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Market's short-term outlook remains clouded

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WHEN the local market surged past the 600-point level on Thursday the previous week, it was like a Raya bonus for investors but the joy was unfortunately short-lived when exactly a week later, the KLSE Composite Index (KLCI) fell below the 600-point psychological level. The key Index closed last week at 591.53 points, losing some 27.01 points or 4.4 per cent compared with the previous week's closing of 618.54.

Now, most analysts say that the market short term outlook, at least until the Chinese New Year holidays is quite bearish with the support level for the KLCI pegged at between 580 and 585.

Analysts contacted last week said, the dull trading on the stock market last week was mostly triggered by investors' disappointment over the outcome of the meetings between 28 foreign fund managers and Prime Minister Datuk Seri Dr Mahathir Mohamad and Finance Minister Tun Daim Zainuddin in Kuala Lumpur last Monday.

The meetings were positive, said one analyst but players were anticipating that Dr Mahathir would announce more details on the Government's plans on easing the selective currency exchange rate controls imposed last September.

But Dr Mahathir did not. Instead he said the Government is studying to introduce an exit tax, to attract more investors to come to Malaysia but he stopped short of saying when and how much of exit tax would be imposed. "(The adjustments) will be announced in due time," the Prime Minister was quoted as saying by the National Economic Action Council in a statement on the meeting.

Also there is market talk that some adjustments to the controls are expected to be announced after the Chinese New Year holidays, prompting foreign funds to stay away from the local bourse last week while adopting a wait-and-see attitude, said one analyst.

Banking stocks were sold down last week as firm news on the easing of capital controls did not materialise. Analysts said, such stocks would be among the first to benefit if foreign portfolio investors were to return in force.

The market began last week on a jittery note as the local stocks fell along with other regional markets on worries over the possibility that China will devalue the yuan after a string of bankruptcies among Chinese state-run investment organisations.

The KLCI last Monday closed 1.35 points or 8.35 per cent lower at 610.19.

On Tuesday, share prices had a slight technical rebound with the KLCI ending 0.69 of a point higher at 610.88, off an earlier low of 602.58. On Wednesday, shares continued to drift lower on lack of institutional support in the absence of positive leads. The KLCI closed 5.70 points lower to 605.18.

Continued lack of buying interest dragged the KLCI below the 600-point level on Thursday as it closed at 595.54, 9.73 points lower.

Friday was a day of lacklustre trading with KLCI ending the week at 591.43.

On the whole, last week's trade saw a total of 40.089 million shares traded valued at RM2.025 billion. Turnover on the Main Board was 725.601 million shares worth RM1.670 billion while the Second Board saw 115.009

million shares traded valued at RM319.845 million.

Week-on-week, the Emas Index lost 2.59 points to 155.22 while the Second Board Index was down 4.87 points to 163.05.

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