

Banking stocks lead fall on KLSE

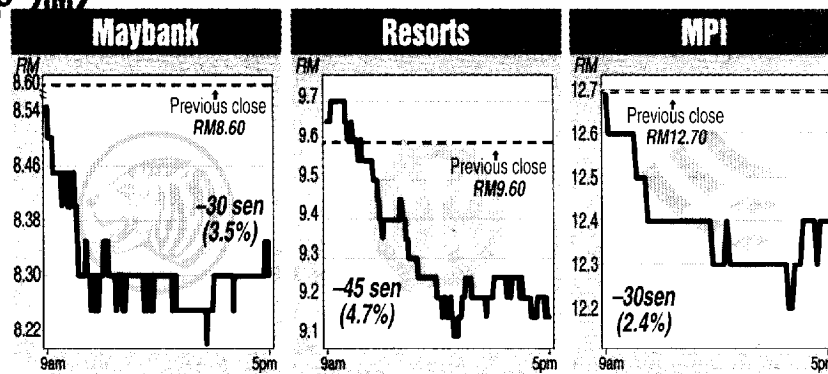
By P.W.THONG | STAR 24 SEP 2002

SHARES on the KLSE ended lower yesterday, with banking stocks leading the fall as investors trimmed their holdings on concerns over a possible rise in the statutory reserves requirement (SRR), which could hurt banks' bottom lines.

The weak performance of regional markets and disappointment over the lack of goodies for the broad corporate sector in the Budget 2003, such as tax cuts, were also contributing factors.

At the close, the KL Composite Index (CI) fell 10.2 points or 1.5% to 662.5, on a volume of about 127 million shares. Across the board, losers led gainers by 554 to 77, while 171 counters were unchanged.

Banking stocks, including Malayan Banking Bhd, fell after Prime Minister Datuk Seri Dr Mahathir Mohamad hinted in his budget speech last Friday that the government might raise the SRR if



banks continued to be conservative in their lending.

Maybank fell 30 sen to RM8.30, while its rivals Commerce Asset-Holding Bhd and Public Bank Bhd declined 8 and 4 sen to RM3.20 and RM4.26 respectively.

Malaysia last cut the SRR to 4%,

from 6%, on Sept 16, 1998, to allow banks to lend more to businesses. In July this year, total loans grew at a slower pace of 3.1% compared with 3.5% in the same month last year.

Jupiter Securities' head of research

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Market sentiment expected to be weak in short term

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T.S. Pong said banks should not be blamed for slow loan growth.

"One must understand that companies are actually de-gearing themselves from more bank borrowings after the recent economic slowdown and the financial crisis in 1997," he said.

"And companies with good credit ratings have in recent years, too, preferred to source for financing in the private debt securities market rather than go to the banks," he added.

Pong said although banks had in recent months turned more aggressive in the retail sector by giving out more housing and hire-purchase loans, such rising trend - lending to the retail sector - was insufficient to offset the decline in loans to the corporate sector.

Pong noted that there was some foreign selling in the Asian stock markets, including the KLSE, in recent weeks, on fears that war between Iraq and US would lead to higher international oil prices and hurt the region's economic growth.

Meanwhile, Peter Tai, dealing manager with a foreign-based brokerage house, expects the CI to head lower to between 650 and 660 points in the short term, after dipping below key support levels of 680 and 670.

Tai also sees uncertainty in the local stock market in the longer term, with sentiment to take the cue from any adverse global reaction to a possible strike by the US against Iraq.

Bourses around the region also closed lower, with Japan's Nikkei falling by 188 points, followed by Taiwan and South Korea, down by 100 and 24 points respectively.