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Market shows its mettle

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EXPECTATIONS are that the Kuala Lumpur stock market will continue its uptrend in coming weeks with favourable economic indicators in place. After struggling to keep afloat in the first half of 1996, the market regained its strength from August last year when there were signs the government was winning its battle against the vicious current account deficit.

The market responded positively and shares investors were thrilled when the statistics department announced in late February this year a much lower than forecast figure for the country's external trade deficit. The deficit was a mere RM617.974 million in 1996, down 93% from the RM9.358 billion suffered in the previous year.

Apart from growth in exports, Malaysia also benefitted handsomely from the sharp fall in the yen vis-a-vis the ringgit. The stock market is now looking for clues on reduction of interest rates to stage a new rally. Jardine Fleming International Securities noted recently that an interest rate cut is imminent following slowdown in Malaysia's domestic demand and improvement in its external trade sector.

As expected, most companies on the stock market reported substantial increase in profits and institutions continued to accumulate for the medium to long term.

Among the heavyweights, Telekom Malaysia Bhd's group pre-tax profit rose 23.5% to RM2.39 billion last year. Its operating revenue was 22.2% higher at RM6.42 billion and the company took the opportunity to reward shareholders with a one-for-two bonus issue.

Conglomerate Sime Darby saw its profits soaring with the benefit of newly-acquired bank, Sime Bank (formerly United Malayan Banking Corporation). Sime's group pre-tax profit for the first six months shot up 56% to RM784.5 million.

Despite stiff competition, mobile phone operator Technology Resources Industries Bhd achieved a 48% hike in gross profit to RM352.45 million.

With scintillating profits all round, the market was a hive of trading activity until Securities Commission chief Datuk Dr Mohd Munir Majid announced on March 3 that the KLSE will shorten the settlement period for shares trading from T+7 to T+5 days by the third quarter of this year.

The market was also shocked by the sudden death of motor czar Tan Sri Yahaya Ahmad the following day. The KLSE Composite Index fell 13.21 points on March 4 despite nine counters in the DRB-Hicom stable being suspended immediately. A close associate of Tan Sri Yahaya, Datuk Mohd Saleh Sulong, has been appointed the new head and with the strong backing of the government, the DRB Hicom group should continue to be on a strong footing.

The market is now looking for more exciting news from the Putrajaya, Cybercity and Multimedia Super Corridor (MSC) multi-billion ringgit projects. Prime mover of the MSC Prime Minister Datuk Seri Dr Mahathir Mohamed disclosed recently there had been more than 400 enquiries on the corridor.

A number of companies on the KLSE including Country Heights, Hong Leong Properties, Putera Capital, MCSB Systems, Data Prep, and Lityan are rumoured to be getting contracts from these projects. Share investors can also expect more companies to be awarded contracts for the Bakun Dam project.

For the month of February, the Malaysian stock market showed the

strongest growth against developed markets in US dollar terms. According to the Morgan Stanley Capital International Indices, the Malaysian market outpaced the German and Netherland markets last month.

The KLSE Composite Index rose 53.95 points to close the month at 1,270.67 points. The all-share Emas Index was more than 20 points higher at 374.11 while the volatile Second Board Index shot up by almost 50 points during the month to 649.53.

Total turnover on the main and second boards for the holiday-shortened month of February was 9,118 million units valued at RM49,548 million compared with January's total of 6,547 million units valued at RM42,308 million.

The most active stock for last month was Berjaya Industrial which is rumoured to have bought over a big gaming operator in the United Kingdom. A total of 252.726 million shares changed hands with the share price rising RM1.07 in February on top of a 93 sen gain in the previous month.

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