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Local participation, confidence can boost market strength

Anita Gabriel

A FAMOUS philosopher once said : "Do not walk behind me, I may not lead. Do not walk ahead of me, I may not follow. But walk beside me and I shall be with you."

How applicable is this old adage in a capital-motivated, risk-taking and sentiment-oriented market? No chance, replies a staunch believer in the survival-of-the-fittest concept. Sad but true.

Last week, locals were asked to take charge and "flex their muscles" instead of merely following the trail left behind by foreign fund managers and investors in the local bourse.

In making the call, Prime Minister Datuk Seri Dr Mahathir Mohamad urged local investors and fund managers to adopt a more proactive role in the local bourse. They should influence the trading trends rather than merely be influenced, to avoid a roller-coaster pattern in the benchmark composite index.

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim similarly prescribed this remedy "to reduce the dominance of foreign funds in swaying the local market to events which are not directly related to it or to economic conditions".

Kuala Lumpur Stock Exchange (KLSE) executive chairman Datuk Nik Mohamed Din Nik Yusoff, in echoing similar sentiments, pointed out that local fund managers dominate some 70 per cent of institutional trade in the capital market and as such, can significantly influence trading sentiments.

To be fair, the local funds have been playing their part. The short spurts of technical rebound seen in the otherwise bearish market are mainly aided by the local players. But what the local bourse needs now is certainly more than just short spurts.

In this context, Anwar also pointed out another area - research and analysis - which tend to lean towards foreign assessment rather than local environment.

Opening the Third Malaysia Capital Growth Opportunities Exposition at the Putra World Trade Centre on Thursday, Anwar came up with a witty abbreviation.

He said analysts have a tendency towards QDS - quick, dirty service - which basically meant that they tend to limit their analysis on selected statistics (which he pointed out can sometimes lie), manipulating them and thus blowing things out of proportion.

This brings to mind a saying: "There are only three kinds of untruths in this world - lies, damned lies and statistics."

Local analysts, he said, should carry out their research in a more independent fashion instead of merely following or allowing their judgements to be governed by foreign analysis.

He stressed that they need to have a strong feel of the whole surrounding instead of possessing a restricted perception of the market based on a single or two factors.

For this purpose, the four-day exposition organised by the KLSE had also incorporated numerous company briefing sessions with analysts to allow them an overview of their operations, strategies and outlook.

The sessions, (though most were not attended by those who hold the reins to the respective companies) were enlightening, although what was most fruitful was that it gave analysts numerous opportunities to get more information on their areas of interest.

The exposition was also described as "timely" by one analyst. "Maybe the market needs something like this to perk it up."

What he really meant was that such an event gave companies (especially those which hold significant clout on the local bourse) a chance to reveal the strengths of their operations to revive investors' interest in the local bourse instead of merely being dictated by regional trends.

While still on the local bourse, last week witnessed its escape from breaching the 880 support level. Both KLSE's Nik Din and Datuk Salleh Majid seem confident that the market has already bottomed out.

Lessons in life dictate that in moments of crisis, both weaknesses and strengths are revealed.

The `weakness' addressed in this case will be the very strength the market depends on: further local participation and local optimism.

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