



Technical Analysis – Daily FBM KLCI

	24/11/2010	23/11/2010	
Open	1,479.90	1,506.84	
High	1,493.01	1,508.34	
Low	1,476.82	1,487.53	
Close	1,488.54	1,487.53	
Volume	1,064.5 m	1,175.0 m	
Market Breadth			
Up	537	96	
Down	267	784	
Unchanged	235	196	
Indicators			
MACD	Sell	Sell	
DM Index	Sell	sell	
Stochastics	Sell	sell	

1,480 level must hold

Market Commentary :

Dampened by escalating tensions between South Korea and North Korea plus Euro Zone debt worries, DJIA had on 23/11/2010 lost **142.21** points to close at **11,036.37**.

This triple-digit loss in Wall Street sent an immediate negative signal to Bursa Malaysia in the opening bell on 24/11/2010, FBM KLCI traded broke below 1,480 level to a low of **1,476.82** as traders decided to liquidate their stock positions in anticipation of lower market. However, weak follow thru selling pressure in area of **1,476.82** prompted bargain hunting activity to roll in, this lifted stock index back up above 1,480 level to a day high of **1,493.01** before settled at **1,488.54**.

The **rise** of **1.01** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **Hong Leong Bank** (up **RM0.17** to **RM9.31**), **Genting** (up **RM0.08** to **RM10.12**), **CIMB** (up **RM0.03** to **RM8.34**), **Parkson** (up **RM0.18** to **RM5.79**) and **Boustead Hldgs** (up **RM0.33** to **RM5.54**).

What was the chart saying

Market continued its slide on 24/11/2010 following the weak down close scenario in the preceding day. The sell-off in yesterday (24/11/2010) was not unexpected, because there was a clear cut strong one-way selling on 23/11/2010, traders that missed the selling on 23/11/2010 would be mentally pressured to liquidate on 24/11/2010 on the back of 142 point loss in Wall Street.

Why did we see a market rebound to climb back up above 1,480 level then ? Theoretically, a downside violation of 1,480 level should shy traders away from this weak market; but, risk taking traders often believed that this market would manage to steal a rebound in the initial downside violation of important technical support level, this should give you a clear answer.

While consolidation can be expected to be seen ahead of us; but, a friendly market development occurred, because at the end of market trading yesterday, stock index had not only closed above the opening level, it had also settled with an up close. **What did it tell us ?** The intra-day low market on 24/11/2010 helped to shake out the weak hands while respecting the technical support level at 1,480 level.

Ladies and gentlemen, the market was in need of a pullback. The pullback from the historical peak at 1,531.99 (10/11/2010) to the low of 1,476.82 (24/11/2010) was about 3.6%, and this kind of % retracement was still considered normal.

Here were the reasons to explain why more consolidation ahead of us. Well, the close above 1,503 on 19/11/2010 may have earlier given a friendly indication to certain amount of risk buying confidence on 22/11/2010 after fighting hard to hold up the market in the face of selling pressures for 3 days prior to 19/11/2010. **BUT**, it was unavoidable to see that the settlement on 19/11/2010 was "done" on last minute of selective buying of blue chip stock(s). Many traders were not convinced of the closing on 19/11/2010 (FYI: We had mentioned in our earlier market reports that it was necessary for the stock index to climb back up above 1,503 level on a convincing manner).

The present market scenario indicated that bulls and bears would continue to outplay each other in an attempt to gain a control in the game. A market uncertainty was created on 19/11/2010 when its daily market range fell within the range of the day bar registered on 12/11/2010; thus, the sell down on 23/11/2010 basically suggested that market has yet to come out from the sell-offs on 11/11/2010 and 12/11/2010.

A convincing breakdown under this 1,480 level would signal a beginning shift of market trend, and the market top at 1,531.99 would be put in place. Conversely, a move above 1,510 level would be pointing to an upward leg.

What were the strong hands doing

A check of internal market strength on 24/11/2010 showed that buying strength improved with strong hand(s) seen acquiring a portion of buying positions, and the net number of stock positions liquidated on 11/11/2010 and 24/11/2010 was about 199% more than what was acquired between 8/11/2010 and 10/11/2010 compared to 296% in the preceding day.

Conclusion :

Market outlook remained friendly as KLCI was still trading above 50-day MA with key market support level pegged at 1,480.

The analysis of overall daily market action(s) on 24/11/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,493.01.