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Shares soar 22.5pc in heavy trading (HL)

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CURRENCY stability, lower interest rates and a further boost in liquidity made for a boisterous Kuala Lumpur stock market yesterday. For good measure, strong trade figures and signs of stock investment flowing back from Singapore triggered the kind of cheer and confidence among players not seen since the economic turmoil surfaced in July 1997.

The Kuala Lumpur Stock Exchange (KLSE) Composite Index surged to its second biggest ever one-day gain of 22.46 per cent on near frantic buying support which saw the day's total turnover almost doubling to 1.101 billion shares worth RM1.577 billion from Friday's 522.449 million valued at RM617.556 million.

The sharpest one-day rally was posted on February 3 this year when the exchange's index jumped 23 per cent, or 131.80 points, to 701.31.

Yesterday, the KLCI put on 81.62 points to close at 445.06, the fourth consecutive trading day of strong gains, after touching an intraday high of 473.49, or some 30 per cent up on Friday's close of 363.44.

In just four days of trading, the market has rebounded 69.42 per cent, or 182.36 points. In the previous three sessions, the index had gained a total of 100.74 points, or 38 per cent.

The rapid succession of "shocking" developments last week appear to sit well with investors, analysts said.

In a week like no other in memory in terms of its potential impact on the stock market, first the KLSE last Monday introduced new regulations to bring business back from abroad. The next day, Bank Negara Malaysia (BNM) shocked the world with its exchange controls, and followed them up on Wednesday with the fixing of the ringgit/US dollar rate at 3.80.

On Thursday, BNM reduced its three-month intervention rate to 8.0 per cent, from 9.5 per cent previously, and on Friday, the Stock Exchange of Singapore said it would cease over-the-counter trading of Malaysian securities.

In between, Datuk Seri Anwar Ibrahim was removed as deputy prime minister and finance minister and expelled by Umno.

Retail investors, hesitant at first, were encouraged by the continued presence of local institutions in the market yesterday, analysts said.

The appointments of Tan Sri Ali Abul Hassan Sulaiman as BNM governor and Entrepreneur Development minister Datuk Mustapa Mohamad as Second Finance Minister, with Prime Minister Datuk Seri Dr Mahathir Mohamad being First Finance Minister, were also well-received, a dealer said.

The decisions reflect the Government's commitment towards stabilising the financial system and revitalising the economy, he said.

Other positive news yesterday include the reduction in the Statutory Reserve Requirement (SRR) for banking institutions to 4 per cent from 6 per cent before, and a RM26-billion trade surplus in the first seven months of the year.

BNM also lifted the limit on lending to the broad property sector.

Sentiments were also helped by a stronger yen and spurts on regional stock markets. Hong Kong shot up 7.9 per cent, Singapore 7.1 per cent, Bangkok 6.4 per cent and Tokyo 5.3 per cent.

Seoul was 3.9 per cent higher, Jakarta 3.0 per cent, Sydney 2.6 per cent and Manila 2.4 per cent.

Analysts now expect the next resistance level for the KLCI to be 550. The support level, they say, is 400.

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