

06/11/2002

Wall St gains fail to push KLCI higher

Alice Chia

OVERNIGHT gains on Wall Street failed to push the Kuala Lumpur Stock Exchange Composite Index (KLCI) higher yesterday as there were still a lot of uncertainties in the market, analysts and dealers said.

The uncertainties include further consolidation in the banking sector and the possibility of a US attack on Iraq, an institutional dealer said.

Nasdaq ended 2.6 per cent higher at 1,396.54 points on Monday, while the Dow Jones Industrial Average gained 6.3 per cent to close at 8,571.6 points. The Kuala Lumpur Stock Exchange Technology Index was 0.24 point higher at 45.33 points yesterday.

A head of research at a local stockbroking firm said there has been no change in companies' fundamentals to steer the market in a particular direction.

"Third-quarter earnings to be released by companies within the next few days are also not likely to impact the market much as they will be within forecasts," said another dealer.

The head of research also expects some usual year-end window-dressing in the next few days.

Market observers said investors are likely to focus on the outcome of the Federal Open Market Committee meeting today. They hope that the US will cut interest rates further.

MIDF Sisma Securities Sdn Bhd said a US interest rate cut will benefit local exporters, assuming that US demand is sustained and given a boost by the lower cost of funding.

"It would also set a downward pressure on the US dollar, which will subsequently make our local production cheaper due to the ringgit peg," it added in a research note yesterday.

The securities firm expects trades to be range-bound with immediate support levels at 647 and 637 respectively, while the resistance level is capped at 669.

The KLCI closed 0.5 per cent or 3.44 points lower at 653.94 yesterday. Volume was very thin at 190.2 million shares. Losers beat gainers 268 to 255, while 225 counters traded flat.

The index was pushed down by losses in heavyweights Malayan Banking Bhd (Maybank), Telekom Malaysia Bhd and Tenaga Nasional Bhd.

Maybank lost 3 per cent or 25 sen to close at RM8.05, Telekom shed 4.6 per cent or 35 sen to RM7.30, while Tenaga closed 0.6 per cent or 5 sen lower at RM9 yesterday.

Dealers said investors sold shares of Malaysia's largest bank on fears that it could see a reduced market share in the sector if the Government pushed for another round of consolidation in the crowded, competitive industry.

Prime Minister Datuk Seri Dr Mahathir Mohamad said last weekend that the Government might consider another round of mergers for the country's 10 lenders ahead of further financial reforms in 2007.

The broader Emas Index lost 0.26 point to close at 159.2 points yesterday.