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Shares fall on jitters over China policy on yuan

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MALAYSIAN stocks fell yesterday along with other regional markets on worries over the possibility that China will devalue its currency after a string of bankruptcies among Chinese state-run investment organisations. Analysts said the concern arose following Brazil's decision to float its currency earlier this month.

The benchmark KLSE Composite Index ended the day 1.35 per cent or 8.35 per cent lower at 610.19 while the broader Emas Index lost 1.70 points or 1.1 per cent to 156.12.

Even the rather positive outcome of the meetings between foreign fund managers and Prime Minister Datuk Seri Dr Mahathir Mohamad and Finance Minister, Tun Daim Zainuddin which took place yesterday failed to erase the negative sentiment.

Analysts said investors were expecting some announcement on the exit tax for the early repatriation of capital, of which Dr Mahathir said the Government is considering introducing such tax.

The Premier also said the Government is working on steps to attract foreign investments by making certain adjustments on the currency exchange rate controls.

The market was also dampened by the fall on Wall Street last Friday where the Dow lost 1.55 per cent to close at 9,120.67.

Total turnover was 274.997 million shares valued at RM601.800 million.

On the scoreboard, losers beat gainers 367 to 273.

Elsewhere in the region, shares fell around 5 per cent in Manila, Jakarta and Singapore, 3 per cent in Taipei and Bangkok and 2 per cent in Hong Kong.

The Tokyo stock exchange was spared from the jitters as the Nikkei 225 average closed up 0.38 per cent at 14,208.81.

Shares in Hong Kong plunged 4.25 per cent in early trade but recovered to end the day 2.45 per cent down at 9,499.50 while shares in the Philippines closed down 5.38 per cent to 1,951.44.

In Seoul, stocks closed down 1.97 per cent at 539.76 while in Australia, shares closed 0.72 per cent down at 2,827.9.

Across the Causeway, shares ended 5.46 per cent lower at 1,398.02 and in Taiwan, the benchmark index closed 3.14 per cent down at 6,033.21.

Thai shares were also down by 3.31 per cent at the close and Indonesian stocks fell close to 5 per cent to 382.48.

In China, the Shenzhen B-share index closed at a record low of 46.35 and the Shanghai B-share Index ended at a record low of 25.173.

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