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KLSE EXPECTS MARGINAL REBOUND TO 1,070 NEXT WEEK

KUALA LUMPUR, July 19 (Bernama) -- Despite the uncertainties surrounding the direction of the ringgit and interest rates, the Kuala Lumpur Composite Index is expected to stage a mild marginal rebound to the 1,070 level next week.

An analyst attributed the possible improvement in the market barometer to the fact that institutional buyers are expected to increase their buying exposure to take advantage of the cheap stocks that have become affordable as a result of the market's current bearishness.

Retail players, on the other hand, are expected to stomp into the Second Board to cover their previous losses.

He also added that bullish sentiment is expected to prevail next week given the fact that the Composite Index was able to stay above the psychological level of 1,000 points on Friday, although it dipped to 990 points before lunchbreak, which was the lowest level seen since the beginning of the year.

The KLCI support level has been pegged at 980, 940 and 890 whereas resistance level hurdles have been placed at the 1,000, 1,020, 1,070 and 1,130 points levels

The second board's support level has been placed at 500, 540 and the 410 points level while resistance is expected at 550, 580 and at the 640 points level.

Analysts also said that Prime Minister Datuk Seri Dr Mahathir Mohamad's return from abroad next week is expected to boost market sentiment and trigger buying interest.

Meanwhile, Capital Dynamics Sdn Bhd, a market forecaster, in its recent review of the market, has revised its immediate to short-term forecast for the Composite Index to between a range of 970 and 1,150 points while the short to medium term forecast has been pegged at between 970 to the 1,280 points level.

However, Capital Dynamics is still maintaining its long-term target of 1,700 to 2,000 points level.

One analyst pointed out that the 900 points level is a critical support level for the market which should be maintained if the market is to work its way back to recovery.

"The grossly oversold position in the market certainly calls for an imminent technical rebound soon to correct its imbalances," said another analyst.

For the week just ended, the KLSE's performance can be best summed up as that of a "roller-coaster ride" with investors' confidence badly shaken and disturbed by a string of "discouraging" news.

Some of the discouraging news include Bank Negara Malaysia's twin pre-emptive measures to control asset inflation and the recent crisis affecting regional currencies including the ringgit, which was battered by heavy selling in favour of the US dollar.

Speculative selling of the ringgit since Monday, pressured the currency to a three year low of 2.6250 on Friday and this resulted in some blue chip counters, led by Tenaga Nasional and Telekom, with large exposure in US dollars, to be badly hit.

One analyst even speculated that with further depreciation of the ringgit and given the volatility in interest rates, corporate earnings for these companies would be adversely affected.

He pointed out that the fall in Telekoms and Tenaga share prices over the past week had led to the decline of the Composite Index by at least 40 percent.

For this holiday shortened-week, the Composite Index eased 16.06 points to 1,001.55 from 1,017.61 last Friday, the Emas Index lost 3.91 points to 283.88 and the Industrial Index fell 20.66 points to 527.80.

Among the actives this week, Rahman Hydraulic was up 10 sen to RM5.15 with 79.424 million shares traded, MBf Capital eased 36 sen to RM3.90 (35.504 million shares traded), Taiping Consolidated down 30 sen to RM2.90 (25.154 million shares), Sime Darby remained unchanged at RM8.20 (19.855 million shares) and Renong down 10 sen to RM3.16 (19.696 million shares traded).

PNE PCB Bhd gained RM2.00 to RM13.30 with 19.329 million shares traded followed by KLIH which lost 10 sen to RM2.86 (17.905 million shares), TNB down 90 sen to RM10.40 (15.204 million), RHB Capital Bhd up 60 sen to RM7.30 (15.048 million shares) and Plantation & Development Bhd eased 37 sen to RM4.88 with 14.335 million shares traded.

CN Asia Corporation made its debut on the KLSE second board on Friday at RM5.00. It ended the day at RM5.10, up RM3.20 from its offer price of RM1.90.

The weekly Main Board ready turnover decreased to 754.688 million shares worth RM4.311 billion from 1.129 billion shares valued at RM6.029 billion last week.

The Second Board turnover was 172.179 million shares worth RM2.073 billion from 258.915 million shares valued at RM3.194 billion while direct business transactions amounted to 241.535 million shares worth RM1.415 billion from 227.939 million shares valued at RM1.664 billion previously.

On a sectoral basis, consumer products accounted for 28.743 million shares traded, industrial products 97.501 million, construction 64.063 million, trading/services 136.888 million, infrastructure 5.326 million, finance 131.257 million, hotels 4.252 million, properties 103.522 million, plantation 26.112 million, mining 81.585 million, trusts 1.065 million, closed fund 986,000, loans 14.386 million and call warrants 43.386 million.

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