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Measures to tackle deficit buoy stocks

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TRADING on the Kuala Lumpur Stock Exchange (KLSE) continued to rebound last week after announcements of specific measures to tackle Malaysia's current account deficit, slow down economic growth and boost savings.

Last Monday saw the KLSE Composite Index (KLCI) surge by 58.12 points to 879.71 from the previous Friday's close of 821.59.

Prime Minister Datuk Seri Dr Mahathir Mohamad had announced the previous week the lifting of trading restrictions on the KLCI-100 component stocks and a deferment of mega projects in a bid to reduce the deficit.

The rebound continued on Tuesday, with analysts commenting that foreign funds were buying. Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim's announcement on Wednesday of a 2 per cent across-the-board cut in Government spending was greeted by profit-taking for the next two trading days.

Economic Adviser to the Government Tun Daim Zainuddin on Thursday came out to dispel the notion that the country was heading towards a recession.

Anwar, at a meeting with fund managers last Friday, announced that the Government would not consider demands for wage increases by civil servants under present conditions, and asked employers in the private sector to do likewise.

The move was welcomed by the fund managers as they said it showed an effort to ensure the ringgit's depreciation does not lead to inflation.

Analysts said with a general perception that "the worse is over", and that fund managers are warming up to the Government's measures to strengthen the economy, there is a strong chance of another rally this week. One analyst said the next targets are 1,051 to 1,080 points on the KLCI.

The benchmark KLSE Composite Index advanced 30.49 points or 3.71 per cent to 852.08 from the previous Friday's close.

The KLCI had earlier in the week closed higher on Tuesday at 888.75, before two days of profit-taking pulled it down to 834.17 on Thursday, and even lower to 812.02 on Friday before strong institutional support propped the KLCI up to close 17.91 points higher.

The all-main board Emas Index finished the week 11.7 points or 5.06 per cent higher at 242.88, while the second board index was up 44.9 points or 11.19 per cent to 445.91.

Total turnover on the KLSE for the whole of last week amounted to 2.22 billion shares valued at RM11.11 billion, which gave an average daily volume of 443.3 million shares.

This was compared with a total turnover of 1.97 billion shares valued at RM8.36 billion for the previous four-day trading week, which gave an average daily volume of about 492.5 million shares.

Index futures traded on the Kuala Lumpur Options and Financial Futures Exchange (Kloffe), which has seen increased activity as more players looked to hedge their positions, took the cue from the rebound on the underlying cash market to finish steadier last week.

Spot September futures ended last Friday 13 points higher at 790.0 while nearby October closed at 792.0.

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