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AVOID EXCESSIVE SPECULATION, PM REMINDS STOCK INVESTORS

KUALA LUMPUR, June 20^{1 ap} (Bernama) -- Datuk Seri Dr Mahathir Mohamad today reminded stock investors to avoid excessive speculation and instead base their investments on fundamentals. (r)

The Prime Minister said investors should not be misled by rumours and so-called tips.

Investors should take the effort to know more about the company he is investing in, he said when opening an international conference here on Asian capital markets.

"Although, it is true that in a speculative market, one can make handsome capital gains if one picks on the right counter, the question is how often can one do so?" he asked.

The Prime Minister had late last year warned against speculating in the stock market. Fueled by rife speculation, the Kuala Lumpur Stock Exchange experienced a super bull run last year with daily volume of as high as one billion units.

"It is incredible that even experienced investors can fall for the same rumour over and over again despite the rumours proving baseless as many times", he added.

He said more concerted efforts were needed to educate the investing public on stock market fundamentals towards developing a healthy local bourse which could provide ample capital for commercial development in the country.

Dr Mahathir congratulated the Kuala Lumpur Stock Exchange for producing the annual companies handbook in Bahasa Malaysia.

Earlier, he said the stock market was often a barometer of the economic health of a nation.

He said countries in Asia should establish links or alliances to draw upon the wealth of capabilities and experience in the region.

Strategic alliances for regional cooperation among capital markets could pave the route towards standardising regulations and developing their respective capital markets, he added.

One impetus to Asia's capital markets, said Dr Mahathir, should be the financing of infrastructure projects through equity or loans.

An estimated US\$1 trillion investment would be required over the next six years to overcome serious infrastructure bottlenecks, he said.

He said the strong privatisation thrust in Asia would continue to fuel the development of capital markets.

Forty projects had been identified for privatisation in Malaysia this year, he said adding that they included water supply and power generation.

A key factor in ensuring a successful privatisation programme was a fairly well-developed private sector and private capital, he said.

As for the private debt securities market which was largely undeveloped in Asia, Dr Mahathir said the contribution of debt securities to total funds raised in the capital market rose from 3.4 percent in 1987 to 22.6 percent in 1992.

By May 1994, this amount went up to 28 percent, he said but added that this was still below the international level where bonds accounted for more than half of the total international capital flows.

On regulation of the stock market, he said, "stocks markets by nature cannot be totally free of supervision. They have to be regulated, then there cannot be the rapid responses to various factors which affect prices and contribute to active trading."

"If every transaction has to be scrutinised by the supervising agencies then, trading will cease almost completely. Effectively there will be no market."

On the other hand, he said that without supervision, all kinds of unhealthy practices will take place. "In the end if unhealthy practices are not checked, then there will be a loss of investor confidence. If things are really bad, then again the stock market will grind to a halt."

No one has really found the right measure of freedom and supervision, Dr Mahathir said.

Efforts were in the meantime being focussed on achieving sustainable economic growth in the region and transforming Asia's capital markets into global financial markets, he added.

"For Asia, the 1990s promise to be the era of securities, that is, of stocks, bonds and financial instruments," he said.

He said the region's long term prospects would be driven by demand for infrastructure expansion, continued privatisation of governmental functions and demand for international capital flows.

The two-day conference on Asian Capital Markets: Growth Frontiers is organised by the KLSI and Asian Securities Institute. -- Bernama