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DPM-KLSE

DPM REMINDS INVESTORS NOT TO USE THE KLSE TO GAUGE ACCURACY OF RUMOURS

KUALA LUMPUR, June 12 (Bernama) -- Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi today reminded investors not to use the Kuala Lumpur Stock Exchange (KLSE) to gauge the accuracy of rumours or political speculation.

"Let the stock market reflect the fundamentals and the prospects of listed companies," he said in apparent reference to recent rumours that have surfaced about a rift between the Prime Minister Datuk Seri Dr Mahathir Mohamad and Finance Minister Tun Daim Zainuddin.

Both Dr Mahathir and Daim have repeatedly denied the rumours of a rift between them while Daim has also said he was not resigning as rumoured.

Speaking at the Malaysian Capital Markets Summit 2000 here today, he said the government is concerned that recent market activities have been dictated by sentiment and rumours.

"Do not gamble on the stock market based on unfounded, I repeat, unfounded market talks about political issues which financial analysts, punters and speculators have little or no knowledge about," he added.

Abdullah said the government will continue efforts to attract serious investors to Malaysian equity markets and that it would continue to improve these markets so that they adhere to international best practices.

On another note, he stressed that the present economic recovery, which is comprehensive and broad-based, would not guarantee that another economic crisis would not be repeated.

As such, he said the Malaysian economy must in the future avoid a situation of risky credit, over-exposed banks and highly geared companies that had occurred prior to the crisis.

"Malaysia needs to strengthen its financial and corporate institutions," he said, adding "without learning from our mistakes, our recovery effort will come to naught."

He noted that Malaysia is currently considering various strategies to make the domestic bond market efficient, transparent and acceptable to lessen the over dependency on bank borrowings.

Abdullah said in addition to deepening Malaysia's capital market, the government is committed to enhance transparency in the corporate sector and improve corporate governance which is reflected by the structural, legislative and institutional reforms that are taking place.

On the economy, he stressed the perception that Malaysia has insulated the economy in order to push through with economic and financial reforms if a fallacy.

He also set the record straight on crude reductionism made about Malaysia's economy and the terms used to describe Malaysia's economic recovery efforts such as "bail-outs", "draconian capital controls" and "economic isolation".

On the so-called bail-outs, he said the government encourages restructuring of companies if they are undertaken to put the companies on a stronger footing.

"Our ethos for corporate restructuring is not political expediency, rather it is to secure the interest of all stakeholders and to put our companies on track," he added.

Answering criticisms that capital controls could cause allocative

inefficiency, he said the development of a black market and administrative difficulties have not occurred in Malaysia.

As for the pegged exchange rate, he said the government believes that as long as the world's economic outlook remains favourable to the peg, it would be maintained.

He added that the peg makes it cheaper for foreigners to undertake long-term investments in the country and he hoped that international corporations would use this opportunity to set up their headquarters and research centres in Malaysia.

Abdullah also pointed out that Malaysia has not and would not embark on a deliberate policy of economic isolationism.

Malaysia's reservations about globalisation does not mean that it is not preparing for globalisation and liberalisation.

He said Malaysia is committed to a properly sequenced process of liberalisation of its capital market and financial sector through efforts like rehabilitation, restructuring of its banking system and corporate restructuring.

-- BERNAMA

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