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Market neutral to Budget proposals (HL)

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THE benchmark Kuala Lumpur Stock Exchange Composite Index (KLCI) barely moved yesterday in the absence of further cuts in corporate and personal taxes in Budget 2004.

The index fell 0.3 per cent, or 2.06 points, to 740.94 points, led by the country's largest banking group, Malayan Banking Bhd. Decliners beat gainers by 377 to 308. A total of 463.9 million shares were traded yesterday.

"There was no significant movement in share prices as the corporate sector had not (put much hope) on a corporate tax cut," said AmResearch Sdn Bhd executive director Gan Kim Khoo.

"The market also seems not very excited about the Budget as whatever measures announced by the Prime Minister are mostly within expectations,"

another senior analyst with a foreign research house said.

However, he added that foreign investors may find comfort in the Government's commitment towards achieving a balanced budget in the near term by implementing fiscal consolidation measures.

Meanwhile, TA Securities Sdn Bhd's head of research C.K. Ngu said the Government's move to set up a consortium of oil and gas companies apart from Petroliam Nasional Bhd would have a big impact on the sector.

"Smaller players such as Crest Petroleum Bhd, Petra Perdana Bhd and Scomi Group Bhd could be among the beneficiaries (of the move)," said another senior analyst at a foreign research house.

Meanwhile, Ranhill Bhd's deputy chief executive officer Zahari Wahab expressed interest in participating in the consortium.

He said that oil and gas contributed 15 per cent to the company's revenue of RM770.6 million for the year ended June 2003.

"If Ranhill is part of the consortium, it will certainly boost our oil and gas division," he told Business Times yesterday.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who tabled Budget 2004 in

Parliament yesterday, also announced plans to float state-owned plantation

agency Federal Land Development Authority (Felda) on the Kuala Lumpur Stock Exchange as soon as possible.

Dr Mahathir was quoted as saying after tabling the Budget that the Government will own 51 per cent of Felda after listing.

Avenue Securities Sdn Bhd's head of research Kenny Yee said the move to

list Felda could spur other government-linked plantation companies to expedite their mergers as announced earlier in March.

Shares of Malaysia's leading cigarette maker British American Tobacco (BAT) rose nearly 2 per cent to RM41 as the market had anticipated a rise

in "sin" taxes and the announcement removed the burden of expectation.

The Government said it will raise duties on tobacco products by 20 per cent, and on liquor by 10 per cent.

Meanwhile, stocks of brewers Guinness Anchor Bhd and Carlsberg Brewery

Bhd posted losses. Guinness fell 1.4 per cent to RM4.10, while Carlsberg dropped almost 1 per cent to RM10.80.

Gaming and leisure group Genting Bhd rose nearly 2 per cent to RM15.70 after the gaming sector was spared tax increases.

Active stocks yesterday included newly-listed construction firm Naim Cendera Holdings, which ended the day at RM1.84 for a 42 per cent gain over its initial public offer price of RM1.30.