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Shares, ringgit fall to lowest in recent years

BOTH equities and the ringgit-US dollar rate closed at their lowest levels in recent years as bearish sentiments continued to plague the two markets yesterday.

On the Kuala Lumpur Stock Exchange, the benchmark Composite Index (KLCI) touched a 21-month low when it breached the 900-support at 899.68 at 3.30pm before rebounding to close at 902.14, 30.22 points or 3.24 per cent down from Friday's close.

The last time the KLCI was lower was November 20 1995 when it closed at 893.80, before recovering the following day to 917.

On the foreign exchange market, the ringgit posted a 42-month low against the greenback at 2.7335/85, down from Friday's 2.6500/30 close. It was also weaker against other major currencies which analysts attributed to heavy selling by offshore investors. The last time the ringgit traded at this level was at the end of 1994.

Share prices on most other regional bourses also retreated. Dealers said it was due to Friday's Wall Street 1.91 per cent plunge, or 156.78 points to 8,031.22, as well as the continued volatility of the region's currencies.

The Indonesian rupiah and Thai baht also trended lower.

MBf Northern Securities chief economist Dr Muthi Samudram said: "I don't think the ringgit will see 2.8000, if interest rates edge down."

As for the stock market, head of research at Jupiter Securities, Mr Phua Lee Kerk, said foreign funds are selling index-linked counters.

"It is becoming a vicious cycle ... they sell the equities and then sell the ringgit they derive from the sale, causing the ringgit to weaken further," he said.

Phua expects the KLCI to remain below 1,000 points for the rest of the week and maybe also next week.

A strong set of July trade figures, he reckoned, would be a mitigating factor.

Another analyst said the local bourse is expected to come under further pressure before stabilising at the 880-level.

Foreign funds are downgrading the region as a whole, the analyst noted, adding that the weak performance on the local bourse was also partly due to reports that Morgan Stanley had forecast an economic growth of 6.1 per cent for Malaysia in 1997 compared with official forecasts of between 7.8 per cent and 8.2 per cent.

Deputy Finance Minister Datuk Dr Affifudin Omar, however, was not impressed.

He predicted a stock market rebound within the next two months on the strength of economic fundamentals.

KLSE executive chairman Datuk Nik Mohamed Din Datuk Nik Yusoff attributed the market's weakness to the ringgit's uncertain trend.

"We do not know when the market will pick up," he said, adding that the KLSE concurs with Prime Minister Datuk Seri Dr Mahathir Mohamad's view that with prices so low now, local investors and funds should enter the market.

Contrary to market talk, he added, the T+5 settlement period, beginning August 18, is not a factor.

Nik Din said investors would eventually have to get used to the shorter settlement period and the T+5 will be implemented as scheduled.

Meanwhile, Japanese stocks, reacting to the plunge on Wall Street and the yen's resurgence against the US dollar, shed some 780.28 points, or 3.98 per cent, to 18,824.18. It was the largest point-loss this year.

In Jakarta, shares closed 2.56 per cent lower at 658.17, extending last week's losses amid increasing concerns over rising interest rates and regional currency stability.

The decline on Wall Street also saw Hong Kong's Hang Seng index dip by 187.07 points, or 1.12 per cent, to 16,460.47.

Singapore shares shed 2.58 per cent, or 50.06 points, to 1,893.86 while the Thai bourse was 4.60 points, or 0.72 per cent, lower.

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