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Bursa could test 1,000-point barrier on Covid-19

AMPLIFIED panic selling continues to pulse through the FTSE Bursa Malaysia KLCI (FBM KLCI) as investors flee the market on heightened Covid-19 sentiments that could test 1,000-point psychological barrier, warns independent financial consultant and investment analyst Leong Hoe Kit.

He said the situation in the markets is still very fluid and uncertainty continues to feed the fear frenzy among investors.

"On the local front, if the 1,200 level is easily breached, then the FBM KLCI may next even test lows of sub-1,000, or around 980 if global uncertainties from the Covid-19 pandemic and oil price war escalate.

"However, if the FBM KLCI can hold above the 1,200 psychological level, it will be good for the market and hopefully, the index will build a base from this level," he told *The Malaysian Reserve (TMR)* yesterday.

The FBM KLCI has started the week in the bear market, despite Bank Negara Malaysia's (BNM) cut of Overnight Policy Rate (OPR) and the government's stimulus package to quell fears.

The benchmark index sank to a 10-year low since June 2010 on Monday, dropping 4.77% or losing 64.12 points to end the day at 1,280.63.



Local equities also tanked on the Fed's unexpected move to cut its rate to nearly zero, suggesting policymakers worldwide are struggling to navigate the tough market conditions. Pic by AFP/Garano

Local equities also tanked on the US Federal Reserve's (Fed) unexpected move to cut its rate to nearly zero, suggesting policymakers worldwide are struggling to navigate the tough market conditions.

At yesterday's closing, the FBM KLCI fell 1.88% or 24.05 points to 1,256.58 points, as investors braced themselves on the impact of the nationwide Movement Control Order from today until end-March.

The ringgit continues to weaken at RM4.33 against the US dollar, while Brent crude oil prices lingered between the US\$30

(RM130.50) range level (between US\$29.60 to US\$31.23).

"Sectors like utilities, for example, Tenaga Nasional Bhd, could be a beneficiary of lower input costs given the slump in oil and commodity prices.

"Apart from the obvious beneficiary healthcare sector involving gloves (like Top Glove Corp Bhd), if stock prices fall to more attractive levels, telecommunications could also be another sector that may benefit as data utilisation could increase exponentially during health crises like the current Covid-19 pandemic.

"While I do not think that the oil price war will persist over the longer term, conservative investors may well be advised to avoid consumer and oil and gas stocks for the moment," he said.

However, he added, another potential OPR cut by BNM well ahead of the Monetary Policy Committee meeting in May 2020, in line with the recent rate cut by the Fed, could further put pressure on the ringgit.

"This could weaken the ringgit further beyond RM4.30 to the US dollar, subject to the currency of

Malaysia's other trading counterparts, but there are no signs currently that it would weaken beyond the 4.40-4.50 level," he said.

Areca Capital Sdn Bhd CEO and ED Danny Wong said the move by the government to impose movement restrictions is seen as a positive move to quickly mitigate the Covid-19 risks from spreading across the country.

"We expect panic selling amid weak sentiment, which is irrational at times. There are good fundamental strong companies being bashed down for cash.

"Our long-term strategy stays. It is a volatile time that causes panic reactions. However, I see values emerging from some of the bashed-down stocks," he told *TMR*.

Wong added that the fund management firm is slowly accumulating good fundamental stocks, especially those with solid cash position and dividend.

"We see dividend stocks as a better choice. With price book and price earnings down below two standard deviations of the 10-year mean, we advise investors to look beyond the short term and collect good stocks," he said. — by SHAZNI ONG

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