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KLCI ends at 928.24 as bulls tighten grip (HL)

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BULLS tightened their grip on the Kuala Lumpur stock market yesterday, sending the benchmark KLSE Composite Index (KLCI) convincingly over the 900-point psychological level for the first time in 28 months.

The KLCI rose surged 37.64 points or 4.23 per cent to close at 928.24 points, off an intra-day high of 930.38 points.

Since the stock market reopened on Tuesday after the Hari Raya break, buying has been unabated and the four consecutive sessions of gains saw the KLCI amassing 109.81 points or 13.42 per cent.

Persistent buying of large capitalised blue-chip stocks by local and foreign institutional funds was discerned yesterday. Strong buying support was registered in index-linked banking as well as trading and services issues such as Maybank, Telekom, Tenaga Nasional, UEM, AMMB and Sime Darby.

Maybank, Telekom and Tenaga rose RM1.10, 90 sen, 50 sen to RM16.90, RM16.60, RM12.10 respectively. UEM, AMMB and Sime Darby climbed 55 sen, 20 sen and 55 sen to RM7.35, RM12.80 and RM5.35 respectively.

The rapid rise of the KLCI has even surpassed Prime Minister Datuk Seri Dr Mahathir Mohamad's expectation that the key barometer will breach the 900-point level by the end of the year.

An analyst said strong buying support came mostly from institutional funds - both local and foreign - which saw good values in the local bourse that is scheduled to be readmitted into the Morgan Stanley Capital Indices (MSCI) this year.

"Certain foreign institutional funds from the Far East were seen accumulating selected blue-chip stocks in the banking and utilities sectors in the past few days in anticipation of better things to come.

"In addition, moderately heavy volumes indicate that the bourse is experiencing a bull run not seen since the last financial crisis in 1997," the analyst added.

A dealer said the market has a substantial upside as there is a significant under-performance of the KLCI compared with other regional markets.

"The KLCI could possibly be lagging about six months in terms of fundamentals with a fair value of around 950 points and should reach the 1,100-point level by mid-2000."

He added that since the selective capital control measures were imposed in September 1998, the KLCI has rebounded more than 254 per cent when compared against the KLSE Second Board index (SBI) which has managed only a 167 per cent rebound.

"Given that the SBI has rebounded far less than the KLCI, there is a strong possibility that play may shift to Second Board issues in the near term once the rotational play on the Main Board has subsided."

Leong & Co said in a report that it believes that liquidity is the single most important market driver in the medium term.

"In this regard, the capital controls since September 1998 have been a crucial factor contributing to the ample domestic liquidity.

"With the devalued ringgit (down 33 per cent from pre-crisis levels) and the strong export performance (up 12 per cent in US dollars), Malaysia's foreign reserves have not only recovered but have in fact almost doubled to RM117.2 billion by end-December 1999 from pre-crisis levels."

Mayban Securities Research in its Equity Strategy 2000 report said it is

bullish on the outlook for equities.

"We predict the KLCI rising to 1,000 points by the first half of this year, then ending the year at 1,200. Our optimistic view is premised on the assumption that strong earnings growth remains intact, valuations are low and cheaper than region's average and MSCI reinstatement will induce infusion of foreign cash."

Mayban also assumes interest rates will remain benign and growth in economy will be broader-based and accompanied by a strong pick-up in private consumption. It added that in its opinion sectors that will lead the market banking, electronics and construction.

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