



Technical Analysis – Daily FBM KLCI

	1/12/2010	30/11/2010	
Open	1,482.69	1,494.78	
High	1,487.67	1,497.50	
Low	1,477.57	1,485.23	
Close	1,485.42	1,485.23	
Volume	886.2 m	1,015.8	
Market Breadth			
Up	364	299	
Down	366	465	
Unchanged	296	259	
Indicators			
MACD	Sell	Sell	
DM Index	Sell	sell	
Stochastics	Sell	sell	

Supporting hard at 1,480 level

Market Commentary :

Supported by compromise between President Obama and Republican lawmakers on extending Bush-era tax cuts before the end of 2010, DJIA had on 30/11/2010 recovered from day low to close at **11,006.02 with a drop of 46.47 points.**

The double-digit **drop** in Wall Street sent a negative effect to Bursa Malaysia in the opening bell on **1/12/2010**, FBM KLCI broke below 1,480 level to a day low of **1,477.57** as traders chose to play on selling side in anticipation of lower market. However, weak-follow thru selling pressure in area of **1,477.57** prompted bargain hunting activity to roll in, this lifted stock index back up above 1,480 level to a high of **1,487.67** before settled at **1,485.42**.

The **rise of 0.19** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **Hong Leong Bank (up RM0.12 to RM9.29)**, **KLK (up RM0.34 to RM20.56)**, **AMMB (up RM0.14 to RM6.19)**, **PetDag (up RM0.40 to RM11.70)** and **IOI Corp (up RM0.01 to RM5.81)**.

What was the chart saying

Market had on yesterday broken below 1,480 level again for the third time in the last 6 trading days. This lower low market scenario on 1/12/2010 was not a surprise given the weak down close in the preceding day (30/11/2010). **What was the market trying to tell ?** The way market carried itself seemed to be saying that trading sentiment was not in favour of buying, traders were seen not comfortable to establish stock positions and many had chosen to lock in their winning trades even though there was this attempt on 30/11/2010 to keep the market as close as possible to 1,500 level.

Since the market had violated the 1,480 level again on 1/12/2010; but **why there was no increase of selling interest to really push the stock index down ?** 1,480 level is technically viewed a critical level to protect, and certain traders do not want to see a "downside" breakout to

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happen at 1,480 level in fear of more severe follow thru selling pressure to push the market much lower, a downside violation of 1,480 level on close basis in first attempt would begin to instil a pessimistic market outlook, this would make many traders to become more cautious about the game play on buying side.

Can we still see the rebound if stock index were to hit below 1,480 level again ? Risk taking traders often believed that this market would manage to steal a rebound in the initial downside violation of important technical support level, and a rebound from day low would always be there so long the buying power is greater than selling pressure. However, the buying support would have a tendency to get weaker in protecting a critical supporting level if persistent attempts to break the support level were to be made, because those who had supported at 1,480 level with allocated amount of money may choose to allow the market to take its own course of downward direction temporarily with an eye to buy stocks at cheaper price later on.

The bears were seen with an upper hand over the bulls yesterday (1/12/2010), and it would be interesting to see how these bulls re-align their bullish strategies to turn the market around to go up north in coming days. *Keeping in mind, the sell down on 23/11/2010 basically suggested that market has yet to come out from the sell-offs on 11/11/2010 and 12/11/2010.*

A convincing breakdown under this 1,480 level would signal a potential phase of change to warning. If this were to happen, a shift in market trend would begin, and the market top at 1,531.99 would be put in place. Conversely, a decisive move above 1,510 level with settlement for 3 days in a row would be pointing to an upward leg.

What were the strong hands doing

A check of internal market strength on 1/12/2010 showed that buying strength *weakened marginally* with strong hand(s) seen *disposing a portion of buying positions*, and the net number of stock positions *liquidated* from *30/11/2010 to 1/12/2010* was about *33% of* what was *acquired* between 18/11/2010 and 22/11/2010 compared to *19%* in the preceding day.

Conclusion :

Market outlook remained friendly as KLCI was still trading above 50-day MA with key market support level pegged at 1,480.

The analysis of overall daily market action(s) on 1/12/2010 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,477.57 after making attempt to go higher than 1,487.67.