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Stock market's volatility normal, says Mahathir

THE stock market's current volatility is a normal consequence of share trading and is no reflection of the performance of the Malaysian economy, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

The economy has recovered as can be seen from the figures and indicators, he said.

All businesses have expanded, for example the retail trade, and car and house sales, and the banks have lots of funds to lend to traders, he said.

"The (Kuala Lumpur Stock Exchange's) Composite Index (KLCI) is down but this is not peculiar to Malaysia...(bourses of) other countries have also dropped," the Prime Minister told Barisan Nasional (BN) leaders in Malacca yesterday.

In any case, share prices have improved substantially with the KLCI rebounding to 820 points last month from a low of 262 in September 1998, the Prime Minister said.

"I am confident that after September (1999) the situation will return to normal," he said, noting that the current market correction would also mean investors withdrawing funds next month would not make as much profit. He was referring to the expiry of the one-year moratorium placed on the repatriation of portfolio capital which was introduced together with other selective capital controls nearly a year ago.

Share prices succumbed to persistent selling pressure yesterday. Even positive news like a cut in Bank Negara's intervention rate, higher foreign exchange reserves and increased industrial production failed to lift sentiments.

One analyst called it "the September 1 paranoia", while another pointed to some programmed selling by foreign funds.

The KLCI dropped 34.88 points, or 4.96 per cent, to close at 668.21, the lowest in nearly four months. The broader-based Emas Index lost 11.40 points to 168.73 and the Second Board Index 9.76 to 142.52.

Malaysia has succeeded in reviving the economy, weakened by attacks on the ringgit and shares, through extraordinary measures which were supported by strong economic fundamentals, Dr Mahathir said.

Unlike other countries, Malaysia did not have to seek help from foreigners, especially the International Monetary Fund (IMF), to bring about economic recovery, he added.

Turning to preparations for the coming general elections, the Prime Minister said BN component parties must counter the Opposition's allegations such as those touching on the judicial system.

In Malacca, for example, the DAP can be expected to campaign on the premise that its jailed former member of Parliament for Kota Melaka Lim Guan Eng was victimised, he said.

The people must be reminded that the system of justice in Malaysia does not differentiate between political parties and that justice will be done regardless of whether the wrong-doer opposes and supports the Government. Many government leaders had been produced in court and one even received a death sentence.

The court's verdict must be accepted, he added, noting that former Deputy Prime Minister Datuk Seri Anwar Ibrahim was a government and Umno leader.

"The (Keadilan) party says it is championing justice but the same people supported the system when they were in Umno...only when their man is

brought to court they suddenly claim there is injustice," Dr Mahathir said.

The BN is seeking to retain its two-thirds majority in Parliament to ensure that the Government remains stable and not held to ransom, and not as claimed for the sole purpose of amending the Constitution, he said.

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