

Polls shock rattles investors : economists
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Weekend elections that have reshaped Malaysia's political landscape will reverberate in the stock market and could dampen investor confidence, economists said today. MCPX

Massive defections by the small but economically dominant Chinese community and once loyalist minority Indians have highlighted resentment towards the Malay-led government's economic policies, they said.

The Barisan Nasional coalition, led by Prime Minister Abdullah Ahmad Badawi's Umno failed to win a two-thirds majority in parliament for the first time in four decades.

It also lost control of four states, including the technology hub of Penang, to a resurgent opposition in Saturday's polls.

Analysts said that although the government also suffered a rejection from the Malays who form its bedrock, investors may be concerned that the results could trigger political and racial instability.

"Fund managers will be concerned with the racial divide," Chua Hak Bin, a Singapore-based economist with Citigroup told AFP.

"With the Chinese and Indians voting for the opposition, you raise the question if Malaysia's fundamentals are intact and whether there will be racial violence even though the Malays also voted for the opposition," he said.

Political shake-up

Malaysia's minorities are concerned over rising "Islamisation" and angry over the government's refusal to abandon positive discrimination policies that give Malays advantages in education, housing and business.

Chua said the "shocking" election results could keep investors at bay for the next three months.

"The polls outcome has rattled investors. There will doubts raised whether the development projects under the previous state governments will continue. The political shake-up could affect projects and companies," he said.

In the run-up to the elections, the Barisan Nasional launched a series of big-spending economic development plans touted as bringing tens of billions of dollars in investment and infrastructure to Malaysia's regions.

Chua said the fall of Penang, Malaysia's "Silicon Valley" which is home to many high-tech firms and the only state dominated by ethnic Chinese, could affect equity prices.

"It could also have an impact on billion-dollar projects in Penang, including the second bridge crossing," he said.

Vote of no confidence in Pak Lah

Wan Suhaimi Saidie, economist with Kenanga Investment Bank, said there could be a drop in share prices when the bourse opens on Monday.

"Some investors may shift their position when trading opens on Monday while others may take to the sidelines. But I think it will just be temporary," he said.

Wan Suhaimi said that with a strong new opposition, the government could hopefully fine-tune its investment policies to woo overseas funds.

But Chua said that Malaysia's long-term political prospects were in the balance, amid uncertainty over the future of Abdullah who is facing calls to resign.

"The election speaks for itself. It shows there is no confidence in his leadership. I will not be surprised if he steps aside," he said.

"They (investors) will not come in aggressively and we will see the Malaysian bourse remain marginalised vis-a-vis other regional bourses."

Kaladher Govindan, head of research at TA Securities, tipped the bourse to fall Monday and said that in the short-term it would suffer from fears over looming instability.

"My gut feeling is it will fall sharply. It is due to concerns of political uncertainties and whether there will be unrest. But it will not crash," he said.

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