

07/09/1998

`Shocking' moves give new lease of life to KLSE

Raymond

AS OUR market was trying to digest the news over the long weekend of a sharply lower group profit for Maybank, followed by announcement that Malaysia's GDP has contracted by 6.8 per cent, it was then hit by the resignation of Bank Negara Governor Tan Sri Ahmad Mohamad Don and his deputy Datuk Fong Weng Phak.

Despite the bearish news, the Kuala Lumpur Stock Exchange (KLSE) resumed trading on Tuesday morning on a mixed note. In late afternoon, the Prime Minister Datuk Seri Dr Mahathir Mohamad announced measures to reclaim exchange control. This sparked off massive selling by foreigners; the KLSE Composite Index (CI) which had been holding steady at 302.89 points at lunch break, plunged to 262.70 points at the close.

After having slept with the new exchange control measures overnight, the local bourse started trading on Wednesday on a sharply higher note. The steadier trend improved in later trading and the CI was able to close the day at 294.59 points, up 31.89 points.

Thursday trading started with an air of uncertainty with investors confused with the sacking of Datuk Seri Anwar Ibrahim from Deputy Prime Minister, Finance Minister and all other government posts. Although the KLSE opened on an easier note, by mid-morning bulls had already overtaken bears. The CI closed at 313.07 points and the trading volume was 310.4 million shares.

News of the removal of Anwar from Umno on September 3 had no effect on the market on Friday. Instead the CI rallied strongly for a 50.37-point gain on a heavy turnover of 522.4 million shares.

Prime Minister Datuk Sri Dr Mahathir Mohamad unorthodox move of withdrawing the ringgit from the international currency has effectively shut down off-shore trading in the ringgit. This, together with other measures taken, will make off-shore ringgit valueless unless they are brought back before October 1.

It is believed that at least RM7 billion will be brought back to Malaysia, some have even put the figure much higher. The Government has also set a fixed exchange rate of RM3.80 to the US dollar. The new measures have so far been successful. If the move is proven correct, other countries may follow suit.

The shocking measures have up till now given our stock market a new lease of life.

It has regained 100.74 points from its lowest point on Tuesday or a 38.3 per cent. Trading volume has improved to 522.4 million shares last Friday and the CI has broken through its 30 Moving Average.

Our timing device is trending up strongly and although it has yet to overcome its overhead zero resistance, we feel almost certain that it will do so this week. Lastly our 0/0 Indicator has strongly confirmed its reversal week before last.

All in all we are looking for further upside momentum with maybe some minor corrections in between.