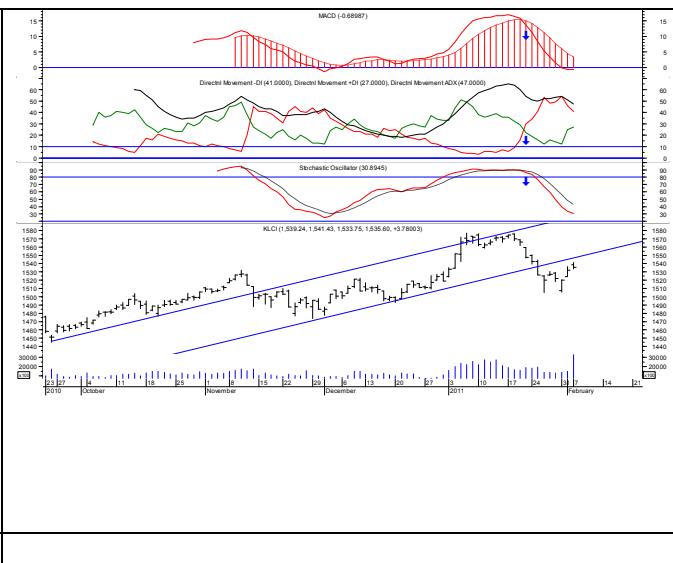


Technical Analysis – Daily FBM KLCI

	7/2/2011	2/2/2011	
Open	1,539.24	1,524.74	
High	1,541.43	1,536.27	
Low	1,533.75	1,524.74	
Close	1,535.60	1,531.82	
Volume	3.23 b	1.53 b	
Market Breadth			
Up	567	674	
Down	287	137	
Unchanged	240	173	
Indicators			
MACD	Sell	Sell	
DM Index	Sell	Sell	
Stochastics	Sell	sell	

Consolidation seen in the making

Market Commentary :

Led by report on sharp drop in unemployment rate to 9% in January 2011 from 9.4% in December 2010 to register the lowest rate since April 2009, DJIA had on 4/2/2011 **gained 29.89** points to close at **12,092.15**.

The double-digit **rise** in Wall Street sent another positive effect to Bursa Malaysia in the opening bell on 7/2/2011, FBM KLCI traded into 1,540 zone to a day high of **1,541.43** as traders decided to stage a follow thru buying support in anticipation of higher market. However, weak follow thru buying support in area of **1,541.43** prompted profit taking activity to roll in, and this put a pressure on stock index down to **1,533.73** before settled **1,535.60**.

The **rise** of **3.78** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **IOI Corp** (up RM0.03 to RM5.78), **Sime Darby** (up RM0.04 to RM9.33), **TM** (up RM0.01 to RM3.72), **Public Bank** (up RM0.02 to RM13.46) and **Hong Leong Bank** (up RM0.03 to RM9.39).

What was the chart saying

Market went higher on 7/2/2011 following the up close scenario on 2/2/2011. The higher market on 7/2/2011 was not a surprise, because the upside gap created on 2/2/2011 and the market rebound on 31/1/2011 showed the presence of buying support. In other words, the higher market on 7/2/2011 was a continuation game play which was shaped up on 31/1/2011.

However, market could not find its sustaining power above 1,540 level on 7/2/2011. **Why ?** It was not hard to understand the simple logic behind, as the stock index had already chalked up about 36 points within 3 trading days (low of 1,505.85 on 31/1/2011 – high of 1,541.43 on 7/2/2011), and short term traders would want to lock in their winning trades.

Moreover, the downside gap left behind on 21/1/2011 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 respect this negative market sign as reference in their game play.

Ladies & gentlemen, the market turnaround to go above 1,530 level on 2/2/2011 and an up close scenario on 7/2/2011 was still be seen encouraging for the market to stay on friendly side with small consolidation in the making. A consolidation pattern was viewed a process to neutralize the imbalance demand and supply relationship.

In fact, what we saw in the past 6 trading days (26/1/2011 – 7/2/2011) was nothing more than an attempt to shake out weak hands by certain traders in order to establish cheaper stock positions with an expectation to make a quick gain on technical rebound.

The fall to 1,505.36 on 26/1/2011 represented a 70% retracement from low of **1,474.02** on 29/11/2010 to the high of 1,576.42 on 18/1/2010. A retracement beyond 61.8% was actually deemed to be a sign of further market weakness; **but**, this market had on 26/1/2011 somehow managed to recover a portion of lost ground above 1,513 level (61.8% retracement) by registering a close above 1,513 level in an effort to avoid an overly “bearish” scenario.

Market volume was **3.23** billion shares on 2/2/2011 compared to **1.53** billion shares on 2/2/2011. **What can be said about that ? The increase market volume with a rise in stock index showed the presence of stronger buying interest.** The advancers/decliners ratio stood at **567/287** on 7/2/2011 compared to **674/137** on 2/2/2011 and **300/428** on 31/1/2011.

What were the strong hands doing

A check of internal market strength on 7/2/2011 showed that buying strength **improved** with strong hand(s) seen **acquiring a portion of buying positions**, and the net number of stock positions **established** from **26/1/2011 to 7/2/2011** was about **68% of** what was **liquidated** between 17/1/2011 and 25/1/2011 compared to **41%** 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 7/2/2011 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,533.75.