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KLSE INVESTORS MAY NOW HAVE REASON TO SMILE

KUALA LUMPUR, Sept 5 (Bernama) -- Investors in the Kuala Lumpur Stock Exchange (KLSE), who had been holding their positions during the recent selling pressure triggered by stock manipulation, may now have reason to smile.

Thanks to swift and stern measures by the government to stop manipulation, investors' sentiment was lifted when the benchmark Composite Index rose to an intra-day high of 824.22 before stabilising to close 12.37 percent higher, or 90.47 points, at 821.59.

A week ago, the KLSE surprised investors with an announcement that 100 component stocks of the Composite Index would be made "designated securities", meaning that trading in the stocks would be restricted to "delivery before sale".

The ruling adopted by Prime Minister Datuk Seri Dr Mahathir Mohamad was aimed at forcing out manipulators who were borrowing stocks and selling them repeatedly with the intention of making money by depressing the market.

Mahathir said the ruling was against manipulation and not against speculation. The ruling has since been lifted.

Mahathir also announced that the lending of share scrips for the purpose of short selling is disallowed and local funds were urged to support the market.

Perturbed genuine foreign investors began to liquidate their long-term shareholding in the stock market, pushing the Composite Index to a low of 675.15 yesterday.

To ease a week of jittery among both local and foreign investors, which was compounded by rumours of all sorts and reported negative perceptions of the economy following the depreciation of the ringgit and the country's trade imbalance, the Prime Minister threw a life-line to the market.

On the eve of UMNO's general assembly, Mahathir, who is UMNO president, announced the lifting of the ruling on "designated securities," saying he was satisfied that the measure had achieved its objective of stopping manipulation in the stock market.

He also announced that several mega projects, one of which is the Bakun Hydroelectric Dam, will be deferred, a move seen by economists as timely in view of the country's trade imbalance and the ringgit's depreciation against the US dollar.

The ringgit fell to a new low against the US dollar yesterday, closing below the RM3.00 level at 3.0310/3.0360 compared with 2.9690/40 the previous day.

The country's balance of trade for the first seven months of 1997 showed a deficit of RM3.6 billion compared to a deficit of RM1.3 billion recorded in the corresponding period last year.

Following the Prime Minister's call to local fund managers and institutional investors to buy shares in the stock market, local funds have been moving in to pick up stocks battered to a very attractive level of about 10 times in terms of price earnings multiple.

Retail players also started accumulating in the market, expanding the day's total trading volume to 725.625 million shares worth RM3.447 billion, a size not seen in recent months.

The rebound started late yesterday and was carried forward to today, said an analyst, who declined to be named.

"With that kind of force, some foreign investors have cancelled their selling orders and are waiting for the market to stabilise before making the next move," said a dealer.

"Some foreign players are adjusting their portfolios in order to strike a balance in anticipation of a sound market rebound on news that bigger funds, especially those backed by the government, are entering the market," said an analyst at a foreign-based brokerage house.

The analyst said the setting up of a RM60 billion fund to shore up the bourse and help local investors trapped by margin calls will be able to fend off a financial crisis arising from a sharp stock decline.

This effort, he said, is one of the more concrete measures to help the market, adding that in his opinion the market will stabilise very soon. --
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