

16/02/1997

A good start

M Magesvaran

THE stock market should continue to ride comfortably in the next few weeks on the back of a highly conducive political climate and very strong corporate performance. The reporting season is back and stalwart Malayan Banking Bhd has shown the way for an uptrend in earnings for finance and banking companies in particular. Apart from utilities, property and manufacturing companies would have also reaped hefty profits for 1996 and can expect better times ahead. It is not surprising if a stockbroking firm has reported thundering profits given the bullishness of the stock market the past one year but for Malayan Banking to literally mint money did stun even the numbers crunching pundits. Malaysia's premier bank's more than RM1 billion in profit registered for the first six months period undoubtedly reflects the healthy state of the country's overall economy. Bank Bumiputra Malaysia also recently reported heavy profits and other banks and finance companies will soon be boasting of how well they have performed last year. For the next few months there will be an upward re-rating of share prices and the stock market should be bullish. At the moment Wall Street seems healthy despite occasional fears of inflation and interest rates. Unless Wall Street crashes and shakes the global financial system, there is hardly any reason for the Kuala Lumpur stock market not to remain strong amid bouts of technical pullback. Prime Minister Datuk Seri Dr Mahathir Mohamed's recent US and Japan promotion mission for Malaysia's Multimedia Super Corridor has also opened up the eyes of major foreign financial institutions, particularly the mutual and pension fund managers, and they are likely to start nibbling at shares of the KLSE soon. Foreigners' direct investment in the country is already heavy and growing fast: a resounding for the government's economic policies and programmes. Of the RM41.7 billion in proposed capital investment received by MIDA last year, 42.2% came from foreign sources. Proposed capital investment by foreigners grew by 32.8% last year. The new year started on a promising note with heavy volume for main board stocks, particularly second and third liners which have been sleeping last year. The second board stocks which hogged the limelight in 1996 remain very much in the picture with price of some stocks shooting up in relentless buying. The most attention-getting stock in January was Kuala Lumpur Industries Bhd. The company is investing heavily in Madec Inc Malaysia electrical products and is rumoured to have been taken over by Hong Kong's richest man, Li Ka Shing. The most sought-after group was the Berjaya Group of companies which include Berjaya Sports Toto, Berjaya Singer, Berjaya Industries and Berjaya Leisure. These stocks experienced heavy trading volume and substantial increase in prices. Among the heavyweights, Tenaga Nasional under a new leadership has managed to regain the confidence of many investors and this was reflected in share price and trading interest increase. Malayan Banking captured interest due to sale of its subsidiary Kwong Yik Bank and hefty profits. United Engineers, with expectations of sharp increase in profits from toll collection, was chased up by institutional investors. The Kuala Lumpur Stock Exchange composite index for January was 21.24 points lower at 1,216.72. During the same period, the all-share Emas index rose 2.96 points. The market was much more active last month with total turnover on the main and second boards at 5,197.90 million units and 1,326.05 million units respectively. The total value was RM42,307.91 million.

\* M MAGESVARAN is a remisier with Capitalcorp Securities.  
(END)