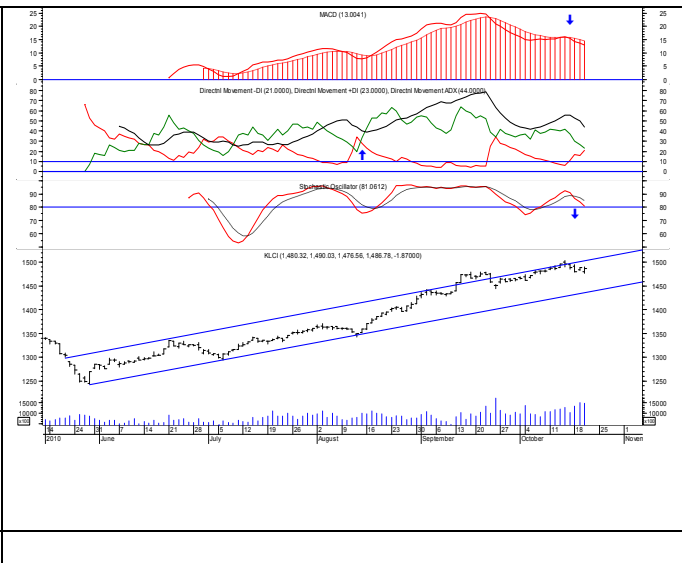


Technical Analysis – Daily FBM KLCI

	20/10/2010	19/10/2010	
Open	1,480.32	1,483.74	
High	1,490.03	1,488.77	
Low	1,476.56	1,483.12	
Close	1,486.78	1,488.65	
Volume	1,488.8 m	1,499.6 m	
Market Breadth			
Up	385	438	
Down	408	369	
Unchanged	293	276	
Indicators			
MACD	sell	sell	
DM Index	buy	buy	
Stochastics	sell	sell	

Just Wanted To Stay On

Market Commentary :

Dampened by a stronger US dollar and a surprise interest rate hike in China to fight inflation, DJIA had on 19/10/2010 lost **165.07** points to close at **10,978.62**.

The triple-digit fall in Wall Street sent a negative effect to Bursa Malaysia in the opening bell on 20/10/2010, FBM KLCI traded down to a day low of **1,476.56** as traders rushed to play a selling game in anticipation of lower market. However, weak-follow thru selling pressure in area of **1,476.56** prompted light bargain buying interest to roll in, and this pulled stock index up to a high **1,490.03** before settled at **1,486.78**.

The **drop** of **1.87** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **Genm** (down RM0.05 to RM3.51), **Maybank** (down RM0.01 to RM8.90), **Sime Darby** (down RM0.02 to RM8.85), **TM** (down RM0.01 to RM3.38) and **IOI Corp** (down RM0.01 to RM5.78).

What was the chart saying

Market came under selling pressure to go lower than the immediate low of 1,478.90 (18/10/2010) on 20/10/2010 despite the strong up close in the preceding day (19/10/2010). And, it was a little surprise to see a lower market level, because market volume was higher on 19/10/2010 compared to that of 18/10/2010. However, the rebound from day low to close near day high at **1,490.03** on 20/10/2010 showed the presence of **supporting buying interest** and a **non-aggressiveness** on the part of traders to sell down the market **at this point of time**.

In fact, the market rebound and the ability to stay above 1,470 level on 20/10/2010 was **good** as it did not make traders or investors nervous about the weakening market. **What would it imply for today's market (21/10/2010) ?** Traders somehow can expect to find support at 1,470 level with stock index likely to hold itself in a sideways environment for a few days while trying to consolidate

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.

its position to regain its upward strength. **1,470 level must be protected, for a downside breakout of 1,470 level would signal more downward plays, the market would then be likely to move down to 1,440 level before it could garner buying interest.**

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) without a notable correction.

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 20/10/2010 showed that buying strength *improved* with strong hand(s) seen *acquiring a portion of buying positions*, and the net number of stock positions *disposed* from 12/10/2010 to 20/10/2010 was about **68%** of what was *acquired* between 4/10/2010 and 11/10/2010 compared to **71%** 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 1,440; but, 1,470 level should act as immediate support.

The analysis of overall daily market action(s) on 20/10/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,490.03.