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Trading bounces back on positive sentiment

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TRADING on the Kuala Lumpur stock market last week rebounded into 1,040-territory on positive sentiment following Prime Minister Datuk Seri Dr Mahathir Mohamad's return after a two-month overseas vacation.

Analysts said with the Prime Minister back in the country, there was a general feeling that the worse is over, and that the ringgit is expected to strengthen and issues such as the Bakun dam would be resolved.

Property-related stocks also made strong gains as investors weighed in after the Government announced that it may review property purchase restrictions on foreigners.

The key KLSE Composite Index had suffered quite a beating in the last two weeks on a number of bad news especially that of the rumoured ringgit devaluation.

The Shanghai conference of the Executives' Meeting of East Asia and Pacific Central Banks on Friday was closely watched, as it followed weeks of speculative attacks on several Asian currencies, including the Thai baht, Philippine peso, and the Malaysian ringgit.

Analysts expect the market to consolidate in the early part of this week, before testing the 1,050-level.

One analyst said the KLCI is on its way to test resistance at around 1,060. A break at this level would show that the index is going to have a good technical rebound, and would set it up for the next upside test at 1,100.

The benchmark KLSE Composite Index advanced 39.71 points or 3.96 per cent to 1,041.26 from last Friday's close.

The KLCI started the week on a bright note, advancing 21.12 points on Monday to 1,022.67. Profit taking on Tuesday shed some of the gains as the index fell 4.66 points to 1,018.01.

The KLCI continued its rebound on Wednesday to close 16.06 points up at 1,034.07, and another 11.82 points higher on Thursday to 1,045.89, before profit taking ahead of the weekend saw the KLCI closing 4.63 points lower at 1,041.26 on Friday.

The all-main board Emas Index finished the week 12.35 points or 4.35 per cent higher at 296.23, while the second board index was up 22.49 points or 4.26 per cent to 550.29.

Total turnover on the KLSE for the whole of last week amounted to 1.378 billion shares valued at RM9.327 billion, which gave an average daily volume of 275.625 million shares.

This was compared with a total turnover of 1.39 billion shares valued at RM9.22 billion for the previous week, which gave an average daily volume of about 277.685 million shares.

EUPE Corp Bhd made its debut on the KLSE last week, closing at RM2.98 for a 98 sen premium over its offer price of RM2.

Index futures traded on the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) took the cue from the rebound on the underlying cash market to finish higher last week.

Analysts remain bullish of the futures market this week, saying that the prevailing sentiment has improved and buyers are expected to return to the market soon.

Spot July futures ended on Friday at 1,040.1 while August futures last settled at 1,041.0. Rollover activities are expected to continue this week.

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