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HIGH TIME FOR INSTITUTIONALS TO RE-ENTER STOCK MARKET, SAYS KLSE

PETALING JAYA, April 29 (Bernama) -- Kuala Lumpur Stock Exchange (KLSE) president Datuk Salleh Majid said today it is high time for institutional investors to return to the market to restore stability to the spiralling share prices on the local bourse.

Though share prices are considered fairly low, it is difficult for retail investors to be active in the market because most of them may be "stuck" with stocks they bought when prices were high, he added.

"I understand many of them are stuck and, as such, they are unable to enter the market, but if no one enters the market, (the prices) will not rise," he told reporters after attending the opening of the National Congress on Vision 2020 in Bandar Sunway here by Prime Minister Datuk Seri Dr Mahathir Mohamad.

Salleh said the introduction by Bank Negara of guidelines to tighten lending for property and share purchases should not continue to haunt investors as sufficient clarification and assurances had been given.

What is required now to re-stabilise prices on the KLSE is the involvement of institutional investors because only they have the capacity with their far larger financial resources to re-enter the market, he added.

Salleh said it is difficult for anyone to determine for how long the present situation will prevail.

He added: "I feel no one can say how long this situation will last but we hope it will turnaround because we have strong economic fundamentals.

"What is happening now is an over-reaction. The cause of the market falling is the concern among investors but, now that they have been given a clearer explanation, it is appropriate that they return to the market and take advantage of the lower prices."

Salleh said institutional players like fund managers and unit trust managers often say that share prices are too high but with the share price earnings at an average of 15-16 percent, it is the best time for them to buy.

Asked if the KLSE proposed to tighten its rules to ensure stability in the market, Salleh said: "We cannot have laws to arrest people who like to listen to rumours (to make a decision to invest)."

On Dr Mahathir's recent comment that prices of some initial public offerings were unrealistic, he said the KLSE is unable to act to check the steep rise of the share prices on listing day.

He added: "The high prices of some counters depends solely on the market forces. If we observe, even in a low market situation, when new companies are list, their prices shoot up.

"This shows it is still based on market forces. So, it is not strange although some quarters think they (the prices of a company which makes its debut) should not be so high."

Other factors for this are the investors' inclination to follow others and listen to rumours instead of investing based on the track record of a company, especially those newly-listed, he said.

Nevertheless, Salleh said the problem can be minimised if KLSE succeeds in its efforts to change the investment climate from one that is retail-driven to one that is institutional-driven. -- BERNAMA

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