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Timely invitation to join Nomura Fund (HL)

MALAYSIA'S participation in the proposed Nomura Fund, the Japanese equivalent of the Morgan Stanley Capital International (MSCI) index, will not only boost investors' confidence in the local stock market but also undermine their pre-occupation with the country's reinstatement into the MSCI index, analysts said.

The MSCI dropped Malaysia from its indices after the Government introduced selective capital controls in September 1998. Since then, many foreign investors have come under the illusion that they must wait for Malaysia's return to the MSCI index before they themselves make their return to the local markets.

The International Finance Corporation, which also dropped Malaysia from its indices at about the same time as the MSCI, has reinstated Malaysia. The MSCI, however, said it may do this only in May.

The MSCI is a leading provider of global indices and benchmark related products and services to investors worldwide. Companies or countries dropped from certain indices will likely see their share prices or sovereign ratings drop sharply.

Prime Minister Datuk Seri Dr Mahathir Mohamad on Saturday said he was optimistic that Malaysia's inclusion in the proposed Nomura Fund will help further boost the Kuala Lumpur Stock Exchange (KLSE).

"Yes, I think it will," he told reporters when asked to comment on news reports on Saturday.

A day earlier, Securities Commission chairman Ali Abdul Kadir said Malaysia was "invited" into the Nomura Fund during his meeting with Nomura Securities' chief recently.

Ali said the inclusion of Malaysia in the proposed index reflects the rising awareness among international investors towards the country' equity market.

It would also help raise the interest on the KLSE among the Japanese investors even further as they have been actively involved in the Malaysian stock market for quite a long while, he added.

Nomura Securities launched the Nomura Selection Funds comprising seven sub-funds in November 1992, the first of its kind managed by Nomura Securities outside Tokyo.

The funds are a new family of unit trusts launched by the stockbroking group to raise US$50 million (then US$1 = RM2.53) for investments in Asian equities, global bonds and short-term deposits.

The fund is managed by Hong Kong based Nomura Trust (Cayman), a subsidiary of Nomura Securities. Investors are allowed to switch between the sub-funds for a charge of 0.5 per cent.

The seven sub-funds include Nomura Asia Funds which will invest mainly in listed companies in the region outside Japan, Nomura Hong Kong Fund, Nomura Singapore/Malaysia Fund, Nomura Asian Emerging Markets Fund and Nomura Liquidity Fund which will hold deposits in major financial institutions.

In June 1994, another fund called the Nomura Securities' Aurora Fund Malaysia was launched in Singapore through Nomura Asset Management Singapore.

The fund was launched for Japanese investors to invest in Malaysian stocks traded on the Kuala Lumpur Stock Exchange and over the counter in Singapore.

The fund was denominated in units of 10,000 yen and reported to be in the region of 300 billion yen.

The KLSE has been moving strong within the past few weeks and most analysts said the current bullish sentiment is expected to stay in the near future as more good news poured into the local economic scene.

For instance, the Statistics Department on Friday announced that Malaysia's external trade balance registered an increased surplus of RM72.3 billion last year from a surplus of RM58.4 billion in 1998.

An analyst told Bernama that there were yet to be any negative news at the moment that could hamper investors' bullish mood, adding that a rally could even be expected when the market re-opens on Tuesday after the Chinese New Year holidays.

The pre-Chinese New Year rally pushed the KLSE 2.36 per cent higher last week, ending at its highest level for the Lunar Year of the Rabbit at 957.66. The exchange's key barometer KLSE Composite Index (KLCI) closed 22.09 points higher at 957.66 on Thursday compared with 935.57 the week before.

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