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KL STOCKS TO TREND SIDEWAYS WITH LIGHT SUPPORT FROM LOCAL FUNDS

KUALA LUMPUR, Aug 16 (Bernama) -- Share prices on the Kuala Lumpur Stock Exchange which were lower this week, were expected to trend sideways next week on continuing support by local institutionals, amidst concerns over the ringgit's volatility.

Analysts said although there were repeated calls that local institutionals should re-enter the market which was considered cheap, with price earnings multiple at 15 times after the recent sell-off, it would not be wise for local funds to invest heavily as there is a possibility of a further slide.

"It is better for them to have patience and wait a little longer than to loose a lot of money for prematurely buying into a bearish market," one of them said.

This week, the Composite Index which tracked 100 quality stocks, sagged to a low of 885.22 before recovering to a high of 929.50. It ended the week 22.18 points lower than the previous week to 910.18.

The all main board share Emas Index lost 8.0 points to 261.99 and the Industrial Index lost 15.01 points to 1,865.56.

Forced selling and margin calls, on retail players who bought highly speculative shares of the second board at the wrong time, caused the index to drop 28.48 points to 480.98.

On Friday afternoon, the ringgit hit a historical low of 2.8250 to the US dollar since it was officially floated in 1973, on speculative attacks.

Forex dealers said there were no confirmation of a Bank Negara intervention to stop the attack, reflecting prime minister Datuk Seri Dr Mahathir Mohamad's remarks that Malaysia will let market force to decide the ringgit/US dollar level.

To check against the impact of a weaker ringgit and correct the country's external account imbalance, deputy prime minister Datuk Seri Anwar Ibrahim's announcement that the government may consider deferring national projects which are not considered "critical," and try to boost exports through budgetary measures are most welcome by economists, analysts and the business people.

However, it failed to boost confidence in the stock market badly battered by liquidation by foreign players.

Maybe, that is why Dr Mahathir, Anwar and the top two KLSE officials -- executive chairman Datuk Nik Mohamed Din Nik Yusoff and president Datuk Mohd Salleh Majid -- called on local institutionals to flex their muscles and dominate trading in the KLSE.

As Dr Mahathir puts it when opening the KLSE's new building here on Friday night: "If we are to remain healthy, local investors must dominate the exchange."

With all that calls, local funds, especially those handled by the government, would provide support to the market, but with the sentiment remaining bad, these were unlikely to propel share prices higher.

On new listings on the second board, PPB Oil Palms, which initial share offer price was RM2.80, ended the week at RM2.87, while General Soil which initial share offer price was RM2.70, settled the week at RM7.25 and Ocean Capital which initial share offer was RM3.00, closed at RM5.80.

The weekly main board ready turnover rose to 1.243 billion shares worth RM5.624 billion from 1.065 billion shares valued at RM7.430 billion last week.

The Second Board turnover was 258.690 million shares worth RM2.496 billion from 186.816 million shares valued at RM1.938 billion last week.

Off market deals amounted to 149.683 million shares worth RM895.446 million from 149.936 million shares valued at RM1.338 billion previously.

On sectoral basis, consumer products accounted for 57.655 million shares traded, industrial products 148.103 million, construction 167.507 million, trading/services 271.515 million, finance 188.302 million, hotels 5.055 million, properties 222.967 million, plantation 58.272 million, mining 8.655 million, trusts 1.410 million, closed/fund 1.420 million, loans 41.947 million, transferrable transcription right/warrant 59.725 million and rights 3.802 million.

(EDS: Top ten counters were not available) -- BERNAMA

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