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Good time to pick up stocks: Analysts

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TRADING on the Kuala Lumpur Stock Exchange (KLSE) may have turned distinctly bearish this week in the wake of political developments in the country and another Enron-like scandal in the US, but analysts say this is precisely the time to pick up good stocks.

Investment house Merrill Lynch, for one, believes that the sell-down has created "unequivocally compelling opportunity" to buy.

"We urge investors to add to positions at current levels," the research house was quoted in a news report. Its top stock picks include IJM Corp, Genting Bhd, Tanjong Plc, APM Automotive Bhd and Sime Darby Bhd.

And it said it is staying overweight on Malaysia as "the macro picture remains intact".

Other analysts concurred, pointing to the country's sound economic fundamentals and the fact that companies' quarterly report cards are continuing to come in mostly within expectations, with no major upsets expected.

"We are positive on the market right now... it's a good time to pick up quality stocks," said Terence Wong, head of research at GK Goh Research.

He is overweight on the construction, plantation and gaming sectors, given that these had taken the heaviest battering in the last few days.

Week-on-week, the KLSE Composite Index (KLCI) had lost some 4.6 per cent to 711.58 yesterday.

The KLCI fell 2.3 per cent to 726.50 on Monday following the weekend announcement of Prime Minister Datuk Dr Seri Mahathir Mohamad that he was stepping down.

But the clearing up of certain political questions late Tuesday saw the bellwether index trending upwards in early trading on Wednesday.

However, then came the news of a new accounting irregularity scandal in the US which sent markets around the world reeling.

The KLCI as a result ended Wednesday at 705.04, its lowest level in four months.

While the local bourse is still vulnerable to external factors, the downside is limited now, said Leong & Co's research manager, Tan Gid Loke.

He recommended that investors start accumulating quality stocks but noted that there is no real rush as the market is expected to be quiet until at least the debut of the year's two biggest initial public offerings (IPOs) - that of Maxis Communications and PLUS Expressway.

The two companies are expected to be listed on July 8 and July 17, respectively.

"You can do gradual accumulation now but we suspect the market will pick up decisively only in late August after the two big IPOs, which will drain RM5-6 billion from the system... it is quite a substantial amount for the short term," said Tan.

Going by the KLSE's seasonal trading patterns of the last 10 years, June-August will be a quiet period, he added.

Tan expects the KLCI to end the year at the 830-850 level.

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