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Shares surge, S'pore calls for CLOB solution (HL)

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AS KUALA Lumpur share prices surged ahead for the fifth consecutive day, calls from Singapore to resolve the issue of the frozen securities previously traded on the Central Limit Order Book International (CLOB) grew ever insistent.

Singapore's Finance Minister Dr Richard Hu has written to Finance Minister Tun Daim Zainuddin last week to ask him to "get his officials to pursue the matter", the republic's Deputy Prime Minister Lee Hsien Loong told Parliament yesterday.

"Dr Hu's letter set out the Singapore Government's understanding of the legal issues involved, and requested Tun Daim to ask the KLSE (Kuala Lumpur Stock Exchange) to fulfil its legal obligations," he was quoted as saying.

No other details of the letter were made available.

On the KLSE, strong buying support lifted the market closer to the 1,000-mark with dealers noting that foreign investors continued to dominate trading especially among index-linked counters.

The benchmark Composite Index hit an intra-day high of 979.41 before profit-taking set in to trim gains in the last two hours of trading to see the KLCI closing at 953.42, which was still 25.18 points or 2.71 per cent up on last Friday.

So far for this year, the index which closed at end 1999 at 812.33 has gained a total of 141.09 points or 17.37 per cent.

The last time the KLCI closed above 950 was more than two years ago on August 6 1997 when it finished at 951.74.

Volume topped the one billion mark for the first time since July 12 1999 to total 1.17 billion shares worth RM3.49 billion, compared with last Friday's 628.74 million shares and RM2.47 billion.

Asked in Parliament if Singapore had set a deadline for Malaysia to respond, Lee said it was "a little premature" to speculate what the city state would do if it could not be solved bilaterally.

"An early resolution is in the profound interest of both countries.

The SGX (Singapore Exchange) and Singapore Government continue to be anxious to resolve the matter bilaterally with Malaysia, and will make every effort to do so," AFP quoted him as saying.

Singapore Prime Minister Goh Chok Tong had said he would hold talks with Datuk Seri Dr Mahathir Mohamad after the Lunar New Year in early February to help break the impasse, failing which, he added, it would have to be brought to the World Trade Organisation (WTO).

In response, International Trade and Industry Minister Datuk Seri Rafidah Aziz said in Kuala Lumpur that Singapore has no case because Malaysia has never recognised CLOB.

As far as Malaysia is concerned, CLOB was not a formal market which means there is no case for Singapore to bring the issue to the WTO, she told reporters after officiating at a national conference on "The Vital Corporate Issues in the New Millennium", organised by Malaysian Investors' Association.

Despite numerous private sector offers to initiate the migration and staggered release of the estimated RM17 billion worth of securities locked in a special account with Singapore's Central Depository Pte Ltd (CDP) since September 1998, the affected investors have continued to hold out for a better deal.

This had prompted both Dr Mahathir and Daim to advise the CLOB shareholders to consider the existing offers instead of continuing to wait for ever "improved" proposals.

Because of the impasse, the nominee status of the CDP to hold the securities on behalf of the owners had at the end of last year also been extended for a further six months. Foreign investors were meanwhile more interested in boosting their exposure on the Malaysian market than the CLOB issue.

"We are taking a lot of orders from Singapore and Hong Kong and retail interest is coming through as well," said a dealer with a foreign brokerage house.

Singapore-based fund managers were reported to be re-balancing their portfolios in favour of Malaysian securities, which contributed to the republic's market recent decline. The Straits Times Industrial Index dropped 50.49 points to 2,342.04 yesterday.

Another dealer from a top foreign brokerage disclosed that all of its clients, mainly North American funds, are already in the market.

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