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Good time to buy shares now: Dr M (HL)

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PRIME Minister Datuk Seri Dr Mahathir Mohamad said it is usual for foreign fund managers to flee when the chips are down on the local stock market.

"I am not worried," he said yesterday when asked to comment on the weak performance of the Kuala Lumpur Stock Exchange (KLSE).

"It is usual for fund managers to pull out during such times because they are afraid of a further decline. But I should expect local fund companies to buy cheap shares now.

"If I were a player at the stock exchange, I'd be buying the shares now, but I don't buy shares," he told reporters in Kuala Lumpur, adding that this is the time domestic fund managers should come in as the prices are now at bargain levels.

The Kuala Lumpur Stock Exchange Composite Index (KLCI) fell through yet another support level yesterday, dropping below 930 to close at 928.33, its lowest level in 21 months.

Together with yesterday's 23.41-point loss, the KLCI has dropped a total of 74.3 points this week, from last Friday's close of 1,002.63. The last time the index was below 930 was on November 23 1995 when it touched 929.03.

Analysts said the KLCI continued its slide on selling pressure as players liquidated their positions on lack of willingness to hold longer term positions.

With no good news in the near term expected, confidence in the market was lacking, they said.

Notable losers were heavyweight Telekom Malaysia, which fell 30 sen to RM9.00, UE(M) RM1 to RM16.20, Sime Darby 30 sen to RM7.50 and AMMB RM1.20 to RM12.30.

Losers led gainers 631 to 69 while 89 counters were unchanged.

The broader Emas Index closed 5.55 points lower at 269.95 while the Second Board Index fell 13.81 points to 511.01.

According to another analyst, large companies extended their losses on worries that expanding money supply will increase the pressure on Bank Negara Malaysia to keep interest rates high.

The M-3 money supply for June rose 21.9 per cent year-on-year, which is on the high side. It was the second straight monthly increase, and might suggest that the new guidelines on loans for property and stock purchases were not slowing the growth in lending fast enough.

"But it is unlikely that interest rates will go up in the immediate term as any rate rise will attract more funds, and rates are already at high levels," TA Securities Bhd said.

Expecting overall loans growth to be between 28 per cent and 30 per cent for 1997, it said the central bank's loan curbs should take about three to six months to make any real impact.

"We also believe that if interest rates continue to remain high, more funds will flow in thus increasing liquidity in the system. As a result, lowering interest rates would be a wiser decision, not only to reduce short-term funds but also to ensure that the economy expands at a favourable pace," TA added.

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