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INVESTORS STILL WORRIED OVER KLSE'S IMMEDIATE DIRECTION

KUALA LUMPUR, July 18 (Bernama) -- Concern over the ringgit's continued decline coupled with fears of rising interest rates has left many stock market investors dumbfounded, wondering what's in store for them for them next.

An analyst said the Kuala Lumpur Stock Exchange seems to be stuck on the bearish side with investors awaiting fresh leads for direction at least for the immediate direction.

They hope that Prime Minister Datuk Seri Dr Mahathir Mohamad's return from from his leave next week could perhaps provide some spark and trigger buying interest.

Capital Dynamics Sdn Bhd, a market forecaster, in its recent review had revised its immediate to short-term forecast in the Composite Index to a range of 970 to 1,150 and the short to medium term forecast to a range of 970 to 1,280.

However, it still maintained its long-term target of 1,700 to 2,000 level.

For the past few weeks, trading on the local bourse has been falling without any significant rebound and today, the market barometer, the Composite Index touched 990.74 -- the lowest so far this year, after hovering between the 1,000 - 1,100 level since June 13.

"The KLSE's current trend can best be summed up as a roller-coaster ride" with investors' confidence still badly shaken and disturbed by a string of "uncomfortable" news of late," said a dealer.

First, Bank Negara's twin pre-emptive measures to control asset inflation and then the recent crisis affecting regional currencies including the ringgit, which has been battered by heavy selling in favour of the US dollar.

Speculative selling of the ringgit since Monday, which pressured it to hit another new low at 2.6000/10 against the US dollar today, created a lot of uncertainties, particularly over rising interest rates, exchange rates and the immediate economic growth prospects.

It is imminent fund managers would liquidate their positions with interest rates going upward, as mutual fund investors redeem their shares to invest in safer investment avenues.

The analyst said that foreign funds are likely to continue to remain sidelined and will be focussing on bullish markets like Hong Kong and London as well as Wall Street.

"If the situation worsens, I think their focus is no longer Southeast Asia ... they are heading for markets that are doing very well now," he added.

The analyst said with currency speculators alternating their attack on Asean currencies, many investors are also showing concerns over high overnight interest rates which may draw investors to fixed income instruments rather than investing in the volatile equity market.

Some even suggested that that 900 level is a critical support level that must hold for this market to work its way back to recovery, he said.

"The grossly oversold position in the market certainly calls for an imminent technical rebound soon to correct its imbalances," he said.

He also pointed out that from the recent behaviour of Tenaga Nasional and Telekom Malaysia stocks, it was suprising to note that many quarters were suggesting that the exit of fund managers was the cause of the damage

on the KLSE's CI.

Although profit-taking on Telekom and Tenaga was seen over the last two weeks except this morning, their losses were quite high, and this contributed to at least about 40 percent of the fall in the Composite Index.

Selected blue chips like Genting and Maybank are expected to see follow-through buying support after a "heavy selldown" recently but it did little to help.

At about 4.25 p.m, both Telekom Malaysia and Tenaga Nasional were down 40 sen to RM10.40 respectively while Maybank rose 25 sen to RM25.25 and Genting inched up 10 sen to RM11.50. -- BERNAMA

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