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KLSE BOUNCES BACK, BUT QUESTIONS REMAINED

By: Jeffri Mohd Rafiee

KUALA LUMPUR, Aug 13 (Bernama) -- After two weeks of tumbling share prices, and after prime minister Datuk Seri Dr Mahathir Mohamad and two top officials of the Kuala Lumpur Stock Exchange had called investors to buy and buy, the market today bounced back.

"At the last half hour we see positioning by institutionals for tomorrow's trade. We are expecting similar marginal moves of 10 - 20 points up tomorrow," said an analyst.

The benchmark Composite Index today climbed to a high of 919.58, before closing at 908.83, a 11.58 point gain over yesterday's finish.

Yesterday, the CI closed at 897.25 with a low of 885.22. On July 31 it ended at 1,012.84.

Analysts said there were both local and foreign institutional players in the market nibbling at blue chips, while retailers were cautiously picking stocks made attractive from the recent slide.

"The feeling is that they will abandon on weakness," said an analyst.

Blue chips like Maybank and Genting were being traded, but within only a marginal range by lead players who fear that excessive price increases could attract sellers, he said.

Maybank recovered 50 sen to RM22.50 while Genting was 10 sen higher at RM10.60.

Another analyst claimed that the rebound actually started late yesterday when local players started buying shares in the belief that heavy selling had abated.

Remarks by deputy prime minister and finance minister, Datuk Seri Anwar Ibrahim, that the government would curb imports, is believed to have helped raised market sentiments.

"It remains to be seen how long the piece of news will help to support the rebound," the analyst said.

The ringgit also rebounded yesterday after the news, but fell back further today. At 5.00 pm today, the ringgit was at 2.7860/10 to the dollar, compared to 2.7655/85 24 hours earlier.

An equity dealer said the stock market should stabilise at the 890- to 920-point level in a few weeks. The ringgit should also stabilise considering that it is, she believes, at a low.

She said reduction on unproductive imports would improve not only trade balances but also market sentiments in the medium term.

A technical analyst said if the Composite Index has to retest several resistances, then the rebound could be temporary.

"However, the short, medium, and long term outlook may well be rather neutral to bullish in momentum, with some surprises.

For the second board, which rose 4.48 points to 485.56 today, he said a breakout at the 505 resistance towards the 521 to 549 level might well happen. At that point, the board would be on a renewed uptrend.

If, however, there was to be a reversal, then shares on the board could bottom at around 425 to 450.

"Either scenario is plausible. The board looks attractive on contra plays for the remaining week," he said. -- BERNAMA

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