

Technical Analysis – Daily FBM KLCI

	26/7/2010	23/7/2010	
Open	1,350.54	1,341.04	
High	1,352.94	1,345.68	
Low	1,348.73	1,340.78	
Close	1,351.82	1,345.68	
Volume	850.6 m	993.3 m	
Market Breadth			
Up	336	491	
Down	355	268	
Unchanged	274	285	
Indicators			
MACD	buy	buy	
DM Index	buy	buy	
Stochastics	buy	buy	

Strong hurdle at 1,365 seen

Market Commentary :

Led by General Electric (GE)'s move to raise its quarterly dividend by 20%, investors received a shot of confidence to establish stock positions, DJIA had on 23/7/2010 gained 102.32 points to close at 10,424.62.

The triple-digit gains in Wall Street sent a positive trading sentiment over to Bursa Malaysia in the opening bell on 26/7/2010, FBM KLCI gapped up with a day low of **1,348.73** as some traders rush to acquire stock in anticipation of higher market. Under greater buying support, stock index crossed over immediate high of 1,349.92 (4/5/2010) to reach a high of **1,352.94** before settled at **1,351.82**.

The **rise** of **6.14** points in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **TM** (up RM0.02), **Genting** (up RM0.05), **CIMB** (up RM0.24), **HL Bank** (up RM0.04) and **KLK** (up RM0.18).

What was the chart saying

Market saw another upward move to trade higher yesterday (26/7/2010) with a creep above 1,350 level on positive external market development plus the up close scenario in the preceding day (23/7/2010). This higher market move was basically expected because the way KLCI carried itself on 23/7/2010 had somehow portrayed its next likelihood move on 26/7/2010.

On 23/7/2010, the market was generally perceived to be taking a dip first before making a comeback **A dip first, why ?** Because there was quite a strong stock liquidation pressure on 22/7/2010 **A comeback, why ?** Due to the positive settlement on 21/7/2010 in addition to the ability on the part of stock index to stay above 1,324 level on 19/7/2010 and 20/7/2010. **What happened last Friday (23/7/2010) was exactly like we had said in our market report dated 23/7/2010** "In general, traders don't like to play an aggressive buying game especially

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.

when there is no good news around to lend them a helping hand. Instead of bulldozing the market to the upside, traders will choose to unleash the tightened rope temporarily to release another portion of emotional buying pressure (weak hands).” **Thus, the overnight triple-digit rise of 201 points in Wall Street came in the right time to provide the necessary trigger, and that was what our local market was looking for in order to create a more convincing power among traders and investors to establish stock positions.**

With market broke above 1,335.31 (21/6/2010) into 1,340 zone on 14/7/2010, did it mean an end to this market uncertainty ? To the least extent, we saw a market recovering back up above 1,320 level which was violated on the downside on 29/6/2010, this constituted an encouraging sign. Furthermore, the market volume at **801.6 million** shares on 14/7/2010 was also higher than the 20-day moving average market volume of **614 million** shares. **An end to market uncertainty ?** Not sure about that; but, the better buying interest on 14/7/2010 should pave the way for more upside.

How supportive can this 1,324 level be in keeping this market afloat ? Well, the lows in the past 2 days (19/7/2010 —20/7/2010) were not lower than 1,324, this somehow gave an indication that there was a general friendly expectation at 1,324. **The ability to bounce off 1,324 plus a higher high under greater market volume should reinforce what had taken place on 14/7/2010. Moreover, the retreat from 1,341 to 1,327 (19/7/2010) helped to alleviate the uncomfortable emotional pressure that had built up from low of 1,294 (6/7/2010) to 1,341 (14/7/2010).**

With a higher high market scenario on 20/7/2010, **where can we expect to see resistance in this market ?** **1,365 level** is envisaged as a hurdle for KLCI in the immediate short term.

What were the strong hands doing

A check of internal market strength on 26/7/2010 showed that buying strength **improved** with strong hand(s) seen **acquiring a portion of buying positions**, the number of stock positions established on **26/7/2010** reduced the overall selling pressure that took place on 4/6/2010 and 7/6/2010 to **33%** from **38%** in the preceding trading day (23/7/2010).

Conclusion :

Market outlook remained friendly in the short & medium term with settlement on 26/7/2010 above 50-day moving average.

The analysis of overall daily market action(s) on 26/7/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,352.94