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Local investors lack self-confidence

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A LACK of self-confidence among local investors and minimal foreign portfolio investors are the key factors behind the recent selldown on the Kuala Lumpur stock exchange.

The Federation of Public Listed Companies Bhd president Datuk Megat Najmuddin Khas said: "There is no basic self-confidence among local investors. There is no real strength in the market at the moment ... We need to attract more foreign (portfolio) investors."

Megat Najmuddin said foreign portfolio investors' exposure in the KLSE was very minimal at present.

"I can only say that there are not many foreign buyers but many foreign sellers at the moment," he said when asked to estimate the current value of foreign funds' exposure in the KLSE.

He also described local investors as punters as 70 per cent of them are speculation-driven and not long-term players like institutions Permodalan Nasional Bhd and Tabung Haji.

Megat Najmuddin said this after the launch of a national conference for independent directors by Finance Ministry economic adviser Datuk Mustapa Mohamed in Kuala Lumpur.

The KLSE benchmark Composite Index has been on the downside since last Friday when the market closed 13.28 points lower at 891.25. Local shares extended their losses yesterday, pushing down the CI by another 13 points to close at 842.24.

Najmuddin agreed with the common view that the local bourse was depressed by recent talk of a rift between Prime Minister Datuk Seri Dr Mahathir Mohamad and Finance Minister Tun Daim Zainuddin.

Megat Najmuddin said: "These developments had cast a shadow of a doubt. Whatever problems, politically or economical, must be resolved to strengthen the market.

"If we want investors and people to buy our products or services, we need to have credibility."

He said despite the country's strong gross domestic product growth in the first quarter of the year at 11.7 per cent against the previous quarter, foreign fund managers still had different perception about the economy.

Earlier, Megat Najmuddin said corporate governance alone was not good enough for efficient capital market and restoring investors confidence.

"Transparency and accountability work hand in hand to improve investors confidence. It's about time for us to change our mindset."

On independent directors, he said they were to contribute an independent view to the board's deliberation in setting company objectives and strategic visions.

True independent directors would act as watchdogs and make every director accountable for his/her stewardship, he added.

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