

02 SEP 1997

KLSE OPENS WITH "MERDEKA" SPIRIT

By: Jeffri Mohd Rafiee

KUALA LUMPUR, Sept 2 (Bernama) -- The Kuala Lumpur Stock Exchange (KLSE), closed on Monday for the National Day celebrations on Aug 31, today opened with a "Merdeka" spirit in a bid to force out manipulators.

The market surged to a high of 840.42 in just one hour of trading as both retail and funds, mostly locals, jumped to pick up stocks made attractive by the manipulators who sell short.

In forcing out the manipulators, the government has outlined three-pronged strategies; to designate all 100 Composite Index components, to disallow lending of shares for the purpose of short selling and to urge local funds to buy up battered stocks.

The strategies, announced by prime minister Datuk Seri Dr Mahathir Mohamad during a briefing to local news editors last week, were hailed by many.

As the Association of Stockbroking Companies Malaysia (ASCM) chairman Datuk Tony Tiah Thee Kian puts it: The market was down earlier because of weak sentiment caused by false rumours and foreign media reports which created a bad image for the market.

He expressed full support for the Prime Minister's call for local investors to support the market.

He also called investors to revise the market upwards as it has gone down to an all-time low with an average market price earnings multiples of around 10 times.

Tiah, who is also the executive chairman of TA Securities Bhd, said the Composite Index should move ranging from between 800 and 1,000 points at least.

An analyst said the new ruling has the objective of deterring shortselling activities that has worsen and hurt market sentiments.

"The sharp sliding index made shortselling a lucrative speculative act at the expense of others," he said.

Shortsellers would sell on stocks, particularly sensitive heavyweights, and repurchase again later on the same market day to make gains on price differentials.

With the new ruling, selling transactions are required to have free balance status in respective CDS (Central Depository System) accounts, thereby totally disable short selling.

Selling without a free balance would lead to a buy in and shall be reported to the KLSE for monitoring or further actions.

On the call by the prime minister for local funds to start investing in the equity market to take advantage of oversold stocks, analysts said it would cushion market downfall resulting from heavy foreign selling pressure.

Among the local funds reported to be involved are the Employees' Provident Fund, Permodalan Nasional Bhd, Lembaga Urusan dan Tabung Haji and the Pension Funds.

The ceiling of allowable investment portfolio of total funds was also increased to between 60 percent to 70 percent to make more funds to be invested in the stock market.

Companies listed on the KLSE are also permitted to purchase their own shares thereby reducing free float to the advantage of investors getting bigger slice of corporate earnings.

For today, however, dealers said the local funds were not investing at

full strength as foreign selling pressures had not yet ended.

A dealer said there were margin calls by stockbrokers although banks were not allowed to make margin calls.

In addition, there were also selling pressures emanating from overseas when the European market opened today, pushing the Index to retreat to a low of 787.54, before retracing to close at 795.73.

Analysts said local funds' market participation would be on "level basis providing some cushion to any slide" resulting from foreign and retail selling.

"They may lose balance to selling pressures but gaining at every lower level," an analyst said.

"As the sellers would taper off, local funds are believed to get aggressive, thus improving market performance and sentiments. This process would take about three weeks to three months," he said. -- BERNAMA

JR FR