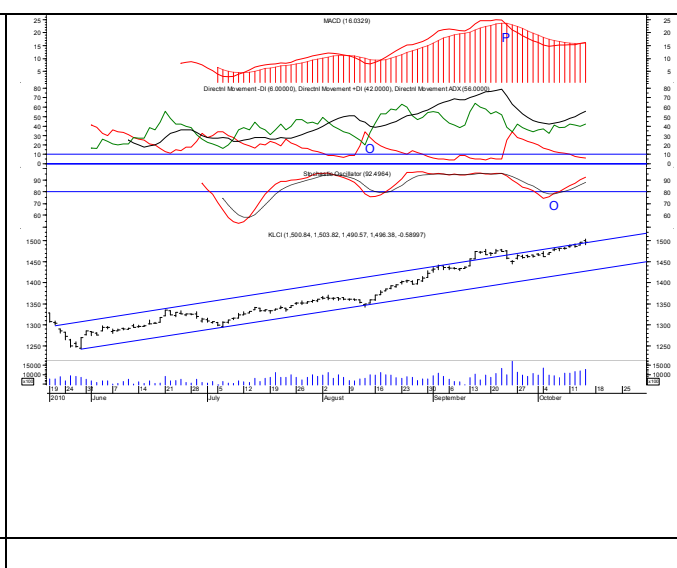


Technical Analysis – Daily FBM KLCI

| | 14/10/2010 | 13/10/2010 |
|-----------------------|------------|------------|
| Open | 1,500.84 | 1,489.56 |
| High | 1,503.82 | 1,496.96 |
| Low | 1,490.57 | 1,489.27 |
| Close | 1,496.38 | 1,496.97 |
| Volume | 1,274.4 m | 1,199.5 m |
| Market Breadth | | |
| Up | 348 | 576 |
| Down | 455 | 236 |
| Unchanged | 302 | 256 |
| Indicators | | |
| MACD | buy | buy |
| DM Index | buy | buy |
| Stochastics | buy | buy |



1,500 still a barrier

Market Commentary :

Supported by better corporate earnings reports, DJIA had on 13/10/2010 gained 75.68 points to close at 11,096.08.

The double-digit gain in Wall Street sent another friendly signal to Bursa Malaysia in the opening bell on 14/10/2010, FBM KLCI crossed into 1,500 zone to reach highest high of **1,503.82** since 16/1/2008 as traders continued to play a buying game in anticipation of higher market. However, weak follow thru buying support in area of **1,503.82** prompted profit taking activity to roll in, this pushed stock index below 1,500 level to a day low of **1,490.57** before recovered to settle at **1,496.38**.

The **marginal decline** of **0.59** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **GenM** (down RM0.03 to RM3.55), **Sime Darby** (down RM0.01 to RM8.84), **Hong Leong Bank** (down RM0.01 to RM9.40), **CIMB** (down RM0.07 to RM8.00) and **TM** (down RM0.03 to RM3.46).

What was the chart saying

Market traded higher with the first crossover into 1,500 zone on 14/10/2010 since 16/1/2008, the crossover was within expectation as the strong up close on 13/10/2010 was accompanied by 1.2 billion shares, and this up close came about under a reversal game play pattern from down (12/10/2010) to up (13/10/2010).

The bulls had overcome many hurdles along the way to carry the stock index up to 1,496.96 on 13/10/2010, and it would certainly be a waste of efforts if 1,500 were not being tested at all. Furthermore, the higher high scenario on 12/10/2010 had also indicated that there was a **stronger risk appetite** for stocks even though traders were earlier seen not so willing to push the stock

index up fast for fear of running the stock index into an overbought zone again as the market had just done its pull back from 1,479.55 (17/9/2010) to 1,445.33 (24/9/2010).

Now, with market reached its peak since 16/1/2008 on 14/10/2010, would the market be trading above 1,500 level on 15/10/2010 ? Finally, we tasted the "sweetness" above 1,500 level after 21 months, and it was indeed good to see cheerful faces on the streets where people started to talk about the steaming hot bull market. **Ladies & gentlemen, 1,500 level to remain an important barrier psychologically** 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.

More new attempts to break into 1,500 level can still be seen And, this kind of attempts would usually carry 2 implications :- (1) Strong hands would take opportunity to flush out the weak hands around 1,500 level by accumulating more bullets at lower level for preparation to re-test the historical high of 1,524.69 recorded on 14/1/2008; (2) Once this market makes a re-entry into 1,500 zone, small investors would get excited and be lured into play again especially when media begin to talk about the stock market in a bigger scale. **Guess what would likely be happen then ?** The strong hands that buy stock position on this expected pull back would begin to unload as stock index approaches 1,525 level. Aggressive traders looking at chart would think ahead of the potential market risk in forming a Double Top pattern.

This may sound like a market prediction to you; but, this is how strong hands have been making money from stock market.

Nevertheless, **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.**

What were the strong hands doing

A check of internal market strength on 14/10/2010 showed that buying strength **weakened** with strong hand(s) seen **disposing a portion of buying positions**, and the net number of stock positions **acquired** from 29/9/2010 to **14/10/2010** was about **36%** of what was **disposed** between 14/9/2010 and 28/9/2010 compared to **46%** 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, 1,450 – 1,460 level should act as immediate support.

The analysis of overall daily market action(s) on 14/10/2010 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,490.57.