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Composite Index likely to continue upbeat momentum

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LAST week, share prices on the Kuala Lumpur Stock Exchange rode through a breathtaking roller-coaster ride. The local benchmark, KLSE Composite Index hit its 10-year low at the 261.33 level on Sept 1 before rallying 102.11 points, or 39.07 per cent, to close at 363.44 points on Sept 4.

The local bourse opened on a firm note on Sept 1 after a long weekend holiday. The KLSE CI was traded within a tight trading range in the morning.

However, its tight-range trading activities gave way in the afternoon when Prime Minister Datuk Seri Dr Mahathir Mohamad announced the foreign exchange control measures. Heavy selling activities sent the KLSE CI to yet another 10-year low of 261.33. The KLSE CI suffered a heavy loss of 40.21 points, 13.27 per cent, to end at 262.70 on Sept 1.

Market's panic sell-off was triggered by the Government's announcement of implementing foreign exchange control measures, curbing speculative attack on the ringgit. The measures were aimed primarily at insulating Malaysia's economy from risks and vulnerabilities by external factors.

The main contention of these measures was to fence off the continuing speculative attacks from the hedge funds and thereby establishing a stable ringgit with a low interest regime.

Before the market could digest the ramifications of the foreign exchange control measures, the market got another shock from the decision to remove Datuk Seri Anwar Ibrahim as Deputy Prime Minister and Finance. The market reacted mildly to the removal when the KLSE CI rebounded 18.48 points, 6.27 per cent, to the 313.07 level on Sept 3.

The overall market rallied right from the opening bell on Sept 4. The KLSE CI rallied in the afternoon trades when it raced to the 367.08 level before closing at 363.44 on Sept 4.

Reflecting the wild swing in momentum, the KLSE CI gained 60.53 points, or 19.98 per cent, over the week to close at 363.44 points on Sept 4. The KLSE All Share EMAS Index advanced 16.26 points, 20.44 per cent, to the 95.81 level.

The KLSE Industrial Index gained 89.98 points, 14.07 per cent, 729.42 level. The KLSE Second Board Index put up a gain of 13.48 points, or 17.55 per cent, to the 90.31 level.

Chartwise, the KLSE CI bottomed out on Sept 1, when it hit the 261.33 level. Thereafter, the KLSE CI rebounded in earnest when it raced to its intra-week high of 367.08 on Sept 4, giving a gain of 105.75 points, or 40.47 per cent, from its bottoming out point of 261.33.

Following are the readings of some of its technical indicators:-

Moving Averages: The KLSE CI staged a re-penetration of its 10-, 20- and 30-day moving averages in quick succession.

Momentum Index: Its short-term momentum index displayed a positive divergence when it raced above its previous peak.

On Balance Volume: Its short-term OBV trend staged an overhead re-penetration of its 10-day exponential moving averages.

Relative Strength Index: Its 14-RSI had similarly displayed a positive divergence when it recovered from its low of 22.57 on Sept 1.