



Technical Analysis – Daily FBM KLCI

	1/11/2010	29/10/2010	
Open	1,510.69	1,499.80	
High	1,511.24	1,505.66	
Low	1,506.31	1,497.72	
Close	1,509.66	1,505.66	
Volume	1,271.4 m	1,462.5 m	
Market Breadth			
Up	344	436	
Down	440	380	
Unchanged	316	287	
Indicators			
MACD	Sell	sell	
DM Index	Buy	buy	
Stochastics	buy	buy	

Catalyst needed

Market Commentary :

Held back by a coming mid-term election and more earnings releases, DJIA had on 29/10/2010 gained 4.54 points to close at 11,118.49.

The single-digit rise in Wall Street sent a friendly signal to Bursa Malaysia in the opening bell on 1/11/2010, FBM KLCI traded higher to a day high of 1,511.24 as traders continued to play a buying game in anticipation of higher market. However, weak follow thru buying pressure at 1,511.24 prompted light profit taking activity to roll in, and this put a pressure on stock index down to a low of 1,506.31 before settled at 1,509.66.

The **rise of 4.0** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **Sime Darby** (up RM0.04 to RM8.87), **AMMB** (up RM0.03 to RM6.35), **RHB Cap** (up RM0.07 to RM8.10), **CIMB** (up RM0.07 to RM8.36) and **IOI Corp** (up RM0.03 to RM5.85).

What was the chart saying

Market traded above 1,510 zone on 1/11/2010 given the day high close scenario last Friday (29/10/2010); however, the stock index encountered profit taking pressure in the vicinity of 1,510 level. Theoretically, market should continue to find greater strength here; but, somehow, buying volume was not seen gushing in to live up to the earlier expectation of many traders and investors after days of sideways trading action (21/10/2010 – 28/10/2010) prior the up close above 1,500 level on 29/10/2010. **What seemed to have gone wrong ?**

There was follow thru buying support on 1/11/2010 except it was not forceful enough to create a "hoo-haa" trading environment to induce more speculative buying interest. On this note, it appeared that this market was looking for a catalyst to really carry the market upward on a sustainable basis even though the stock index remained in the uptrend and there was underneath buying support in recent price action.

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It was not a surprise at all to see a settlement above 1,500 level again yesterday and 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. And, these traders belonged to risk taking type, and were believed to be expecting the stock index to test historical high of 1,524.69.

FBM KLCI had "travelled" this far up, and the market was currently about 13 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 (2/11/2010) ? 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 2/11/2010. We thus 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 1/11/2010 showed that buying strength **weakened marginally** with strong hand(s) seen **disposing a portion of buying positions**, and the net number of stock positions **acquired** on **29/10/2010 – 1/11/2010** was about **60% of** what was **disposed** between 11/10/2010 and 28/10/2010 compared to **89%** in the preceding trading day.

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 1/11/2010 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,506.31 .