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PM ANNOUNCES RM60 BLN FUND TO SUPPORT KLSE

KUALA LUMPUR, Sept 3 (Bernama) -- Prime Minister Datuk Seri Dr. Mahathir Mohamad has announced the setting up of a RM60 billion fund to prop up the Kuala Lumpur Stock Exchange (KLSE).

He said the money would be used to buy shares on the stock market from Malaysians at a premium to the market price.

Shares from foreigners however would be purchased at market prices, he told delegates ahead of the UMNO general assembly beginning tomorrow.

Proceeds for the fund would come from Khazanah Nasional Bhd which would raise RM30 billion through bond issues while another RM30 billion would be pooled from other agencies, he elaborated at a press conference later.

Asked whether RM60 billion was adequate, the Prime Minister said that if the money was not enough, more would be raised.

Dr. Mahathir said the government has taken the move to help investors facing problems as a result of the sharp drop in shares prices due to continued manipulation of the stock and currency markets by foreigners.

He said some of the problems investors faced related to margin calls where the share value would have dropped to below the value at which they were pledged to the banks as collateral to obtain loans.

In contrast, when the prices rise, the value of the shares might be 80 percent above the value at which they pledged to the banks.

But with prices falling, investors would be hard pressed by banks to meet the shortfall in value of the pledged shares.

On the premium, he said that would have to be decided..."even with the premium, it is still profitable to buy the shares because the price earnings ratio is very good."

As to how the market will react, he said: "We'll see how it reacts, I wouldn't know because the market is very peculiar, when companies are doing so well, their shares can go down, they don't go based on fundamentals...this is gambling."

Dr. Mahathir said that Malaysia did not depend on foreign parties to raise the money, "we will raise the money locally and we will overcome the problem in our own way."

The Prime Minister also said many rumours were circulating including that his deputy and Finance Minister, Datuk Seri Anwar Ibrahim, had submitted his resignation letter or that a banker was detained due to short selling.

All these are not true, "all these rumours are pure ill-will," he said.

-- BERNAMA

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