

MONDAY AUGUST 3, 1998

JULY 27 — 31, 1998

	1 YEAR AGO	1 MONTH AGO	LAST WEEK
Market Cap (RM bil)	7222.58	278.33	249.52
— Main Board	657.88	264.33	236.73
— Second Board	64.70	14.00	12.79
KLCI (pts)	1,012.84	454.64	402.65
SBI (pts)	546.82	97.99	89.06
3-mth Klibor	8.440	11.060	10.970
RM/US\$	2.6150	4.1000	4.1350

WEEKLY VOLUME LEADERS

counter	Close (RM)	High (RM)	Low (RM)	+/- (RM)	+/- (%)	Vol (m)
RHB Capital	1.080	3.560	1.020	-0.220	-16.92	26.9
Sime Darby	2.440	5.700	2.330	-0.190	-7.200	22.4
B-Toto	4.120	12.400	3.780	0.980	-19.220	21.4
Tenaga Nasional	3.500	10.100	3.260	0.300	7.890	20.9
UEM	0.950	5.300	0.890	-0.060	5.940	19.1

WEEKLY TOP GAINERS

counter	Close (RM)	High (RM)	Low (RM)	+/- (RM)	+/- (%)	Vol (m)
FACB-W	0.220	0.430	0.060	0.120	120.0	0.110
Lion-W	0.800	0.800	0.500	0.300	60.00	0.001
Man Yau	0.480	2.200	0.350	0.110	29.73	0.191
HL Ind-W	0.240	0.945	0.100	0.055	29.73	57.80
Negara Properties	2.750	7.000	2.120	0.630	29.72	0.001

WEEKLY TOP LOSERS

counter	Close (RM)	High (RM)	Low (RM)	+/- (RM)	+/- (%)	Vol (m)
YCS-W	0.150	2.300	0.130	-0.115	-43.40	0.512
Pembinaan YCS	0.350	3.540	0.320	-0.200	-36.36	0.955
Gamuda-W	0.370	1.820	0.145	-0.200	-35.09	0.138
Tongkah-W	0.065	0.920	0.065	-0.035	-35.00	0.058
Southern Bank-F	0.200	2.950	1.180	-0.100	-33.33	0.748

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ECONOMICS & STRATEGY

All eyes on Bank Negara's monetary policy moves

The KL market shed 16 points to 403 last week, closing above the psychological mark after dipping as low as 385. The market remained focused on details of the NEAC blueprint, as well as yet another central bank measure to ease monetary policy. More corporates continue to seek court protection for debt restructuring, with Taiping Consolidated and Promet being the latest additions.

Changes to KLCI component stocks: The stock exchange has again changed the composition of KLCI components by adding three newcomers effective Oct 1: semiconductor maker Malaysian Pacific Industries, rice concessionaire PadiBeras Nasional (Bernas) and Johor Port. Out will be Hong Leong Industries, Kuala Lumpur Industries and Nam Fatt Corp.

The NEAC blue-print: The NEAC has released its Plan for Action aimed at resuscitating the economy. The initial actions to date has centred on the relaxing of hire-purchase financing for the motor industry, where sales have plunged by more than 60% year-on-year. Banks are now encouraged to give up to 85% financing, with repayment period stretched over seven years. We think consumption spendings may not necessarily see the intended effects for a few reasons: growing unemployment, reduced wages and falling asset prices will add up to cautious cutback in expenditure. Motor vehicles remain a luxury, while servicing house mortgages a priority, in a period of uncertainties. At best, a “delayed effect” could still take place, as consumers weigh their finances and options.

Monetary policy: Bank Negara took another cautious step in easing monetary policy last week. The central bank will intervene in the Klibor market at 10.5%, vs 11% previously, for 3-month money. The lending rate to banks was eased to lower the cost of funds and encourage credit growth to spur the economy. The 50-bp cut means there will be further room to bring the base lending rates below 12% by next month. July 98's weighted 3-month Klibor was set at 10.97%, which will result in a ceiling BLR of 12.04%. That is a slight reduction from recent high of 12.09% following the recent 2% points cut in SRR. Under the current scenario, banks are in a fix. They will be persuaded to turn on the liquidity tap again, perhaps in the most trying times amidst rising defaults and non-performing loans.

Exchange rate at risk? There are some valid reasons why the central bank is confident the ringgit would not be compromised under its easier monetary policy. Bank Negara is clearly privy to its latest current account position (rising on strong trade surplus) and key indicators in foreign direct investments. Two recent examples: Shell RM1 billion capex commitment and British Telecoms' recent purchase of a 33% stake in Binariang. The ringgit may just hold its own this week.

Renong-UEM restructure: With more than 15 companies or groups under court protection from creditors, the investing community could still be overwhelmed with pessimism. Taiping Consolidated, one of the early casualties, sought court protection under Section 176 of the Companies Act last week. The fact that it has been unable to conclude an asset disposal at this stage reflects the sluggish state of the commercial property market. Taiping was the earliest to initiate asset sale — it owns prized trophies in Lot 10, JW Marriott hotel and Starhill shopping complex. With a slew of big corporates vigorously rescheduling debts, the market could get a lift this week from the Renong-UEM group. Their creditors look set to approve an attempt to repackage their debts into long-dated government-guaranteed bonds **[David Yong 466-3929]**.

TECHNICAL VIEW

The market needs 420 close to confirm support at 385

The KLCI closed lower at 402.65, or 15.75 pts below the previous week's close. On Wednesday, the market was battered by a string of sell orders across the board when the index slipped to new nine-year low at 385.97. Technical support at 385 prevented further deterioration of the index. A weak DJIA coupled with spillover worries of further corporate failures ahead were some of the reasons cited by traders for the cause of the fall. A technical rebound on Thursday and Friday saw the index close above 400 on expectations of an imminent SRR cut and month-end's position adjustment.

The daily MACD is currently negatively biased but the signal line is starting to curl up. Bullish divergences continue to be displayed against price although the trend is still down. The RSI is at 35 as of Friday and may move up to the resistance at 40 again before falling off. The 50 level continues to pose a strong technical sell signal and until this level is broken, we have to assume the market bounce will continue to be weak.

The 415 support level broke down last week and saw the index falling off sharply to the next Fibonacci support at 385. Several extensions point to this area as another support level. This support is, however, not iron-clad, and is expected to be revisited. Meanwhile, channel resistance at 420 will continue to hold any upside rallies. Until 420 is broken on a daily close basis, the market will continue to remain weak. Only a close above 420 will confirm 385 as an important support area [**P. Cherry Simon 254-9966 ext 362**].

