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Bourse closes mixed to lower as bears hold court

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LAST week, share prices on the Kuala Lumpur Stock Exchange closed mixed to lower in the absence of institutional investors' buying support for blue-chips and index-linked stocks.

The lack of buying support resulted from the concerns over a derogatory remark by the former Prime Minister of Singapore Lee Kuan Yew in his sworn affidavit filed in a Singapore court. Some institutional investors sold down their positions as to avoid being caught in a bind over the derogatory remark.

Prior to that, there were market talks originating from across the Causeway regarding the health of Prime Minister Datuk Seri Dr Mahathir Mohamad. That was aimed at driving share prices down by undermining the overall market sentiment. They had repeatedly tried this underhand method to collect shares at bargain prices.

Just when the Singapore Senior Minister apologised unreservedly on March 13, 1997, the sharp 106-point fall of the Dow Jones Industrial Averages dealt another blow to the local market. The local market sentiment was greatly affected when it moved in tandem with the reactions of other regional markets. The 56.57-point recovery on March 15, 1997 helped to ease off some concerns as to the future direction of the New York market.

On March 10, 1997, the overall market opened on a weak note due mainly to the selling pressure encountered by the nine companies that were formerly under the late Tan Sri Yahaya Ahmad.

The resumption of trading of the nine companies came under heavy selling pressure right from the opening bell. The weaknesses in some of the index components had in turn sent the KLSE Composite Index sliding lower, thereby weakened the overall market sentiment.

The KLSE CI managed to recover some lost ground during the next two trading days before the DJIA's 106-point sharp fall on March 13, 1997, interrupted its recovery. However, KLSE Second Board Index rallied to a higher close.

Reflecting the weak market sentiment, the KLSE CI lost 8.74 points, or 0.70 per cent, over the week to close at 1,242.47 points on March 14, 1997. The KLSE All Share Emas Index gave up 1.67 points, or 0.46 per cent, to 364.58 level.

The KLSE Industrial Index dropped 10.68 points, or 0.46 per cent, to 2,324.35 level. The KLSE SBI bucked the trend when it rallied 11.54 points, or 1.78 per cent, to 661.59 level.

On the sectoral performance analysis, the KLSE SBI stole the limelight when it rallied to be best performing sector of the week with a week-on-week gain of 1.78 per cent. Constructions and consumer sectors were the best performing sectors on the main board with week-on-week gains of 1.06 and 0.17 per cent respectively.

Chartwise, the KLSE CI came under heavy selling pressure on the opening bell when the nine companies under Tan Sri Yahaya Ahmad's stable were re-traded. Thereafter, it was influenced by the concerns on the derogatory remark and the volatility of the DJIA.

Following are the readings of some of its technical indicators:

Moving Averages: The KLSE CI continued to stay above its shorter term 10-, 20- and 30-day moving averages in their bearish sequential order. Its longer term 100- and 200-day moving averages continue to provide the critical support.

Momentum Index: Its short-term momentum index reversed its short-term momentum thrust trying to stage a re-test of its critical support.

On Balance Volume: Its short-term OBV trend gyrated within a tight trading range.

Relative Strength Index: Its 14-RSI continued to trend within the confines of its neutral zone.

OUTLOOK:

The KLSE CI breached the lower support of its Keltner channel when it hit its intra-week low of 1,234.19 level before rebounding to close at 1,242.47 level, resting just precariously on the Keltner channel's median support line.

Similarly, the KLSE CI closed on a weak note when it stayed just marginally below the lower band of its regression channel. This suggests that the KLSE CI would certainly need a bit of time to consolidate its current position before embarking on its next uptrend moves.

This week, the KLSE CI is likely to trend with some upside bias given its recent retracement of 44.75 points from its recent high of 1,278.94 points on Feb 26, 1997 to its low of 1,234.19 points on March 14, 1997.

Renewed buying support of the KLSE second board counters provided the market something to cheer about.

The KLSE SBI staged an upside breakout to take out its previous peak of 661.25 points on Nov 15, 1996 when it hit its all-time historical high and closing high of 666.10 points and 662.50 points on March 12 and 11 respectively.

Current rally on the second board was led primarily by the geometric rise of a yesteryear high-flyer, Repco Holdings Bhd (See Taking Stock for its technical details). Repco staged a meteoric rise of RM20.00 last week when it occupied the top spot of last week's top ten gainers list.

Trading focus will once again centre on some high-priced second board counters to occupy most of the top spots on this week's top ten gainers list while selective second and third liners on the main board will whip up the overall market volume to keep the bull alive and kicking.

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