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`Election may be a boon to mart'

Eirmalasang Bani

EXPECTATIONS that general elections will be held by the first half of next year may lead to greater stock market activity towards the end of this year, according to Rashid Hussain Securities Sdn Bhd.

The last general election was held in November 1999 and Malaysia is not due to have the next one until 2004.

Political observers expect Prime Minister Datuk Seri Dr Mahathir Mohamad to call for elections next year while support for the Umno-led coalition is still strong.

Dr Mahathir has also indicated he will not contest in the next general election and will hand over the country's leadership to his deputy Datuk Seri Abdullah Ahmad Badawi in October 2003.

The stock market activity, heightened by such election talk, is however not without risks, says Rashid Hussain Securities Sdn Bhd's head of dealings Chrissanne Chin.

"There are external issues that need to be considered such as the US financial markets and economic recovery," she said at the 3rd International Financial Planning conference in Petaling Jaya on Saturday.

She said a US invasion of Iraq may cause sharp falls in the US equities and lead to rising oil prices. And another major terrorist attack may raise tension to the existing conflicts between Palestine and Israel, and India-Pakistan.

Closer to Malaysia, there are long-term geo-economic issues involving China and the Asean Free Trade Area that may pose certain risks to the stock market, such as foreign direct investments and investment fund flows.

The Kuala Lumpur Stock Exchange is relatively under-owned by foreign investors and a laggard behind its Indonesian and Thailand counterparts, Chin said.

But there is ample liquidity and low interest rates in the country to fuel asset prices, given that Bank Negara Malaysia has mopped up RM53 billion in excess funds, she added.

On the 2003 Budget scheduled to be presented on Friday, the stockbroking firm said tax cuts to stimulate consumer spending and develop the country to be a regional transportation hub may be included.

Amendments to the Banking and Financial Institutions Act 1989, among others, are also expected to speed up the rationalisation of commercial banks and finance companies under one legal entity with two licences.