

MONDAY JANUARY 12, 1998

JAN 2 – JAN 9, 98	1 YEAR AGO	1 MONTH AGO	LAST WEEK
Market Cap (RM bil)	835.17	408.64	308.42
— Main Board	771.52	378.65	291.53
— Second Board	63.65	29.99	16.89
KLCI (pts)	1236.92	629.15	491.60
SBI (pts)	608.32	232.93	127.42
3-mth Klibor	7.285	9.000	9.330
RM/US\$	2.482	3.540	4.713

WEEKLY VOLUME LEADERS

counter	Close (RM)	High (RM)	Low (RM)	+/- (RM)	+/- (%)	Vol (m)
MBf Cap	0.805	0.940	0.725	-0.065	-7.47	25.6
IOI 50 sen	1.380	1.480	1.110	0.150	12.20	24.5
TNB	5.850	7.600	5.700	-1.800	-23.53	22.6
RHB Cap	1.190	1.620	1.080	-0.430	-26.54	20.7
Commerce	1.410	1.780	1.380	-0.380	-21.23	18.1

WEEKLY TOP GAINERS

counter	Close (RM)	High (RM)	Low (RM)	+/- (RM)	+/- (%)	Vol (m)
John Master	4.400	4.500	2.600	1.020	30.18	1.576
Sinmah-W	0.325	0.325	0.200	0.075	30.00	0.010
OSK-C	1.000	1.000	0.800	0.200	25.00	0.001
TSH	2.740	2.760	2.020	0.540	24.55	0.058
Tomypak	1.500	1.500	1.100	0.250	20.00	0.115

WEEKLY TOP LOSERS

counter	Close (RM)	High (RM)	Low (RM)	+/- (RM)	+/- (%)	Vol (m)
Zaitun	1.690	7.000	1.690	-5.310	-75.86	0.229
SAAG	8.000	26.750	7.700	-21.750	-73.11	0.110
Foreswood	1.310	3.800	1.310	-2.590	-66.41	8.850
TMaster	2.650	7.700	2.650	-5.050	-65.58	0.006
FACB-W	0.075	0.210	0.075	-0.135	-64.29	0.006

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ECONOMICS & STRATEGY

Another uneasy week ahead: This past week has been full of calamities: a plunge in the rupiah, a crash in the ringgit, a spooked Hongkong market and the disillusioned Wall Street, all adding up to challenge all perceptions about downside risks in the Southeast Asian markets. Malaysian stocks should find themselves caught in the eye of yet another storm; helped by the imminent liquidation and abetted no less by the controversial twist to the UEM-Renong saga.

Malaysia has no real issues that could soothe the market's pain. With interest rates in the rise (3-month Klibor approaching 9.4%), ringgit at RM4.60 to the US dollar, and the national NEAC still at a loss for actions (let alone state-level NEACs), these **sell** signals could sent the KLSE benchmark drifting to the 430/450-pts levels over the next one month.

However, investors should find some comfort over the medium term, as the latest episodes have galvanised the rich countries into some serious actions: in recent weeks, the US has despatched Deputy Treasury Secretary Lawrence Summers and Defence Secretary William Cohen to Southeast Asia, US President Clinton has been in contact with Indonesian and Singaporean leaders with reassuring words.

The UEM-Renong deal could depress the market: Coupled with the UEM-Renong saga over the weekend, the KL market is in for another hiding. With the reinstatement of the waiver on general offer, the UEM-Renong controversy has now degenerated into a mockery of rules and regulations. In particular:

- the Code on Takeovers and Mergers have been "relaxed" to suit the interpretation of UEM (excuse: acting in good faith) for misunderstanding the effect of parties acting in concert.
- the terms "interested parties" have been given a new definition, by allowing Renong Bhd to vote the two proposals at UEM's Feb 14 EGM;
- a put option to UEM requiring Halim Saad to buy all the 722.9m Renong shares at cost, on a deferred basis two to three years from now;

The Feb 14 meeting calls for decision on UEM's RM2.4b acquisition of Renong shares, as well as the put option granted by Halim Saad to UEM. The decision to allow Renong, a 37% owner of UEM, to vote on the former is indicative of their resolution to push through the deal in its approved form.

It is interesting to note that the put option only allows UEM to recover its cost: the acquisition cost (at an average of RM3.24 per share plus all incidental holding costs. Effectively, UEM (and its shareholders) is extending a 2-3 years "soft loan" to the sellers of the 722.9m shares. It also loses out on the opportunity cost relating to RM2.4b cash.

The latest decision is a salvage operation that primarily attempts to minimise the damage already inflicted by UEM's Nov 17 cash acquisition of Renong shares from the open market. The no-GO outcome spared UEM minorities the second rod (good news), but still leaves the perpetrator unpunished. Instead, policies are adulterated in times of vigilance. Both stocks will likely be held in contempt upon requotation and a sell-down is inevitable [David Yong 466-3929].

STATE OF THE MARKET

Status	Dec 31, 1995	Dec 31, 1996	Jan 12, 1998	Forward
<u>With Telekom/Tenaga</u>				
Total Earnings	15.1	17.5	22.0	24.3
Growth (%)	–	15.7	25.8	10.3
Total Capitalisation	328.7	411.5	197.0	196.6
Market Valuation	21.7x	23.5x	7.6x	6.9x
<u>Without Tenaga/Telekom</u>				
Total Earnings	12.8	15.8	18.6	20.2
Growth (%)	–	23.6	18.0	8.6
Total Capitalisation	258.1	329.0	141.7	141.9
Market Valuation	20.2x	20.9x	6.5x	6.0x

Note: The status of the market is reflects earnings and market capitalisation of 100-component stocks but excluded Aokam Perdana, Hexza Corp, Kumpulan Emas, Leong Hup, KL Industries, Promet, Uniphone, Golden Plus, Palmco, Sitt Tatt, Time Engineering and Datuk Keramat. Because there are (1) no consensus earnings or (2) negative earnings profile, the resultant market PERs are understated i.e. the actual market valuation is higher than stated above.