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KLSE-TRADING RPTING

GOVT'S DECISION TO TEMPORARILY SUSPEND KLSE TRADING HAILED

By: Mohd Arshi Daud

KUALA LUMPUR, Sept 12 (Bernama) -- The government's move to suspend trading of the Kuala Lumpur Stock Exchange following the closure of the US stock markets was lauded as an intelligent move that would deter a sharp sell down of shares on the local bourse.

With the huge losses suffered by foreign bourses last night in reaction to the attacks on New York's World Trade Center and Pentagon, TA Securities head of research Chie Kieng Ngu felt that the KLSE's closure was to "prevent unnecessary shock."

Prime Minister Datuk Seri Dr Mahathir Mohamad announced that the KLSE would be closed today after he decided to cancel his trip to London late last night.

Speaking to reporters at the KL International Airport (KLIA) in Sepang, he also said he was not sure how long the KLSE would be closed.

Besides the KLSE, the Malaysia Derivatives Exchange and Malaysian Exchange of Securities Dealing & Automated Quotation (MESDAQ) are also closed today.

Chie said when he found out about the attacks last night, his immediate reaction was that the KLSE would likely fall by 4.0 to 8.0 percent.

"I expected a very severe drop (on the KLSE) but thankfully because of the closure, there was none," he said.

"It was quick thinking...an extraordinary measure for an extraordinary time," said Chie.

Asked whether it was wise for the KLSE to close for several more days until the concerns over the attacks settled down, he said, "I think we should see it on a day-by-day (basis) to see what happens next. It is too early to say."

Chie said the KLSE may be not be able to hold to its current level once its resumed trading should the stock markets worldwide fell further.

"It depends the whole (global) markets and events," he added.

Yesterday, the KLSE finished lower with the benchmark Composite Index down 4.74 points at 690.54 on follow-through profit-taking activities.

"We have to see how the US government reacts to the attacks, whether it would retaliate and cause possible severe consequences to the world economy (as a whole)," he said.

Chie said while it was easy to tell investors not to overreact when the KLSE commenced full operations, investors should also act rationally.

Capital Dynamics Asset Management Sdn Bhd managing director Tan Teng Boo said the KLSE's closure was aim at preventing panic selling.

However, he felt that a temporary drop in the bourse when it restarted trading was expected "before people come to their senses."

Tan believed that the local stock market's immediate reaction when it resumed trading next may be different to price falls during the last regional financial crisis or even the Gulf War.

"Whether panic in the financial markets will continue depends on how the US reacts. The symbolic meaning of the attacks on the two sites is very important," he stressed.

He also noted that the attacks also had multiple side effects like whether the US economy was going into serious recession, energy prices staying at high levels and the US dollar's continued falls.

"Things will become more complicated," Tan said.

Asked whether a continued slide in the European and Japanese stocks

would result in "a lot of catching up" on the KLSE when it resumed trading, Tan said, "It's hard to say. We don't know how long the KLSE will be closed and more importantly how Wall Street would fare when it re-opens."

Turning to concerns of worsening US and global economies following the attacks, Tan said, "I note US commentators are comparing the attacks to a second Parl Harbour. We will have to see whether US consumer confidence is threatened and will it plunge like during the Gulf War."

A bank-based analyst, meanwhile, said judging from the falls in regional bourses, the KLSE's benchmark Composite Index might retreat to 650 points if the bourse were to open today.

"By right, there shouldn't be much significant impact but the initial reaction would be panic selling as the US catastrophe will further put a strong call for a world recession.

"However, I don't see why we should be worry so much over the US attacks and the impact on our economy. As a whole, there might be some impact on our exports but this will be buffered by Malaysia's domestic-oriented growth strategy," he said.

He also noted that the national oil corporation, Petronas, might benefit should world oil and gas prices continue to stay high following the attacks in the US.

The analyst felt that it would be wise for an indefinite closure of the KLSE until the situation settled down and for the cause and reason behind the attacks verified.

He noted that the attacks on the World Trade Center near the United Nations building appeared to show that the people responsible wanted to create political tension all over the world.

"If things got worse in the US, the improving outlook on our economy will be limited," he said.

Should this happen, the CI could dip to 550 points but long term investors would take advantage of the drop to pick up shares, he added. --
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