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Foreign funds rev up chase for index-linked blue-chips

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ATTRACTED by strong earnings results posted by key Malaysian banks and some major corporations in 2003, foreign funds have been revving up their chase for index-linked blue-chips on Malaysia Securities Exchange Bhd (MSEB) since early February, market sources say.

The funds now account for close to 40 per cent of the average daily trading volume on the local bourse compared with a level of between 25 and 30 per cent during normal or quieter trading days, they added.

The authorities declined to disclose official figures on the increased foreign fund participation, but market sources said the bulk of the foreign fund investment appeared to be coming via Hong Kong and Singapore. It is understood that many of them are US-based investment funds.

The sources, however, said they could not identify the exact nature of the funds coming into the market and whether they were speculative or long-term in nature.

Second liners and stocks on MSEB second board have failed, however, to attract similar foreign fund interest yet, the sources said. Non-index linked stocks traditionally attract longer-term growth funds which have yet to make a marked presence in the stock market.

An average of 649.15 million shares valued at RM1.3 billion were traded daily on the local bourse from December 31 last year to last Tuesday.

During the period, the lowest daily volume of 400.26 million shares was recorded on January 29 and the highest volume of 1.21 billion shares on February 24 this year. Value-wise, the highest recorded for a single-day trading was on February 18 at RM2.44 billion.

The upsurge in the inflow of foreign funds began last month after several influential investment houses upgraded Malaysia's investment ratings based on favourable economic growth forecasts and political stability.

Malaysia ended 2003 with 5.2 per cent economic growth, beating forecasts. Bank Negara Malaysia is expecting the economy to grow by between 5.5 and 6 per cent this year.

A glitch-free handover of the reins of government by former prime minister Tun Dr Mahathir Mohamad to Datuk Seri Abdullah Ahmad Badawi also lifted sentiment.

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