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KL stock market holds its ground (HL)

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THE Kuala Lumpur stock market has more or less bottomed out and in view of the good bargains currently available, investors should consider entering the market now.

"Investors should flock the market. Those who buy shares now will make money," president of the Association of Stockbroking Companies Malaysia (ASCM), Datuk Tony Tiah Thee Kian, said yesterday.

Expressing ASCM's support for the government measures to flush out stock manipulators from the Malaysian bourse, Tiah noted that the market is now trading at an attractive average price earnings ratio of 10.

"There is no reason for the share prices to drop to their present levels. It is caused by manipulation through illegal short-selling and unfounded rumours which depressed sentiment," the TA Securities Bhd executive chairman told a press conference in Kuala Lumpur.

While regulated short-selling was allowed, Tiah blamed illegal or "naked short-selling", where the seller does not hold the shares or made any arrangement to borrow them as having continued to depress share prices on the KLSE.

He said based on the fundamentals of the listed companies, the KLSE Composite Index (KLCI) should be close to 1,000 points rather than at its present level of about 800.

"The amendments (to the Companies Act) allowing companies to buy back their shares is a positive factor, and we also feel that interest rates will start to fall. Brokers should advise their clients to start buying shares," Tiah said.

Last week, several new measures were announced to curb stock manipulation that had been identified as the cause of the sharp fall in share prices. They include the banning of short-selling and the declaring of the KLCI's 100 component stocks as designated securities, the trading of which as a result is now on a cash and immediate delivery basis.

Asked if stockbrokers had received any directive from the authorities to slow down or even stop margin trading, Tiah said: "We ourselves have taken the initiative as brokers. There has been an abnormal decline in share prices, but there is no reason to be frightened... shares are now very cheap"

He also dismissed as "terrible rumours" the market talk that certain member companies have been suspended because of liquidity problems following the sharp price slide.

"Even the smallest stockbroking company has a shareholders' fund of RM50 million, while the biggest has more than RM1 billion. A number of them are also bank-based, so this rumour is wrong. All member companies are strong," Tiah said.

In response to a question, he said TA Securities itself was not involved in short-selling which dragged the index down. "We don't deal with many foreign funds anyway."

He said with the Government's support and encouragement, investors should have renewed confidence in the market.

On shares buyback by companies, which is allowed from this week, Tiah said those keen to undertake such an exercise should have no problem securing loans from the banks as most of the financial institutions are well within the 15 per cent ceiling as far as share financing exposure is concerned.

As for restrictions like the US\$2 million (US\$1 = RM2.95) limit placed on non-commerce related swap transactions by banks with each foreign customer and the cash only trading of the KLCI component stocks, Tiah said he is confident that when the market stabilises, the Government will lift the curbs.

"Right now, these are good measures to help stabilise the market," he said.

Meanwhile the stock market stood its ground yesterday with buying support seen from local institutions and investors.

The market held up well amid expectations of further dumping by foreign funds today to close 8.67 points lower at 795.73 from last Friday's 804.40.

Apart from blue chips like Tenaga Nasional (down 50 sen to RM8.20), Maybank (40 sen to RM19.00), Sime Darby (45 sen to RM6.45), and RHB Capital (40 sen to RM4.60), trading was generally steadier.

The scoreboard showed gainers outpacing losers 578 to 163 while 72 counters remained unchanged. The broader Emas Index closed 0.45 points higher at 219.93 while buoyed sentiment on the second board saw its index rising 11.22 points to 384.96.

Another analyst said the fact that the KLCI did not retest the previous intra-day low of 778 confirmed that the market had reached its bottom. The market had opened sharply higher.

Dealers said sentiment improved noticeably yesterday following Prime Minister Datuk Seri Dr Mahathir Mohamad's call to local funds last week to buy stocks which had come under pressure from stock manipulators.

Amendments to the Companies Act to allow companies to buy back their shares is also said to be positive for the market, although it is still unclear how aggressively the companies will be acquiring their own shares.

Several companies had indicated interest in mounting such exercises but have to wait until detailed procedural guidelines are received and their respective companies' by-laws amended.

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