

KLCI to make U-turn towards 1,880 points

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KUALA LUMPUR: The local bourse key benchmark index FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) is expected to gradually make a U-turn, after a 1.1% correction in the last two weeks, to continue trending higher towards 1,880 points, according to analysts.

The local equity market appears to be in a stable sideways holding pattern following bargain-hunting and positive market-moving external global events.

“Global sentiment should be firm ahead as investors took a positive view of the latest positive earnings releases and economic data driven by hopes for an end to the violence in Ukraine.

“We note that the US and global market have recovered ground and showed its best weekly showing since July 2013 suggesting the resumption of a bullish market,” Affin Investment Bank Bhd VP and head of retail research Dr Nazri Khan told The Malaysian Reserve last Friday.

The Standard & Poor’s 500 and MSCI All World scored 2.7% and 1.8% gain week-to-week. Nazri said FBM KLCI’s prospects are bright over the medium-term on the back of the low interest rate environment with Malaysia and US interest rates policy to remain accommodative at least until June.

The mild cut in bond purchase buying in the US quantitative easing programme of between US\$10 billion (RM32.39 billion) and US\$20 billion also spells good news for investors and may strengthen the demand for the ringgit.

He said the ringgit will continue to strengthen to RM3.10 by June 2014 and foreign capital should flow back into this region, including Malaysia especially into properties and finance stocks following the implementation of the Goods and Services Tax which will strengthen the sovereign rating of Malaysia.

“Overall, Bursa equity markets have shown impressive relative strength to stay above the 1,850 level and have the potential to inspire more accumulation this week.

Nazri said Affin prefers stocks that possess momentum capacity to rebound on event play (like the FIFA World Cup and Visit Malaysia Year (VMY) 2014 after the recent sell-off.

Among the picks are Muhibbah Engineering (M) Bhd, Globetronics Technology Bhd, Coastal Contracts Bhd, Gadang Holdings Bhd, Engtex Group Bhd and IJM Holdings Bhd.

MIDF Amanah Investment Bank Bhd head of research Zulkifli Hamzah said the market this

week will be driven by second and third inter-liners, as the big caps are moving sideways.

The overall sentiment in the local market is positive but will still be cautious as investors will be concerned on the corporate earnings reporting season in the US.

He said foreign buying will slow down after a slight pickup two weeks ago. "The buying picked up two weeks ago, but tapering is expected in coming weeks. This week should be quiet just like last week as Malaysia has reported all the major economic numbers, so far," he added.

Zulkifli said the upcoming major number that would impact the stock market is the first-quarter of 2014 gross domestic product results which will be announced in the middle of next month.

"May will also be usually a volatile month in Wall Street. Focus is on how specific US stocks will perform in their first fiscal quarter.

"Technology stocks are also expected to regain strength after a heavy selling off two weeks back. Last week, the stocks picked up slowly and the trend is expected to follow this week," he explained.

The market tone was softer last Friday as investors were kept busy from the market by the Good Friday holiday.

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