

Malaysia stocks seek floor as Parliament dissolves

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By Lawrence Yong, KiniBiz

Malaysia stock markets suffered a meltdown Wednesday and tumbled in search of a new floor on news that Prime Minister Najib Abdul Razak announced the the dissolution of Parliament today, paving the way for the 13th general election.

The Benchmark FBM KLCI index which had been heading for 11 week highs on Tuesday, took a near 50 point dive in early trade, falling nearly 3 percent to below 1,640 levels, before rebounding slightly to 1,660 levels as midday approaches.

"The market took so many days to come up and to lose it all in one day... this shows the market is under pressure," one analyst from Alliance Research said.

The KLCI, which tracks the top 30 shares by market cap, has not been below 1,640 levels since March 26, analysts said and if that level is breached the next support level may be 1,600 mark.

The market last traded briefly below 1,600 levels in November last year before talk of national elections gained momentum.

The 13th general elections are expected to be the most hotly contested ever as ruling Barisan National coalition faces off with Pakatan Rakyat for a second round, after the opposition denied BN a two thirds majority in parliament in 2008.

After the last election, former prime minister Abdullah Ahmad Badawi stepped down to take responsibility as incumbent BN government has been mostly unchallenged in its 56 years rule in Malaysia.

"Traders don't like uncertainty. They will always look to take profit first and let the market take its own course," one analyst said.

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