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Investors await unveiling of exit tax details

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TRADING on the Kuala Lumpur Stock Exchange (KLSE) was holding steady at the start last Monday when it turned mixed at noon and ended easier at the close.

Follow through selling saw the local bourse starting on a bearish note last Tuesday. Efforts by bears to try and push the Kuala Lumpur Composite Index below the 600.0-point level was unsuccessful because of selective buying of index-linked component stocks in the last few minutes of trading.

Attempts by bulls to jump-start trading on the KLSE last Wednesday had limited success.

Bears tightened their grip on the market on Thursday as investors trimmed their portfolio on news of a sharply lower overnight New York market. The situation was further aggravated by weakness in regional markets, which posted losses ranging from a 0.75 per cent in Tokyo to a 3.69 per cent drop in Hong Kong.

Stocks closed easier last Friday on tight liquidation by investors, while others continue to hold on until a clearer trend emerges.

Last week's interest were focused on the meeting between Prime Minister Datuk Seri Dr Mahathir Mohamad and foreign fund managers arranged by the Government's advisers Salomon Smith Barney. In a statement released by the National Economic Action Council (NEAC), the new package for foreign investors is a fine tuned version of currency exchange rate controls implemented in September last year. The soon to be unveiled package may include an exit tax for the early repatriation of capital.

Following close was First Finance Minister Tun Daim Zainuddin's interview on Bloomberg television. Daim said, Malaysia may ease the 30 per cent foreign ownership in the banking sector but stressed that it will be on a case by case basis. Such a move if realised will give the banking sector another lifeline.

Currently our KLCI is just 6.17 points above its 30MA; we expect the KLCI to flirt with its 30MA this week and ultimately trend below it. Readers will recall that this is one of the conditions that need to be fulfilled before bears can have full control of the market.

On the technical front, our short-term rising Timing Device peaked out last Tuesday at 2/3 27.0 points. Since its arrest, it has had a moderate failing pace. We don't anticipate support coming at the -200.0-point level. We feel the support ranges between -340.0 to -400.0 points would be a more appropriate support level.

Our medium-term O/O Indicator has been on the downtrend for the past seven weeks. At the start there was an increase in its failing pace on a week to week for three weeks, thereafter; the intensity of the failing pace was cut back weekly for the next three weeks.

Last week we saw the weekly failing pace expanding again and we read this as a bearish sign for our market. We anticipate more liquidation coming in the weeks ahead and don't see any support until the -200.0 point level.