Week sentiment that dragged the benchmark Kuala Lumpur Composite Index (CI) to the year's low during the week may continue to weigh down on the local market. However, a few factors could rouse the market from its stupor.

Stocks and sectors affected by the Budget 2003 tabled in Parliament on Friday may stir some interest that could liven up an otherwise sluggish market.

In this light, banking stocks may see some activity next week following the announcement that the statutory reserve requirement may be increased.

Budget 2003 did not provide a significant boost to the local bourse after failing to inspire any buying excitement in the previous weeks.

"The Budget is not likely to have an immediate impact on the stock market as the measures may take time to filter through," explains an analyst who believes there could be a further 5 per cent downside potential for the CI from the current level.

Earlier, news that the country is expected to chalk up a gross domestic product growth of 4 to 5 per cent in 2002 and higher growth of 6 to 6.5 per cent in 2003 did not stir much excitement.

The CI dipped 16 points over the week to close at 672 points on Friday.

The stream of patchy global economic data could further loosen the market's grip on current support levels.

"The market will continue to languish as sentiment looks likely to stay inclined towards bearishness," says a head of research at a local brokerage.

In addition, factors compelling investors to swoop into the market is also increasingly become elusive as investors appear to be gravitating more towards weak economic numbers while remaining indifferent to encouraging news on growing concerns that the nascent global economic recovery may prove to be unsustainable.

Also weighing down on regional bourses is the simmering tension between Iraq and the US, which have struck an uneasy temporary truce after Iraqi President Saddam Hussein appeared to bow to international diplomatic pressure and agreed to readmit weapons inspectors.

The US has, however, dismissed the Iraqi move as a ruse and US President George W. Bush is expected to send to Congress a draft resolution of support for his Iraq policy.

According to Mayban Securities technical analyst Hedy Humaizi Hussain, the local bourse is "extremely oversold but there are no strong buy signals as yet." Hedy anticipates that the CI will find support at between 650 points and 660 points and resistance at 693 points.

An analyst points out that the present weakness in the local bourse belies the country's strong economic fundamentals.

"The home front still looks strong and the current index levels do not reflect economic fundamentals. This is an opportunity to accumulate quality stocks which will benefit from domestic economic growth," he says.

Save for a six-point gain on Tuesday, the CI was largely in negative territory last week. Like other Asian bourses, the local bourse enjoyed a temporary respite from its current weak spell on Tuesday, after Iraq agreed to allow weapons inspectors back into the country.

These gains were, however, effectively erased in the following days on the back of sharp losses on Wall Street which stemmed from a string of profit warnings by US companies and a surprise 0.3 per cent drop in US industrial production in August — the first fall since February.

Among the counters that were actively traded during the week was Tanjong that posted a higher pre-tax profit of RM244.79 million for the six months to July 31, 2002, compared with RM147.03 million in the same period last year. The counter closed at RM9.45 on Friday.

Shares of cellular company Maxis Communications Bhd also attracted significant attention when the company confirmed market speculation that it will purchase Time dotCom Bhd's cellular arm TimeCel for between RM13 billion to RM1.6 billion. Maxis' shares finished at RM5.40 on Friday.

Shares of cigarette maker British American Tobacco Malaysia Bhd suffered in anticipation of an increase in excise duty on the tobacco industry. The counter closed at RM35.50 on Friday. (At press time, the Budget was still being tabled.)