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Market booster

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SHARE prices on the Kuala Lumpur stock market shot up in a relentless buying frenzy in the first few trading days of September after being hammered to a 11-year low.

The stock market rally was unprecedented and certainly a Commonwealth if not a world record in market performance. Investors were getting their hands on whatever was available; blue chips, speculative and/or situational stocks and penny stocks. TA-WW, for instance shot up 1,400% from around two sen per unit to 28 sen.

From a historic low of 262.70 points at the close of trading on Sept 1, the Kuala Lumpur Stock Exchange (KLSE) composite index jumped more than 180 points, or a mind boggling gain of 70%, within four trading days. Total turnover on Sept 7 was 1.25 billion units, valued at RM1.5 billion.

The market's scintillating rise indicated a show of support and an endorsement by the people of Prime Minister Datuk Seri Dr Mahathir Mohamad's 'shocking moves' to restore confidence in the Malaysian economy. In fact, he had expressed in mid-August that the government was concerned and would buy shares to boost the stock market. The Malaysian investing public were given enough time to accumulate before institutions moved in late in the month.

As the month unfolded, the government moved swiftly to end speculation on the ringgit by imposing controls via restrictions on external account transactions by non-residents; and by tightening rules on overseas investments by Malaysians. The ringgit was fixed at an exchange rate of RM3.80 to the US dollar.

Malaysia's measures on currency exchange control was supported by renowned US economist Paul Krugman, who wrote in the Sept 7 issue of Fortune that the time had come for Asian economies which relied on the International Monetary Fund prescribed medicine for recovery to try a more radical remedy - currency exchange controls.

Dr Mahathir's bold move was supported by many prominent people including the chairman of America International Group Inc. Maurice Greenberg. In a letter to the Prime Minister, he said: 'I fully support your decision to limit speculative trading in both the Malaysian ringgit and the stock market.' New York-based AIG is one of the biggest insurance underwriters in the US.

The stock market was so pleased by the Bank Negara's move on exchange rate and also the lowering of interest rate and increased liquidity in the banking sector that Datuk Seri Anwar Ibrahim's removal from government and Umno only spurred on investors to take fresh positions.

The KLSE also announced moves to confine trading of Malaysian shares to the Kuala Lumpur stock market by not recognising trading of 112 Malaysian counters on Singapore's Central Limit Order Book (Clob).

The market was quiet in August with the KLSE composite index plunging due to poor performance by the key index stocks like Malayan Banking, Tenaga Nasional (TNB), Sime Darby and Technology Resources Industries (TRI). TNB was the most active stock with 101.279 million shares changing hands.

For last month, the share fell RM1.32 to close at RM2.18 on reports that it was suffering from shrinking consumer demand and difficulty in meeting payments to independent power producers.

Malayan Banking was the next most active stock with about 100 million

shares traded. TRI, which recorded a group pre-tax loss of RM234.65 million for the first six months to June 30, 1998, saw its share price plunging by RM1.76 during the month.

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