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KLSE and the Ringgit take a battering

FEARS of an economic slowdown and uncertainty over the Ringgit made August a nerve-racking month for KLSE investors. Even an announcement by Prime Minister Datuk Seri Dr Mahathir Mohamad that state-controlled institutional funds would try to prop up the market failed to arouse any enthusiasm on the local bourse.

The 100-stock KLSE Composite Index (CI) saw out August at 804.4 points, nearly 200 points lower than where it was at the start of the month. Despite efforts by political leaders to drum up confidence, investors were still spooked by the larger-than-expected current account deficit (CAD) in June and by the Thai financial crisis.

The bear market, and the weakening of the Ringgit, have been blamed on foreign share manipulators and foreign exchange (forex) speculators by the Prime Minister. He has named American financier George Soros as a key culprit behind the more than 15% drop in the value of the Ringgit against the US dollar.

Analysts fear that if sentiments don't improve soon, Malaysia's financial sector could be put under strain. Banks have been averaging loans growth of about 30%, far outstripping growth in deposits, and borrowers commonly use shares as collateral. With the KLSE in the grip of one of its worst bear market, many borrowers may find it tough to meet margin calls by banks.

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