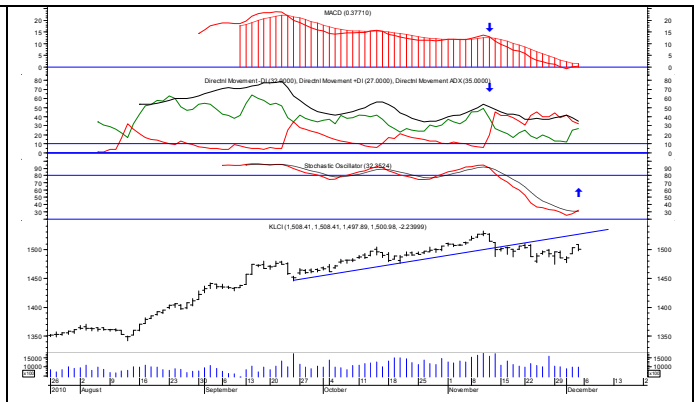
Technical Analysis – Daily FBM KLCI

	3/12/2010	2/12/2010
Open	1,508.41	1492.53
High	1,508.41	1,503.22
Low	1,497.89	1,492.53
Close	1,500.98	1,503.22
Volume	977.1 m	979.2 m
Market Breadth		
Up	282	516
Down	450	245
Unchanged	291	296
Indicators		
MACD	Sell	Sell
DM Index	Sell	sell
Stochastics	Sell	sell



A close above 1,500 psychological level ……

Market Commentary :

Supported by a waning concern of Europe's debt crisis, DJIA had on 2/12/2010 gained **106.63** points to close at **11,362.41**.

The triple-digit gain in Wall Street sent an immediate positive effect to Bursa Malaysia in the opening bell on 3/12/2010, FBM KLCI traded higher to a day high of **1,508.41** as traders continued to play a buying game in anticipation of higher market. However, weak follow thru buying support at 1,508.41 prompted pre-weekend profit taking activity to roll in, and this put a pressure on stock index down to a low of **1,497.89** before settled at **1,500.98**.

The **drop** of **2.24** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **Hong Leong Bank** (**down RM0.01 to RM9.49**), **AMMB (down RM0.10 to RM6.15), TM** (**down RM0.01 to RM3.44**) and **IOI Corp** (**down RM0.04 to RM5.78**).

What was the chart saying …….

Market had on last Friday (3/12/2010) made a higher high given the impressive up close in the preceding day (2/12/2010) and another strong gain in the Wall Street. The market recovery that incurred in 5 days from high of 1,508.34 (23/11/2010) to day low of 1,474.02 (29/11/2010) within 3 straight days (1/12/2010 – 3/12/2010), **what did it tell us ?** There were buying support in the area of 1,480 level, this can be seen from the 3 occasions on 24/11/2010, 29/11/2010, and 1/12/2010 where market managed to rebound with a close above 1,480.

It was not a surprise to see the stock index traded higher on 3/12/2010, because the gap up scenario occurred on 2/12/2010 suggested the urgency on the part of traders to buy stocks, and the upside gap was believed to have been done on one good reason – Year End Window Dressing.

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Ladies & gentlemen, the market made another effort to keep it's a close above 1,500 level on 3/12/2010 after dipping below 1,500 level in the afternoon session. This showed the psychological effect of 1,500 level that has been lingering in traders' mind. Market buying activity would not increase IF investors and traders do not see get to feet the confidence in the game, and it is thus the good feeling about the market that drives the market higher.

This went further to explain why market rebounded to close above 1,480 level on 24/11/2010, 29/11/2010 and 1/12/2010. There were certain traders in the game that could not afford to risk the market of being pushed much lower on follow thru aggressive selling pressure if supportive buying were not carried out in the above-mentioned dates. Having provided the supportive buying at 1,480, it would be advisable for these traders to go into second stage by keeping the stock index above 1,500 level as it would help to leverage future buying strength when making attempt to lift the stock index higher.

Where would the market go from here breaking away from 1,480 level ? The intention **at this juncture** was seen clear to indicate that the selling done in the vicinity of 1,480 in the past 7 days was deemed enough to cool off the overheated market occurred from low of 1,476.56 (20/10/2010) to high of 1,531.99 (10/11/2010).

The bears were seen with an upper hand over the bulls last Friday (3/12/2010), 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 when the initial attempt has been made following the re-crossover into 1,500 zone on 2/12/2010. ***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.***

What were the strong hands doing .....

A check of internal market strength on 3/12/2010 showed that buying strength ***weakened*** with strong hand(s) seen ***disposing a portion of buying positions,*** *and the net number of stock positions* ***liquidated*** *from* ***30/11/2010 to 3/12/2010*** *was about* ***17% of*** *what was* ***acquired*** *between 18/11/2010 and 22/11/2010.*

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 3/12/2010 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,497.89.