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Uptrend expected to continue this week

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RETAIL play dominated much of the scene last week on the Kuala Lumpur Stock Exchange (KLSE) which saw investors buying as well as taking profit as and when the opportunity arose.

Although the benchmark Composite Index (KLCI) succumbed to profit taking on the first two days of the trading week, there was a sense of optimism among investors, particularly retailers, who felt there was more upside in the market.

Nevertheless, several dealers and analyst expressed caution although they remained confident that the upward trend in share prices especially over the last several weeks is expected to continue until the first quarter of the new year.

This view was supported by The Federation of Malaysian Unit Trust Managers' (FMUTM) bullish outlook on the market, while going a step further to forecast that the KLCI will touch the 750 level by the first half of next year.

FMUTM vice-president Nik Ezar Nik Bolia said he expects a substantial increase in investments to pour into the local bourse in the early part of the new year.

He said that the stock market is a window of the future and always reacted six to nine months ahead of positive developments. The federation had based the projection on the expected 1 per cent growth in the country's gross domestic product.

As for the immediate term, a dealer said if share prices open higher today, this will serve as a signal to investors on the possibility of further upside.

The week had however begun with profit taking to close broadly lower after enjoying a bullish trend the previous week with analysts attributing the drop to an overdue technical correction.

Falling 12.48 points on Monday, it was the largest drop of the week with finance stocks being some of the most heavily traded stocks.

The downtrend continued on Tuesday with continued selling pressure outweighing institutional support on key-index linked utility stocks like Tenaga Nasional and Telekom Malaysia.

Shares however managed to recoup much of the losses on Wednesday after staging a dramatic recovery in afternoon trading on strong buying support on the back of a record trade surplus of RM6.62 billion for October.

An official denial that Prime Minister Datuk Seri Dr Mahathir Mohamad had been hospitalised also soothed market nerves and lifted the KLCI to finish 11.33 points or 2.2 per cent higher.

The KLCI continued to stay in positive territory for the remaining two days of the trading week although it needed the support of institutional funds which were in the market.

Their presence in the market may have been motivated by their need to make their balance sheet appear more attractive by year end.

Increased expectation of financial aid package from Singapore and news of the Japanese Government 66.6 billion euro-yen note issue helped further to boost sentiments in the local bourse, while another analyst attributed the positive mood also to the meeting between Dr Mahathir and foreign fund managers from Singapore and Hong Kong on Friday.

Week-on-week the KLCI gained 6.62 points or 1.26 per cent to close at 533.88 from the previous Friday's close of 527.26.

The all main board Emas Index, meanwhile, dropped 1.59 points or 1.10 per cent to close at 142.55 from last week's close of 144.14 while the second board index lost 8.33 points or 4.41 per cent to close at 180.50 from the previous week's close of 188.83.

Total turnover on the KLSE for the whole of last week amounted to 2.153 billion shares amounting to RM3.910 billion as compared to 3.365 billion shares valued at RM5.825 billion.

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