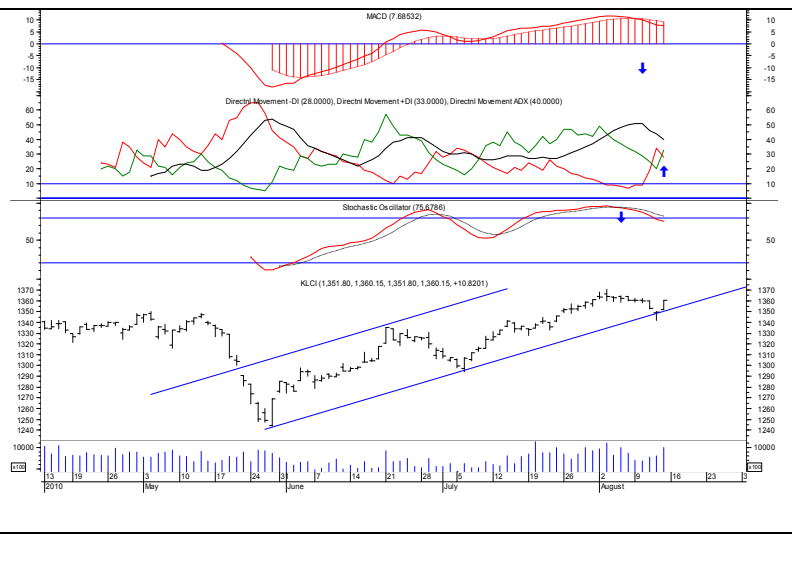


Technical Analysis – Daily FBM KLCI

	13/8/2010	12/8/2010	
Open	1,351.80	1,348.72	
High	1,360.15	1,350.22	
Low	1,351.80	1,342.07	
Close	1,360.15	1,349.33	
Volume	996.0 m	798.1 m	
Market Breadth			
Up	502	298	
Down	228	383	
Unchanged	269	261	
Indicators			
MACD	sell	sell	
DM Index	buy	sell	
Stochastics	sell	sell	

A re-test of 1,370 with an eye to break upside in the making

Market Commentary :

Dampened by a weaker-than-expected weekly employment report and earnings report from Cisco Systems, DJIA had on 12/8/2010 lost 58.88 points to close at 10,319.95.

The double-digit drop in Wall Street did not send negative trading sentiment to Bursa Malaysia in the opening bell on 13/8/2010, FBM KLCI only traded to an intra-low of **1,351.08** as traders chose NOT to play a selling game. In the absence of stronger selling pressure in area of **1,351.80**, renewed buying support rolled in, this lifted stock index to above 1,360 level with a day high of **1,360.15** before settled at **day high**.

The **rise** of **10.82** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **TM** (up RM0.01), **Sime Darby** (up RM0.02), **IOI Corp** (up RM0.06), **Maybank** (up RM0.06) and **Genting** (up RM0.48).

What was the chart saying

Market climbed back up above 1,350 level on 13/8/2010 despite the sell-off on 12/8/2010, the creep did not pose much of a surprise because the market had been holding well above 1,350 level since 26/7/2010, and certain base should have been established to cushion a fall below this level. Thus, what we saw on 12/8/2010 had helped to unlock the rationale behind the market action (market went down and recovered) on 12/8/2010.

That explained what we said in our market report written on 12/8/2010 for 13/8/2010, it remained premature to make a confirmed judgement that we would not see this market to trade above 1,350 level again as the we need to see at least a settlement below 1,350 level for 3 days in a row.

All information, views and advice are given in good faith but without legal responsibility. Mercury Securities Sdn. Bhd. or companies or individuals connected with it may have used research material before publication and may have positions in or may be by materially interested in any stocks in the markets mentioned.

So, market managed to recover its lost ground above 1,350 level on 13/8/2010, did it mean a return of bullish play ? To do this, let's put a few things together in an attempt to establish what these market rebounds on 12/8/2010 and 13/8/2010 mean for the coming market play(s). Firstly, market could not break its way thru resistance between 1,365 and 1,370 level, and traders were not keen to play an aggressive buying game. We subsequently saw the market trading sideways in the vicinity of 1,360 level before greater wave of selling pressure pulled the stock index farther away to 1,342.07 on 11/8/2010 and 12/8/2010 **the sell-off ? We said in our market report for 12/8/2010 that** the market pull down on 11/8/2010 may have increased the market risk exposure to go downward (FYI : market traded down to a day low of 1,342.07 on 12/8/2010). Bears, having struggled to win the battle on 10/8/2010 managed to win by a bigger margin on 11/8/2010. The lower low on 11/8/2010 suggested that market was looking for a wider stabilization base despite the earlier small base between 1,358.52 and 1,364.82 levels (5/8/2010 – 10/8/2010). The wider base can be viewed negatively, because the breakaway from existing small trading range signified stronger pressure to sell However, on a friendly context, the breakaway can also be interpreted as a way to flush out weak hands.

The rebound from day low of 1,342.07 to day high of 1,350.22 on 12/8/2010 had put this market back into the upward sloping channel (drawn on chart), this carried certain amount of good "info" inside, and this friendly "info" would likely be the supportive force to keep the stock index to the upside within the channel at this juncture.

Of course, a crossover into 1,360 zone again would pave the way for stock index to re-test its recent high of 1,370.52 (3/8/2010). This can be achieved by the same trading excitement created on 3/8/2010 and 4/8/2010 to acquire more stock positions in the period between 5/8/2010 and 10/8/2010.

If this market were trading in a sideways phase, when can this sideways phase be expected to end ? Ladies & gentlemen, renewed buying interest had shown up on 13/8/2010, which was one day earlier than what we anticipated (Market report for 13/8/2010, we expected buying support to start rolling in on 16/8/2010).

What were the strong hands doing

A check of internal market strength on 13/8/2010 showed that buying strength improved with strong hand(s) seen acquiring another portion of buying positions, and the net number of stock positions established from 30/7/2010 to 13/8/2010 was about 3% more than what was bought between 22/7/2010 and 29/7/2010.

Conclusion :

Market outlook turned friendly following the crossover of downside penetration of 20-day MA on 13/8/2010; but, the key market support level to watch remained at 1,350.

The analysis of overall daily market action(s) on 13/8/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,360.15.