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Local funds check market drift (HL)

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KUALA LUMPUR, Fri. - Local institutional funds today entered the Kuala Lumpur Stock Exchange in a big way and cushioned the impact of bearish sentiments on share prices, causing the benchmark Composite Index to recover to 804.40 points after having swung to an intra-day low of 777.96.

The funds which heeded the Government's call to support the bourse were Permodalan Nasional Bhd and the Employees Provident Fund. Dealers also believed the Pensions Fund, the Armed Forces Trust Fund and the Pilgrims Management and Fund Board were in the market.

It was not known if Khazanah Nasional Bhd, the Government's investment arm, joined in but dealers said it has not been Khazanah's policy to reveal its market operations.

Prime Minister Datuk Seri Dr Mahathir Mohamad had yesterday announced that local funds would enter the market which had fallen on concerted moves by manipulators abusing regulated short-selling to depress prices.

One dealer said the full impact of the rally-call would only be felt next week as "even these friendly players" were reluctant to take fresh positions ahead of the long weekend.

The Government's latest move won praise from the Malaysian Investors' Association and support from Persama, the National Remisiers Association.

In a related development, the Government has brought forward to Monday the gazette notification of a provision which will allow companies to buy back their own shares.

Section 67A of the Companies Act 1965 will be gazetted tomorrow and put into effect on Monday, the Registrar of Companies Ramly Ali announced.

This will enable companies with adequate cash reserves to buy up their shares if the directors felt they were under-valued.

In Alor Star, Zubaidah Abu Bakar reported that Deputy Finance Minister Datuk Dr Affifuddin Omar said the market would stabilise within a week if local funds entered the market actively.

Stressing the strong fundamentals of the market, he called on fund managers to heed the Government's call and buy into the market, especially under-valued shares.

"Sentiments within the region have affected the confidence of investors... but I do not see why positive sentiments cannot return."

He said local fund managers were too cautious despite being aware that several blue-chip counters promised good returns.

"In fact, foreign investors who have run away to invest in Latin America and Eastern Europe are now looking back at markets in Southeast Asia.

"Local funds should take the opportunity to buy before the foreign investors return to make good profits," he added.

Persama president Richard Khoo said the foreigners' game plan was to be a "covered bear" by borrowing shares to sell short. He said the borrowers must ultimately cover their positions some time in the future.

"It is therefore timely to involve our clients in value-investing to stop these speculators," he said.

Meanwhile, the ringgit was thinly traded within a range of 2.8580 and 2.9750 to the US dollar and closed at 2.8949/95, down 99 points. The local unit rebounded after midday on market ideas of a rescue package by the Sultan of Brunei as well as European buying.

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