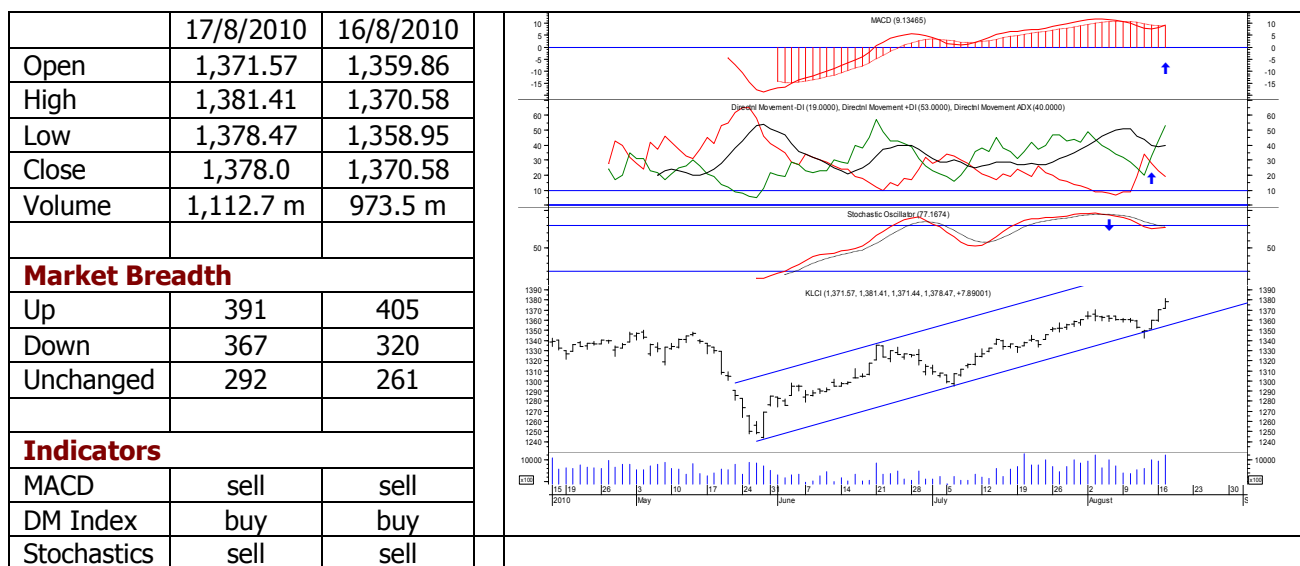


Technical Analysis – Daily FBM KLCI



1,380 – 1,420 range to be seen

Market Commentary :

Affected by report on manufacturing in New York State fell short of forecasts and Japan became the latest nation to show signs of slowing growth, DJIA had on 16/8/2010 shed 1.14 points to close at 10,302.01.

The marginal single-digit drop in Wall Street showed no impact on Bursa Malaysia in the opening bell on 17/8/2010, FBM KLCI gapped up with an intra-low of **1,371.44** as traders chose to play a buying game in anticipation of higher market. Under greater buying support, stock index rose above 1,380 zone to reach a day high of **1,381.41**, and kept its position on the high side throughout the trading sessions before settled at **1,378.47**.

The **rise of 7.89** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **TM (up RM0.04)**, **Sime Darby (up RM0.02)**, **KLK (up RM0.04)**, **Maybank (up RM0.03)** and **Genting (up RM0.21)**.

What was the chart saying

Market gapped up again on 17/8/2010 with a crossover of immediate high of 1,370.58 (16/8/2010) yesterday following the gapped up scenario on 13/8/2010. The higher market into 1,380 zone on 17/8/2010 was within expectation, because the re-entry into 1,370 zone on 16/8/2010 and the good recovery to close comfortably strong after dipping to a day low of 1,342.07 on 12/8/2010 had helped to open up the road to the upside. Furthermore, the market had also 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.**

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

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.

see this market to trade above 1,350 level again as we need to see at least a settlement below 1,350 level for 3 days in a row.

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.

The crossover into 1,370 zone on 16/8/2010 would pave the way for stock index to **next high of 1,380 – 1,420** level. And, this upside target **seen attainable** given the return of 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.

What were the strong hands doing

A check of internal market strength on 17/8/2010 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 12/8/2010 to **17/8/2010** was about **151%** more than what was liquidated between 29/7/2010 and 11/8/2010.

Conclusion :

Market outlook turned friendly following the crossover of downside penetration of 20-day MA on 17/8/2010 with key market support level to remain at 1,350.

The analysis of overall daily market action(s) on 17/8/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,381.44.