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Analysts see indications of start of rally

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AFTER several days of strong buying support at the 700 psychological level, an indication of a start of rally has finally arrived when the Kuala Lumpur Stock Exchange Composite Index (KLCI) made a significant 3.3 per cent gain yesterday.

Analysts said the gradual increase in trading volume and yesterday's strong surge indicates that a rally is starting to materialise which could see the market moving towards 800 in the near to medium term.

They also said Prime Minister Datuk Seri Dr Mahathir Mohamad return from his overseas trip yesterday also had a positive impact on sentiments.

Jupiter's Head of Research Pong Teng Siew said the strong buying support around the 700 level had helped to stabilise sentiments, adding that retailers active participation in yesterday's trading was a good sign.

"The market reached its trading volume low and bottom in the third week of August.

"My rule of thumb, the market should post a rally about a month or a month-and-a-half after that ... this is what is happening now," Pong said.

According to him, the rally is expected to be sustained in the near term as selling pressure by foreign funds and Central Limit Order Book (Clob) investors is expected to be minimal.

He said foreign funds selling have dried up, and Clob investors, mostly retailers, are expected to go for higher prices in anticipation of the rally before unloading their shares.

Pong expects the rally to see the market go as high as 800 in the near to medium term.

Analysts said the rally does not come as a surprise as the market has been consolidating for several months, adding that performance of regional bourses is unlikely to have much impact on the local market as it is driven most by local investors.

They were bullish that yesterday's surge could very well be a rally but was not certain of its intensity, but were skewed to a mild one for now.

Analysts said the intensity will depend on the local bourse performance in the near future, adding that next week could very well be a good one.

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