

Update: Malaysian financial markets show stability post-election as transition continues

Monday, May 14, 2018

Highlights

- On the first working day post-election, Malaysian financial markets show signs of stability.
- Minister of Finance, Minister of Home Affairs and Minister of Defense have all been appointed.
- The remaining ministers helming the other 10 core ministries will be announced this week.
- Mahathir has reiterated multiple times that the new government will be “business-friendly”.
- The transition has so far been relatively orderly providing much relief that markets need.

On the first working day post-election, Malaysian financial markets show signs of stability. The FBM KLCI marginally closed higher today gaining 0.21%. The MYR was generally unmoved as at 5pm today with the USD – MYR value having dropped by 0.14%. The 5 year Malaysian CDS has fallen by 2.46 basis points to 85.70 basis points as at 5.30pm today. Mahathir was sworn in last Thursday as the new Prime Minister with the 92 year old having stressed the importance of setting up a government as soon as possible.

The new government has announced the appointments for the key positions of Minister of Finance, Minister of Defense and Minister of Home Affairs and also the creation of a council of elders. The former Penang Chief Minister Lim Guan Eng will be the new Minister of Finance whilst former Deputy Prime Minister Muhyiddin Yasin will serve as the Minister of Home Affairs. Mohamad Sabu has been appointed the Minister of Defense. The council of elders will consist of Daim Zainuddin, Zeti Akhtar Aziz, Robert Kuok, Hassan Marican and Jomo Kwame Sundaram. The council appears to be responsible for reviewing important policies in the near term. Mahathir has said that the entire cabinet should be in the size of between 25 – 30 ministers. He also said that the rest of the 10 core ministers will be appointed this week whilst the remainder of the cabinet will be appointed over the next 2-3 weeks.

On the fiscal front, Lim Guan Eng has not given any detailed comments yet regarding the plans of the new government. However, he did make mention that they “will not forget (to abolish) the GST”. He further reiterated, “we will not forget our promises but we need some time”. He has said that he will be meeting Securities Commission officers in Penang for a briefing.

Mahathir has continuously reiterated that the new government will be a “business-friendly government” and that “economy and finance are our main focus”. He did state that Malaysia welcomed local and foreign direct investments (FDI) but the FDI would be limited to bringing in capital and technology into the country and setting up of factories to produce goods for the local and export markets. He said foreign participation in big infrastructure projects will only be allowed if there is no expertise in Malaysia to carry out the project.

The new government is moving ahead with investigating corruption. MACC chief Dzulkipli Ahmad has reportedly resigned whilst Attorney-General (AG) Tan Sri Mohamed Apandi Ali would be taking leave immediately. Earlier, Mahathir had said that they would look into to the Election Commission (EC) chairman Tan Sri Mohd Hashim Abdullah too. “Our intention is to go for people who have shown a tendency to be corrupt or who have committed known corrupt acts,” said the 92 year old.

The transition has so far been relatively orderly providing much relief that markets need. PH as of this point has already been able to form the state governments in all the states where they have emerged victorious. The new Prime Minister is also quick to get into the business of governing by already meeting all the secretary-generals of the various ministries.

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