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Fund managers get clarification (HL)

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KUALA LUMPUR, Sat. - Foreign fund managers today obtained first-hand clarification from the Prime Minister on the trading rules of the Kuala Lumpur Stock Exchange.

Datuk Seri Dr Mahathir Mohamad described the fund managers, who met economic adviser to the Government Tun Daim Zainuddin yesterday as "serious investors" who wanted to hear from him the actual situation on trading on the bourse.

Speaking to newsmen at a Press conference after today's Umno general assembly session, Dr Mahathir said some Press reports suggested that he had back-pedalled on a decision restricting transactions on the 100 component stocks of the KLSE Composite Index.

On Thursday, Dr Mahathir announced the lifting of the restrictions which were introduced two weeks ago to curb short-selling. The curbs were lifted when this was brought under control.

"They wanted to know from me the actual situation. I explained that we were against short-selling, against financial institutions lending share scrip for transactions nor do we agree to manipulation of the exchange. Now there's no more misunderstanding on their part," he said.

The fund managers also disapproved of manipulation which had brought share prices down because they had bought the shares at higher prices, he said.

Asked whether the fund managers would return to the market, Dr Mahathir said they had already re-entered the market, stressing that they were "serious investors".

"I like to believe the worst is over for the stock market," said Daim when met by reporters at the Umno gathering today.

He confirmed that he met with the fund managers and they had discussed the country's economic and market conditions.

"They were optimistic and positive. All agreed that our (economic) fundamentals are strong and that we are not facing any problems," said Daim, who is also Umno treasurer.

Yesterday, the CI closed 90.47 points higher to 821.59, signalling the start of a recovery from its lowest level in recent years.

Asked whether his meeting with the fund managers had any impact, Dr Mahathir said: "Well, we'll have to wait until Monday."

Asked to explain his earlier announcement that certain major projects would be delayed to help reduce the country's current account deficit, Dr Mahathir said even the implementation of projects which had yet to be announced or formalised would be reviewed.

"We'll go ahead only if we feel sure we'll not be burdened by imports (of machinery and equipment for these projects)."

Asked if he was happy about the use of locally-made equipment and materials in some projects, the Prime Minister said: "I'm not satisfied, frankly. That's why I'm looking into it ... if possible, reduce imports of these equipment by 100 per cent. If not possible, reduce by 99 per cent."

Daim, when asked on the response of the fund managers to the Government's move to change the rules on designated stocks on the KLSE, said they were initially shocked.

"But I explained to them that as we had to prevent short-selling, we had to resort to certain measures."

The decision to lift the restrictions largely caused yesterday's marked

increase in the CI, which at 12.37 per cent was the biggest one-day gain in recent years.

Daim also said although there were indications initially that these fund managers were ready to pull out of the market, some had now written (to him) pledging to stay.

"But it is up to them .... prior to this their investment in our market was substantial."

Asked how much the fund managers were willing to invest, he said it did not matter as long as they were in the market.

He also said that there was no reason for them to sell off their investments adding that it was normal for the market to fluctuate.

"If we believe in a free market, we should know the norms. The market forces will determine the price level."

Asked if the Government would resort to similar measures if there were elements of manipulation in the stock market in future, Daim said the Government would decide when the time came.

Asked on the Government's decision to defer major projects, he said he expected the matter to be amplified during Umno president Dr Mahathir's adjournment speech tomorrow.

On the current account deficit, he said he expected it to continue to improve.

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