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Plantation stocks warrant some attention now

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IT WAS a humdrum of a week. The benchmark Kuala Lumpur Composite Index (KLCI) remained in the thick of consolidation, shaving off 2.52 points to close at 799.81 while the 2nd board index lost 3.54 points to close at 404.5 on lack lustre volume.

Lack of market boosting news and a continuing weaker ringgit were undoubtedly the main impediment to firmer prices. The ringgit fell further this week, from US\$3.1300 to US\$3.3700 or a hefty 7.7 per cent as speculators continued to sell down the ringgit. Market observers attributed the sell-down of the ringgit this week to our Prime Minister Datuk Seri Dr Mahathir Mohamad's renewed call for more regulations in currency trading. The knee-jerk reaction that followed sent the KLCI down 18.74 points on Wednesday to 795 and the ringgit to US\$3.4080. But even with a drastic 7.7 per cent depreciation of the ringgit this week, the KLCI did not follow suit. It lost a mere 2.52 points or 0.32 per cent, thus confirming our observation that the KLCI's movement is now oblivious of the ringgit's weakness.

Overseas funds support at this point is, however, still very much absent and the concern is whether buying interest can be sustained without their presence. They are expected to stay sidelined, at least until the outcome of the Budget announcement on October 17. Given the absence of foreign funds participation, we are uncertain if local interest alone can drum up a pre-budget rally.

Volume this week is at its ebb. This lack of interest merely reflects market players abstinence from indulging further until they can see a clearer economic picture which could come from the upcoming Budget announcement. Technically speaking, the KLCI is still higher than its 750 Tweezers Bottom support, implying that much as players are still cautious about the direction the KLCI would take they are not comfortable about holding on to existing positions at this point.

Engulfing bullish patterns registered on KLCI stocks like Telekom, Tenaga, Maybank, Genting, Rothmans, MPI, MISC EON in Friday's trading could well pave the way to a higher KLCI next week, ahead of the Budget. Plantation stocks also warrant some attention as the weaker ringgit is seen to be benefiting their bottom line profits.

Under the circumstance, where weak volumes from lack of participation and concern over the contents of the upcoming Budget may prevent consistent rallies. Investors would like to wait for fresh leads before taking further action.

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