

Stock market set to head north in 2004

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MALAYSIAN shares should chalk up further gains in 2004 after a rally this year ended a three-year drought, with investors encouraged by strong economic growth and improving corporate profits, dealers said.

The prospect of a general election, expected to come early in the year, is also a positive given the likely increased spending which will give an additional boost to the economy.

For 2003, the market put on about 17 per cent but only after a shaky start marred by the outbreak of the Severe Acute Res-

piratory Syndrome (SARS) and a somewhat weaker finish.

The upturn began in April, with investors pushing the market up nearly 30 per cent from 632.40 points at the start of the year to an 18-month high of 817.12 on October 31 before consolidating at around 770 points now.

Many believe the market will now breach 900 points, with the Government forecasting 5.5-6 per cent growth in 2004 after 4.5 per cent this year.

A general election is due late 2004 but it is widely expected to be called early along with sub-

sequent, polls for the ruling United Malays National Organisation (Umno) which should be a further shot-in-the-arm for the market.

Prime Minister Datuk Seri Abdullah Ahmad Badawi, who took over from veteran strongman Tun Dr Mahathir Mohamad who retired October 31 after 22 years in power, is seeking to win his own mandate from voters.

With the opposition in disarray and positive sentiment towards the leadership change, Singapore-based research firm GK Goh said it believes Abdullah will lead his National Front coalition to a

landslide victory and this will greatly boost the stock market.

The research firm predicted the elections will be called by the first quarter followed by Umno polls six months later which will also excite the market as competition for top party posts starts to intensify.

“We are seeing the convergence and confluence of three key things that drive the stock market — economic growth, corporate earnings growth and liquidity,” said Seow Choong Liang, research chief at K and N Kenanga. — AFP