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Local funds make their presence felt (HL)

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LOCAL funds and corporate investors were yesterday seen buying shares to stem the price slide, helping the Kuala Lumpur Stock Exchange Composite Index to close off the day's low.

The KLCI ended the day 7.78 points lower at 804.40 against Thursday's close of 812.18. Losers led gainers 558 to 185 while 72 counters remained unchanged.

The broader Emas Index eased 3.96 points to 219.48 and the Second Board Index 11.95 points to 373.74.

Analysts and dealers said there was buying interest from local funds before the midsession close, and again towards the end of trading.

"The buying support must have been from the local funds as it is now considerably more inconvenient for foreign funds to come in," one analyst said.

Prime Minister Datuk Seri Dr Mahathir Mohamad on Thursday gave local funds such as the Employees Provident Fund, the Pension Trust Fund, Permodalan Nasional Bhd and Khazanah Nasional Bhd the go-ahead to enter the local bourse in a big way.

Several private investors were also said to have pledged to join the campaign.

From a low of 778.70 at 11.30am, the KLCI rose to 811.17 by midday. The index dipped again to 779.93 at 4pm, but renewed buying support lifted it above the 800-level by the close at 5.00pm.

Volume was heavy with more than 500 million shares changing hands. Among the active counters were Renong Bhd, Maybank, Malaysian Resources Corp Bhd, Magnum, Multi-Purpose Holdings Bhd, Berjaya Group, Amcorp, Resorts World and Genting.

An analyst said foreign funds were still selling their shares, and might continue to do so next week when the bourse reopens on Tuesday. The market will be closed Monday for the National Day holiday.

"Shares are quite cheap now but I cannot predict when the market will bottom out. Hopefully, selling pressure by foreign funds will ease in the near future and we will see some stability in the market," he said.

J.S. Leow of TA Securities said he was confident the market had hit the bottom at the 778-level yesterday, the same intra-day low as on Thursday.

"In fact, today we hit the level twice, once in the morning and again in the afternoon. I can confirm that this is the rock-solid bottom," he said.

Regional bourses also closed lower yesterday. The Thai exchange's main index sank 9.53 per cent, Jakarta's composite index 6.86 per cent, and Hong Kong's Hang Seng 4.98 per cent.

Singapore's Straits Times Industrial Index closed 2.22 per cent lower and the Philippine bourse 2.43 per cent. Only Tokyo appeared isolated from the regionwide selling, but share prices still declined 1.2 per cent.

Seoul shares closed 1.8 per cent down amid concerns about ongoing financial problems, while the Taipeh bourse was closed because of a typhoon.

An economist said the market should see some stability when the ringgit stabilises, adding that the currency is now oversold and should find its level at about 2.80 against the US dollar in the short term.

The ringgit eased further against the US dollar yesterday to close at 2.8949/95 from Thursday's 2.8850/900. The volatile ringgit was traded at an unprecedented intra-day 1,000-point range, dealers said.

The ringgit touched a low of 2.97 and a high of 2.86. "It was like a roller-coaster ride," one said.

Deputy Finance Minister Datuk Dr Affifuddin Omar said in Air Hitam, Malacca, the KLSE should recover in about a week if local funds enter the market in a big way.

"When foreign fund managers see a positive response from local institutions, they will also return to the market. We should be able to reverse the trend," he added.

The Malaysian Investors' Association (MIA) praised the Government for introducing tight measures to stop foreign funds from driving down the local bourse through manipulative short-selling.

The MIA said it supports the Prime Minister's call to government institutions and local investors to support the Malaysian stock market.

"We welcome the latest measures to arrest the declining trend as the KLCI has lost 499.54 points, or 39.1 per cent, from 1,277 in February to the 777.46 intra-day low on Thursday," MIA president Dr PHS Lim said in a statement.

Persama, the national remisiers association, said it will ask its members to advise their clients to buy shares of the 100 KLCI counters, its president Richard Khoo said.

"Our economic fundamentals do not mirror those of Thailand. Do not talk the market down the path of recession. Buy," he said in a statement.

Dealers contacted by foreign wire services said the imposition of share trading curbs to shore up the bourse coupled with Dr Mahathir's warnings of more measures to come, had sent alarm bells ringing throughout the region.

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