

INVESTORS' PARTICIPATION

Investors' demographics, and its associated behaviours and participation, influences the overall stability and liquidity of the Malaysian capital market. Market liquidity is an essential condition for the market to function effectively. This facilitates price formation and discovery, and more importantly for systemic stability via the absorption of systemic shocks.¹

Diversity in the type of investors also plays an important role in promoting the health and depth of the market. Therefore, a deeper analysis on the participation of these various groups of investors would facilitate a better understanding of market structure for the monitoring and management of systemic stability.²

FIGURE 1a
Holdings in the equity market (RM billion)

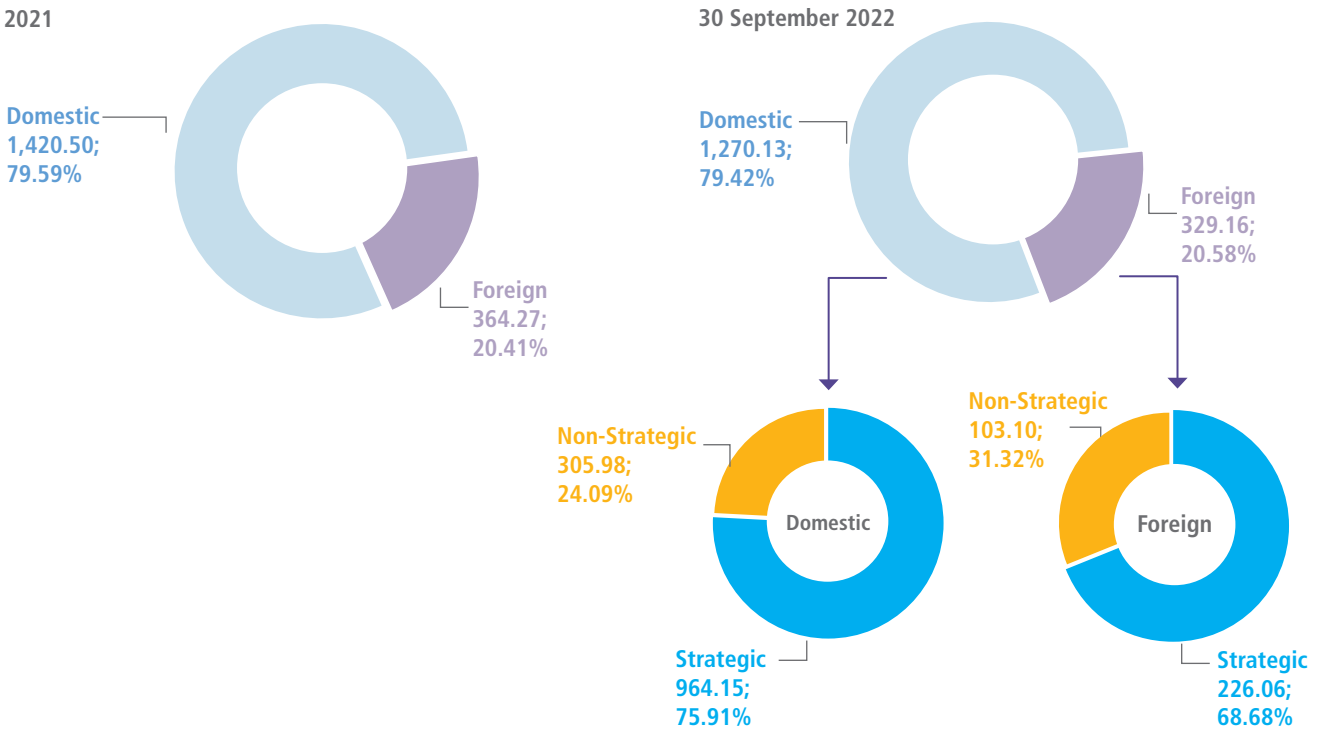
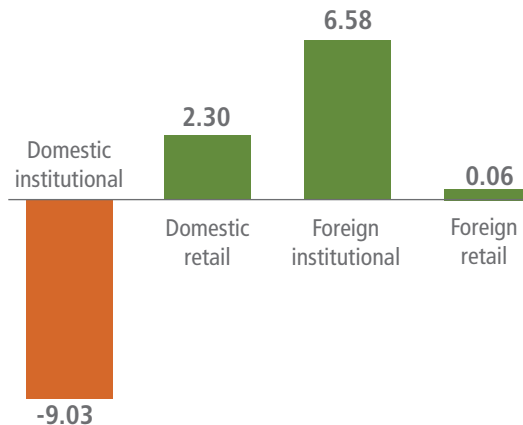


