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KLSE aims to increase institutional participation

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THE Kuala Lumpur Stock Exchange wants to increase institutional participation in the local bourse to at least 70 per cent as a means of reducing volatility. Executive chairman Datuk Nik Mohamed Din Nik Yusoff said the current 70 per cent retail investor participation as opposed to the 30 per cent institutional participation had brought about a rumour-driven market with an eye for short term capital gains.

Mature markets such as the Hong Kong Stock Exchange has a 90 per cent institutional participation.

Nik Din blamed the attitude of small investors towards the stock exchange saying their greed had got the better of them when the market was down.

"They were greedy and not satisfied with the one ringgit they made...they wanted bigger capital gains," he said, citing the example of a clerk who had run up losses amounting to millions of ringgit.

He was the guest speaker at the talk on The outlook for the global economy and how this will affect the KLSE yesterday. The talk was part of the CEO luncheon talk series organised by the Federation of Malaysian Manufacturers.

Nik Din said: "We (KLSE) can only control them by advising them to invest wisely and investing in fundamentals."

He made several references to Prime Minister Datuk Seri Dr Mahathir Mohamad's speech at the KLSE charity dinner yesterday. The Prime Minister had made several references to the local share market and the behaviour of the local investors who were affected by any news from overseas markets or even local happenings.

Nik Din said: "Government liberalisation measures augur well as it will develop the fund management and unit trust industries, thus boosting institutional participation in the local bourse."

He added that the Securities Commission and the KLSE were both vigilant in monitoring syndicates or persons who manipulated counters.

The Malaysian stock market recorded the strongest growth for development markets in February with individual investors driving the rally.

Nik Din said the potential for the Malaysian capital market growth was tremendous.

The fervour of new listings continued on the KLSE, with a record of 92 companies being listed last year.

Nik Din cautioned that companies which do not rise to the challenge of the world market stand to lose the competitive edge in the market place both locally and abroad.

He said the Malaysian capital market, to be more effective, has to raise its efficiency to mobilise funds from a larger pool of investors.

"Mobilisation of funds for productive investments is crucial and domestic savings alone is not sufficient, there is a need for foreign funds," he said, adding that this was in line with the Government's aim to make Malaysia the regional capital market centre.

According to a recent study, Malaysia is expected to benefit from a record increase in private capital flows to emerging markets in 1997, which has increased from RM19.25 billion in 1996 to RM20 billion this year.

Touching on the global economic outlook for this year, Nik Din said the International Monetary Fund has projected the world economic growth to be

4.1 per cent this year, an increase from 3.8 per cent last year.

He said in terms of market capitalisation, the KLSE is number one in Asean and number 13 in the world.

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