

06/09/1997

KLCI, ringgit stage impressive recovery (HL)

Roziana Hamsawi; David Ong-Yeoh; Lokman Mansor

SHARE prices soared on the local bourse yesterday, triggered by the Government's decision to lift the restriction on the 100 index-linked stocks imposed just over a week ago, with heavy buying across the board.

At the close yesterday, the 100-stock KLSE Composite Index (KLCI) finished 90.47 points or 12.4 per cent higher at 821.59, in what analysts described as the single-day biggest index rise in percentage terms since January 14, 1994 when the KLCI rose 10.12 per cent to 1134.14 from 1029.17.

"It was indeed a fierce climb after the free-falling on Thursday," said one analyst, referring to KLCI's sharp drop just the day before which saw the index touching an intra-day low of 675.15.

The broader Emas Index finished 26.25 points higher at 231.18 yesterday while the second board index was up 38.27 points at 401.01.

Total turnover also swelled yesterday to 725.710 million shares valued at RM3.448 billion compared with 458.004 million worth RM1.677 billion the previous day.

Analysts said the lifting of the curb was a very positive move and has strengthened players' confidence.

"It is a very wise decision," said KL Mutual Unit Trust general manager for investment Ching Chang Choong.

"The Government is sending a lot of positive signals now," TA Securities senior economist Anthony Dass said.

"The rise of close to 100 points is quite spectacular. This has never happened before. Confidence has been restored, although maybe not completely," said one analyst, stressing that buying euphoria yesterday came from the local funds, which have been greatly encouraged by the Government to go in a big way.

"Foreign funds were also in but their presence was quite small. Restoring their (foreign funds) confidence will however take time," he said.

Most analysts felt that most of the manipulators - which the restrictions sought to purge - have been purged and that normal market conditions should be allowed to prevail.

Another analyst said yesterday's impressive performance showed there was marked improvement in the level of confidence among market players.

"We have seen the bottom. Next week, however, will pose some quite attractive level to take profits," he said.

The KLSE had moved to designate the 100 stocks from August 28 as part of the Government's efforts to counter stock manipulation. The next day, Prime Minister Datuk Seri Dr Mahathir Mohamad announced that local funds would be allowed to enter the market in a big way to buy up shares.

Three days ago, Dr Mahathir made another announcement that the Government would pump in RM60 billion to prop up the local bourse.

Among banking stocks, Maybank rose RM2.60 to RM18.80, Arab-Malaysian Merchant Bank was up RM1.85 to RM9.90, RHB Capital 80 sen to RM4.40 and Commerce Asset 40 sen to RM10.70.

Index heavyweight Tenaga Nasional surged RM1.50 to RM8.55, Telekom 95 sen to RM9.75 and Sime Darby, up RM1 to RM6.70.

The ringgit, meanwhile, made a strong recovery to close at 2.9425/75 yesterday against the US dollar after hitting a historical low on Thursday.

The strong recovery was attributed to the Government's decision to delay several mega-projects

"All they needed was to defer the projects, there is nothing wrong with the country," said a forex dealer to Business Times when commenting on the recovery.

Analysts said investors were just worried about the country's priorities and the decision to delay the projects was "better late than never."

However, the currency market, they added, is still very thin with low liquidity in the system.

Against the Singapore dollar, ringgit was traded at 1.9383/29 as compared to 1.9869/15 at Thursday's close, while against the Japanese yen, ringgit was traded at 2.4238/85 from 2.5160/22.

Against the Deutschemark, ringgit rose to 1.6204/36 from 1.6281/13; and against the pound sterling, the local unit firmed at 4.6632/41 compared to 4.7889/99 previously.

Meanwhile, in the region, the Philippine, Indonesian, Thai and Singaporean stock markets and currencies also posted gains after one of the most turbulent weeks since a regional financial crisis was set off by the de facto devaluation of the Thai baht on July 2.

Philippine share prices rose 1.5 per cent yesterday with the composite index rising 31.54 points to close at 2,109.22 points. Neighbouring Singapore's blue-chip stock prices ended 3.1 per cent higher as its Straits Times Industrials index rose 57.45 points to end at 1,884.06 while the broader All-Singapore index rose 14.64 points to 455.21.

The Stock Exchange of Thailand was up 3.5 per cent at 540.39 points, while the composite Stock Exchange of Thailand (SET) index was up 18.19 points to 540.39 points. In Indonesia, share prices shot up by a record 11.3 per cent as its Composite Index closed up 60.243 points, a record rise, at 594.113 points.

Hong Kong share prices meanwhile, rose 2.6 per cent as the key Hang Seng Index gained 364.38 points to finish at 14,563.55.

South-East Asian currencies also recovered across the board after sentiment was lifted by the recovery in Malaysia's stocks and the ringgit.

The Indonesian rupiah ended at 2,990 yesterday from Thursday's close of 3,040 against the US dollar, the Thai baht at 35.35 from 36.10, the Singapore dollar at 1.5170 from 1.5255, and the Philippine peso at 32.365 from 32.38.

(END)