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Market plunges: Investors monitor share price movement at a private gallery in Kuala Lumpur. The FBM KLCI plunged 40.78 points or 2.21% to 1,804.25, making it the worst-performing index in the region.

Stocks tumble as debt looms

But weakness in the market provides buying opportunities

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PETALING JAYA: The local stock market yesterday saw the biggest single-day decline this year as uncertainties over the government debt loom, exacerbated by weakness in the regional market.

However, market observers reckoned that the recent weakness has opened up buying opportunities for investors.

The FBM KLCI plunged 40.78 points or 2.21% to 1,804.25 yesterday, making it the worst-performing index in the region.

Losers thumped gainers by a huge margin, with over 760 counters down while 237 finished the day higher.

CIMB Investment Bank head of equity research Ivy Ng said the market weakness was also led by corporate results, which have not been encouraging.

Among the decliners yesterday was Axiata Group Bhd, which saw its share price tumble 12.62% or 64 sen to RM4.43, dragging the stock market index down by 10.377 points.

This was after the telecommunications company posted a net loss of RM147.41mil compared with a net profit of RM239.02mil a year earlier.

Ng pointed out that the research house has cut its forecast on the FBM KLCI to 1,820 points for this year from 1,880 to reflect the short-term uncertainties arising from the change in the Government.

"It is unchartered territory; the change in the Government is something that we have never had. It's hard to make predictions.

"At the moment, there are a lot of uncertainties in the market, not only driven by the change in the Government but also the current corporate results season and external issues," she added.

However, Ng reckoned that should the market fall below the current level, investors could bottom-fish for undervalued and well-managed stocks.

Other movers in the FBM KLCI component stocks included CIMB Group Holdings Bhd, which pushed the index down by 7.216 points, and Tenaga Nasional Bhd (TNB), which dragged the index lower by 4.069 points.

Yesterday, CIMB shed 43 sen to RM6.22, while TNB lost 40 sen to RM14.94.

Meanwhile, former investment banker and private equity investor Ian Yoong expects foreign selling to continue, with the correction in the market anticipated.

"There is greater confidence in the new government but funds are taking their money off the table in anticipation of the market downturn, thus accelerating the decline," he said.

The 10-year Malaysian Government Securities yield rose from 3.9% to 4.2% per annum.

Foreign funds sold RM286.8mil net of local stocks yesterday, after dumping more than RM2.5bil net last week.

"This is not a reflection of a lack of confidence in the longer-term future of Malaysia but rather in anticipation of a 'turmoil' that may arise once the losses from 1Malaysia Development Bhd (1MDB) and a few other mega-projects surface," Yoong said.

He pointed out that while investors disliked the uncertainties looming in the market, there were "tremendous opportunities" for value investors, especially in the small and mid-cap sector.

"This opportunity to invest in equities of well-managed companies with viable businesses comes once in every five to six years," he said.

On Tuesday, newly appointed Finance Minister Lim Guan Eng told reporters that the government debt was higher than previously disclosed under the Barisan Nasional administration led by Datuk Seri Najib Tun Razak.

He said Malaysian debt was above RM1 trillion, in comparison with the most recent economic report by the Finance Ministry that reported government debt at RM685bil in 2017.

Lim said 1MDB is one of the main reasons for the government's high debt.

He said 1MDB's debts and liabilities are currently being studied in detail by the Treasury and the Auditor-General, after the audit report was declassified last Tuesday.

1MDB chief executive officer Arul Kanda Kandasamy was called in to the Finance Ministry office yesterday.

On the external front, Asian markets were mostly down, taking the cue from the 200-point decline in the United States' Dow Jones Index after US President Donald Trump signalled that he was not happy with the current progress in resolving the US-China trade conflict.

The MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.3%.

Japan's Nikkei tumbled 1.2% to 22,690 points, after sliding to 22,650 earlier, the weakest intra-day level since May 11.

Hong Kong stocks posted their biggest intra-day fall in seven weeks yesterday, pulled down by energy shares which slumped after Beijing intervened to cool the red-hot coal market.

The Hang Seng Index ended down 1.8% at 30,665.64, while the China Enterprises Index closed 2.1% lower at 12,090.79 points.