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Boosting investor confidence key to sustaining upturn

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BUILDING up retail investors' confidence could be the key to sustain the current upturn on the Kuala Lumpur Stock Exchange Composite Index (KLCI) further.

Maintaining liquidity in the market would also help the bellwether index test the 630 resistance level and stabilise in the range of 630 to 650 for at least another five sessions.

Dealers, however, are not too optimistic about the prospect, saying that most small investors may play in the market for maybe a day or two before cashing in on their investments.

"Investors would not want to stay in the market too long, should foreign funds start selling heavily," a remisier said.

A senior investment analyst said this week may be the time for profit-taking by investors.

Prime Minister Datuk Seri Dr Mahathir Mohammad announced last Thursday that he will be chairing a three-day pre-budget meeting this week, an indication that he will not be appointing a new Finance Minister replacing Tun Daim Zainuddin who resigned on June 1.

There were speculations, however, of the economic adviser to Dr Mahathir, Tan Sri Ali Abul Hassan Sulaiman, may be made the second Finance Minister.

Last week's performance of the KLCI was mostly spurred by buying of blue-chip stocks by local and foreign funds, with retailers joining in timidly for quick gains.

In the period under review, the KLCI gained 6.92 per cent to end last week at 626.81 points.

On the converse, other major bourses in East Asia and the US closed the week lower, amid typhoons and fireworks of the fourth of July celebration.

The unstability of the yen, and lowered earnings forecast by prominent companies were among the factors contributing to the weak performance in Hong Kong, Japan, Singapore and the US.

"Foreign investors were realigning their portfolios basically," the analyst said, summing up events of the last two sessions, following the re-rating of the local market by several foreign-based research houses.

Total turnover for last week was a healthy 913.20 million shares worth some RM1.98 billion, compared to the previous period where only 554.88 million shares valued at RM961.34 million were traded.

Volume rose to a high of 321.66 million units on last Friday alone, worth RM766.32 million.

Among the most active stock last Friday was Public Bank Bhd (Foreign) with 20.33 million shares done, another indication of foreign funds returning into the local market. The stock closed 8 sen or 2.86 per cent higher to RM2.88.

Technology Resources Industries Bhd (TRI), which climbed steadily throughout last week following its proposed debt restructuring plans could not sustain momentum last Friday.

TRI ended the session down 15 sen or 6.25 per cent to RM2.25 with 10.30 million shares changing hands.

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