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Stockbrokers hail domestic-oriented strategies

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THE stockbroking industry welcomed the Budget which was described as being domestic-oriented and steering the country out of the economic downturn.

The rife speculation on capital gains tax to be imposed on contra trades which did not materialise also brought a sigh of relief to stockbrokers.

The Kuala Lumpur Stock Exchange (KLSE) in a statement said it viewed the Budget as beneficial to the speedy recovery of the national economy.

It added that the measure to comprehensively restructure the financial sector through mergers will improve the financial strength and integrity of stockbroking companies.

This in turn, will enhance the confidence of investors dealing with the stockbroking companies as a secure conduit to access our markets. These measures will also contribute towards the prevention of systemic risk.

The KLSE also said that tax exemption given to the unit trust industry is expected to increase participation in unit trusts, leading to greater stability and sustained gains in the stock market due to the expected higher level of investments from such funds.

The Exchange also said that the measures in the 1999 budget are expected to contribute towards the rapid recovery of the national economy, which will be reflected in the steady growth of the stockmarket.

Meanwhile, chairman of the Association of Stockbroking Companies Malaysia, Puan Mohaiyani Shamsudin said the association congratulates the Prime Minister and First Finance Minister Datuk Seri Dr Mahathir Mohamad for tabling a brilliant Budget aimed at stimulating economic growth without sacrificing the fundamental development of the country and the welfare of the people.

The strategies outlined in the Budget augur well for the stock market and should boost market sentiments and confidence, said Mohaiyani.

She said the association is particularly excited over the proposals to waive tax on income earned in 1999 and to allow losses incurred in that year to be carried over.

Mohaiyani also said that the association expects to see an upward revision of about 30 per cent on public listed companies' valuation. This will definitely have a positive impact and the KLSE Composite Index should react favourably and may reach the 600-level.

Meanwhile, president of the Remisiers Association of Malaysia Mr Richard Khoo, when commenting on the Budget, said the capital gains tax on contra trade is a non-event, the Government would have to just introduce T+2, or two-day settlement period, in line with the current global trend if it wants to deter players from contra-play.

The Budget, said Khoo, is more of a continuation of the National Economic Recovery Plan (NERP) and incapsulates the mood of being mindful of overspending, prudent financial management and uncertainties ahead, taking note of the global economic slowdown.

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