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## KL stocks ease on worries over external factors

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THE Kuala Lumpur Stock Exchange (KLSE) yesterday closed at its lowest level this year - slipping 1.5 per cent or 10 points to 652.41 - mainly on concerns over external factors, in tune with stock markets across the region which fell significantly.

Analysts and dealers contacted by Business Times said the KLSE's dismal performance had little to do with fundamentals in Malaysia.

They attributed it instead to weak investor sentiment caused by worries of a possible US-led war against Iraq, rising oil prices and the US slipping into a double-dip recession.

"It's very much external issues that are affecting our market... nothing country specific," said Andy Ong, head of research at KL City Securities.

The benchmark KLSE Composite Index briefly broke the 650-point level to touch an intra-day low of 649.67, before a series of buy orders pushed the index above the psychological support level once again.

A mere 211.3 million shares, worth RM415.7, changed hands with declining issues sharply outnumbering rising ones 577 to 96, while 157 issues were unchanged and 266 not traded.

Stock markets across region performed just as poorly: Singapore's Straits Times index registered the biggest decline in the region when it dropped 2.7 per cent to a 10-month low, while Hong Kong's Hang Seng Index fell 1.3 per cent to its lowest level in a year. South Korea's Kospi index shed 1 per cent to its lowest this year while Taiwan's TWSE index also lost 1 per cent to close at a 10-month low.

In the US, the Dow Jones Industrial Average fell 1.4 per cent on Monday while the technology-laden Nasdaq Composite Index lost 2.7 per cent.

Market observers said that how low the KLCI could actually go to was now largely dependent on the US economic recovery and the risk of war.

"We're looking at 640 as the next psychological support level," said research manager Helen Tan, who helps manage over RM400 million in funds at ASM Asset Management.

There are others, however, who think the KLCI may drop to the 600 level over a longer period. In the immediate term, any rebound in the stock market will be technical in nature, they say. With so many stocks - particularly banking and gaming counters - now oversold, analysts believe investors should start hunting for bargains.

"I strongly believe investors should start looking at undervalued stocks," said KL City Securities' Ong.

Top stock picks among analysts include Commerce Asset-Holding Bhd (CAHB), Resorts World Bhd, Public Bank Bhd and Malayan Banking Bhd.

"CAHB is now cheap compared to historical levels and its peers...while Resort's core casino revenue is very resilient," noted a dealer at a local brokerage house.

Banking stocks, led by Maybank, fell significantly after Prime Minister Datuk Seri Dr Mahathir Mohamad said when tabling Budget 2003 last Friday that the statutory reserves requirement (SRR) may be increased if they do not widen lending activity. An increase in the SRR will affect banks' bottom lines.

"That's always the reaction to any budget speech. When you say something, people will sell and reduce (their shareholdings)... and cause a drop in the index. But we will overcome it over time as what I said will be for the good of the banks as well as the general public," Dr Mahathir

told reporters in Copenhagen yesterday.

The Finance Index eased almost 2 per cent to 5,184.63 as the banking shares fell again yesterday, but CAHB bucked the trend to put on 4 sen to RM3.24 after it said its offer to buy PT Bank Niaga of Indonesia for just over a trillion rupiah was accepted. Investors had been worried that CAHB would have to raise its offer.

Blue-chips Maybank, Tenaga Nasional Bhd and Telekom Malaysia Bhd all hit their year lows in intra-day trade yesterday. Maybank eased 25 sen to RM8.05, Tenaga 25 sen to RM8.30 and Telekom 15 sen to RM7.30.

The three companies' losses alone shaved almost 5 points off the main index.