

Choppy trend  
TWE STAR  
22/9/07

ISSUE

CH BIZWEEK, SATURDAY 22 SEPTEMBER 2007

# Choppy trend

## Heightened inflation concerns increase downside pressure on Bursa

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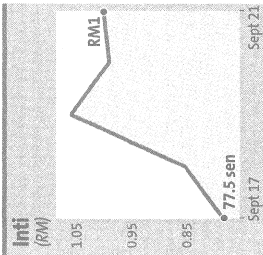
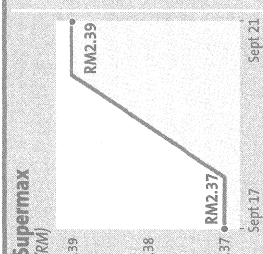
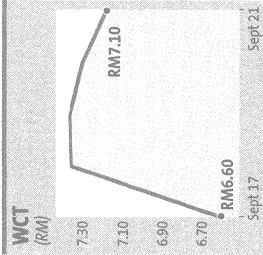
**M**ARKET watchers caution that trading ahead is likely to be volatile as a weaker tone coming out of stock markets in the US, heightened inflation concerns given the weak dollar and record high crude oil prices could increase the downside pressure on stocks on Bursa Malaysia.

Some of them reckon that profit taking after some pretty impressive gains recorded in the later part of last week could curb recovery efforts by the KL Composite Index (CI).

A technical analyst says the next resistance level for the CI is at 1,320 while buying on dips should help to cushion the downside near the psychological resistance-turned support level of 1,300.

The CI closed higher for two consecutive days late last week as heavyweights and selective lower liners extended gains with sentiments boosted by rallies on Wall Street after the US Federal Reserve (Fed) lowered interest rates by 50 basis points last Tuesday to ease the credit squeeze in the financial market and help prevent the US economy from slipping into a recession.

The move, however, has made the US dollar a lot less appealing to investors. The ringgit recorded its



biggest gain in the last two months to close higher at 3,448 per US dollar last Thursday. Other Asian currencies too have strengthened against the greenback.

Kuwait Finance House says lower interest rates in the US should raise investors' appetite for assets in emerging markets. However, the foreign research house cautions that the current market rallies may not be sustainable.

"The Fed's recent interest rates cut might soothe concerns of an imminent slowdown in the broader economy. However, the market can only assess the financial impact of the subprime crisis when corporations release their financial results in the coming months. High crude oil price could also present problems moving forward," the house

explains. Indeed, crude oil for October delivery surged 1.7% or US\$1.39 to US\$83.32 a barrel last Thursday following a reduction in output from the Gulf of Mexico due to a storm threat.

A Cabinet committee meeting will be held on Monday to deliberate on the gas policy and Petrolim Nasional Bhd's (Petronas) recent appeal for a gas price hike given the steep rise in global oil prices. The Communications Ministry, Petronas and the Economic Planning Unit will present a proposal on the issue.

On the corporate front, Inti Universal Holdings Bhd announced last week that its major shareholder INTI Supreme Holdings Sdn Bhd had received an offer from US-

based education services provider Laureate Education Inc to acquire INTI Supreme's entire 51.2% stake in Inti Universal at RM1.20 per share.

WCT Engineering Bhd shares attracted considerable interest after the group announced that it had been awarded, together with its joint venture partner Arabtec Construction LLC, a RM4.6bil luxury racecourse job in Dubai, United Arab Emirates.

Supermax Corp Bhd, which is dependent on gas for the production of its rubber gloves, came under the spotlight last week after the government announced that it would study Petronas' proposal for a gas price hike. If approved, a hike would lead to a higher production cost for the glove manufacturer.