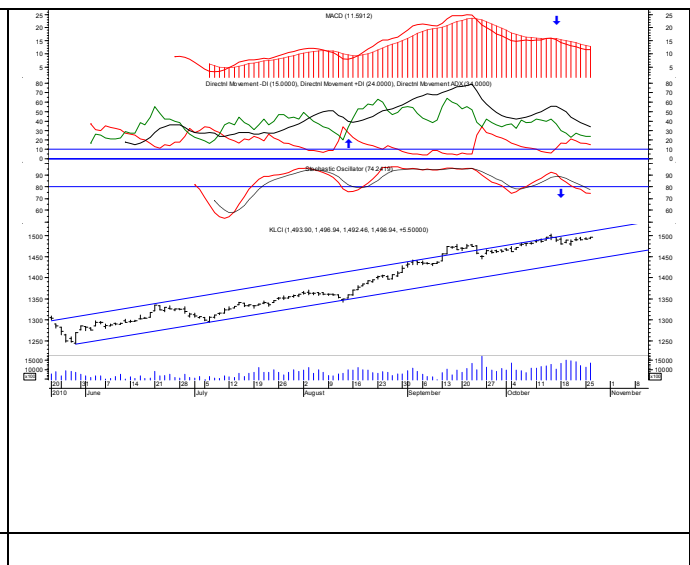


Technical Analysis – Daily FBM KLCI

	26/10/2010	25/10/2010
Open	1,493.90	1,493.53
High	1,496.94	1,495.74
Low	1,491.81	1,491.25
Close	1,496.94	1,491.44
Volume	1,375.0 m	1,131.1 m
Market Breadth		
Up	454	511
Down	361	268
Unchanged	284	310
Indicators		
MACD	Sell	sell
DM Index	Buy	buy
Stochastics	Sell	sell



Waiting for the right timing

Market Commentary :

Led by growing expectations that Federal Reserve would take steps to boost the economy, DJIA had on 25/10/2010 gained **31.49** points to close at **11,164.05**.

The double-digit rise in Wall Street sent a friendly signal to Bursa Malaysia in the opening bell on 26/10/2010, FBM KLCI only traded to a day low of **1,491.81** as traders were seen not keen to sell down the market in anticipation of higher level. In the absence of stronger selling pressure, renewed buying interest rolled in, and this lifted stock index to a high **1,496.94** before settled at **day high**.

The **rise** of **5.50** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **Tenaga Nasional** (up RM0.08 to RM8.88), **AMMB** (up RM0.09 to RM6.07), **Sime Darby** (up RM0.04 to RM8.88), **CIMB** (up RM0.04 to RM8.08) and **IOI Corp** (up RM0.01 to RM5.81).

What was the chart saying

Market went higher on 26/10/2010 despite the down close scenario in the preceding trading day (25/10/2010). And, it was no surprise to see a higher market yesterday (26/10/2010), because the smaller market volume of 1.13 billion shares on 25/10/2010 compared to that of 22/10/2010 indicated a weaker selling pressure. Furthermore, the rebound from day low to close near day high at **1,490.03** on 20/10/2010 had also shown 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**.

So, we basically saw a "balanced" buying and selling pressure in the past 4 days (21/10/2010 – 26/10/2010), "balanced" because traders with winning trades wanted to get out of the game and traders who were hopeful of seeing a higher market continued to absorb the stock selling positions.

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.

Having rebounded on 20/10/2010 with another staying power above 1,490 level on 26/10/2010, **what would it imply for today's market (27/10/2010) ?** Stock index can either be expected to make a re-test of 1,500 psychological level on 27/10/2010 or hold itself in a sideways environment for another few days before gearing up to re-test 1,500 level.

The unwillingness to test 1,500 level on 26/10/2010 somehow showed non-readiness on the part of traders to break the 1,500 level in a hurry as traders knew that time could play its role to dictate the market direction soon. Traders needed sufficient firing power before making the next decisive attempt(s) to push thru 1,500 level, and the game so far was seen played in their way.

Nevertheless, 1,470 level must be protected even though the attempt to break above 1,500 level were to fail this round, 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.

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 26/10/2010 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 19/10/2010 to 26/10/2010 was about 18% more than what was disposed between 11/10/2010 and 18/10/2010 compared to 31% i 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 26/10/2010 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,496.94 .