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Delaying huge projects will give impetus to bourse

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LAST week, share prices on the Kuala Lumpur Stock Exchange rebounded on the last trading day of the week. Earlier, foreign fund managers' relentless liquidation of the KLSE heavyweights drove the local benchmark, the KLSE Composite Index, to its intra-week low of 675.15 points on Thursday.

On Tuesday, the market opened on a strong note when local investors responded to Prime Minister Datuk Seri Dr Mahathir Mohamad's call to support the local bourse in our bid to stop foreign manipulators from inflicting further damage to our stock market.

However, the initial strong buying soon fizzled out on lack of further buying support. Apparently, the lack of co-ordination among the local institutions contributed to the lack of cohesiveness in their buying support. Instead, the KLSE CI fell another 8.67 points to 795.73 points on Tuesday.

The foreign fund managers' continuing heavy liquidation of the KLSE heavyweights, particularly Maybank Bhd, Sime Darby Bhd, Tenaga Nasional Bhd and Telekom Malaysia Bhd, sent the KLSE CI down another 44.97 points, or 5.65 per cent, to the 750.67 level on Wednesday.

The strong follow-through liquidation on blue-chips coupled with the ringgit breaching the major psychological level of RM3 against the the greenback opened the floodgates on the local bourse when the KLSE CI hit its four-year low at the 675.15 level on Thursday.

The KLSE CI rebounded about 55.97 points on late trading activities. Recovery of blue-chips sent the KLSE CI rebounding from its intra-day low of 675.15 level to close at the 731.12 level on Thursday.

Despite the sharp intra-day fall, investor were upbeat that the RM60 billion fund would be able to sustain further falls.

Share prices soared on the local bourse on Friday triggered by the Government's decision to lift the restriction on the 100 index-linked stocks imposed just a week ago. Buying was heavy across a wider front with total single-day market volume (725.71 million shares) matching those registered in the superbull in 1993.

The KLSE CI registered the single-day biggest index rise of 12.40 per cent in percentage terms. In absolute terms, the single-day biggest rise was 104.97 points posted on Jan 14, 1994 when the KLSE CI rose from the 1,029.19 level to 1,134.14.

Reflecting the wide swings in market sentiment throughout the holiday-shortened week, the KLSE CI managed to register a modest gain of 17.19 points, or 2.14 per cent, over the week to close at 821.59 points on Friday.

The KLSE All Share Emas Index (KLSE Emas) staged an impressive rebound when it advanced 11.70 points, or 5.33 per cent, to the 231.18 level.

The KLSE Industrial Index posted a gain of 38.35 points, or 2.37 per cent, to the 1,657.58 level. The KLSE Second Board Index (KLSE SBI) jumped 27.27 points, or 7.30 per cent, to the 401.01 level.

Chartwise, the KLSE CI dipped lower before staging a long-awaited technical rebound on Friday. It really stretched the patience of thousands of local investors to their limits. Many investors had almost thrown in their towels and called it a day. The 90.47-point rebound on Friday rekindled their hopes.

The following are the readings of some of its technical indicators:

Moving Averages: The KLSE CI continued to stay below all its 20-, 30-, 50-, 100- and 200-day moving averages.

Momentum Index: Its short-term momentum index hit a low at the -198.45 level on Thursday before rebounding sharply to -87.65 level on Friday.

On Balance Volume: Its short-term OBV trend continued to drift downwards, staying below its 10-day exponential moving averages.

Relative Strength Index: Its 14-RSI rebounded sharply on Friday. It staged a decisive breach of its intermediate-term downtrend.

OUTLOOK:

Judging from last week's trading activities, the market rallied behind our Prime Minister in averting what could have been severe melt-down in our equity history. Despite the several attempts to depress the share prices on the local bourse, the KLSE CI managed to weather the "storm" credibly well.

Last week, the KLSE CI dipped 129.25 points lower to the 675.15 level on Thursday before local buying support came to lift it back to 821.59 points at the market close on Friday - a recovery of 146.44 points from its intra-week low of 675.15 level.

The Government's decision to lift the restrictions on the 100 index-linked component stocks cleared the way for the KLSE CI's fierce climb on Friday.

Many institutional investors viewed the lifting of the designation on the 100 component stocks as a positive move which strengthened market players' confidence.

A better set of trade figures coupled with the Government's decision to delay several mega-projects provided the necessary impetus for the market to stage a decisive turnaround.

Many institutional investors applauded the Government's decision to give our economy some breathing space.

Technically, the single-day rise of 90.47 points, or 12.40 per cent, on Friday gave the market some long-awaited relief after months of a depressing trend on the local bourse. The KLSE CI found critical support at the intersection of two major trendlines (See KLSE CI's monthly bar chart - A1-A2 and A3-A4), the Gann's 4 x 1 angle support and the previous peak in 1992.

Its firece climb on Friday may attract some intermittent profit liquidation. The follow-through buying support is likely to absorb this liquidation before moving to re-challenge its immediate overhead resistance at the 852 level. Once this level is taken out, then the KLSE CI will move on to its next retracement objective at the 906 level.

Similarly, the KLSE SBI will rebound in tandem with their main board counterparts. In percentage terms, the KLSE SBI is certainly able to out-perform the KLSE CI. Some battered second board counters will now come in for some spectacular recovery.

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