

01/07/2002

Trading expected to move sideways to higher

Ishun P. Ahmad

TRADING on the Kuala Lumpur Stock Exchange (KLSE) is anticipated to be sideways to higher on the prospects of an extended technical correction this week, said analysts and dealers.

"Confidence seemed to be brimming towards the end of last week following three consecutive days of heavy losses. Investors took it as an opportunity to bargain hunt," an analyst said. He said investors took the sharp fall last week as a good excuse to start buying as prices looked very attractive.

The local bourse has been in the doldrums for the last three months after testing the 800 level. The lacklustre trading during this period was blamed on the local bourse consolidation and investors' reluctance on taking up position.

According to analysts, the market is expected to experience cautious trading this week ahead of fresh leads.

They said investors are looking for more positive developments and would be convinced if the market's bullish trend was to firm higher.

The investment fraternity said local institutional funds would continue to play an important role this week in accumulating key blue-chip counters like Tenaga, Telekom, and Maybank.

"Market activity is expected to be dominated by local institutional investors this week as the week before. Retail players' presence is only expected if the market continues to firm," a dealer said.

Last week, two major events rocked the local bourse. The first was the surprise resignation of Prime Minister Datuk Seri Dr Mahathir Mohamad during the weekend at the UMNO general assembly. The market reacted with a sharp 16.85 points fall to close at 726.50 last Monday. Investors were seen unloading positions especially in key blue-chip counters like Sime Darby, Genting, Tenaga, and Maybank.

"Even though there was no panic selling, the news about the Prime Minister created significant anxiety," a dealer said.

The market drifted last Tuesday as investors eagerly awaited the announcement from Government on the resignation which saw the KLSE Composite Index (KLCI) slipped 9.29 points to end at 717.21.

The positive announcement of a smooth transition of power gave some reprise to the market in early trade last Wednesday, but was later hit by the Worldcom Inc fraud case in the later part of trading.

Worldcom revealed that it had misreported close to US\$4 billion in expenses as capital expenditure thus inflating its earnings. Worldcom operates the US' second largest long-distance phone business and one of the world's biggest "backbone" networks for Internet traffic and electronic commerce.

The KLCI fell 12.17 points to end at 705.04 last Wednesday.

However, the next two days the tables were changed when the KLCI added some 20 points on strong local institutional buying interest on key blue-chip counters. The exchange's key barometer KLCI shed 17.91 points to close at 725.44 last Friday compared with the week before.