

M'sia seeks to lure individual investors

Trading by individuals fell to 20% of trading value from over half at the start of the Asian financial turmoil in 1997

MALAYSIA'S bourse said it's seeking to lure individual investors who have shunned the market a decade after the Asian financial crisis.

Bursa Malaysia Bhd is working with brokerages and banks to "reach out to retail investors in various towns and cities" to open up accounts and encourage online trading, chief executive officer Datuk Yusli Mohamed Yusoff said in an interview in Kuala Lumpur.

Trading by individuals fell

to as low as 20% of trading value from more than half before the start of the Asian financial crisis in 1997, when the benchmark index slumped by a record 52%.

"A lot of retailers lost a substantial amount," Yusli said yesterday. The result is that the market is now "dominated by the local institutions," he said.

Most individual savings started shifting to mutual funds and unit trusts since Malaysia's economy went into a recession in 1998, Yusli said. They haven't returned to stock trading even as the economy expanded at an annual average of 5% over the past decade and the benchmark index more than doubled.

The FTSE Bursa Malaysia KLCI Index has climbed 1.2% so far this year, paring a gain

of as much as 5.8% amidst concern austerity measures in Europe will reduce demand for the Malaysia's technology and commodity exports.

The KLCI's 45% gain last year lagged behind South-East Asian neighbours even after the government announced stimulus plans totalling RM67 billion to help pull South-East Asia's third-largest economy out of a recession.

Trading slumped by half to an average US\$375 million (RM1.24 billion) a day over the six months ended May from the same period 13 years ago, right before the start of the regional financial crisis in July 1997, according to data compiled by *Bloomberg*. Neighbouring Singapore's figures have quadrupled to US\$1.1 billion over that time, data from the city-state's ex-

change show.

"People's risk appetite is not there anymore, not like those days," said Lye Thin Loong, who helps manage US\$500 million at Avenue Invest Bhd in Kuala Lumpur. "Those who traded recklessly with no fundamental reasons got burnt."

The slump in trading by individuals coincided with an exodus by foreigners from South-East Asia's second-biggest stock market, leaving Bursa more reliant on domestic institutional funds. Overseas investors have sold a net RM1.36 billion of Malaysia's equities this year, adding to RM8.57 billion withdrawn in 2009 and RM38.6 billion that flowed out in 2008, according to exchange data. In 2007, they bought a net RM24.7 billion.

The exit left foreigners holding 20.6% of local stocks

at the end of April, down from 27.5% in April 2007, according to stock exchange data. Overseas investors held 9.33% of Tenaga Nasional Bhd at the end of April, compared with 27% in April 2007, according to data from Malaysia's biggest power producer.

The state-controlled Employees Provident Fund accounts for 50% of daily trading volume in the equity and bond markets, Prime Minister Datuk Seri Mohd Najib Razak said on March 30. More than half of the RM417.1 billion of market value in the benchmark stock index is owned by government-linked funds, according to calculations by *Bloomberg*.

"We'd rather see a more balanced distribution, so that one particular sector doesn't dominate the market so much," Yusli said. — *Bloomberg*