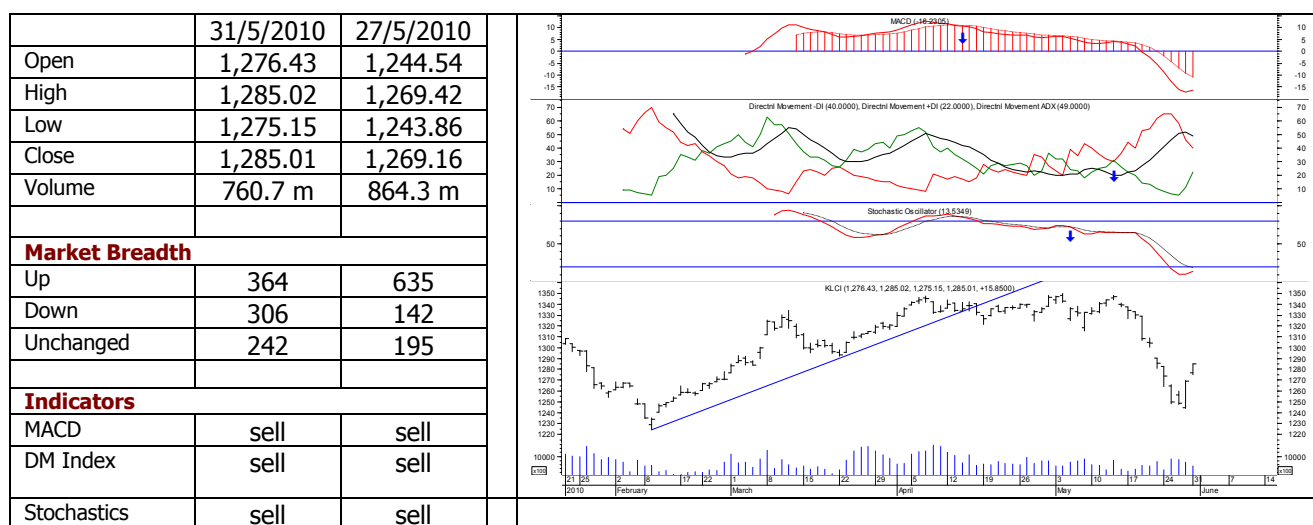


Technical Analysis – Daily FBM KLCI



Next target 1,295 – 1,300

Market Commentary :

Affected by a lower rating on Spain's debt by Fitch Ratings Agency from AA+ to AAA with a stable outlook, DJIA had on 28/5/2010 lost **122.36** points to close at **10,136.63**.

The triple-digit loss in Wall Street did not send a negative signal to Bursa Malaysia in the opening bell on 31/5/2010. FBM KLCI gapped up with a day low of **1,275.15** as traders chose to play a buying game after the low opening followed by a high closing scenario last Thursday (27/5/2010), Under greater buying support, market rose above 1,280 to reach a day high of **1,285.02** and kept its position well supported throughout the trading sessions before settled at **1,285.01**.

The double-digit **rise of 15.85** points in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **Gamuda (up RM0.18)**, **Maybank (up RM0.20)**, **IOI Corp (up RM0.15)**, **HL Bank (up RM0.09)** and **Genting M'sia (up RM0.13)**.

What was the chart saying

The encouraging closing on 27/5/2010 continued to play a leading effect on 31/5/2010 with a day high of **1,281.24**. **What caught attention here was the upside gap created on 31/5/2010 ?** Firstly, the market went down to lowest low of 1,243.86 since 11/2/2010 on 27/5/2010, this was subsequently followed by a near day high closing to form a bottom key reversal pattern. Traders were basically thrilled by the turnaround of market on 27/5/2010 after making a losing streak for 9 consecutive days (14/5/2010 to 26/5/2010). Secondly, the gapped up scenario on 31/5/2010 indicated the urgency on the part of traders to acquire stock positions.

The higher market on 31/5/2010 did not pose much of a big surprise, because **we had said in our market report for 31/5/2010** that the lower low followed by higher close on 27/5/2010 showed the willingness on the part of traders to play on buying side in anticipation of higher level on technical rebound.

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.

While it was good to see a higher market on 31/5/2010; but, what we saw on 27/5/2010 and 31/5/2010 was only a **technical rebound** to the sharp fall to 1,243.86 as the bottoming base formation was not strong enough to encourage serious buying interest; moreover, the market volume on 27/5/2010 and 31/5/2010 was not particularly high. **Why ?** Because the phenomenon of downside breakout of 1,300 level on 21/5/2010 following the lower low bar with a down close on 21/5/2010, and the downside gap left behind on 21/5/2010 would continue to haunt traders' mind. Again, this did not necessary mean market would not go up.

So, how far can this minor rally go ? The upside violation of 1,280 level on 31/5/2010 was certainly a positive thing to happen, and the market was believed to be gearing up towards 1,295 - 1,300 level.

What were the strong hands doing

A check of internal market strength on 31/5/2010 showed that buying strength **improved** with strong hand(s) seen ***acquiring another portion of buying positions***, the number of stock positions acquired from 26/5/2010 – 31/5/2010 was about **60%** of what was liquidated from 12/5/2010 to 27/5/2010 **compared 43% in the preceding day**.

Conclusion :

The short and medium term market outlook remained weak.

The analysis of overall daily market action(s) on 31/5/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,285.02.