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Energetic mart trading activity fails to last

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TRADING on the Kuala Lumpur Stock Exchange (KLSE) last week started with an outburst of energy when the bourse began the week 69.07 points up or 11.37 per cent at 676.47, riding high on bullish sentiments over the Government's austerity measures.

In December, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim announced measures, approved by the Cabinet, to safeguard banks and finance companies and check credit growth. The measures, among other things, allowed banks to make margin calls and required them to freeze loans to unproductive sectors.

The Government also gave its guarantee to safeguard depositors in the banking system.

Last Monday, Anwar laid down the principles to be adhered to with regard to credit operations.

One of the principles holds that banking institutions should use their discretion when deciding whether to withdraw loans.

Prime Minister Datuk Seri Mahathir Mohamad said the measures which includes lowering the projected growth rate for 1998 and cutting back government spending, are necessary to restore confidence in the economy.

"I cannot see how much clearer we can be ... certainly we are taking the necessary measures to restore confidence in our economy," he said in Langkawi on Sunday.

However, the surge was short lived as sellers overwhelmed buyers last Tuesday dragging the exchange 47.32 points lower to 629.15.

Analysts said the surge last Monday was a bit too strong and it may have prompted some investors to sell their shares to take profit.

In addition, they said positive sentiments brought by the announcement of Government belt-tightening measures are beginning to be discounted by investors. For the rest of the week except for last Wednesday, the exchange took the turn for the worst as sellers overshadowed buyers pushing the exchange's barometer KLSE Composite Index (KLCI) to close the week 32.48 points to 574.92.

Last Wednesday, the KLCI closed 7.21 points higher to 636.36.

The KLCI dropped a hefty 47.18 points to close at 589.18 last Thursday as bearish sentiments loomed over the KLSE.

An analysts attributed last Thursday's fall as well as last Friday's drop mainly on the contagion effect of the fall in other regional bourses due to the attack on the South Korean won and Hong Kong dollar and partly from continued profit taking activities.

Analysts said even though investors viewed the measures in a very positive light, fears of the rising interest rates, lower corporate earnings, regional currencies uncertainty and lower Gross Domestic Product (GDP) growth rates have caused investors to remain cautious in their trading in the short term.

They said investors are also taking a cautious stance on the market as the year comes to a close.

The all-main board Emas Index finished the week 6.02 points or 3.78 per cent lower at 153.45, while the second board index was down 20.6 points or 8.76 per cent to 214.62 from the previous close.

Total turnover on the KLSE for the whole week amounted to 1.165 billion shares valued at RM4.037 billion as compared with 977.119 million shares amounting to RM2.518 billion the week before.

Main board turnover was 9947.222 million shares valued at RM3.659 billion while second board saw a total of 105.986 million shares changed hands worth RM318.905 million.

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