

Technical Analysis – Daily FBM KLCI

	29/10/2010	28/10/2010	
Open	1,499.80	1,500.19	
High	1,505.66	1,501.57	
Low	1,497.72	1,495.55	
Close	1,505.66	1,499.44	
Volume	1,462.5 m	1,137.3 m	
Market Breadth			
Up	436	350	
Down	380	427	
Unchanged	287	287	
Indicators			
MACD	Sell	sell	
DM Index	Buy	buy	
Stochastics	buy	sell	

Finally a close above 1,500 level

Market Commentary :

Dampened by weak earnings news from 3M and Avon Products Inc. despite a surprise drop in 1st time claims for unemployment benefits, DJIA had on 28/10/2010 lost **12.33** points to close at **11,113.95**.

The double-digit drop in Wall Street did not send negative signal to Bursa Malaysia in the opening bell on 29/10/2010, FBM KLCI only traded to a day low of **1,497.72** as traders were seen reluctant to play selling game. However, weak follow thru selling pressure at **1,497.72** prompted renewed buying interests to roll in, and this lifted stock index to a high of **1,505.66** before settled at **day high**.

The **rise of 6.22** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **TM** (up **RM0.02** to **RM3.40**), **AMMB** (up **RM0.03** to **RM6.32**), **MayBank** (up **RM0.02** to **RM9.00**), **CIMB** (up **RM0.10** to **RM8.29**) and **KLK** (up **RM0.24** to **RM19.80**).

What was the chart saying

We saw another up thrust into 1,500 zone on 29/10/2010 for 3 days in a row after the "balanced" buying and selling pressure in the past 4 days (21/10/2010 – 26/10/2010), "balanced" because traders with winning trades wanted to get out of the game and traders who were hopeful of seeing a higher market continued to absorb the stock selling positions.

The market had finally found its footing above 1,500 level on 29/10/2010 after few unsuccessful attempts to do so earlier. It was not a surprise at all to see a settlement above 1,500 level last Friday, because we had been **highlighting** this possibility **consistently** earlier in our market reports that "Any attempt(s) to trade into 1,500 zone must be accompanied by strong determined

buying power as profit taking pressure would sure to show up at and above 1,500 level for the first 3 attempts.”

The extended period of stock positions changing hands between the bulls and bears from 27/10/2010 to 29/10/2010 in addition to the period between 21/0/2010 and 26/10/2010 (inclusive of dates) paid off with a close at 1,505.66 on 29/10/2010. These traders belonged to risk taking type, and they were believed to be expecting the stock index to test historical high of 1,524.69.

Let's explored deeper into the market profile in term of volatility and volume, FBM KLCI was confined to small trading range in the past 7 days, and the small range fluctuation did not cause any uncomfortable feelings to the traders; market volume remained above 1.0 billion mark with buying and selling activities continued to be transacted quietly without much noises. **Did it mean a calm before the storm ?** Many traders have "travelled" this far up, and the market was currently about 20 points away from fulfilling the "look good" feelings, these traders would not be likely to call it a quit now.

What would it imply for today's market (1/11/2010) ? There was good follow thru buying on 29/10/2010 above 1,500 level, as a "decision" to break upward was finally made after few rounds of tests to gauge the response of what other traders thought about the 1,500 level upside breakout. Stock index would still need to strengthen its footing at 1,500 level as traders with winning trades would continue to lock in their profits on 1/11/2010. We need to see a minimum of 3 closes above 1,500 level for 3 days in a row before new buying confidence can be expected to show up.

Psychologically, 1,500 level to remain a "barrier" as the last time this 1,500 level was broken, it was in 11/1/2008. And, FBM KLCI only spent 3 trading days above 1,500 with stock index reached the highest high of 1,524.69 on 14/1/2008 before succumbed to profit taking pressure.

What were the strong hands doing

A check of internal market strength on 29/10/2010 showed that buying strength improved with strong hand(s) seen acquiring a portion of buying positions, and the net number of stock positions acquired on 29/10/2010 was about 89% of what was disposed between 11/10/2010 and 28/10/2010.

Conclusion :

Market outlook remained friendly as KLCI was still trading above 50-day MA with key market support level pegged at 1,440; but, 1,475 level should act as immediate support.

The analysis of overall daily market action(s) on 29/10/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,505.66 .