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Cautious trading expected until Budget announcement

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THE week started out on a soft note as players stayed on the sidelines due to the lack of fresh leads and fall in regional markets.

Volume on Monday was exceptionally thin, with only 377 contracts traded and open interest stood at 1,048, reflecting the continued lack of foreign players in the market.

However, on Tuesday, the market picked up after Bank Negara announced that the three-month intervention rate would be cut for the fifth time in two months by 50 basis points to 7.5 per cent per annum to further ease lending rates.

Bank Negara also announced that the 60 per cent limit on loans to purchase non-owner occupied residential properties costing RM150,000 and above and shophouses costing RM300,000 and above would be abolished.

The cash market closed up 14.35 points at 374.45.

In the futures market, players remained optimistic and October futures maintained a premium of over 17 points to settle at 391.7.

Volume picked up as well with 936 contracts traded.

Some profit-taking activity on Wednesday resulted in the cash market closing lower at 370.90 and futures at 386.00.

Prime Minister Datuk Seri Dr Mahathir Mohammad later called on local investors to support the market by buying and holding on to their stocks for a longer period before taking profit.

Players were also encouraged by the move to stabilise the banking sector when it was announced that Danamodal would inject RM3.3 billion into 10 cash-strapped banks and finance companies.

Thursday and Friday were quiet trading days with tight trading ranges due to the lack of fresh leads on the local front.

On Thursday, 445 contracts traded in a range between 382.3 and 389.2.

The announcement that the country had recorded a trade surplus of RM6.3 billion for August, had little impact on the market.

The cash market closed marginally higher at 372.99.

Overall for the cash market, the week ended up 9.16 points or 372.22 from last week's close of 363.06 and up 13.5 points or 388.5 for October futures.

With futures holding a consistent 10-15 points premium over the cash, this indicates an inclination towards a more bullish outlook in the medium term.

It reflects expectations that the Budget, which will be tabled on Oct 23, will be favourable.

Until then, we expect the market to remain cautious with some nibbling by retail players.

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