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Taking time to digest

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THE Kuala Lumpur stock market will continue to trade sideways with a slightly easier bias in coming weeks until a comfortable bottom is established.

The recent crash on the stock market resulted in many retail investors suffering heavy contra losses and buying is the last thing on their mind. The handful of diehard bulls tried their luck in late April and early May but got their fingers burnt.

There was some foreign institutional buying via Singapore brokers in early May but their cautious play failed to lift the market. There have been calls for local institutions to fill the vacuum left by foreigners but it seems that apart from a few including the Employees Provident Fund, the others are as badly off as the retail investors.

Share investors will have to now digest all the recent political and economic developments in the country before deciding on the next move. They have to also watch closely the super bullish Wall Street which is still plagued with interest rates and inflation worries.

Bears found more excuses to sell and buyers were far and few in the month of April as share prices continued to fall although in thin trading. Total turnover on the main and second boards for the month was 5958 million units valued at RM38,846 million as against the previous month's total of 8747.8 million units valued at RM57,705 million. The market barometer, the KLSE composite index, fell 122.93 points during the month to close at 1080.17. The index fell 67.57 points in March. The all-share Emas index fell 39.86 points in April. The finance and property sectors were also badly affected with their index falling by 1304.27 points and 334.05 points respectively.

In assessing the market condition and related developments, it is obvious that foreign institutional investors with international network of research offices and bag full of up-to-date intelligent reports on country risk or return had an upper hand when deciding to enter or exit a market.

While Malaysian retailers and institutions were pondering over why the market was crashing instead of reaching new highs in the previous two months foreigners were happily selling and moving to other markets.

They knew that Thailand was suffering from a financial and property market crisis and a similarly tuned high growth Malaysian economy would also suffer the same fate if Bank Negara had not stepped in. Instead of adopting a wait and see approach they decide to act quickly and decisively.

They may have also 'got wind' of the Prime Minister Datuk Seri Dr Mahathir Mohamed's two-month leave starting May 19. Since official word was slow to come they decided to prepare for the worst and sell down. The natural speculation was about the health of Dr Mahathir, who had his coronary bypass operation almost eight years ago. And the fact that Datuk Seri Anwar Ibrahim would be appointed as acting Prime Minister and acting head of UMNO added fuel to speculation that Dr Mahathir will retire after being Malaysia's longest-serving prime minister.

As a matter of contention, some people in the stock market had news of Dr Mahathir going on leave after the weekly Cabinet meeting on April 30. But his leave was only made known officially on May 8 and therefore there was ample room for speculation during the nine days. If Malaysia wants a matured stock market and wants to get rid of the rumour mongers, official

news should be easily forthcoming and timely.

Bank Negara's new guidelines on property and share financing lacked clarity and until a clearer picture emerged a few days later, it was left to the investing public to ponder over the implications; they obviously thought the worse and the market plunged.