

31/08/1997

Dr M: KLSE likely to recover within a week

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KUALA LUMPUR, Sat. - Datuk Seri Dr Mahathir Mohamad expects the Kuala Lumpur Stock Exchange to recover within a week.

"It will take a bit of time," the Prime Minister told reporters today after opening the 44th MCA annual general assembly.

Asked why it was still sluggish despite various measures introduced by the Government, he said: "They are angry and are dumping shares. They say they want to get out of the market, so there are shares available. But this time, it will be real scrip, not imaginary shares."

Dr Mahathir had on Thursday announced that local funds would enter the market which had fallen after concerted moves by manipulators abusing regulated short-selling to depress prices.

The funds were Permodalan Nasional Bhd and the Employees' Provident Fund. Dealers also believed the Pensions Fund, the Armed Forces Trust Fund and the Pilgrims Management and Fund Board entered the market yesterday.

Dr Mahathir said the KLSE would recover as the manipulators would not have any more shares to sell.

He said previously, they did not deal in real shares but those which they had access to or borrowed from banks and brokers.

"That is what they have been doing all the time," he said. "They sell shares that they did not own...and they sell them two or three times a day, pushing the prices lower and lower."

Dr Mahathir said the Government believed in speculation, even short-selling, "but it must be speculative. This means you do not know the movement of the shares. You can only guess, but cannot influence prices. But when one comes in with huge funds, one can determine if prices go up or down.

"By selling huge amounts of the shares, you know the prices will go down before buying them again."

Dr Mahathir said these investors with their huge funds were able to manipulate the market by determining share prices.

It was on this basis that PNB and EPF were previously barred by the Government from entering the market in a big way as there were fears of manipulation.

Dr Mahathir said the KLSE market capitalisation was reduced by RM400 billion due to manipulation but conceded that it could be higher.

"This is not affecting the nation's reserve, but the fact is that people are losing money. These manipulators are making money out of the poor investors.

"I will not be surprised if some who lost money were to commit suicide."

Dismissing the notion that the EPF's entry into the stock market would affect dividends paid out to contributors, Dr Mahathir said prices of the shares it bought were expected to go up.

Commenting on the statement by the International Monetary Fund that it had told the Government to slow down its projects, Dr Mahathir said the IMF was only interested in proving its prediction that Malaysia ought to slow down, even to the extent of subverting the economy.

"This is what they have been saying all the time. Because we did not slow down, they are happy that foreign investors' action have shown they are right."

Confident of eight per cent economic growth this year, Dr Mahathir however said it would be measured in ringgit and not foreign currency or

per capita income terms.

"Foreign countries will also pay the price as they cannot sell their products as much as before," he said.

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