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Finance stocks spearhead 3-day KLSE run-up

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FINANCE stocks listed on the Kuala Lumpur Stock Exchange (KLSE) received a much-needed boost last week with the announcement of several government measures intended to revitalise the economy.

The finance sector posted a whopping gain of 36.22 per cent in three days, starting Wednesday. Its index, which closed off 53.01 points on Tuesday, soared 142.73 points to 1,785.10 the following day, and then another 94.01 points to 1,879.11 on Thursday.

It then capped the week with a 358.18-point jump to 2,237.29 on Friday.

The four-day trading week started with an announcement on Monday, which was Merdeka Day, by the KLSE of new regulations which, among other things, require all Malaysian securities listed on it to be effected through the KLSE or an exchange which it recognises.

This was followed by Bank Negara's imposition of exchange controls on Tuesday and the fixing of the ringgit/US dollar rate at 3.80 on Wednesday.

A day later, the central bank reduced its three-month intervention rate to 8.0 per cent, from 9.5 per cent previously.

On Friday, the Stock Exchange of Singapore suspended over-the-counter dealings in Malaysian securities and then issued a statement late in the day saying it intends to cease such trading on its Central Limit Book Order International in view of the measures taken by Kuala Lumpur.

Together with the removal of Datuk Seri Anwar Ibrahim as deputy prime minister and finance minister and his subsequent expulsion from Umno, it was indeed the biggest gulp of developments in the exchange's history for the market to digest within a week, but investors took it all in their stride.

The market appeared to revel in the prospect of lower interest rates, easier liquidity, a flowback of business and ringgit deposits from Singapore, and of course the economic benefits of a stabilised ringgit.

In addition, the banking sector in particular took heart from the possibility of a redefinition of non-performing loans (NPLs).

In explaining Bank Negara's measures, Prime Minister Datuk Seri Dr Mahathir had noted in a live interview on television on Tuesday that the level of NPLs had increased since the central bank started last year to classify loans not serviced for three months as non-performing, as opposed to six months previously.

"We can perhaps do as in many countries, where there is no time limit for NPLs or where it is nine months or six months," the Prime Minister had said.

In the three-day rally, notable gainers of the finance sector were Arab Malaysian Merchant Bank Bhd (54 sen to RM1.93), Commerce-Asset Holding (60 sen to RM1.45), MBf Cap (24 sen to 62 sen), Maybank (94 sen to RM3.78), and Phileo Allied (27 sen to RM1.59).

RHB Cap, which put on 64 sen to RM1.57 between Tuesday and Friday, enjoyed an added lift from the announcement of the entry of Danamodal Nasional Bhd as the main financier, in place of PhileoAllied Bank, in RHB Bank's proposed merger with Sime Bank Bhd.

Danamodal has agreed to inject RM1.5 billion to recapitalise the merged bank.

It was no surprise therefore that finance stocks were the most heavily traded counters last week.

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