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Volatile week for cash and futures trading

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THE cash and futures markets saw volatile trading last week.

On Monday, the cash market broke its four-day uptrend and ended 7.60 points lower to close at 720.46. This was partly due to the ringgit weakening against the US dollar. The ringgit dropped to a low of RM3.87 from RM3.74 the previous week.

The lack of news in the market resulted in futures trading in volatile fashion as there was no clear direction.

Further talks about mergers in the finance industry on Tuesday resulted in both the cash and futures markets closing higher. The cash market closed at 729.84, up 9.38 points.

Statements made by Tun Daim Zainuddin, economic adviser to the Government, also contributed to the market's uptrend. Tun Daim had said that the Government would not bail out troubled companies and that non-Bumiputera companies might be allowed to buy stakes in Bumiputera companies.

However, the market fell sharply and closed at 712.81 the following day on comments by Prime Minister Datuk Seri Dr Mahathir Mohamad that the Government's proposal was for a temporary period and in certain cases only.

On Thursday, the cash market recovered to close 2.09 per cent higher at 727.70 and 729 in the futures market after Deputy Prime Minister Datuk Seri Anwar Ibrahim, who is also Finance Minister, said that Malaysia planned to ease restrictions on foreigners' stakes in local firms and there would be no reversal of policy once the decision was implemented.

The market's performance was also boosted by the strong performance of regional markets. The positive sentiment continued on Friday with key blue chips leading the market.

An announcement by Standard & Poor's that it was downgrading the rating of six local banks caused the market to ease a little in the second session to close at 745.36.

(END)