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Drastic increase in volume needed for rally to take off

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THERE were no shortage of news relating to the stock market last week.

Each day there was some foreign, political or economical news that will affect the direction of the market.

Most of the news were unpleasant and yet looking back the fall in share prices were not so bad except for the KLSE Composite Index (KLCI) component stocks.

This had a drastic effect on the KLCI, which dropped slightly more than 30 points in the five trading days.

The first lot of discouraging news was from the national carrier Malaysian Airlines System Berhad which announced a RM225 million pre-tax loss for the year ended March 31, 1998.

Next in line was the briefing held by Bank Negara Governor Tan Sri Ahmad Mohd Don, who announced that Malaysia's gross domestic product declined in the first quarter of 1998 by 1.8 per cent.

This has given rise to concern that we may be slipping into a recession.

Fortunately, for us last Tuesday's newspaper had our Deputy Prime Minister Datuk Seri Anwar Ibrahim declaring that the worst is over for us, and despite the GDP having declined by 1.8 per cent in the first quarter, the Government will be keeping to its forecast of 2.5 per cent growth for the year.

Critics were also unhappy with Prime Minister Datuk Seri Dr Mahathir's announcement in Tokyo, where he had said that the Government may finance 60 per cent of the Asset Management Company's (AMC) capital.

Malaysia is in a "heads I win and tails you lose" situation because at the present moment it seems it can do nothing right.

The Government financing of 60 per cent of AMC capital has brought about criticism that it will interfere with the working of AMC.

If the AMC fails, the critics will clap their hands and say "I told you so, they could not get the money to finance it".

The announcement of a trade surplus of RM3.6 billion for the month of April by the Statistics Department did not have a positive effect on our market, nor did the announcement of the set-up for the AMC helped the market.

Perhaps market analysts need the weekend to look through them before the positive effects can unfold.

On the technical front our failing Timing Device was successfully arrested at - 254.6 points and since then has been trending up.

The drastically reduced trending up pace last Friday is however, worrying. It could mean that the reversal that we just saw is a false move and we may need to move down to the next level of support at - 400.0 points.

Our 0/0 Indicator continues to trend up, the good news is that the trending up pace has increased, giving us hope, that it is likely to continue at a greater pace this week.

Our market now needs to have a drastic increase in trading volume to ensure a rally can take off. We also need to have the KLCI moving above its 30MA.