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YEARENDER-KLSE
BETTER TIMES FOR KLSE IN 2003?

By: Minggu Simon Lhasa

KUALA LUMPUR, Dec 31 (Bernama) -- Investors are banking on better times next year for the Kuala Lumpur Stock Exchange after what has surely been a challenging 2002, no thanks to continued fears of a US-Iraq war, the inability of the US economy to recover as anticipated plus simple jittery over continued terrorist threats globally.

The investors could be rewarded as the benchmark Composite Index (CI), aided by Malaysia's economic fundamentals, has the potential to exceed the 800 points mark early next year, an analyst said.

However, lingering uncertainty on the external front carried forward from this year could be a dampener to the bourse, he cautioned.

As such, the CI advancing to 800 points is more of a possibility in the second half of 2003 rather than in the first half as the market is likely to open lower on Jan 2, 2003, on prevailing weak sentiment and investor cautiousness.

However, the analyst expects the CI to maintain a level above 600 points in the first half unless the external factors worsen.

If the US attacks Iraq, the US dollar would weaken, oil prices would climb and this would dampen economic growth globally while any terrorist attacks such as that in Bali on Oct 12, would aggravate the situation.

Major events next year which investors would follow closely include the retirement of Prime Minister Datuk Seri Dr Mahathir Mohamad by October and the taking over by his deputy, Datuk Seri Abdullah Ahmad Badawi.

A smooth transfer of power would boost market confidence, the analyst said.

The market would be looking for signs of policy changes, although at this point, the government has said there would not be any major changes.

Another event to look out for would be the demutualisation of the KLSE by July and its eventual listing by end of 2003.

The total number of listed companies in 2002 increased to 868 companies from 812 companies in 2001.

There were 51 new listings (22 on Main Board, 22 on Second Board and seven on Mesdaq Market) as against a total of 20 in 2001.

The major listings in 2002 were toll road concession operator PLUS Expressway Bhd and the number one mobile phone company, Maxis Communications Bhd.

As at Dec 27, a total of 94 PN4 companies faced delisting prospect, depending on how tough the authorities would act on financially troubled companies.

Four of these PN4 companies were not under trading restriction, 24 under trading restriction and 66 suspended.

Some of the white knights for these companies could pull out if the terms are not favourable, said a dealer.

"If that happens, would those companies be delisted?" he asked.

He said the market expected the authorities to take tougher enforcement in 2003 to boost confidence among investors.

The CI, which comprises 100 companies on the Main Board, ended the year at 646.32, down 49.77 points or 7.15 percent from 696.09 at the close of December 31, 2001.

The all Main Board Emas Index shrank 7.98 points or 4.83 percent from its level a year ago to 157.25, while the Second Board Index was down 35.89 points or 26.76 percent to 98.24.

While the market saw a lot of promises in the early part of the year on expectations of a strong US economic recovery, most of them did not materialise.

Thus, the CI which closed at 808.07 on April 23, the highest closing for 2002, saw a steady decline from then on with some foreign funds making their exit.

Following a strong performance in the first four months of the year, total shares transacted via normal market and direct business deals in 2002 increased to 62.74 billion worth RM131.85 billion from 54.95 billion shares worth RM83.95 billion in 2001.

Total market capitalisation as at Dec 31, 2002, stood at RM473.6 billion, up from RM464.99 billion as at December 31, 2001.-- BERNAMA

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