MARKET SUMMARY

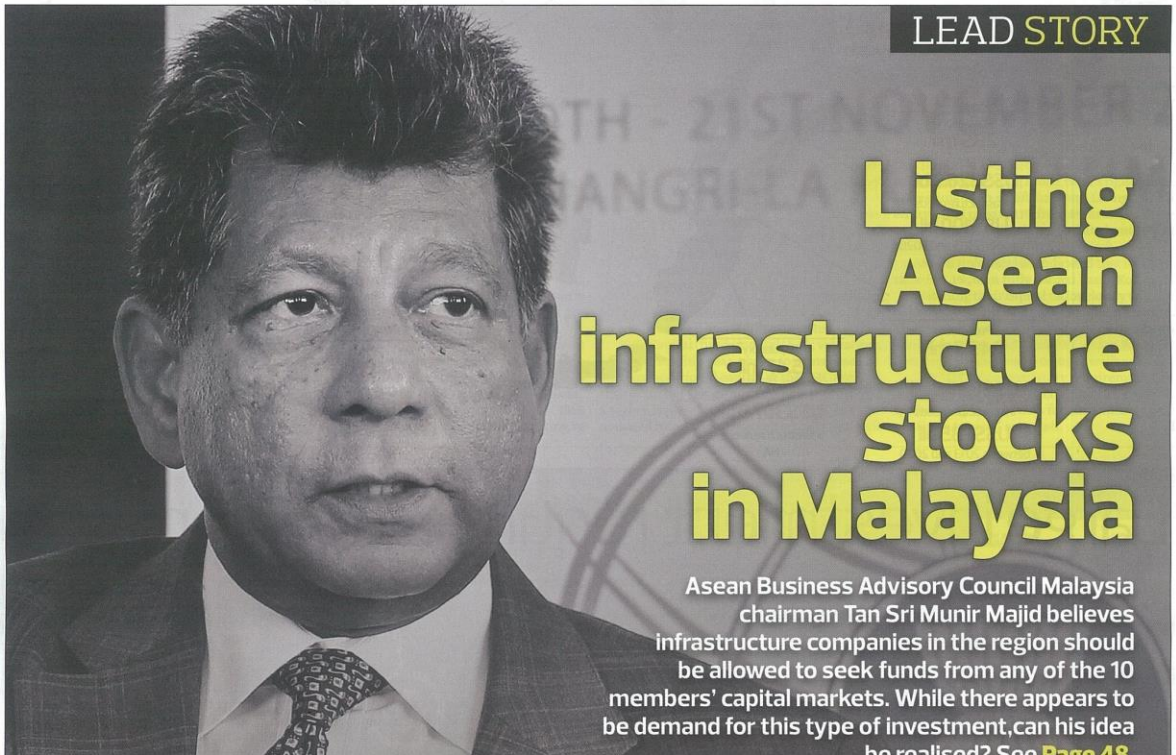
The FBM KLCI fell 2.64% w-o-w to 1,665.71 points last Friday in line with other major indices in Asia. Market sentiment was muted at the prospect of a US Fed rate hike while investors took profit after the rally fuelled by Budget 2016.

Declines were seen in Singapore's Straits Times Index (-2.28%), Jakarta Composite Index (-4.25%), Thailand's SET Index (-2.05%), Hang Seng Index (-2.21%) and Shanghai Composite Index (-0.88%).

This week, the FBM KLCI is expected to move within a narrow band of 1,660 to 1,680 points due to the weakening ringgit and soft recovery in commodities, says Affin Investment Bank's head of retail research, Datuk Dr Nazri Khan. "Despite consolidation, bargain hunting should appear soon as players seek to take advantage of the grossly oversold market to accumulate quality counters bashed down by the budget." Aggressive investors should go long on index futures on weakness while conservative traders should accumulate stocks with momentum, including Cahya Mata Sarawak, IHH Healthcare, MISC, Top Glove Corp and IGB REIT. — By Kamarul Azhar

capital

LEAD STORY



Listing Asean infrastructure stocks in Malaysia

Asean Business Advisory Council Malaysia chairman Tan Sri Munir Majid believes infrastructure companies in the region should be allowed to seek funds from any of the 10 members' capital markets. While there appears to be demand for this type of investment,can his idea be realised? **See Page 48.**

KPMG, WORLD BANK

Asean infrastructure needs

Large investment required in region

BY **KAMARUL ANWAR**

An infrastructure company from Myanmar or any other Asean member could be listed on Bursa Malaysia someday, if things go according to Tan Sri Munir Majid's plan. And with Asean's aspiration to become an integrated single market, there should not be any hindrance to infrastructure projects seeking funds from other capital markets in the region.

