprise to many, but the interesting effect will be to power equity markets higher. His reasoning is that global companies selling oil-based consumer products and service providers, like airlines which raise prices when the cost of oil rises, will have pricing power in a global economic recovery to maintain their selling prices, and thus reductions in the cost of oil will translate directly to greater profitability and hence much higher equity values.

In the currency markets Bensimon sees another 50 percent decline in the U.S. dollar, even losing its battle with the Japanese yen. "It will be in China's interests to allow the RMB to migrate to 6 yuan to the dollar, as imports are now a significant issue and most commodities it wants to buy are priced in U.S. dollars." Similarly Bensimon sees a strong Hong Kong dollar, Sterling and Euro, as well as gains for resource-based Canadian and Australian dollars. "The Aussie and Kiwi dollars also stand to benefit from high interest rates," he said.

He see the real estate market in Hong Kong as particularly attractive, with current average levels still close to the levels a decade ago, negative real borrowing costs, and potential for currency gains for foreigners with an eventual de-pegging of the HK dollar by next year.

"When you look at the bigger picture fundamentals are strong, and we are experiencing a corrective period at the moment," Bensimon said.

Bensimon's website is www.polarpacific.com.

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