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Analysts mixed on how mart will fare this week

Adeline Paul Raj

ANALYSTS are mixed as to how the stock market will fare this week, with some optimistic the stock benchmark will pick up after having gained some ground last Friday and others anticipating a further downslide.

With the market currently at a crossroads of sorts, it could go in either direction, notes the head of research at a local broking house.

"One thing's for sure, the market will be very much driven by sentiment in the short term, and at the moment, sentiment is very weak," points out an analyst.

The UEM-Renong RM6.7 billion asset-reorganisation plan that was unveiled last week had dampened sentiment considerably, as fresh concern arose on the rights of minority shareholders and the lack of transparency in local mega-deals.

Dealers said these lingering concerns had triggered a spate of selling activity over the last few days.

Week-on-week, the Kuala Lumpur Composite Index had let off 21.46 points to 713.63 last Friday.

An analyst with a local broking house is expecting the market to find support at 690 in the short term. He adds that once the 690 level is broken, strong support will be found at 650. Volume is expected to remain very thin.

Nevertheless, analysts expect that strong local institutional support will likely keep the stock benchmark hovering above the psychological 700 level.

Market observers are also anticipating window dressing activities to start over the next few weeks, and peak in mid-December.

This, they say, could attract some retail interest, but then again it is also subject to whether there is an inflow of positive news over the next few weeks.

"At this point, sentiment is pretty weak in terms of consumer expectations," said one.

Analysts point out that it is a good time for investors to start accumulating stocks. "The safest bets are still the blue-chips and the index heavyweights," notes analyst Hamdan Abdul Majeed of HSBC Research.

Meanwhile, analysts note that a factor that might initially affect the market this week would be the result of the US elections.

"The fact that a decision has been reached should have some sort of stabilisation effect on markets both globally and locally," an analyst said.

"It wouldn't matter who wins, investors want the certainty of leadership more than anything else," noted Hamdan.

Also to watch out for on Wednesday is Bank Negara Malaysia's announcement of the country's third quarter economic performance. Prime Minister Dr Mahathir Mohamad said last week that the economy had grown by over 7 per cent from the third quarter of last year.

This would represent a slowdown, as compared to the first quarter's 11.9 per cent growth and the second quarter's 8.8 per cent growth.

The market is expected to continue to keep a close watch on UEM and Renong this week as both companies unveil more details of the restructuring plan.

UEM, at a press conference last Friday, said that it would hold the initial share sale of its unit, Projek Lebuhraya Utara-Selatan, until it

has completed the purchase of Renong's assets.

Analysts are expecting further selling pressure on Renong and especially UEM over the next two to three days, after both stocks were reinstated to the exchange last Friday following a three-and-a-half day suspension.

UEM hit limit down when it opened at RM3.50 last Friday from its last traded price of RM5.00. Dealers said that major shareholders buying into the stock had helped absorb some of the selling pressure.

At the end of the day, it eased RM1.14 to RM3.86 with 29.1 million shares traded, making it the day's most active issue.

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