Speaking to *The Edge* in the capacity of chairman of Asean Business Advisory Council (BAC) Malaysia, Munir says the council has proposed this cross-border listing to the region's leaders to take advantage of each other's markets. For example, one might have assets to invest in but its country's stock market could have insufficient liquidity.

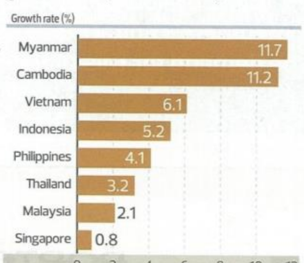
On the investors' side, Munir says there is demand for this kind of investment in the region.

"A lot of pension funds complain to me, 'Our investments and liabilities are long term but there is not enough long-term assets in Asean for us to invest in that could give us a regular stream of income to fulfil our liabilities'," he recalls.

Putting aside for now the problems Asean members have in forming a cohesive, single market towards the implementation of the Asean Economic Community (AEC), the countries in this developing region require an immense amount of investment.

In a report last year, KPMG partner and head of ASPAC infrastructure markets Roddy Adams said Asean needs an investment of about US$60 billion a year up to 2022 and expects the energy and transport sectors to take up the bulk of it.

Asean electricity generation market potential (2010 – 2035)



Munir, who was a founder of Commerce International Merchant Bankers Bhd (now known as CIMB Group Holdings Bhd), singles out Myanmar as one that has to address its need for power generation assets.

And with a good reason. According to KPMG's report "An overview of infrastructure opportunities in Asean", Myanmar's demand for electricity generation is expected to grow 11.7% annually from 2013 to 2020.

Only Cambodia has a similar demand for electricity, growing at an estimated 11.2% per annum. Demand in the other countries in the region is growing in single digit — up to 6.1%.

The KPMG report says Myanmar needs US$320 billion in infrastructure investment by 2030. The Asian Development Bank, meanwhile, puts the figure at US$100 billion every year, saying the amount invested is actually less than half of that.

"Lenders are more inclined to support your project [with debt financing] if they know there is an exit. However, the listing must be in a market that is liquid — you can't have it (your company) listed in Yangon," says Munir.

With this in mind, he is championing the idea of Asean Infrastructure Project Listing (IPL). He is looking at the possibility of allowing Asean infrastructure projects without a track record to raise funds on Bursa.

"It is based on what was done in Malaysia in the mid-1990s when I was [executive] chairman of Securities Commission Malaysia (SC), which helped in the take-off of a number of infrastructure projects, particularly in the power sector.

"The possibility of a listing without track record but based on authenticated strong future cash flows encourages debt financing because that possibility does two things — it is a reaffirmation of viability, [and] there is a take-out or debt-reduction source," Munir explains.

"IPL shares are one such possible instrument. If they can grow into a viable Asean asset class traded on national or Asean-linked exchanges, such as a further developed Asean Trading Link, they can meet the needs of investors and infrastructure development in Asean."

While the figures sound impressive and opportunities seem aplenty, can Munir's idea be realised?

The Asean-X approach

"The SC is aware that I am pursuing this matter," Munir says, adding that he has also had discussions with ministers in Myanmar, apart from other potential countries. Indonesia, he remarks, may have "some difficult problems" accepting the Asean IPL idea.

Many of the region's business leaders, including Munir, have publicly expressed their frustrations at the lack of progress in smoothing the trading process between Asean members — particularly with regard to non-tariff barriers — and in the opening up of their individual markets to realise AEC's objective of a single market.

Indonesians, in particular, have been open about their aversion to the AEC. Opinion columns by ministers expressing the importance of protectionism and how the country can succeed on its own are widely carried in the local media.

Consequently, to push through IPL, Asean BAC will need to get the host regulators interested first, says Munir. Instead of getting all the countries to agree to an idea, he says he prefers the Asean-X approach.

Pronounced "Asean minus X", this is a formula for the region's countries to go ahead with an initiative without having to obtain the agreement or interest from all 10 members.

"The thing is to make one deal happen and others will follow. I believe functional integration works better in Asean, with a positive demonstration effect being a good catalyst," says Munir.

But executing a vision, however feasible it may be, needs perfect timing. With the political scene in Malaysia clouding investor sentiment, Munir says it may not be a propitious time to start the IPL initiative now.

"I do not underestimate the difficulties but I believe this is something worth pursuing," he concludes. E