



Technical Analysis – Daily FBM KLCI

	8/12/2010	6/12/2010	
Open	1,504.52	1,505.66	
High	1,513.24	1,505.66	
Low	1,504.52	1,497.61	
Close	1,5010.06	1,501.74	
Volume	1,084.7 m	846.1 m	
Market Breadth			
Up	458	359	
Down	310	368	
Unchanged	277	278	
Indicators			
MACD	buy	Sell	
DM Index	buy	sell	
Stochastics	buy	buy	

Towards 1,525 level

Market Commentary :

Despite the agreed package of tax cuts and extension of unemployment benefits by President Barack Obama and Republican leader, DJIA had on 7/12/2010 fallen 3 points to close at **11,359.16**.

The single-digit drop in Wall Street did not send any negative effect to Bursa Malaysia in the opening bell on **8/12/2010**, FBM KLCI traded higher to cross into 1,510 zone with a day high of **1,513.24** as traders chose to play on buying side. However, weak follow thru buying support at **1,513.24** prompted renewed selling interest to roll in, and this put a pressure on stock index to settle off day high at **1,510.06**.

The **rise** of **8.32** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **CIMB** (up RM0.23 to RM8.70), **KLK** (up RM0.32 to RM21.90), **AMMB** (up RM0.16 to RM6.42), **Sime Darby** (up RM0.04 to RM8.78) and **Tenaga Nasional** (up RM0.14 to RM8.58).

What was the chart saying

Market moved up quickly into 1,510 zone yesterday (8/12/2010) on the back of marginal up close scenario on 6/12/2010. The sudden market turnaround on 8/12/2010 was a little surprise as the stock index was earlier expected to be trading sideways for a little while longer given the not so impressive settlements on 3/12/2010 and 6/12/2010. **Why a sudden turnaround on 8/12/2010 ?** An active play was believed to be on the card as the longer this market were to stay in passive mode, more traders would tend to feel jittery about the market upward potential; thus, by engaging in an active play game, traders would at least focus at the price (index movement) action.

Furthermore, the rebound from low of 1,474.02 (1/12/2010) to 1,508.41 (3/12/2010) in 3 days successfully erased a portion of the lost ground earlier. **What did it tell us ?** The rebound helped to "contain" the negative trading after the recent 3 occasions of downside violations of 1,480 level on

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.

24/11/2010, 29/11/2010, and 1/12/2010. This was accompanied by 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.

Ladies & gentlemen, an interesting feature about the stock index that no one would miss seeing on 2/12/2010, 3/12/2010 and 6/12/2010 would be the small fluctuation around 1,500 level. **Why was the 1,500 level so important ?** 1,500 level was basically important from psychological perspective, because FBM KLCI made a historical high of 1,524.69 on 14/1/2008, this high was subsequently overcome by newer high of 1,531.99 on 10/11/2010, many traders were looking forward to see how the market could carry itself in the plays ahead.

Different traders may have different levels of excitement and expectation about the crossover of 1,500 level; but, certain traders knew very well that the excitement and expectation of positive market outlook would fizzle out if no attempts were to be made to protect the stock index at 1,500 level in due time. And, market buying activity would not increase IF investors and traders do not get to feel the confidence in the game.

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 (23/11/2010 – 1/12/2010) 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 bulls were seen with an upper hand over the bears on 8/12/2010, 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. Finally, that initial crossover into 1,500 zone was accompanied by a higher market into 1,510 zone on 8/12/2010 to signify a step forward to jump out of the sell-offs occurred on 11/11/2010 and 12/11/2010.

What were the strong hands doing

A check of internal market strength on 8/12/2010 showed that buying strength improved with strong hand(s) seen acquiring a portion of buying positions, and the net number of stock positions acquired from 30/11/2010 to 8/12/2010 was about 60% more than 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 8/12/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,513.24.