

Positive outlook for year 2000

Analysts expect fund managers and institutionals to return

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KUALA LUMPUR: With fears of the Y2K bug declared overblown, the stage is set for the Kuala Lumpur stock market to breach new heights.

Analysts contacted are optimistic that fund managers and institutional investors will return to the local bourse, encouraged by the firmer closing last Thursday and continued strong economic growth in the country.

As one analyst said: "It was as if the market knew that the Y2K bug will be innocuous. It shrugged off fears of the millennium bug by posting a seven-point gain on Friday."

Overall, the KLSE Composite Index ended 1999 at 812.33, up a whopping 226.2 points or 38.6% from the closing of 586.13 as at Dec 31, 1999.

Generally, analysts are bullish over the stock market outlook and are projecting the CI to trade higher in the current year.

However, their forecasts for the KLSE CI vary between 870 and 1,100.

Christopher Gee, head of research of ING Barings, is the most bullish. He is of the opinion that the market could hit 1,100 by end 2,000 based on

several positive factors.

As he said: "The local bourse for the next six months will be pretty good based on a number of positive factors. Fundamentally the Malaysian stock market is cheap as it has a lot of liquidity bubbling around in the system."

Besides that, there are many investors looking for stocks that could outperform and with interest rates remaining low, many are opting to put their money into the stock market. Other factors cited include Malaysia's reinstatement into the Morgan Stanley International Capital indices at end May 2000 and the strong economic growth.

"There are lots of factors to push the market upwards and in view of this, the Malaysian market should do well," Gee said.

Leong Hon Sze, general manager of OSK Research, agreed. He said the stronger finish last week was due to window dressing and investors buying in anticipation that everything will be alright.

He expects the KLSE to extend its gains in 2000 with the CI likely to test the 880 level based on charts in the first quarter.

However, he reckons that the local bourse is fairly valued at about 19 times prospective 2000.

Leong said the momentum on the local bourse should move forward and lift the index to higher levels. Investors and punters are getting more and more confident of the market and are likely to continue with their buying spree, he said, adding that the return of foreign investors should generate further interest.

An analyst with SBB Securities said he is equally bullish on the local bourse outlook because the Y2K issue has rolled over smoothly.

However, he declined to make projections on the KLSE CI but said "2000 will be better than 1999".

Analyst Ng Han Sing of Hwang-DBS Research said the CI closing at 812 was in line Prime Minister Datuk Seri Dr Mahathir Mohamad's forecast and that of major brokerages.

He is of the opinion that the local bourse should continue to grow in 2000 given the better than expected economic growth and a much better corporate earnings growth.

The corporate pre-tax earnings, he said, is pro-

jected to grow at 38% in 2000 and on valuations, the local market is not demanding based on current price levels. In fact, he reckons that the Malaysian market still looks cheap in comparison with others in the region.

Besides that, the political uncertainty that was overhanging has now cleared with the elections out of the way. He said contrary to some skeptics, there is unlikely to be a succession problem as Mahathir has stated that his deputy, Datuk Seri Abdullah Badawi, will be his successor.

Based on these factors, he said the Malaysian market is not expensive and could hit the 9.50 level on a six to nine months.

He said the fact that MSCI will be reinstating Malaysia into its series of indices fully is also a positive factor as it means that fund managers cannot afford to leave Malaysia out of their portfolios.

However, he warns that the market could be jittery in the first quarter of 2000 because the US Federal Reserve may increase interest rate and that may again spark off jitters across the globe.