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Re-entry delay into MSCI no cause for concern: PM

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PRIME Minister Datuk Seri Dr Mahathir Mohamad says Malaysia is not concerned with Morgan Stanley Capital International Inc's delay of Malaysia's reinclusion into the MSCI Index to May 31 2000 from February as announced earlier.

At a press conference after visiting Mimos Bhd at the Technology Park Malaysia yesterday, he was asked about the delay and its effect on Kuala Lumpur Stock Exchange (KLSE) share prices.

The delay was cited as one of the reasons for a 2 per cent drop in the KLSE Composite Index after the morning session yesterday.

"We are not concerned. Of course the stock market will fall. These people make an announcement and they push up the market. Then they make another announcement and the market goes down.

"I think the main thing that people should look for is the actual profitability of the companies," Dr Mahathir said.

MSCI said in a statement on Sunday that besides Malaysia, changes to Taiwan's weighting will also be deferred to May 31, to avoid adverse market uncertainty over possible leap year computer glitches.

MSCI said the delay was in line with the postponement of its quarterly structural changes to May 31 from February 29. This was prompted by concerns that liquidity in global equity markets might be disrupted by uncertainty over whether certain computer systems will recognise the leap year date.

A leap year, when an extra day is added to February, occurs every four years. While most computer systems provide for leap years, concerns over the Y2K or Millennium Bug have also rubbed on to the leap year change. MSCI said in August that it would reinstate Malaysia because a curb on capital flows ended in September.

In the statement, MSCI said the process of financial liberalisation in Malaysia remained intact.

"Although certain issues remain open, and the investment procedures for foreign investors remain difficult in Malaysia, there has been no reversal of the process of liberalisation of the Malaysian financial markets," it said.

"As a result, MSCI confirms its previous announcement that the MSCI Malaysia Free Index will be reincluded in the MSCI Emerging Markets Free index series and the MSCI All Country Free index series, including the MSCI AC Far East ex-Japan index."

Malaysia was pulled from the indices last year after the country imposed controls on capital flows. On September 1, Malaysia ended a tax on repatriated principal of foreign portfolio investments, replacing it with a 10 per cent exit levy.

MSCI executive director in Hong Kong Mr John Fildes said in August that the planned reinclusion of Malaysia and the increase in weighting for Taiwan would decrease the weighting of Hong Kong to just over 26 per cent from just under 33 per cent, while Singapore's weight would move to around 10.5 per cent from just over 13 per cent.

MSCI said the decision over how to phase in the changes relating to Malaysia and Taiwan will be announced before the end of December.

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