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Going to the market

SO far, all the solemn verbiage on the country's economy and strenuous belt-tightening measures fails to highlight the fact that opportunities also lurk beneath the gloomy, albeit exaggerated, economic depictions. The public should not allow such pessimism to blind them to the investment opportunities in the local bourse.

True, times dictate prudent spending and greater savings. But it ought to be remembered that saving can be done in various ways such as investing in unit trusts and good stocks on the Kuala Lumpur Stock Exchange. As pointed out by Prime Minister Datuk Seri Dr Mahathir Mohamad recently, it pays for Malaysian investors to revive the stock-market. Such a proposition is not without merit. With some foreign investors still unsure about the market, this would be an opportune time for local investors, especially retail investors, to enter the market and buy shares at hugely discounted prices. In terms of the market itself, the price earnings ratio has improved tremendously and some counters are even well below the net tangible assets value. The market is clearly a bargain now.

Yet many are reluctant to return to the market. The tendency by banks, stock-brokers and financial institutions to resort to forced-selling (which has pushed valuation to the lowest levels since the 70s) is neither elevating market sentiments nor persuading retail investors to enter the market. The niggling question is whether forced-selling is the best option available. Surely, such an act will only expose our companies to the manoeuvres of foreign raiders. Willy-nilly, such vulnerability will eventually see us losing control of our companies.

A stronger sense of pragmatism, collective duty and patriotism should see our financial institutions averting the unproductive path of forced selling. As it is, many foreign investment houses are adopting a long-term view on the market and investing into well-managed companies with strong balance sheets. As noted by Connecticut-based Newgate Management Associates, the region's currency depreciation, although it happened in a chaotic environment, is an important milestone in laying the foundation of the next bull market. Singapore-based Aberdeen Asset Management Trust Asia, which had stopped buying Malaysian stocks since 1993, is now a net buyer of our stocks. Director Hugh Young says its long-term view on the Malaysian market is largely due to its belief that the current economic measures should lead to stronger fundamentals.

The unpalatable truth is that while we castigate speculation, we are also guilty of indulging in it. Lest why are our retail investors disturbed by the gyrations of the market which has little to do with underlying fundamentals? Market confidence can only be restored if there is a considerable boost in the bourse's trading volume as this would re-activate greater foreign interest. The absence of retail players makes it harder for the authorities to activate the market or make it more liquid.

Perhaps the financial system should reconsider its approaches to stock-purchase financing: by halting forced-selling of shares and by releasing funds for purchases of strong counters. It is ironical that banks (which were initially voracious for income from share-purchase financing) should now refrain from funding purchases of strong shares for investment purposes at a time when they are being offered at bargain prices.

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