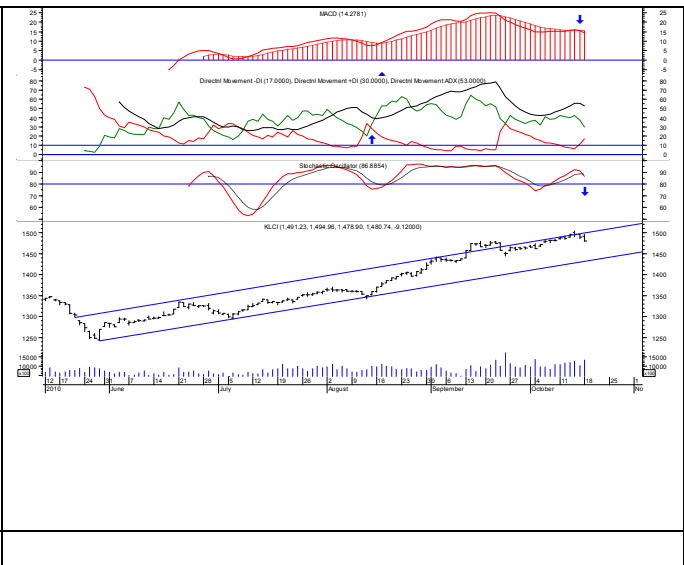


Technical Analysis – Daily FBM KLCI

	18/10/2010	15/10/2010
Open	1,491.23	1,494.88
High	1,494.96	1,494.88
Low	1,478.90	1,486.11
Close	1,480.74	1,489.86
Volume	1,330.5 m	1,020.9 m
Market Breadth		
Up	299	324
Down	468	405
Unchanged	298	341
Indicators		
MACD	sell	sell
DM Index	buy	buy
Stochastics	sell	buy



Selling Pressure Continued

Market Commentary :

Worried over the impact of the foreclosure crisis on banks, DJIA had on 15/10/2010 lost **31.79** points to close at **11,062.78**.

The double-digit drop in Wall Street did not send an immediate negative effect to Bursa Malaysia in the opening bell on 18/10/2010, FBM KLCI traded higher to an intra-day high of **1,494.96** as some traders took the chance to play on buying side. However, non-follow thru buying support in area of **1,494.96** prompted profit taking activity to roll in, and this pushed stock index down to a low **1,478.90** before settled at **1,480.74**.

The **fall of 9.16** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **Genting** (down **RM0.10** to **RM10.10**), **AMMB** (down **RM0.01** to **RM5.90**), **Hong Leong Bank** (down **RM0.10** to **RM9.20**), **CIMB** (down **RM0.03** to **RM7.91**) and **TM** (down **RM0.01** to **RM3.41**).

What was the chart saying

An attempt was made to prop up the market on 18/10/2010, stock index subsequently went above last Friday high of 1,494.88 to 1,494.96 yesterday despite the down close scenario on 15/10/2010. **Why ?** The attempt by certain traders was aimed at keeping the market trading sentiment from getting worst when the near day low settlement on 15/10/2010 was not supposed to augur well for a friendly market move on 18/10/2010.

What happened next after the higher high attempt on 18/10/2010 ? FBM simply could not find its sustaining power at 1,494.96 as many traders were not "buying" and were seen unloading instead. **Was the lower market move a surprise ?** No, it was not a surprise. Because market had "fulfilled its goal" by making its presence above 1,500 level on 14/10/2010 after 21 months of ups and downs. And, when this target of 1,500 level was hit, traders that involved in pushing the market

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up withdrew from the game play by transferring a portion of their stock holdings to new hands for profits. This [explanation](#) should give you an idea of why some traders are better than others.

You may now ask why the market had to turn down so soon when 1,500 level was only penetrated on 14/10/2010 on intra-day basis ? Well, I could understand that there was a reversal game play pattern from down (12/10/2010) to up (13/10/2010), which indicated that traders were still comfortable to establish stock positions. **BUT**, these traders were short term players, and they were not interested in keeping their profits long on the papers. Moreover, the buying force that pushed the market above 1,500 level on 14/10/2010 had caused the stock index to go into overbought zone by technical standard.

Can we still see the market trading above 1,500 level again ? [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.

What would the market do next after slipping back below 1,500 level on 14/10/2010 ? Traders would allow the market to take its own course of direction (a downward corrective move), for the stock index had been creeping upward since making its recent low of 1,445.33 (24/9/2010). **When can we expect to see the emergence of buying again ?** This corrective pressure would continue as long as traders are not comfortable to re-establish stock positions, and positive sign would show up when these traders believe the right timing is around the corner. **[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 18/10/2010 showed that buying strength *[weakened](#)* with strong hand(s) seen *[disposing a portion of buying positions](#)*, and the net number of stock positions *[disposed](#)* from 12/10/2010 to [18/10/2010](#) was about **17%** more than what was *[acquired](#)* between 4/10/2010 and 11/10/2010.

Conclusion :

Market outlook remained friendly as KLCI was still trading above 50-day MA with key market support level pegged at 1,440; but, 1,470 level should act as immediate support.

[The analysis of overall daily market action\(s\) on 18/10/2010 revealed that buying power\(s\) was weaker compared to selling pressure\(s\), FBM KLCI would thus likely to trade below 1,478.90.](#)