

Markets decline on rate fears, ahead of Fed decision

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KUALA LUMPUR: Stock prices in Asia traded broadly lower on Wednesday, tracking an overnight fall on Wall Street and interest rate concerns ahead of the Federal Reserve's decision in interest rates.

Wall Street fell on Tuesday for the first time in five days on concerns over interest rates after a jump in wholesale prices sparked inflation fears and concerns the Federal Reserve would be forced to raise interest rates.

With this in mind, investors were more cautious ahead of the end of the Federal Reserve's two-day meeting on interest rates Wednesday night.

US interest rates are expected to remain unchanged at record low levels, but investors are likely to scrutinise the accompanying statement to ascertain the direction of future interest rates. Signs of rising inflation may also prompt central banks globally to act sooner than expected, although most economists expect loose monetary policy to stay throughout 2010.

Concerns over inflation and the prospect of higher rates have also buoyed the US dollar, particularly against the euro as economic concerns emerge in some European countries, notably Greece.

Investors would also need to monitor exchange rate movements as they affect "carry trades", where investors had leveraged on the depreciating US dollar with low interest rates to seek riskier assets in stocks and commodities.

The FBM KLCI was in negative territory the entire day, but closed well off its lows, down just 1.8 points at 1,269 points. Market breadth was negative with declining stocks beating advancing ones by a 3-to-2 ratio on volume of 654 million shares.

Actively traded stocks include Scomi's loan stocks and warrants, LCL Corp, Gamuda, KNM, Axiata and SAAG. Major gainers include Dijaya Corp's new warrants, Hong Leong Financial Group and Hai-O. Losers include BAT, Tanjong plc, SunCity, Parkson, IJM and Maybank.

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