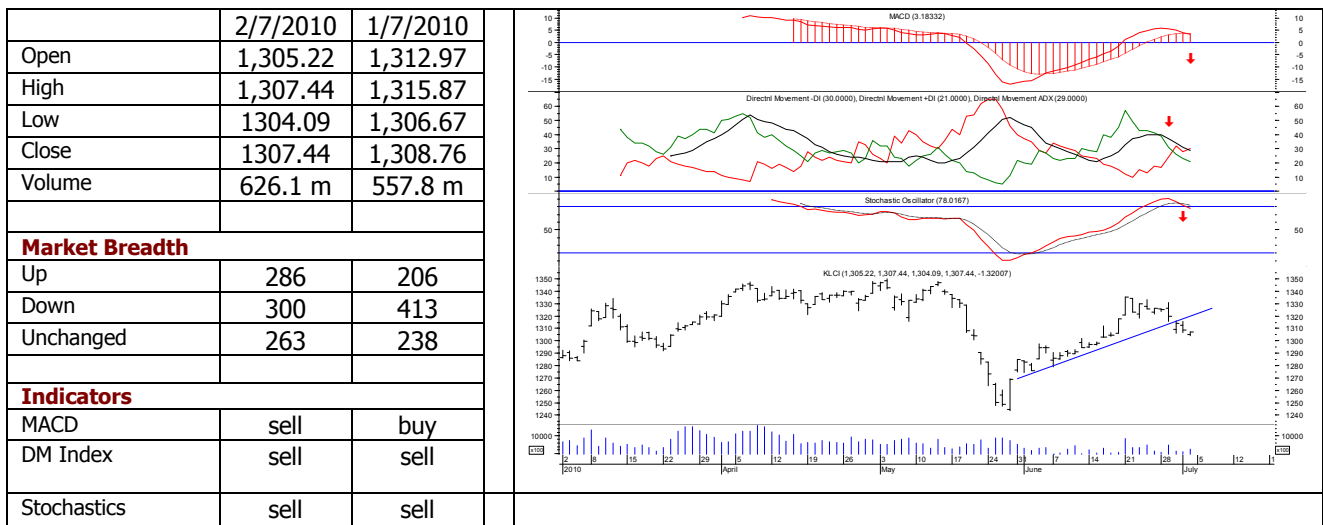


Technical Analysis – Daily FBM KLCI



Supportive at 1,300 psychological level

Market Commentary :

Dampened by an increase in initial claims for unemployment benefits by 13,000 last week to 472,000, a drop in home purchase for May 2010, and a fall in manufacturing index for June 2010 (ISM), DJIA had on 1/7/2010 lost 41.49 points to close below 10,000 level for 3rd consecutive day at 9,732.53.

The double-digit drop in Wall Street sent another dampening effect on Bursa Malaysia in the opening bell on 2/7/2010, FBM KLCI traded lower to a day low of **1,304.09** as traders continued to play on selling side in anticipation of lower market. However, in the absence of stronger selling pressure in area of **1,304.09**, renewed buying interest rolled in, this lifted stock index to a day high of **1,307.44** before settled at **day high**.

The **fall** of **1.32** points in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **CIMB** (down RM0.04), **IOI Corp** (down RM0.02), **KLK** (down RM0.02), **Genm** (down RM0.12) and **Sime Darby** (down RM0.01).

What was the chart saying

Market came under another round of selling attack to go lower than the immediate low of 1,306 (30/6/2010) yesterday. An attempt to push the market as near to 1,300 level as possible was made on 2/7/2010; but, selling steam got a little cautious as stock index drew near to 1,300 level at this juncture with many traders seen unwilling to jump into the game to establish stock positions.

The sell down to **1,304.09** on 2/7/2010 was not a surprise, because the downside violation of 1,320 level on 29/6/2010 had already indicated higher degree of selling pressure in the market, and the external negative factor somehow helped to expedite the selling pace to lower level. **Like what we had said in our marker report on 29/6/2010**, this market would not look "healthy" if the stock index were to continue to drag its feet in such a lacklustre manner as this would create a higher tendency for traders to play a selling game.

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Will this be an indication of more selling today (2/7/2010) ? What happened on 29/6/2010 was basically the result of inability on the part of traders to prop up the market higher than 1,336 level (24/6/2010) prior to the inside day bar pattern on 28/6/2010. Of course, bearish traders' scepticism about the market potential to go very far up, and also the 32 points sharp rise on 18/6/2010 & 21/6/2010 had also played their roles in capping the market to the upside. [In view of how the market carried itself on 2/7/2010, renewed buying interest should be making an inroad today on a conservative basis.](#)

Why didn't the market trade higher on 2/7/2010 ? It was nothing more than expectation of a weakening market. Furthermore, the market attempt to "breakaway" to the up on 29/6/2010 ended with greater selling pressure continued to work in traders' mind psychologically.

With market traded down to a day low of 1,304.09 on 20/7/2010, what would likely happen to the market now ? The lower low market scenario on 30/6/2010 was indeed not a friendly sign to see a positive move resistance pegged at 1,320 level with support at 1,300. [Many eyes are looking at 1,300 psychological level, because a downside violation to go below 1,300 level after the recent crossover of 1,300 level on 16/6/2010 would not go well with bullish game play; thus, it is critical see how market would put up a defensive play here.](#)

Can we possibly be bullish again about the market ? The market may be seen with higher inclination to fall further; but, if this market can stay in a range environment between 1,285 and 1,300 (assuming market makes way to the bears on a downside breakout of 1,300 level) without much volatility, then to be followed by a climb back up above 1,320 level accompanied by increasing volume. A stronger brand new bullish play cannot be ruled out.

What were the strong hands doing

A check of internal market strength on 2/7/2010 showed that buying strength ***weakened*** with strong hand(s) seen ***disposing a small portion of buying positions***, the number of stock positions established on ***2/7/2010*** added the overall selling pressure that took place on 4/6/2010 and 7/6/2010 to ***48%*** from ***47%*** in the preceding trading day (1/7/2010).

Conclusion :

The **short term** market outlook turned negative with **medium term** remained fragile.

The analysis of overall daily market action(s) on 2/7/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,307.44.