FIGURE 1b
Net value traded in the equity market as of 30 September 2022 (RM billion)



Source: Bursa Malaysia, Thomson Reuters Eikon and the SC.

¹ Final Report: Development of Emerging Capital Markets: Opportunities, Challenges and Solutions. The Growth and Emerging Markets Committee of IOSCO. IOSCO. 2020.

² Internal assessment sources: Bursa Malaysia, Thomson Reuters Eikon and the SC.

The decrease in domestic holdings from 79.59% as of end December 2021 to 79.42% as of 30 September 2022 (Figure 1a) was driven by domestic institutional investors who were net sellers for seven out of the first nine months in 2022 (total net sell of -RM9.03 billion) (Figure 1b). Meanwhile, for the same period, domestic retail investors traded at a net buy of RM2.30 billion, while foreign institutional and retail investors also traded at a net buy of RM6.58 billion and RM0.06 billion respectively.

Based on the SC's assessments, domestic holdings as of 30 September 2022 were largely held by strategic investors (75.91%) with non-strategic investors holding the remainder. Strategic investors consisted of promoters, parent, or holding companies of a PLC that had a longer-term investment strategy in mind whereas non-strategic investors were investment managers with shorter investment horizons.

TYPES OF FOREIGN INVESTORS

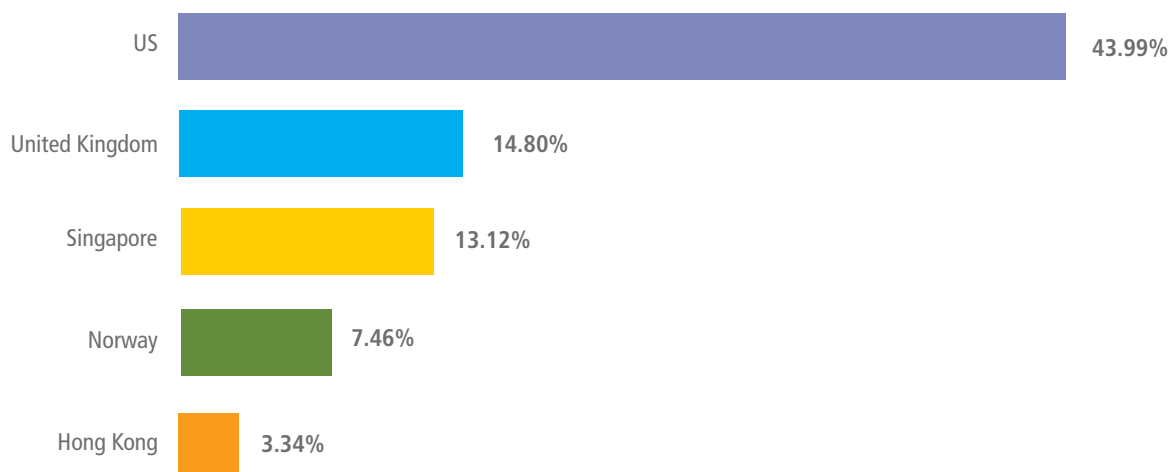
Further analysis into the type of foreign holdings indicated that out of the 20.58% of foreign holdings as of 30 September 2022, a total of 68.68% across various markets and sectors on Bursa Malaysia were held by foreign strategic investors (Figure 1a). By type, 96.34% of foreign strategic investors were corporations whereas

the rest consisted of individual investors, government agencies, holding companies, and others.

Nearly half of the foreign non-strategic investors were from the US and their top three holdings were in the banking counters (Chart 1).

CHART 1

Top 5 countries of foreign non-strategic investors as of 30 September 2022



Source: The SC; Thomson Reuters Eikon.