

24/12/2002

Last of window-dressing activities for the year?

Anna Maria

THE Kuala Lumpur Stock Exchange (KLSE) may have seen the last of portfolio managers' window-dressing activities last week as the year-end holidays draw nearer.

It is common practice for fund managers before they close their books to buy "strong" stocks to dress up their respective portfolios to impress investors.

Last week, Perusahaan Otomobil Nasional Bhd (Proton) saw its share price firm up despite weak fundamentals. Traders attributed the artificial strength to window-dressing activities by portfolio managers.

Brokerage house MIDF Sisma Securities concluded yesterday that the market can expect no further window-dressing phenomenon as the year-end is near.

With only six more trading days left, investors may expunge any hope for a year-end rally, it said in its research note yesterday.

The offices of the KLSE Group will be closed on Wednesday in conjunction with Christmas Day and on January 1 in conjunction with New Year's Day.

MIDF Sisma said the market simply does not have any impetus to push it further with many fund managers already packed their bags to enjoy the holidays.

The brokerage house expects the market to move sideways for the remainder of the year, with investors maintaining current positions..

It expects the Kuala Lumpur Stock Exchange Composite Index (KLCI) year-end benchmark to decline 6.8 per cent to 649 points from 696 last year.

MIDF Sisma said generally, fund managers are expecting a brighter outlook for 2003 with an underlying caution on the global front.

For a start, stock picks are mainly done based on individual stock's earnings growth potential rather than a top-down approach except for the plantation sector, which is clearly benefiting from high crude palm oil prices.

The brokerage house expects the stock market to see more volatility towards the end of next year, beginning in October when Prime Minister Datuk Seri Dr Mahathir Mohamad officially hands over its office to Datuk Seri Abdullah Ahmad Badawi. This, it expects, will be followed by the general election.

If history could be used an indicator, there is a good chance for a rally ahead of the general election, it added.

The stockbroking house also said that since global interest rates are already at all time lows, there is little surprise from the economic front next year.

It said in essence, 2003 could become a political year as 2002 is regarded as the corporate scandal year and 2001 as the central bank year.

Meanwhile, Aseambankers chief executive officer Agil Natt said a convergence of positive factors in 2003 could signify a better year ahead for the equity market.

He told participants of an investment opportunities in the equity market forum last week that the projected bull run in the palm oil industry, strong car sales and favourable performance in the construction sector next year could help improve trading activities in the market.

However, most market observers were uncertain of next year's market outlook mainly due to the global economic surrounding.

Such a situation is further aggravated by talks of US declaring war

against Iraq.

An analyst pointed out that unless there is a clear signal of improvements, especially in major economy such as the US and Europe, investors will continue to be cautious.

"Despite the presence of possible internal factors that could help boost the market next year, investors sentiment will still be heavily influenced by external factors," he added.