



Technical Analysis – Daily FBM KLCI

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|-----------------------|-----------|----------|--|
| | 10/2/2011 | 9/2/2011 | |
| Open | 1,524.39 | 1,541.63 | |
| High | 1,527.39 | 1,541.98 | |
| Low | 1,503.99 | 1,533.38 | |
| Close | 1,503.99 | 1,536.07 | |
| Volume | 2.22 b | 2.19 b | |
| Market Breadth | | | |
| Up | 160 | 347 | |
| Down | 750 | 493 | |
| Unchanged | 223 | 286 | |
| Indicators | | | |
| MACD | Sell | Sell | |
| DM Index | Sell | Sell | |
| Stochastics | Sell | sell | |

Gapped down

Market Commentary :

Dampened by Ben Bernanke's statement of high unemployment rate for several years, DJIA had on 9/2/2011 **lost 6.74** points to close at **12,239.8**.

The single-digit **drop** in Wall Street sent a negative effect to Bursa Malaysia in the opening bell on **10/2/2011**, FBM KLCI gapped down with only a day high of **1,527.39** as traders chose to play on selling side in anticipation of lower market. Under greater selling pressure, stock index went below 1,510 zone to reach a low of **1,503.99** before settled **day low**.

The **drop** of **32.08** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **IOI Corp** (down RM0.22 to RM5.56), **Tenaga Nasional** (down RM0.20 to RM5.95), **AMMB** (down RM0.27 to RM6.18), **Public Bank** (down RM0.08 to RM13.06) and **Hong Leong Bank** (down RM0.02 to RM9.23).

What was the chart saying

Market went lower on 10/2/2011 following the down close scenario in the preceding day. The lower market on 10/2/2011 was not a surprise, because most of the intra-day market volume on 9/2/2011, 8/2/2011 and 7/2/2011 was seen more on selling side due to profit taking activity. **So, why did the stock index continue to slide on 10/2/2011 ?** Well, the fall on stock index on 10/2/2011 was attributed to the absence of risk taking appetite plus the eagerness on the part of traders to lock in winning trades.

Having taken cue from what market weakness on 9/2/2011, stock index had on 10/2/2011 clearly chosen not to spend another minute to look for a footing above 1,540 level in any attempt to contain the market friendliness built since 2/2/2011. This can be traced from the downside gap created on 10/2/2011, and the **7 points gap** showed the higher urgency on the part of traders to liquidate stock positions.

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Some of you may want to ask what really triggered the fall on 10/2/2011 ? It basically boiled down to a change of market perception among the traders in the past 3 days (7/2/2011 – 9/2/2011), and nothing more. Of course, the downside gap created on 21/1/2011 that occurred near the previous supportive level at 1,558.64 (11/1/2011) still carried certain amount of significance for it indicated a breakaway, and traders would choose to respect this negative market sign as reference in their game play.

One may also ask, didn't the market turnaround to go above 1,530 level on 2/2/2011 with an up close scenario on 7/2/2011 and 8/2/2011 were encouraging for the market to stay on friendly side ? The up closes scenario was indeed a friendly sign, except that the game play behavioural displayed in those days did not confirm the aggressiveness and willingness on the part of traders to play on long buying side. **Like what we mentioned in our earlier market reports that** a small consolidation was seen in the making. A consolidation pattern was viewed a process to neutralize the recent imbalance demand and supply relationship, and how the consolidation pattern shaping up in coming days would determine the next market direction. And, it remained critical to have stock index **NOT** to go below 1,513 level.

The inability on the part of stock index to keep its position above 1,513 level on 10/2/2011 had again proven the **weakened foundation** since the earlier downside violation of support level at 1,530 on 26/1/2011. What we saw on 9/2/2011 and 10/2/2011 were not something unexpected, because we had **mentioned before** in our market report on 28/1/2011 that traders would sell into rallies following the downside violation of support level at 1,530 on 26/1/2011.

Market volume was **2.22** billion shares on 10/2/2011 compared to **2.19** billion shares on 9/2/2011. **What can be said about that ? The bigger market volume with a drop in stock index showed the presence of stronger selling interest.** The advancers/decliners ratio stood at **160/750** on 10/2/2011 compared to **347/493** on 9/2/2011 and **506/379** on 8/2/2011.

What were the strong hands doing

A check of internal market strength on 10/2/2011 showed that buying strength **weakened** with strong hand(s) seen **disposing a portion of buying positions,** and the net number of stock positions **established** from **26/1/2011 to 10/2/2011** was about **49% of** what was **liquidated** between 17/1/2011 and 25/1/2011 compared to **90%** in the preceding day.

Conclusion :

Market outlook was not seen friendly as KLCI had on 2/2/2011 turned its position around to go above the 50-day MA with key market support level pegged at 1,500.

The analysis of overall daily market action(s) on 10/2/2011 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,503.99.