

Clob not a key factor on KLSE's worst falls

Comparatively small volumes done on Clob on days of worst falls in past five years

Reports by Alvin Tay

[SINGAPORE] On days when Malaysian stocks suffered their worst falls in the last five years, most of the sell-down took place on the Kuala Lumpur Stock Exchange, and not on Clob International, Singapore's over-the-counter market.

This result emerged from a detailed analysis of the trading volumes of Malaysian shares on Clob during the 15 days when the KLSE Composite Index (KLCI) recorded the most dramatic falls.

For each of the 15 "worst days" — three in each of the past five years — the top 30 losers on the KLSE were examined. And from these, those quoted on Clob were identified.

The surprise finding: of the Clob counters among the top 30 KLSE losers on these 15 days, a consistently small number — three or less — recorded volumes that exceeded 20 per cent of their corresponding volumes done on the KLSE.

On Aug 21, 1998, for example, the KLCI plunged 7.7 per cent to 324.06 points on concerns over the slowing Malaysian economy and bad company results. It was the biggest daily fall in 1998, and the day's top 30 losers on the

KLSE included a relatively high nine counters traded on Clob. But even so, only two of these nine stocks registered volumes on that day that exceeded 20 per cent of their corresponding volumes on the KLSE.

The combined Clob volume of KLCI component stocks featuring among the top 30 KLSE losers has also consistently been low — mostly under 5 per cent of KLSE volumes for these same stocks. Taking Aug 21 last year again as an example, it was only 2 per cent.

The percentages were higher — between 19 per cent and 46 per cent — in 1995, but that was generally a good year when the KLCI had rallied strongly.

Surprising findings

SES figures show relatively low trading volume of KL stocks on Clob during days when the KLCI recorded dramatic falls

Dates of the 15 worst days	KLCI closing	% fall	Of top 30 KLSE losers, No of counters quoted on Clob = (A)	Of (A), No of counters which are KLCI component stocks = (B)	Of (A), No of counters with significant trading volumes*	Of (B), No of counters with significant trading volumes*	Combined Clob volume of KLCI stocks in KLSE Top 30 losers as a % of total KLSE volume for such stocks
Aug 21, '98	324.06	-7.7	9	9	2	2	2
Feb 12, '98	697.43	-5.7	5	4	2	1	2
Aug 11, '98	334.70	-5.3	11	9	1	1	4
Nov 20, '97	536.62	-11.1	2	2	1	1	6
Dec 11, '97	589.18	-7.4	9	8	1	1	4
Dec 9, '97	629.15	-7.0	4	4	0	0	4
Jan 18, '96	1038.86	-3.1	2	2	0	0	1
Mar 11, '96	1082.99	-3.0	7	5	0	0	1
Jul 30, '96	1053.26	-2.8	3	3	0	0	0.4
Jan 23, '95	850.10	-4.0	4	3	2	2	44
Feb 22, '95	941.07	-3.1	14	10	6	6	46
Mar 6, '95	953.40	-2.7	9	8	3	3	19
Jan 12, '94	1066.22	-6.4	1	0	0	0	0
Jan 11, '94	1139.55	-5.6	1	1	1	1	13
Mar 21, '94	954.18	-5.3	1	1	1	1	3

* Significant volumes are those which are more than 20% of the volumes registered on KLSE in those stocks

A further factor is that the size of Clob, as a percentage of the KLSE's market capitalisation, had declined steadily from 1990, when Malaysian stocks were delisted from Singapore.

The number of listings on the KLSE jumped from 256 in January 1990 to 732 in August 1998, while the number of Clob's Malaysian counters declined from 133 to 112 over the same period.

Thus, between December 1996 and August 1998 — when the KLSE suffered its biggest losses — the market value of Malaysian shares held by Clob investors was, on average, a mere 3 per cent of KLSE's total market capitalisation.