

23 APR 1997

MAHATHIR: SPECULATION ON KLSE GOOD, BUT NOT OVER-SPECULATION

KUALA LUMPUR, April 23 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says it is good to have speculation on the local stock market but too much of it is not good.

For instance, he saw no reason why the opening price of new share issues are four or five times above the offer price, especially when the companies are relatively new.

Speaking at a dinner organised by the Association of Stockbroking Companies in Malaysia here tonight, he said sometimes companies making their debut on the KLSE open at exorbitant premiums which do not reflect their track record.

He added, however, this seems to be the behaviour of the stock market.

"But, I feel that this is not a healthy trend, especially for initial public offers," he said.

On the other hand, Dr Mahathir said some companies listed on the KLSE are doing well. Some performed remarkably and chalked up profits of RM2.0 billion or so.

Dr Mahathir said the economy is doing well and it has been recording a growth of more than eight percent for several years.

"So, share prices should be going up and never come down," he said in jest.

He also said stock market investors also put a lot of faith on the advice of certain analysts.

When they forecast that the market will go down, investors tend to believe them and decide to sell their shares, thus, causing share prices to come down in a self-fulfilling prophecy, he added.

He said when Bank Negara was to say something, the market tends to react negatively.

The central bank actually meant well and wanted the economy to continue doing well, he added.

"It does not want to see too much money put in one basket," he said in reference to recent moves to impose limits on loans to the share and property sectors.

Dr Mahathir said the government is doing all it can to sustain the country's growth at more than eight percent.

The government has to ensure that the economy grows at more than eight percent "if we want to achieve the objectives of Vision 2020," he added.

Over the next 10 years, the economy will have to grow at more than eight percent and the country's Gross Domestic Product should double every 10 years, he said. -- BERNAMA

DVS SHY LDB