



Technical Analysis – Daily FBM KLCI

	8/10/2010	7/10/2010	
Open	1,481.88	1,481.59	
High	1,484.48	1,481.93	
Low	1,479.31	1,476.25	
Close	1,481.41	1,481.45	
Volume	1,075.1 m	841.8 m	
Market Breadth			
Up	397	299	
Down	332	410	
Unchanged	301	303	
Indicators			
MACD	Sell	sell	
DM Index	Buy	buy	
Stochastics	Buy	buy	

Upper Channel Line Remained Hurdle

Market Commentary :

Held back ahead by Friday's employment report from Labor Department, DJIA had on 7/10/2010 shed 19.07 points to close at 10,948.58.

The double-digit drop in Wall Street did not send negative signal to Bursa Malaysia in the opening bell on 8/10/2010, FBM traded higher to a day high of **1,484.48** as some traders took the chance to play a buying game. However, in the absence of stronger buying support, pre-weekend light profit taking activity rolled in, this put a pressure on stock index down to **1,479.31** before settled at **1,481.41**.

The **marginal drop** of **0.04** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **GenM** (down RM0.01 to RM3.55), **CIMB** (down RM0.02 to RM8.17), **Hong Leong Bank** (down RM0.01 to RM9.30), **Proton** (down RM0.04 to RM4.87) and **Plus** (down RM0.04 to RM4.16).

What was the chart saying

Market went higher on 8/10/2010 following the up close scenario in the preceding day (7/10/2010) plus the crossover of 1,475 level into 1,480 zone with an upside gap scenario on 6/10/2010. The higher high on 8/10/2010 was expected, for the last minute buying of selective blue chip stock(s) on 7/10/2010 showed the **"intention"** on the part of certain traders to keep the market "afloat".

The lower high scenario on 7/10/2010 suggested that traders were not so keen to push the market up fast for fear of running the stock index into overbought zone as the market had just done its pull back from 1,479.55 (17/9/2010) to 1,445.33 (24/9/2010), a small platform was subsequent formed to neutralize the demand-supply relationship created during the run up from 1,428.66 (8/9/2010) to 1,479.55 (17/9/2010).

All information, views and advice are given in good faith but without legal responsibility. Mercury Securities Sdn. Bhd. or companies or individuals connected with it may have used research material before publication and may have positions in or may be by materially interested in any stocks in the markets mentioned.

Now, we had a market scenario of a lower high on 7/10/2010 and a higher high on 8/10/2010, what was actually in store ? These mixed signals showed uncertainty among traders. The way this market behaved in the last 2 days seemed to indicate that certain traders were doing a test to gauge reactions from other traders and investors about the market expectation.

Ladies & gentlemen, by not pushing the market harder to the upside on 7/10/2010 gave an opportunity to some traders to further accumulate stocks before ramping up the market again. Bear in minds, the non-follow thru selling pressure on 5/10/2010 somehow already provided certain amount of buying confidence to traders to establish stock positions the next day (6/10/2010) under the support of favourable developing external factor(s) on 5/10/2010.

The upside breakout on 6/10/2010 carried a significance as it led traders out of the usual game play pattern. **This fit into what we said in our earlier market reports** the **non-willingness** on the part of traders to either play up the market or play down the market on a more aggressive basis from 27/9/2010 to 5/10/2010, and the rationale behind the non-aggressive was believed to have something to do with one single word – **PATIENCE**.

Ladies & gentlemen, these traders were believed to have viewed a crossover of the upper line of upward sloping channel as a crucial sign to see stronger upward move ahead.

One last thing, the island bottom pattern formed as a result of upside gap scenario on 27/9/2010 remained in place at this juncture.

What were the strong hands doing

A check of internal market strength on 8/10/2010 showed that buying strength **improved** with strong hand(s) seen **acquiring a portion of buying positions**, and the net number of stock positions **acquired** from 29/9/2010 to **8/10/2010** was about **32%** of what was **disposed** between 14/9/2010 and 28/9/2010 compared to **28%** in the preceding day.

Conclusion :

Market outlook remained friendly as KLCI was still trading above 50-day MA with key market support level to remain at 1,400; but, 1,440 – 1,450 level should act as immediate support.

The analysis of overall daily market action(s) on 8/10/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,484.48 after making attempt to go lower than 1,479.31.