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Time to buy shares

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THE Kuala Lumpur stock market's continued consolidation offers perhaps the last opportunity for investors to accumulate stock for the medium to long term.

After a very taxing period beginning July last year, the Malaysian economy appears to be in a more relaxed mood, with interest rates down substantially and the banks liquid.

Businessmen, who hitherto preferred to place their money in fixed instruments and reap high returns without any head aches, are now thinking; seriously of investment through up grading, expansion and new businesses. They are also relieved that the government has fixed the exchange rate of the US dollar vis-a-vis the ringgit so that they can plan and book in their companies profit margin with certainty.

The Malaysian public can now breathe with banks relaxing their stranglehold by reducing interests on loans and restating the non-performing loans period to six months.

Thanks to Prime Minister Datuk Seri Dr Mahathir Mohamad's farsightedness in arresting the evils of the International Monetary Fund (IMF) styled measures, particularly high interest rates and credit squeeze, Malaysians are regaining their confidence and economic activity will jump start soon.

It is indeed ironic that Bank Negara subscribed earnestly to IMF type measures when the government was trying in vain to tell the whole world the country had small foreign debts and therefore should not be grouped with financially stricken neighbours Thailand and Indonesia.

It has been a very costly lesson for Malaysia and the pro-business government is doing everything possible to reinvigorate the economy through spending on infrastructure and housing and the promotion of agriculture and manufacturing aimed at import substitution and export.

As banks are now offering very low fixed deposit rates and becoming flexible in lending for productive and non-productive sectors, investors have been withdrawing money and ploughing it back into stocks and properties, two sectors which have always outperformed fixed instruments in Malaysia's emerging market.

Among the notable measures introduced by the reinstated Bank Negara is giving the banking institutions a free hand to determine the margin of financing for credit facilities for the purchase of residential properties, whether owner occupied or otherwise.

The same flexibility also applies in the purchase of shophouses, whether for the conduct of own business or not, and for the purchase of land for whatever purpose. The central bank has also been reducing the three month intervention rates, the latest being a 50 basis points cut to 7.5% per annum.

It is also very comforting that Japan, a major beneficiary when the Asean economies were vibrant, is willing to help its friends in troubled times.

While other developed countries are only offering lip service, Japan will pump in US\$30 billion in a rescue package to South Korea and four Asean economies. The Japanese contribution will include a guarantee by the Export-Import Bank of Japan and also involve Japan buying government bonds from Asian nations.

Last month the Kuala Lumpur stock market was shaken by the sacking an

subsequent arrest of former deputy prime minister Datuk Seri Anwar Ibrahim and some of his supporters under the Internal Security Act. The market was very quiet as investors remained on the sideline and share price drifted aimlessly. Investors hope the Anwar issue would be settled peacefully so that the stock market can resume its rally.

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