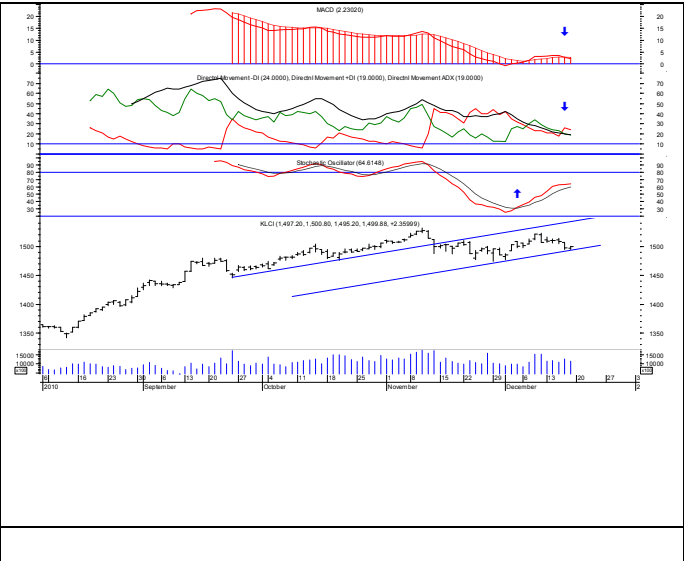


Technical Analysis – Daily FBM KLCI

	17/12/2010	16/12/2010	
Open	1,497.24	1,507.10	
High	1,500.80	1,507.19	
Low	1,495.20	1,495.39	
Close	1,499.88	1,497.52	
Volume	1,139.3 m	1,275.2 m	
Market Breadth			
Up	413	256	
Down	315	473	
Unchanged	303	296	
Indicators			
MACD	Sell	Sell	
DM Index	Sell	sell	
Stochastics	buy	buy	

Supportive buying interest

Market Commentary :

Encouraged by a small drop in unemployment claims to 420,000 last week to register a 3rd drop in 4 weeks, DJIA had on 16/12/2010 gained **41.78** points to close at **11,499.25**.

The double-digit gain in Wall Street helped to send a friendly effect to Bursa Malaysia in the opening bell on 17/12/2010, FBM KLCI only traded marginally lower to a day low of **1,495.20** as some traders continued to play on selling side. However, weak follow thru selling pressure in the area of **1,495.20** prompted light bargain hunting interest to roll in, this lifted stock index to go above 1,500 level to reach a high of **1,500.8** before settled at **1,499.88**.

The **rise** of **2.36** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **GenM** (up **RM0.03** to **RM3.37**), **AMMB** (up **RM0.11** to **RM6.75**), **Public Bank** (up **RM0.02** to **RM12.80**), **RHB Cap** (up **RM0.02** to **RM8.57**) and **MMC Corp** (up **RM0.08** to **RM2.88**).

What was the chart saying

Market went lower last Friday (17/12/2010); but, it was only a marginal decline despite the weak down close in the preceding day. **A marginal drop ?** Many of traders may have begun to scratch their heads thinking of what was going on in the market when the market on 17/12/2010 was supposed to induce greater follow thru selling pressure. Technically, the market should have taken a bigger drop on 17/12/2010; but, the traders that shot the market down on 16/12/2010 had somehow decided NOT to pursue another aggressive selling action on 17/12/2010.

The downside breakout of 1,500 level on 16/12/2010 carried reasonable amount of significance in trading psychology as too many eyes have been focused on that level, traders and investors were basically curious about the sustainability power of this market at 1,500 level. Bullish traders were hoping to see the stock index to keep its footing here without rocking the sentiment built this while with bearish traders on the other hand cautiously waiting for the market to develop into a bearish

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.

pattern. Without much stronger bearish catalyst in sight, buying support can still be expected to make their presence this explained why the market was holding up near 1,500 level on 17/12/2010.

Given what happened on 17/12/2010, what would the market do next ? A small sideways platform between 3 -5 days may likely be formed; but, it is believed that the selling pressure to remain in place waiting for the next market timing to hit again.

What was the basis into this belief of seeing a lower market ? IF you had been tracking the market closely in the past 3 days (13/12/2010 – 15/12/2010), you would have noticed that the stock index in those days mentioned was pulled up on last minute buying of selective blue chip stock to register an up close, and this did not reflect the true buying power of the market. That's what the reason to why the market was easily succumbed to renewed selling pressure after making some gains in the early session of the trading days. **What did it imply ?** This indicated the unwillingness on the part of traders to commit on buying side at this juncture, and the fall below 1,510 level quickly translated into profit taking activity.

We mentioned repeatedly in our earlier market reports that : - " With the cross below of 1,510 level on 10/12/2010, where would the market go from here ? The sell-off on 10/12/2010 was unusual as it erased all the gain registered on 9/12/2010, this showed that traders were in this game for quick play, and not for a buy & hold game. Basically, the market had "fulfilled" its immediate objective of 1,525 level at 1,522.95, because it was only 2 points away from our earlier upside projection of 1,525 level written in our market report for 9/12/2010.

The way this market carried itself on 15/12/2010 provided an indication that there was a higher probability for stock index to go sideways with a downside bias, because we had 2 closes above 1,510 level on 8/12/2010 and 9/12/2010; but, they were overcome by selling pressure on 10/12/2010 followed by weak up closes on 13/12/2010, 14/12/2010 and 15/12/2010.

Ladies & gentlemen, the 2nd consecutive day of downside violation of 1,510 level on 13/12/2010 could have acted as the initial sign of a topping market at 1,531.99. Of course, more technical evidences are needed to confirm; for example, the failure to protect 1,490 level decisively and a convincing low below 1,474 level.

What were the strong hands doing

A check of internal market strength on 17/12/2010 showed that buying strength improved with strong hand(s) seen acquiring a portion of buying positions, and the net number of stock positions acquired on 17/12/2010 was about 23% what was liquidated between 9/12/2010 and 16/12/2010.

Conclusion :

Market outlook remained friendly as KLCI was still trading above 50-day MA with key market support level pegged at 1,490.

The analysis of overall daily market action(s) on 17/12/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,500.80.