

15 AUG 1997

Mahathir-Exchange

FLEX YOUR MUSCLES AND DOMINATE KLSE, PM TELLS LOCAL INVESTORS

KUALA LUMPUR, Aug 15 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad tonight asked local investors and fund managers, whom he described as mere followers of trading on the Kuala Lumpur Stock Exchange (KLSE), to start flexing their muscles and dominate the exchange now largely influenced by foreign funds.

He said it was unfortunate that managers of local funds were not the movers on the KLSE but were mere followers who responded to the market indices rather than influenced them.

" A good stock market should be open to but not dependent upon investments by foreign fund managers. While their activities may boost prices, they can quite deliberately cause a collapse of the market," he said when opening the RM150-million Exchange Square, the new KLSE building at Bukit Kewangan off Jalan Raja Chulan here.

Dr Mahathir said foreign fund managers were mainly interested in capital gains because even in their own country's stock exchanges, they invested with this intention.

" The difference is that their profit taking in other countries results in a massive outflow of funds and a depression of the indices," he said.

The Prime Minister also disagreed with views that stock market indices reflected the state of the country's economy.

Saying that the relationship between stock market indices and the economy had changed somewhat, Dr Mahathir pointed out that the indices no longer reflected the state of the economy.

"They merely indicate the state of the market. This is because investments are less often made on the basis of economic fundamentals but more on the performance of the indices themselves," he said.

He said it was a well-known fact that the performance of the indices was now largely subject to the manipulation and strategies of the big investors.

" One may say that it is a case of the tail wagging the dog," he said.

He said the government would continue to welcome foreign investors, but the local investors should flex their muscles and dominate the stock exchange if the economy was to remain healthy.

" Unless they cushion the effect of foreign funds investments, we will continue to see a roller coaster of an index. This of course will be good for some but generally will not be good for the country," said Dr Mahathir.

The Prime Minister said: " We are seeing all these happening to our financial and stock markets lately. Some insist that there is a conspiracy. But whether there is a conspiracy or not, the fact is we are seeing what our critics have been predicting all along -- a decline in Malaysia's economic indices".

" That the indices have been due to their own manipulation does not bother them. They are happy because they have made their prophecy come true," he said.

Dr Mahathir said despite the recent volatility in the foreign exchange markets and developments in the capital market, the Malaysian economy remained fundamentally strong, reflecting its resilience.

The economic growth remains on track in the region of 8.2 per cent for the first quarter of this year with expectations of eight per cent growth for the year as a whole.

On the current "turbulence" in the money and stock markets which he said was caused by speculative attacks by international manipulators, the Prime Minister said this should not discourage people from continuing to invest and to encourage investment especially in export-oriented technology and capital-intensive industries.

He advised investors to look at long-term prospects and be willing to take calculated risks, adding that while maintaining low inflation, Malaysians must strive to be more productive.

The government, he said, would continue to pursue sound and consistent policies to achieve sustainable growth because it was more important to improve the income of the people at all levels while maintaining productivity at high levels.

" What is important is the purchasing power of the wages and profits earned and not the amount of money made. For this reason, the government will strive towards zero inflation," said the Prime Minister, who called on everyone to do their bit for this.

The Prime Minister said the opening of the Exchange Square, described by a local property magazine as having facilities worthy of six-star rating in its building intelligence, was not only the most significant in KLSE history but also a moment for rejoicing for the entire nation.

The KLSE is already the largest stock market in Southeast Asia and among the top 15 bourses in the world.

Dr Mahathir said this was certainly no mean feat because only 10 years ago, it was not even given due recognition as a stock market in its right despite having been in existence since 1960. The KLSE now has an average daily turnover of RM1.5 billion.

He said the KLSE had become the embodiment of the entrepreneurial spirit that the government had sought to cultivate to develop the nation's economy.

These components had contributed in no small measure to Malaysia's economic prosperity enjoyed especially over the past decade, he added.--
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