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Allow SC to prove cases in court

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THE fall in the prices of shares on the Kuala Lumpur Stock Exchange since July 23 has triggered the alarm bells in many quarters of society.

Such a reaction is only to be expected as the rise in the last few months had encouraged a lot of people to enter the market.

According to one source, when the market touched RM2 billion in turnover, about half the transactions were in the form of contra deals. As much as 70 per cent of the deals were by individual investors.

These are small investors who tend to enter the market when prices are already high and the market is ripe for adjustments or, in the language of share trading, corrections.

While the big boys - the institutional investors and fund managers - know when to enter the market and are systematic in their involvement, the retail investors, as these small investors are often called, enter the market on hearsay and rumours.

So rumours and speculation that the Prime Minister, Datuk Seri Dr Mahathir Mohamad, may call an early general election sent them chasing after the so-called politically-linked counters.

Such is the market. It is not easy to advise investors, especially the retailers, to stick to the fundamentals. As often said, they are prone to reacting to rumours. They behave in a manner often referred to as herd mentality.

When the going is good and there is money to be made, they seem to forget that the market cannot go up forever. At some point, business fundamentals and international developments, such as the rise and fall of US interest rates, will cause the market to correct itself.

But what is more worrisome is for market players, especially the big ones, to find fault with others and to change their stories to suit their interests.

In recent days, the fall of the market was attributed to the charging of several corporate figures and stockbrokers with offences under the Securities Industry Act, and rumours that more corporate personalities may also be brought to court.

Although as far as can be determined, the rumours are untrue, it does not stop some people from speculating and in the process depressing the market.

It is ironic that the investors and market analysts, especially the foreign ones, who only months ago demanded transparency from the Government in market operation are today blaming the fall of the market on the Securities Commission's action against the alleged offenders.

At the meetings with top government leaders and regulators, they had not only demanded transparency but on occasions even mentioned names of local corporate figures against whom they said action must be taken.

Yet when the Government does take the action, they blame it for causing the market to fall. The sinister ones even go to the extent of suggesting that these people are taken to court for political reasons.

If foreign fund managers and other investors are serious about transparency, accountability and good corporate governance, they should at least give the Government, in particular the Securities Commission, a chance to prove its cases in court.

Surely not everything done in this country, especially in court, is politics.

