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Only US\$328m pulled out: BNM (HL)

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ONLY about US\$328 million (US\$1 = RM3.80) in portfolio funds left the country yesterday, hardly "a rush for the exit door" as some foreign media had predicted upon the lifting of the levy on repatriation of funds which entered the country on September 1 1998 or earlier.

In releasing the figure after the close of trading on the Kuala Lumpur Stock Exchange (KLSE), Bank Negara Malaysia (BNM) said it would continue to closely monitor the market's fund flows.

Put against the net inflow of US\$4 billion between February 15 and end-August, the amount is indeed "small" as noted by the central bank, and nothing extraordinary as Prime Minister Datuk Seri Dr Mahathir Mohamad said.

The benchmark KLSE Composite Index (KLCI) shed 14.15 points, or 1.84 per cent, to end at 752.91, which pales by comparison to the reaction exactly a year earlier when selective capital control measures were introduced. Share prices had plunged on panic-selling then, which dragged the KLCI to a low of 262.70. The market has rebounded a whopping 186.6 per cent since.

National Economic Action Council working group member, Datuk Dr Zainal Aznam Yusof, agreed that yesterday's trading was a "non-event", given "all the hype over the past months that it would be a day of reckoning".

There should be little, if any, further foreign funds selldown because those which had intended to leave had in fact done so over a period of time, he added. Therefore, the KLSE's upside potential from now is quite strong, especially as more and more signs of economic recovery emerge, Aznam said.

KAF Seagroatt and Campbell head of research Lucy Ng said the 14-point fall in the KLCI was very much within her expectations.

She felt that the September 1 factor had largely been discounted and that the price decline experienced in July had served to take most the selling pressure off the market.

The KLCI touched the year's high of 851.67 on July 9, only to suffer a sharp correction to 668.21 on August 9.

"So, what we see now are merely the remnants of that selldown," Ng said. The Kuala Lumpur bourse, closed on Tuesday for Merdeka Day, was also merely catching up with the rest of the regional markets which had declined by an average of 1 per cent on that day, she added.

In addition, investors reacted to the overnight slide on Wall Street for want of fresh leads on the domestic front.

"It will not last long in view of the good economic fundamentals... we expect to see a very quick rebound," she said.

Another analyst pointed out that total turnover was a moderate 319.03 million shares worth RM599.36 million, compared to Monday's pre-holiday 200.23 million shares worth RM452.28 million.

Coupled with the fact that the market closed off the day's lows, chances are prices will not fall much lower, he said.

In any case, for many foreign funds, Malaysia is already underweight by about one-third of the country's expected weighting when it is reinstated in the Morgan Stanley Capital International benchmark indices next February, he added.

"Therefore, investors who have money in the market can be expected to maintain their positions while others who don't will start building up

their positions ahead of February," the analyst said. Elsewhere in the region, Tokyo gained 2.1 per cent, Sydney 1.5 per cent and Taipeh 1.4 per cent, while Hong Kong, Singapore and Jakarta were marginally higher. Seoul however fell 3.5 per cent, Bangkok 1.3 per cent and Manila 1 per cent.

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