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Malaysia-Economy

ECONOMY LOOKING UP, FOREIGN INVESTORS ARE BACK

By: Azman Ujang and D. Sundara Raja

KUALA LUMPUR, Feb 6 (Bernama) -- The Malaysian economy is recovering faster than expected with foreign investors who deserted the stock market in panic at the height of last year's regional currency crisis, now flocking back in droves, analysts said.

" The big fund managers who abandoned the Kuala Lumpur Stock Exchange (KLSE) only recently are back with the overall market sentiment reaching its highest since its ebb following the crisis in July last year," said a senior analyst who asked not to be named.

Aided by positive developments in the regional economic scenario, the ringgit, languishing well above four to the US dollar for months, had confidently breached on the downside the "psychological" figure over the past few days.

The Malaysian unit improved to 3.8500 in early morning trading, a level which other analysts said would lead to a further strengthening of the currency, as foreign funds now making their way back into the KLSE were creating a demand for the ringgit.

" Foreign funds coming into the Malaysian market will have to convert to the ringgit to trade which creates a demand for the local currency, thus causing it to rise in value," said this analyst.

The scene at public galleries of local stockbroking houses, practically empty for months following the stock market crunch, perhaps best illustrates the point that the Malaysian economy is looking up, with prices of stocks, many of which had fallen below the 50 sen mark, climbing back very strongly.

A check at some of the stock broking houses today showed that there was hardly any standing place, with the public galleries again turning into the "fish market" they usually were -- a sharp contrast indeed to the deafening silence of the past months when hardly any investor could be seen.

A remisier said the market volume traded over the past few days resembled that done during the bull run in 1993 when more than a billion shares were traded daily.

When the KLSE opened today, the volume zoomed past the half a billion mark even during the first session.

" Malaysia is out of the woods. The pall of gloom over the past months is being lifted fast and the big foreign fund managers are already coming back," said the senior analyst.

Pro-ringgit sentiment emerging over the last few days since the market reopened on Tuesday after the extended Chinese New Year and Hari Raya holidays took a particularly bullish turn today, sparked by a rumour that the Sultan of Brunei had bought a major landmark property in Kuala Lumpur.

On Tuesday, the KLSE roared into the Year of the Tiger by recording its best-ever one-day rise in the composite index.

Stuck at the lowly 500-point level in recent weeks, the CI skyrocketed 131.8 points on that day, while the ringgit broke the barrier of four to the US dollar to touch 3.9800.

According to a foreign exchange dealer, the rumour on the Sultan of Brunei deal first surfaced two months ago but this time around " there appears to be some truth in it as the entire market is abuzz with this rumour".

"The sale in US dollars means large sums of the currency will flow into the country and the system and the ringgit is expected to gain from the

large inflow of US dollars," he said.

If confirmed, the deal involving the Brunei ruler, who is the world's richest man, would be the best shot in the arm for the Malaysian economy in a long time, said one analyst.

The market rebound also came close on the heels of a flurry of visits here by top officials of both the International Monetary Fund (IMF) and the World Bank, as well as senior United States Congressmen and US Secretary of Defence William Cohen.

The visits were aimed at confidence-building in the aftermath of the economic downturn, with IMF Managing Director Michel Camdessus and World Bank President James Wolfensohn giving the thumbs-up to the programmes undertaken by Malaysia to deal with the financial and economic problems.

American officials and top businessmen, according to US Ambassador here John Malott were convinced that Malaysia would be the first among the crisis-hit Southeast Asian nations to be able to restore investor confidence because "it is one of the better run economies in all of Asia".

The analysts also attributed the return of foreign investors in the stock market to President Clinton's State of the Union address last week where he called on US investors to lift Asia out of the financial crisis or face the risk of the crisis spreading to America itself.

And only this week, Egyptian-born billionaire Mohamad Al Fayed, owner of the famed London department store Harrods came to town and announced several investment plans to help spearhead the drive to restore confidence in Malaysia's economy.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who held talks with Indonesian President Suharto last month, is now in the midst of a tour to three other Asean countries to shore up support for plans to have intra-Asean trade to be transacted in local currencies.

This is to avoid the high costs of doing business in the rising US dollar.

He was in Bangkok yesterday before flying to Manila today and will wrap up the tour by going to Singapore tomorrow, displaying greater urgency and a more cohesive Asean in tackling the region's economic problems.

Malaysian Institute of Economic Research (MIER) executive director Dr Mohamed Arif said: " The prime minister's visit carries a message that these are efforts by Asean member countries towards improving the economic situation in th region.

" It is the aftermath that the Asean leaders are concerned about because there will be some painful adjustments that had to be made due to situation like retrechment and cutbacks. The Asean leaders are trying to rebuild the confidence at national and regional levels," he said.

With Malaysia on tracks to restoring investor confidence, the senior analyst said: " This proves the old saying that if winter is here, spring cannot be far away.

" The darkest part of the night is just before dawn," he added.--BERNAMA

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