

28/09/1998

Drop in weekly volume points to declining interest

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MALAYSIA'S shocking measures to revive its economy has drawn comments far and wide.

Initially, most were pessimistic but as the days pass, we are slowly seeing a change of heart.

Among the very first to voice his support with what we are doing was the economic guru Professor Paul Krugman from the Massachusetts Institute of Technology.

He however stressed that capital controls are only a short-term measure to give us time to put our banking system in order.

The IMF in its annual report on global capital markets has said that capital controls may have short-term benefits.

Even then, there are still others in IMF who are very concerned and say that there are no substitutes for sound economic policy.

The best proof is for us to show the world that "Malaysia Boleh". This will become clearer when the effects are seen in the next couple of months.

It has been three weeks since Prime Minister Datuk Seri Dr Mahathir Mohamad imposed capital controls to shut down speculation on the ringgit.

International Trade and Industry Minister Datuk Seri Rafidah Aziz has said that these measures will be removed once the global financial markets return to normal.

Since the imposition of capital controls has been instituted, the KLSE Composite Index (KLCI) has risen from a low of 262.07 points to a high of 445.06 points, a gain of 69.8 per cent. Our stock market is expected to improve further with the latest Bank Negara relaxation for higher loan limits for the purchase of shares and unit trusts.

Currently, the KLCI is standing at 387.57 points. Since its recent closing high of 445.06 points on September 7, the KLCI has dropped back to below the 400 point level and it has not been able to repeat the same feat.

Basically, there are three reasons for this. The quantum leap that it took in early September, when the KLCI improved by 69.8 per cent compared to the current figure of 47.9 per cent is still a very steep jump in just over three weeks. Our market therefore needs time to absorb and digest this.

The second issue concerns the political atmosphere in our country; the arrest of former deputy prime minister Datuk Seri Anwar Ibrahim under the Internal Security Act, and the near riots staged by his supporters has created anxiety among investors.

The third possible reason is the effect of our currency control when it is implemented.

On the technical front, our timing device has been bobbing up and down like a yoyo without a definite direction.

Just about the only consolation is that the timing device has so far managed to stay above its zero support level.

The situation over at the medium term 0/0 indicator is that it has continued to trend up but at a slower pace, while weekly volume has shrunk by 35.3 per cent, compared with the preceding week.

The drop in volume for the second consecutive week is viewed with some concern, as it indicates a falling interest in the market and this does not happen in an uptrend market.

