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KLCI manages to close above 800-point level

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TRADING on the Kuala Lumpur Stock Exchange (KLSE) last week fell towards levels not seen since 1993, but managed to close above the 800-level in a week filled with surprises.

The bourse continued to close lower for the first two days of the week, on selling pressure and jitters over the weak ringgit and underlying bearish sentiment.

Last Wednesday, hopes were slightly raised when the KLSE Composite Index touched the 863-level, twice, perhaps in response to Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim's comment that he would unveil "tough measures" to cut the widening current account deficit.

The mild rebound however, was shortlived as the KLCI still closed on a bearish note. Later that evening, the KLSE announced that effective Thursday, all 100 component stocks of the KLCI would be "designated securities".

Under the ruling, stock market players must have their share scrip in the central depository system account before selling can take place and pay cash up front before acquiring shares. Contra deals, or netting settlements of purchase contracts against subsequent sale contracts, are forbidden.

Investors reacted negatively to the KLSE's move, and the KLCI took a beating as it plunged to a low of 777.46 before increasing interest in Renong shares, which had been the most active counter for most of the week, helped the KLCI pick up to close at 812.18.

In a meeting with media editors in his office that same day, Prime Minister Datuk Seri Dr Mahathir Mohamad warned of currency and share manipulators that were sabotaging the Malaysian economy, and said local funds including the Employees Provident Fund, Permodalan Nasional Bhd, Pensions Fund and Khazanah Nasional Bhd, will enter the share market in a big way.

This they did last Friday, buying shares to stem the price slide and helping the KLCI close off the day's low.

The benchmark KLSE Composite Index lost 100.6 points or 11.1 per cent to 804.40 from last Friday's close.

The KLCI slid throughout the week, starting on Monday with 883.96, down to 856.00 on Tuesday, down again to 847.92 on Wednesday, and 812.18 on Thursday.

Likewise, the all-main board Emas Index finished the week 40.3 points or 15.5 per cent lower at 219.48, while the second board index was down 19.67 per cent or 91.51 points to 373.74.

Total turnover on the KLSE for the whole of last week amounted to 1.78 billion shares valued at RM7.77 billion, which gave an average daily volume of 356 million shares.

Analysts and dealers expect foreign funds to continue selling when the market reopens on Tuesday (after the National Day holiday on Monday), and local institutions can also be expected to come in to pick up the shares.

They may also be accompanied by private investors and companies, as newly amended provisions of the Companies Act 1965 which allows them to buy back their own shares will come into effect next week.

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