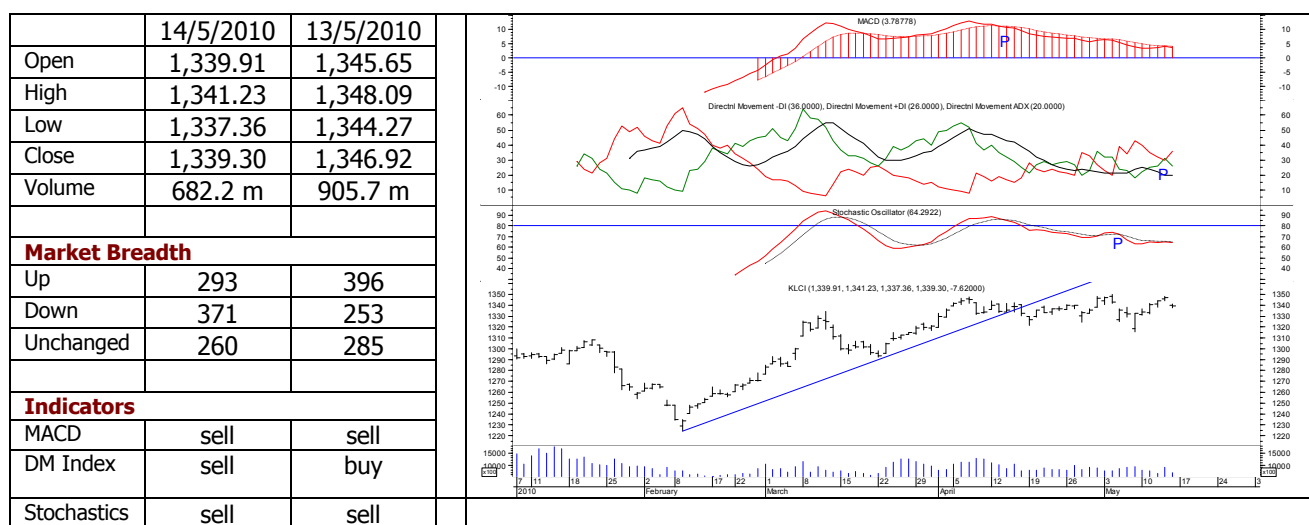


Technical Analysis – Daily FBM KLCI



Market participants remained cautious

Market Commentary :

Dampened by reports on New York' Attorney General is examining 8 banks to determine whether they misled ratings agencies about mortgage securities and disappointing forecast from department store chain Kohl's, DJIA had on 13/5/2010 lost **113.96** points to close at **10,782.95**.

The overnight triple-digit loss in Wall Street sent a negative signal to Bursa Malaysia in the opening bell on 14/5/2010, FBM KLCI gapped down with a day high of **1,341.23** as traders decided to profit take a portion of their winning trades ahead of weekend. In the absence of supportive buying interest in area of **1,341.23**, renewed selling interest rolled in, this pushed stock index down to a low of **1,337.36** before settled at **1,339.30**.

The single-digit **drop** of **7.62** points in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **CIMB** (down RM0.08), **Sime** (down RM0.40), **KLK** (down RM0.02), **IJM** (down RM0.05) and **Mas** (down RM0.04).

What was the chart saying

Market broke on the downside last Friday (14/5/2010) instead of making attempt to surpass previous day high of 1,348.09 given the positive closing in the preceding day. KLCI retreated back down below 1,340 level with a downside gap; but, continued to hold a firm grip at 1,330 level. **Where was the bull that had been playing its part to contain the weak trading sentiment after propping up the market nicely into 1,340 zone on 11/5/2010 in an effort to instil renewed buying confidence ?** Those bulls were traders, and they traded for profits too.

The downside gap scenario created on 14/5/2010 indicated the urgency on the part of traders to unload, those bulls may be seen supporting the market game in the past 5 days (7/5/2010 – 13/5/2010), yet this did not mean that they were obligated to do so daily to keep everyone happy.

As we had said earlier, the supportive buying in the past 5 consecutive days (7/5/2010 – 13/5/2010) had helped to improve the bullishness ranking; but, it was still premature to confirm a return of bull on reason of unimpressive market volume. High market volume is essential for this market, because the intraday downside break of 1,320 level on 7/10/2010 was something unusual, many traders/investors had become wary about the market.

Can market break above 1,349.92 level ? Stock index was only 1.83 points away from 1,349.92 on 13/5/2010, it should have no problem to clear the hurdle theoretically. Psychologically, 1,350 level would remain an overhead resistance for the time being, this market would likely take a small pull back for 2 – 3 days before recharging itself to go up north.

What was the basis behind ? It had never been easy to divine what is going to happen next to the stock market especially when one is dealing with human decisions. These human decisions are unknown before they happen. One only sees it after it happens.

Well, the basis was built on the repeated histories of 19/4/2010 & 28/4/2010 on 7/5/2010, where market rebounded to climb back up into 1,330 zone within the same day. There was this supportive playing role to keep the market afloat with 1,330 level seen an intended protected level at this juncture.

What were the strong hands doing

A check of internal market strength on 14/5/2010 showed that buying strength ***weakened*** with strong hand(s) seen ***disposing a portion of buying positions***, *this brought the number of stock positions established between 23/3/2010 and 14/5/2010 (inclusive dates) down to **75%** from **105%** (23/3/2010 – 13/5/2010) of what was sold from 12/3/2010 to 22/3/2010.*

To put it in a simple term, strong hands bought into market to see its peak on 11/3/2010, then the buying pattern of strong hands had stayed below this peak between 12/3/2010 – 10/5/2010; but, something had changed in the past 3 days (7/5/2010 – 11/5/2010) with this buying pattern seen trending upward. **What did it tell us ?** This basically indicated that strong hands were confident to see this market to trade above 1,349.92. [On 13/5/2010, market traded to a day high of 1,348.09.](#)

So, what would these strong hands be doing next after the unloading on 14/5/2010 ? On 14/5/2010, those strong hands were seen comfortably locking in a portion of their profits, and they are expected to continue with profit taking action on Monday (17/5/2010) given the relative smaller amount of stock acquisition on 12/5/2010 compared to the amount of stock disposal on 11/5/2010. [From the perspective point of strong hands, market would thus be likely to come under pressure to go downward on 17/5/2010.](#)

Conclusion :

The [short term](#) remained [weak](#) with medium term market outlook still favourable.

[The analysis of overall daily market action\(s\) on 14/5/2010 revealed that buying power\(s\) was weaker compared to selling pressure\(s\), FBM KLCI would thus likely to trade below 1,337.36.](#)