

Najib sees dire consequences for markets if Pakatan wins

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By Barry Porter and Gan Yen Kuan, Bloomberg

Prime Minister Najib Razak said stocks and the ringgit would plunge if he loses next month's election, contrasting his government's pursuit of stable change with the upheaval that has engulfed the Middle East.

"It's better for us to manage change, rather than change that is unleashed in an uncontrolled manner," Najib, 59, said in an interview today in Putrajaya, the country's administrative center outside Kuala Lumpur, ahead of a May 5 election. "

In the countries that have been involved in the so-called Arab Spring, many people are calling it the Arab Winter now."

Najib, who is facing voters as leader for the first time, is under pressure to produce a better result than the last election in 2008, when the ruling Barisan Nasional coalition had its closest win since independence from Britain in 1957. Najib signalled that he would abide by the outcome if the opposition, led by former finance minister Anwar Ibrahim, emerged victorious in the majority Muslim country.

"We are a strong believer in the democratic process and it's the will of the people that decides," he said. "Whatever the outcome, we have to respect the choice of the people."

Najib said he wants a mandate to complete government and economic transformation programs he started three years ago, overseen by Idris Jala, a former Malaysian Airline Systems Bhd. chief executive officer. Private investment has since tripled, rising 25 percent last year to RM139.5 billion, according to government data.

"The market, the currency, would take a very sharp decline" if the opposition wins, he said.

Malaysian companies controlled by billionaires T Ananda Krishnan and Syed Mokhtar Al-Bukhary face the risk of increased competition and government scrutiny should opposition parties win next month's election.

Targeting monopolies

Anwar's three-party Pakatan Rakyat pledged in its manifesto to abolish monopolies

in industries including pay television, which is dominated by Ananda's Astro Malaysia Holdings Bhd. Anwar said in a March 8 interview he will scrutinise government agreements made with Syed Mokhtar, whose DRB-Hicom Bhd. bought a 32 percent stake in the national postal service in 2011.

Astro and DRB shares have fallen at least 3 percent this year, compared with the FTSE Bursa Malaysia KLCI Index's 1.3 percent gain. Polls show Pakatan is poised to wrest more seats from Najib's coalition. The prime minister's approval rating slipped in February to the lowest level in 18 months, according to a survey by the Merdeka Center for Opinion Research.

"Things seem to be shaping up to be a fairly close election," Rahul Bajoria, regional economist for Asia at Barclays Plc, said by phone from Singapore on April 12. "There is some market concern generally that the PR coalition has indicated that they will be reviewing contracts."

The opposition holds 75 seats in the 222-seat parliament, while Najib's BN has 137 seats, according to data on the parliamentary website. Either side needs at least 112 seats to form a government. Najib replaced former PM Abdullah Ahmad Badawi mid-term in 2009.

The opposition alliance is targeting monopolies in an effort to lower prices paid by Malaysians for services including Astro's and telecommunications, as well as products such as rice and sugar, according to Pakatan's manifesto.

Astro, the sole satellite television provider, charges as much as RM155 per month for its customised 'Super Packs' content bundles and as low as RM75 a month for channels in a single language, according to information posted on its website. HyppTV, an Internet television service owned by Telekom Malaysia Bhd., provides programs to its broadband Internet subscribers for as little as RM30 per month.

"When we take over, we're going to call Ananda and say 'reduce the rate,'" Anwar said in the March interview in Kuala Lumpur. "It's very expensive."

The billionaire could not be reached for comment. Astro declined to comment on Anwar's pledge, the company said in an e-mail on April 12. Calls to Usaha Tegas, Ananda's investment company, outside office hours weren't answered.

Ananda, 75, has an estimated net worth of US\$8.8 billion, according to the Bloomberg Billionaires Index. Through a series of holding companies, he owns about 42 percent of Astro, according to data compiled by Bloomberg. He also owns shares of Maxis Bhd, the nation's second-largest mobile-phone operator by market

value, the data show.

Astro shares have fallen three percent this year, making it the KLCI Index's seventh-worst performer. Even after the drop, the stock trades for 28.9 times 12-month projected profit, a 92 percent premium to the benchmark index, data compiled by Bloomberg show. Including today's 2.1 percent gain, the shares have rallied 8.2 percent since valuations dropped to a three-month low on Feb. 27.

Stay defensive

The company has more than three million residential customers or about a 50 percent penetration rate of Malaysian TV households, according to Astro's website.

"Of course they can review" the monopoly situation, Ang Kok Heng, who helps manage the equivalent of \$428 million as chief investment officer at Phillip Capital Management Sdn., said by phone in Kuala Lumpur on April 12. "But I don't think they can do much because Astro is so established."

Investors should stay defensive and buy non-cyclical stocks with high dividend yields such as breweries, utilities and real estate investment trusts, in the run-up to polling day, Terence Wong, Kuala Lumpur-based head of research at CIMB Group Holdings Bhd., wrote in an April 3 report.

He named DRB, MMC Corp and Padiberas Nasional Bhd, all controlled by Syed Mokhtar, among companies "perceived to have political connections." The billionaire, through different units, owns 52 percent of MMC and 55.9 percent of DRB. MMC has risen 1.9 percent this year, while DRB has slumped 6.6 percent.

Private companies linked to Syed Mokhtar (left) also control Tradewinds (Malaysia) Bhd, which owns 73 percent of Padiberas, the supplier of 45 percent of the nation's rice, data from Tradewinds' website show. Padiberas shares have climbed 13 percent this year, bolstered by a Feb. 28 takeover offer.

Syed Mokhtar was not available to comment on the opposition's plan to review privatisation contracts awarded to companies controlled by him, according to his office. A government spokesman, who didn't want to be named because of official media policy, declined to comment.

Privatisation efforts in various industries including the postal service and rice production were "all given to one man," Anwar said. "Of course, we have to look. What are the terms? We have to relook at them."

Najib's approval rating slipped to 61 percent in February, the lowest level since August 2011, from 63 percent in December, according to the Merdeka Center's survey. His government had an approval rating of 48 percent.

The election "will be a tough fight," Phillip Capital's Ang said. "As long as you are seen to be pro-Barisan, then you will be penalised. It always happens in politics."

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