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KLSE poised to control volatility (HL)

Norzuhaira Ruhanie

THE Kuala Lumpur Stock Exchange (KLSE) is prepared for a possible
selldown

by investors if war breaks out in Iraq.

Its executive chairman Datuk Mohd Azlan Hashim said a circuit-breaker
mechanism, which has been in place since March last year, will ensure
that
excess volatility can be controlled.

"Hopefully it will help the market to cool down," Azlan said during a
luncheon meeting with editors of the New Straits Times group on
Thursday.

Azlan said uncertainties of war in West Asia have already affected the
KLSE's trading volume, which has been averaging less than 40 million
shares a day over the past six months.

The introduction of a circuit breaker was first announced in the
Budget

2002 by Prime Minister and Finance Minister Datuk Seri Dr Mahathir
Mohamad

in November 2001, after bourses worldwide saw excessive volatility in
the
days following the September 11 attacks in the US.

The mechanism will halt trading when the KLSE Composite Index (KLCI)
declines by over 10, 15, and 20 per cent of the previous day's closing
value.

Azlan said there may not be a need to close the KLSE if war breaks
out,
although the Minister of Finance reserves the right to do so.

Meanwhile, he said almost half of the companies listed on the exchange
are currently trading below their net tangible assets (NTA) value, with an
average discount rate of 40 per cent.

Most of the undervalued companies are involved in property-based
activities, which include property development, construction and hotel
businesses.

Azlan said despite the global uncertainties in recent months, the
local
bourse has maintained its position as one of the stronger stock
exchanges
in the region.

He said international investors made up over one-third of total trade
value on the KLSE last year. In terms of share ownership value, they
accounted for over 18.1 per cent as at end-2002.

Funds mobilised through the KLSE in 2002 stood at RM12.4 billion, a
five-year high, compared with RM1.71 billion in 1998.

The KLSE's market capitalisation as at January 31 this year was US\$131
billion (US\$1 = RM3.80), which is characteristic of a medium-sized
exchange when compared to other bourses in the Asia Pacific.

The Hong Kong Stock Exchange is the biggest in the region with a
market

capitalisation of US\$460 billion, followed by the Australian Stock Exchange (US\$374 billion), Taiwan Stock Exchange (US\$264 billion) and Korea Stock Exchange (US\$220 billion).

The KLSE is the fifth largest, followed by Singapore (US\$107 billion).

The Malaysian stock exchange's market capitalisation is bigger than the stock exchanges of Thailand, Indonesia and the Philippines combined.

Azlan said the KLSE also offers more diversity in terms of the number of companies listed, compared to many stock exchanges in the region. With 871 companies as at end-January 2003, it leads the exchanges of South Korea, Taiwan, Thailand, Singapore, Indonesia and the Philippines.

He added that the KLSE is continuously looking to improve efficiency and competitiveness, which in turn will attract more investors to the stock market.

These include introducing negotiable brokerage commissions, a practice adopted by 86 per cent of the World Federation of Exchange (WFE) members.

Azlan said negotiable commission rates make transactions more competitive, allow greater flexibility to stockbroking companies in pricing value-added services and promote innovation among market intermediaries.

The KLSE has also introduced a shorter settlement cycle of T+3, from T+5 in 2000, an international standard adopted by a majority of WFE members.