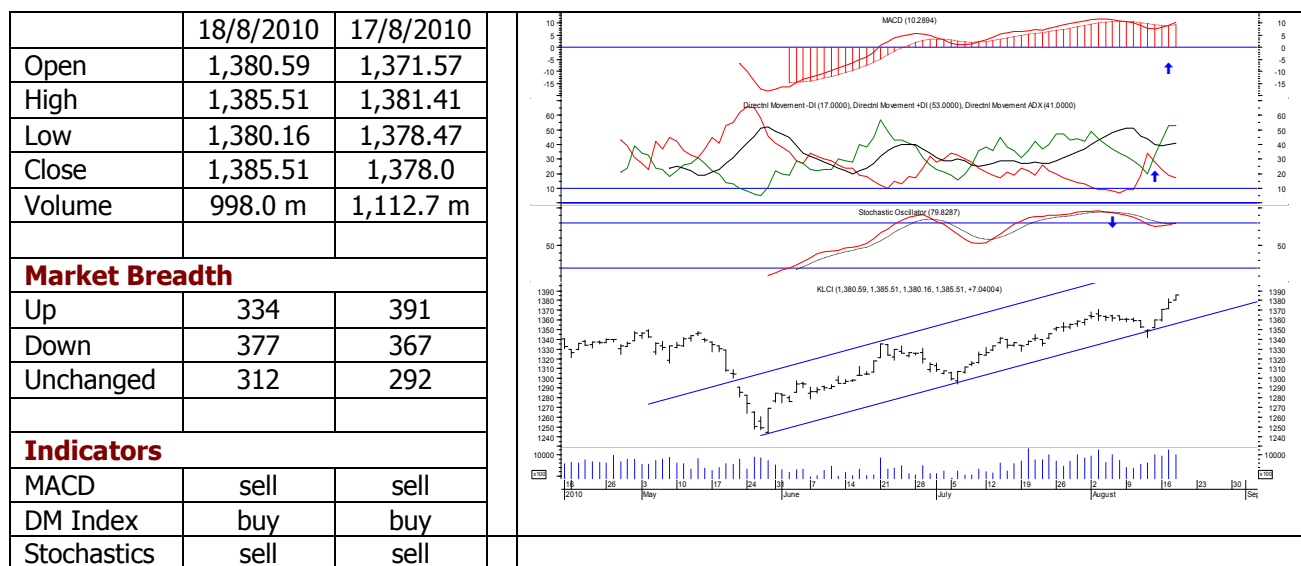


Technical Analysis – Daily FBM KLCI



1,400 level seen as immediate hurdle

Market Commentary :

Encouraged by slight improvement in the housing market and a big jump in industrial production, DJIA had on 17/8/2010 gained 103.84 points to close at 10,405.85.

The double-digit rise in Wall Street helped to send another friendly sentiment to Bursa Malaysia in the opening bell on 18/8/2010, FBM KLCI only traded with an intra-low of **1,380.16** as traders chose to play a buying game in anticipation of higher market. Under greater buying support, stock index rose into 1,380 zone to reach a day high of **1,385.51**, and kept its position on the high side throughout the trading sessions before settled at **day high**.

The **rise of 7.04** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **TM (up RM0.01)**, **Sime Darby (up RM0.10)**, **KLK (up RM0.02)**, **HL bank (up RM0.07)** and **GenM (up RM0.05)**.

What was the chart saying

Market traded into 1,380 zone again on 18/8/2010 following the gapped up scenario on 17/8/2010. The higher market play yesterday was expected, 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 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.

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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 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.

The market run-up of **43.44** points from low of 1,342.07 (12/8/2010) to a high of **1,385.51** (18/8/2010) in 5 days had placed the stock index in an overbought zone, this may have created a caution stance among traders in playing aggressively on buying side. **Well, given the low end attained level of upside target between 1,380 and 1,420 levels without much stronger follow through buying support on 18/8/2010, traders should begin to look into applying risk management strategy.**

What were the strong hands doing

A check of internal market strength on 18/8/2010 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 **18/8/2010** was about **196%** more than what was liquidated between 29/7/2010 and 11/8/2010 compared to **151%** in the preceding day.

Conclusion :

Market outlook turned friendly following the crossover of downside penetration of 20-day MA on 18/8/2010 with key market support level to remain at 1,350.

The analysis of overall daily market action(s) on 18/8/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,385.51.