

19/04/1999

Rise in trading volume sign of new uptrend

Raymond

OUR medium-term market barometer (O/O Indicator) reversed out of its falling trend three weeks ago, signalling the possibility of a bull rally from its low of -218.6 points. Since then, we have had a moderately strong confirmation the week of April 4 to 9.

Last week, our O/O Indicator continued to trend up and gave an even stronger confirmation despite the fact that there were some demonstrations following the conviction and jail sentence passed on former Deputy Prime Minister Datuk Seri Anwar Ibrahim.

Last week's encouraging increase in trading volume lends support to our view that the market has started a new uptrend, which in our opinion is likely to last between two and three months.

Having experienced a three-week rally with some minor hiccups in between, the Kuala Lumpur Stock Exchange Composite Index (KLCI) has now risen slightly more than a hundred points.

This is quite a hefty gain for so short a period of time; perhaps, it is time to think about a pullback correction. How strong or mild the correction will be, or if at all a pullback correction is going to come this week is anybody's guess.

The movement in our Timing Device, together with the daily trading volume, will guide the performance of our market. At this point, it is sufficient to say that we feel that our medium-term O/O Indicator is showing a bullish trend.

The latest daily trading volume has just passed the 400-million mark. We feel that any attempt at pulling it back may be overshadowed by the eagerness of market dabblers to jump onto the rally bandwagon.

Factors to support the rally will be the reinstatement of Malaysia into the Morgan Stanley Index.

Last week's strong uptrend is going to pressure Morgan Stanley to reinstate us as soon as possible, or get their own rating as a rating agency downgraded internationally because they failed to recognise the fact that Malaysia has started to recover from its economic woes.

Another factor that will help to give the market a boost will be when our Prime Minister Datuk Seri Dr Mahathir Mohamad resumes his duties. His hospitalisation for a lung infection has given both local and foreign investors some anxiety, while his going back to work will put to rest their anxiety.

On the technical front, our Timing Device surprised us by reversing out of its falling trend at +110.7 points. Chart Trends was expecting support to come only at about the zero level.

With the premature arrest of the Timing Device and the more than double increase in trading last Friday, we can expect our market to trade erratically this week.

We expect the next downturn of the Timing Device at about +400.0 points to be more serious when it happens. This will give those who missed out on the rally three weeks ago a chance to jump onto the bandwagon.