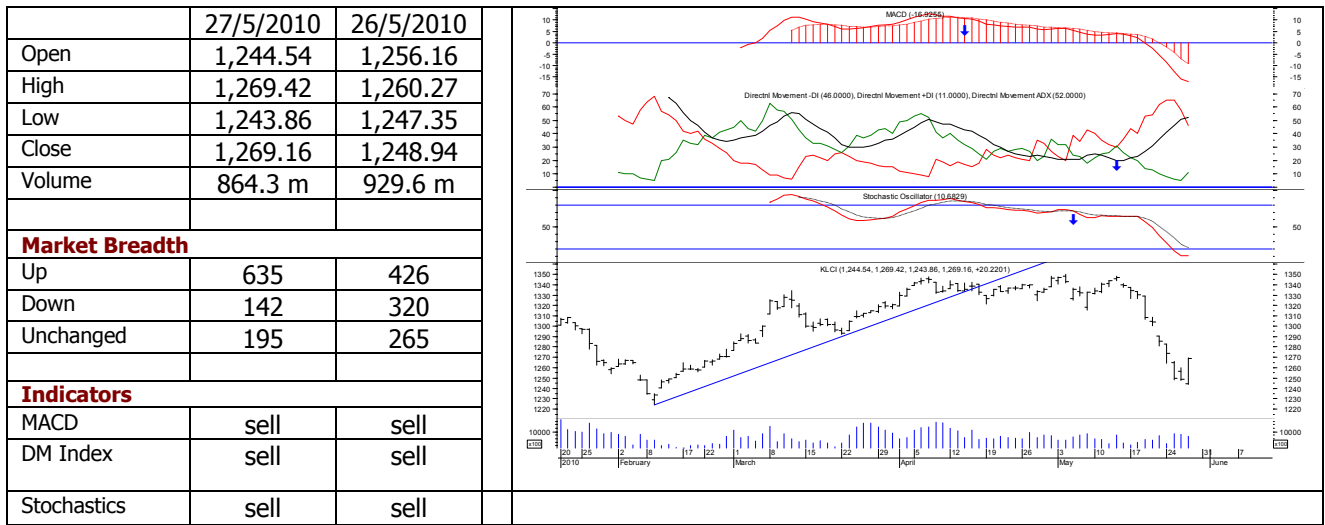


Technical Analysis – Daily FBM KLCI



Immediate resistance at 1,275 – 1,280

Market Commentary :

Worried over heavy debt loads in European countries and more cost-cutting measures to be taken to hamper economic recovery, DJIA had on 26/5/2010 lost **69.30** points to close at **9,974.45**.

The small double-digit loss in Wall Street sent a negative signal to Bursa Malaysia in the opening bell on 27/5/2010. FBM KLCI fell lower to reach lowest low of **1,243.86** since 11/2/2010 on light selling activity; however, the absence of stronger selling pressure at 1,243.86 level prompted risk taking renewed buying interest, this lifted stock index back up above 1,260 level to reach a day high of **1,269.42** before settled at **1,269.16**.

The double-digit **rise** of **20.22** points in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **Sime Darby (up RM0.23)**, **Maybank (up RM0.19)**, **IOI Corp (up RM0.07)**, **HL Bank (up RM0.07)** and **Genting M'sia (up RM0.14)**.

What was the chart saying

The weak near day low closing on 26/5/2010 continued to pressure the market to go lower last Thursday with a day low of 1,243.86. However, **what was interesting here was the way KLCI carried itself on that day (27/5/2010) ?** Unlike the recent bar patterns, the market on 27/5/2010 did not go far down after a lower opening bell on 27/5/2010, risk-taking buying interest came in to prop up the stock index in spite of a longer week-end. **What did it imply ?** The simple explanation behind 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.

KLCI lost 105 points in the last 10 days (13/5/2010 – 27/5/2010) from the recent high of 1,348 on 13/5/2010. At a day low of 1,243.86 on 27/5/2010, this market had retraced **84%** from low of 1,224.37 (9/2/2010) connecting the other high of 1,349.92 (4/5/2010). This market was severely

oversold. A **technical reaction** to this sharp decline of 105 points over the past 10 days should indeed come into play to neutralize the imbalance demand-supply relationship.

Bear in mind, what we saw on 27/5/2010 was only a **technical rebound** as the bottoming base formation was not strong enough to encourage serious buying interest; moreover, the market volume on 27/5/2010 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 continued to haunt traders' mind at this juncture. On this note, **the immediate overhead resistance was pegged between 1,275 – 1,280 level.**

Ladies & gentlemen, the market sell-off from 19/5/2010 to 25/5/2010 was not something to be reversed overnight, this market needed times to consolidate the severe decline during this period. **We said in our earlier report that** : "... it was impossible to tell the exact market turning point after the recent fall; but, a closer look at the past market performance in early 2010 indicated that market could extend its decline beyond 1,264 to 1,255 level **With the downside violation of 1,250 level on 25/5/2010, market would be gearing up to test low of 1,224 level during the process of finding a stable footing for technical rebound.**"

What were the strong hands doing

A check of internal market strength on 27/5/2010 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 – 27/5/2010 was about **43%** of what was liquidated from 12/5/2010 to 25/5/2010 **compared 15% in the preceding day.***

Conclusion :

The short and medium term market outlook had turned weak.

The analysis of overall daily market action(s) on 27/5/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,269.42.