

28 AUG 1997

LOCAL FUNDS PURCHASE OF KLSE SHARES STEP IN RIGHT DIRECTION

KUALA LUMPUR, Aug 28 (Bernama) -- Market analysts described the readiness of local institutions and major private investors to support the current bearish stock market as a good idea and a step in the right direction.

Prime Minister Datuk Seri Dr Mahathir Mohamad today announced that billions of ringgit would be committed in this exercise if necessary.

Dr Mahathir also said the stopping the lending of securities to prevent foreign funds from driving down the local stock market through manipulative short-selling. He described the "delivery before sale" ruling of the Kuala Lumpur Stock Exchange as one of the three-pronged measures to shore up the local bourse.

HA Options & Financial Futures Sdn Bhd executive director Christopher Podbury, in supporting the move, also suggested that besides greater participation by local institutionals, the market could also be boosted by speeding up legislation to allow companies buying back their shares.

The move would allow the companies support their own share prices even if it took a lot of money to do so, he said adding that this was practised in the United States.

An investment analyst at a foreign-based research house said with the government's strong backing to accumulate stocks, local investment agencies like Permodalan Nasional Bhd and the Employees' Provident Fund would be more confident in the market which had been badly battered by manipulative short selling.

He also felt that the market would stabilise when foreign manipulative selling was over and its direction would be left to the local investors.

But he also questioned whether local investors would have enough money after having lost much in the market of late.

Another analyst said, "If they are willing to spend billions of ringgit to prop up the market, it would need long term planning."

He said it would be a waste to spend huge amounts of money to push the market just for the sake of making the local bourse look good in the short term.

An economist said the introduction of any measure might sometimes give the opposite effect although the intention by the government may be good.

"It would only give the impression of the serious situation in the market and confirm further fears among foreign investors," he said.

On designating CI counters for delivery before sale, he said the KLSE was bottoming out but the imposition of the ruling without ample warning had shaken confidence in the market.

Another market observer said the market should be left by itself to find its own level as there would come a time when the fundamentals would assert themselves.

"Market forces should dictate the market and if the government were to take measures, they should try to reduce the interest rates and give better margins for shares," said Dr PHS Lim, president of the Malaysian Investors Association.-- BERNAMA

BES SHY