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Market shows signs of maintaining uptrend

Pratap Parameswaran

ALONGSIDE the Hari Raya Aidilfitri festivities last week, investors on the Kuala Stock Exchange had their own cause for celebration in the week just passed.

And the reason was that the benchmark Kuala Lumpur Stock Exchange Composite Index (KLCI) finally shot past the key 600 resistance level. After a three-day break for the holidays, the local bourse resumed trading on Thursday on a positive note with the KLCI surging past the 600-mark to close comfortably above the stubborn resistance level, which the market had failed to breach on several previous attempts.

Investors, especially foreign institutional funds, zeroed in blue-chip stocks to lift the KLCI 15.55 points or 2.6 per cent to 614.52, just a touch below its intra-day high of 615.89.

It had opened at the day's low of 603.34 against 598.97 last Friday.

The last time shares traded at this level was eight months earlier when the KLCI closed at 608.40 on May 5 1998.

On Friday, the KLCI finished another 4.02 points or 0.65 per cent higher at 618.54 after touching an intra-day high of 621.57.

Analysts said sentiments were helped by comments from Second Finance Minister Datuk Mustapa Mohamed recently that the Government was studying options to ease the selective currency exchange rate controls imposed last September, with the possibility of a capital exit tax high on the list. A news agency report, quoting a government official, had said on Friday that an exit tax on foreign investors' profits would likely be imposed in the first quarter of the year.

The flavour of the week was obviously finance stocks with the KLSE Finance Index gaining 342.78 points or 9.07 per cent to close at 4123.29. RHB Capital, Commerce Asset and AMMB rose amid expectations that they would be among the first to benefit if foreign portfolio investors were to return in force.

Gaming stocks were also favoured on both days on market talk that the authorities might allow a reduction in prize money for numbers forecasts. Analysts also said that players were hoping for positive developments to emerge from the meeting between foreign fund managers and Prime Minister Datuk Seri Dr Mahathir Mohamad which was said to be scheduled for today. Reports had it that the Government's plans to ease the controls are likely to be raised at the meeting involving about 40 fund managers and bond investors.

In addition, players took heart that global markets had responded with surprising calmness to Brazil's decision to devalue the real, analysts said.

They were also confident that the KLCI has the potential for further gains in the coming weeks, with one seeing the next trading band at between 620 and 650, amid intermittent bouts of profit-taking.

Others pointed to the coming Chinese New Year, which traditionally sees a run-up in the weeks before the festivities.

Week-on-week, the KLCI was up 19.57 points or 3.27 per cent at 618.54 from the previous Friday's close of 598.97.

The Emas Index rose 5.9 points or 3.88 per cent to 157.82 and the Second Board Index 2.38 points or 1.44 per cent to 167.93.

Total turnover for the two-day trading week amounted to 583.39 million shares valued at RM1.24 billion.

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