

30 AUG 1997

KLSE TO RECOVER NEXT WEEK

KUALA LUMPUR, Aug 30 (Bernama) -- The Kuala Lumpur Stock Exchange (KLSE) is expected to recover next week on support from local institutions following a directive from Prime Minister Datuk Seri Dr Mahathir Mohamed on Thursday.

Analysts forecast that the Composite Index will rise above the 900-point level while the second board index may surge beyond the 300 point-level next week on this show of strength by local institutions.

The local bourse would return to normal soon, one analyst said.

"Even on Friday morning, the market showed traces of recovering on support from local institutions," he added.

Another analyst said the ringgit, which is expected to improve its performance next week, would also boost investors' confidence in supporting the stock market.

At 5.04 pm on Friday, the local currency ended at 2.8949/95 against the US dollar from Thursday's close of 2.8850/00. The local unit improved almost 160 points when compared to Friday's opening of 2.9480/30.

Deputy Finance Minister Datuk Dr Affifuddin Omar's statement urging local institutions to return to the market in a big way would also boost the local bourse next week, he said.

Yesterday Dr Mahathir said local institutions would be asked to continue their aggressive support until the Composite Index was brought back to the 1,000 points level. The Composite Index closed the week at 804.40 points.

There were also rumours circulating in the stock market that banks would temporarily not make margin calls on borrowers whose share collateral had dropped in value. So far the authorities have yet to come out with an official announcement.

A research head with a local securities firm said this rumour, which is seen as a move to curb force selling, would also help support the stock market next week.

He was confident that the KLSE would show a more convincing rebound as companies would be allowed to buy back their shares or provide financing for others to do so from next week.

Further buying impetus would also come from the strong promise by the national remisiers association to advise their clients to buy CI component shares to demonstrate their patriotism.

The delivery before sale ruling from Thursday morning, which is to restrict short selling, would also speed up efforts to weed out foreign funds which had been manipulating KLSE share prices to unacceptably low levels, the research head said.

Following the new ruling, there was much foreign selling from Thursday morning and this pushed the Composite Index to end the week at 804.40 points, down by 100.60 points from 905.00 points the previous Friday.

The EMAS Index dropped 40.30 points to 219.48, the Second Board Index dropped sharply by 111.51 points to 373.74 while the Industrial Index slipped 259.33 points to 1,619.23.

The week saw the Composite Index touched a 31-month low at 856.00 points on Tuesday before hitting 812.18 points on Thursday, a new four-year low, on continued foreign selling following the delivery before sale ruling.

The mainboard volume increased to 1.585 billion shares worth RM6.201

billion from 1.047 billion shares valued RM4.934 billion the previous week.

The second board turnover also rose to 197.236 million shares worth RM1.575 billion from 144.585 million shares valued at RM1.489 billion the previous week.

Off market deals increased to 199.441 million shares worth RM1.315 billion from 138.584 million shares worth RM1.301 billion the previous week.

Two counters made their debut this week -- Padi Beras Nasional (Bernas) at an issue price of RM2.20 on Monday and RHB Sakura Merchant Bankers Bhd at RM4.10 on Tuesday. Bernas ended the week unchanged at RM1.97 while RHB SAKURA gained 14 sen to RM3.42.

Renong led the 10 most active counters and it was down 26 sen to RM3.00 with a volume of 174.901 million shares.

It was followed by Suria Capital which shed 43 sen to RM1.88 with 53.413 million shares traded, Rekapacific lost 80 sen to RM1.39 (44.876 million shares), MBf Capital dropped 64 sen to RM2.74 (42.414 million shares) and Magnum fell 55 sen to RM2.71 (38.374 million shares).

MPHB dropped 83 sen to RM2.27 with 33.130 million shares traded, Sime Darby fell RM1.05 to RM6.90 (32.164 million shares), Sriwani slipped 72 sen to RM3.62 (31.558 million shares), Pelangi slid three sen to RM2.79 (29.694 million shares) while MRCB dropped RM1.59 to RM2.35 (29.522 million shares).

Consumer products accounted for 96.534 million shares traded, industrial products 150.090 million shares, construction 245.702 million, trading/services 408.654 million, infrastructure 11.814 million, finance 304.108 million, hotels 13.839 million, properties 213.892 million, plantation 37.586 million, mining 8.124 million, trusts 2.072. closed/fund 1.189 million and loan stocks 98.303 million shares.-- BERNAMA

DAB SHY