



## Montanaro: bear market to linger until June

By [Philip Haddon](#) | 07:01:00 | 06 April 2009

Citywire A-rated European small cap manager [Charles Montanaro](#) thinks the bear market will persist until June, but at the moment his screening models are urging him to buy.

The London-based manager of the [Montanaro European Smaller Companies](#) fund, and two investment trusts, told Citywire:

'We have long argued that this bear market would last for at least two years which takes us to June 2009. In all probability markets will trend sideways for a while as confidence gradually returns. But four of our five internal models are in BUY territory which suggests that, although we do not rule out a test of the November lows, investors should gradually increase exposure to European smallcaps in the second half of this year.'

Speaking just after the London G20 summit announced its \$1 trillion plan, Montanaro remained sceptical about its impact, but he did take some positives from the summit. For example, he thinks Obama's success in brokering a deal between France and China was an important step to 'help underpin confidence in global cooperation' in the future. He was also encouraged by the apparent push to fight protectionism and describes the \$750 billion pledged to the IMF as 'very positive



news.'

'For the EU in particular this may mitigate the potential headache of having to deal with the bailout of Eastern European countries,' he said.

Although there are reasons to be positive about the results of the meeting, he is remaining cautious about its impact overall.

'Despite the eye-watering sum there are reasons to remain cautious on its impact,' he said. 'No fresh fiscal stimulus money was indeed committed, contrary to what the US, Japan and the UK were calling for. The IMF's enlarged balance sheet is a guarantee that troubled countries can be bailed out, but it doesn't guarantee that \$750bn of new money will find its way into the global economy where it would have maximum impact. It's also worth remembering that, even in the event of a bailout, IMF money is often slow to be paid out.'

Montanaro, who is [ranked 12/67 in the European small and mid cap sector](#) over five years, also thinks the issue of how to fix the global financial system was not addressed, which is a 'pre-requisite before economic growth can return.'

'National governments, central banks and regulators thus remain in the driving seat to steer the world economy back on track. Overall, the important point is that the G20 did not disappoint the market. Expectations had been properly managed and the absence of fresh stimulus money had already been priced in by the market.'