

M'sian stocks jump the most in 2-years on Fitch outlook

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By BLOOMBERG

Malaysian stocks rallied as Fitch Ratings raised its outlook for the nation after signaling a rating downgrade earlier in the year.

The FTSE Bursa Malaysia KLCI Index climbed 1.7%, poised for the biggest increase since May 2013, at 10:30 am in Kuala Lumpur. IHH Healthcare Bhd., MISC Bhd. and SapuraKencana Petroleum Bhd. were the biggest gainers, advancing more than 3%.

The ratings affirmation gives Prime Minister Najib Abdul Razak more time to improve the country's public finances. The benchmark stock gauge fell to six-month lows on Monday as foreign investors pulled funds after Fitch warned in March it may cut the sovereign rating amid concerns over rising debt at state investment company 1Malaysia Development Bhd.

"This is good news, the biggest uncertainty in the market has been removed," Danny Wong Teck Meng, chief executive officer of Kuala Lumpur-based Areca Capital Sdn., which manages about US\$224 million (RM845.7) in assets, said by phone. "The market has been oversold for sometime. I'm switching from defensive stocks to the ones with higher growth potential."

Malaysia's benchmark stock index has declined 3.1% this year through Tuesday, extending 2014's 5.7 retreat. The gauge trades at around 2 times net assets, near its lowest level since July 2009.

Fitch lowered Malaysia's outlook to negative in 2013, citing weaker prospects for public finances. Moody's Investors Service and Standard & Poor's also rank Malaysia at their fourth-lowest investment grades. Moody's has a positive outlook, while S&P's is stable.

Fiscal deficit

1MDB's borrowings amounted to RM41.9 billion as of March 2014 in part for the purchase of power plants and land. As the company's troubled finances threatened Malaysia's rating, Najib faced calls from former premier Mahathir Mohamad to step down as leader.

While Southeast Asia's third-largest economy has run a fiscal deficit since 1998, the gap as a percent of gross domestic product has been narrowing. To boost state coffers, Najib scrapped a decades-old fuel subsidy policy in December and started a 6% goods and services tax in April.

— by **Choong En Han**

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