

30/01/2000

Abdullah: Fund managers should consider fundamentals, not rumours

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KUALA LUMPUR, Sat. - Fund managers should base their evaluation on economic fundamentals and not on rumours or market rumblings, Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi said today.

Reiterating that Malaysia was not against foreign investors, Abdullah said the recent strengthening of share prices at the Kuala Lumpur Stock Exchange was driven by the return of foreign portfolio investments.

The KLSE Composite Index has gained by 260 per cent since September 1998 when selective capital controls were put into place.

"We are not against foreigners taking positions on the KLSE as is often suggested by certain quarters," he said at the opening of Menara AIA.

However, fund managers should base their market evaluation on the fundamentals of the Malaysian economy rather than on rumours and unconfirmed market rumblings "like PM falling off a horse", he said.

Speaking to reporters later, he said if Datuk Seri Dr Mahathir Mohamad had really fallen off a horse, he (Abdullah) would have known from the start.

"One hour after the PM arrived in London, I spoke to him and suggested that it would be good if he met the Malaysian journalists there and Bernama which has a television camera.

"The PM was on holiday and I knew from his children who are close to me that he was happy."

Unfounded rumours of Dr Mahathir having been injured while on vacation in Argentina had spread wildly last week, causing the stock market to be affected.

Abdullah also said rumours would continue to surface from time to time but asked Malaysians not to listen to them.

"If there is bad news, we will announce to the people through a government statement or the Press. There is no use lying," he said.

Asked if there should be timely information, he said the Government would provide information when necessary.

He criticised rumour-mongers as people who wanted to see the country in bad shape so that it would be easier for them to attack the Government.

In his speech, he said while local and foreign investors must be aware of real economic risks, they should keep in mind speculative movements that might lead once again to the "herd mentality" of the 1997 run on Asian currencies.

Abdullah said Malaysia was a safe and profitable investment destination with the economy expected to grow by 4.3 per cent this year although unofficial estimates put the figure closer to five per cent.

He said the country had external reserves of US\$30.9 billion (RM117.4 billion) which could retain six months of imports.

Inflation was in check, interest rates were at a level conducive to business recovery, the clean-up of the banking sector was almost complete and restructuring of companies was being carried out.

On AIA, he said the group, which began operations in Malaysia in 1948, now invested all its life insurance assets within the country.

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