



Technical Analysis – Daily FBM KLCI

	11/1/2011	10/1/2011	
Open	1,559.27	1,574.64	
High	1,565.33	1,576.37	
Low	1,558.64	1,561.55	
Close	1,562.94	1,563.52	
Volume	2.70 b	2.22 b	
Market Breadth			
Up	437	427	
Down	426	478	
Unchanged	282	233	
Indicators			
MACD	buy	buy	
DM Index	buy	buy	
Stochastics	buy	buy	

1,558 level to watch TODAY

Market Commentary :

Worried over the health of the euro-zone economy, DJIA had on 10/1/2011 **shed 37.31** points to close at **11,637.4**.

The double-digit **drop** in Wall Street sent a negative signal to Bursa Malaysia in the opening bell on **11/1/2011**, FBM KLCI traded to a day high of **1,565.33** after unsuccessful attempt on 10/1/2011 to beat record high of 1,576.95 registered on 6/1/2011. In the absence of buying support in area of **1,565.33**, profit taking activity rolled in, this pushed the stock index down to a day low of **1,558.64** before settled **1,562.94 on last minute of selective buying of blue chips**.

The **drop** of **0.58** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **TM** (down RM0.01 to RM3.63), **Hong Leong Bank** (down RM0.01 to RM9.34), **TopGlove** (down RM0.02 to RM5.38), **Sime Draby** (down RM0.01 to RM9.29) and **KLK** (down RM0.04 to RM22.36).

What was the chart saying

Market went below 1,560 level yesterday (11/1/2011) following the down close scenario in the preceding day (10/1/2011). The 1,560 level downside violation on 11/1/2011 was not really a surprise as the market had on 10/1/2011 **could not** garner enough ammunition to push the stock index thru the peak of 1,576.95.

Why a day of lower high market on 11/1/2011 ? Like we had said in our market report written on 6/1/2011 for 7/1/2011, the **settlement values** of KLCI on 5/1/2011 and 6/1/2011 sat on the upper line of the upward sloping channel, and this indicated that traders respected the upper band of the channel even though the market trading mood was bullish. The weak market settlement on 10/1/2011 extended the downward pressure in yesterday's market, and the lower

market on 10/1/2011 and 11/1/2011 had pushed the stock index back down into the upward sloping channel.

Ladies & gentlemen, the market reached historical high of 1,576.95 on 6/1/2011, and there was no stronger follow thru buying interest to lift the stock index higher in the subsequent trading days (7/1/2011 & 10/1/2011) despite having market volume of more than 2 billion shares on these dates. **What would it imply ?** Since making the day low of 1,493.22 on 20/12/2010, market had been trading upward to reach an unprecedented high of 1,576.95 on 6/1/2011. *A run up of 83 points over 12 trading days gave a percentage increase of 5.5% without a reasonable pullback to neutralize the demand-supply relationship did not seem to be healthy.* Certain amount of consolidation was seen necessary as this would give traders and investors a chance to assess whether the high end of 1,570 level was an area to load up more stock positions or wait for a pullback to re-establish new stock positions.

We said in our earlier market report written on 7/1/2011 for 10/1/2011 that **Would the high of 1,573.63 on 7/1/2011 be pointing to a lower market today (10/1/2011) ?** Technically, we should begin to see a pull back after the recent strong run up, and the market momentum was also seen to have been tapered off. **Wasn't 1,563 level being broken on 5/1/2011 accompanied by 2 subsequent up closes on 6/1/2011 and 7/1/2011 ?** **The 3 up closes above 1,563 level on 5/1/2011, 6/1/2011 and 7/1/2011 were encouraging and should lead to higher market level; but, an internal market weakness was seen to be shaping up in the same time.**

Market volume was 2.70 billion shares on 11/1/2011 compared to 2.22 billion shares on 10/1/2011. **What can be said about that ?** The increase in market volume indicated less buying participation in the game play with ratio of advancers/decliners stood at 437/426 on 11/1/2011 compared to 427/478 on 10/1/2011 and 526/324 on 7/1/2011. **However, higher market volume with marginal drop in stock index showed the presence of buying support to keep the upward move in place.**

Given what happened on 11/1/2011, what would the market do next ? The lower market on 11/1/2011 was not seen friendly; thus, we should see attempt to push the market lower on 12/1/2011 as more traders would likely to lock in their profits on winning trades in anticipation of more pullback after failing to cross over resistance at 1,577 level in the past 3 trading days (6/1/2011 – 10/1/2011).

What were the strong hands doing

A check of internal market strength on 11/1/2011 showed that buying strength weakened with strong hand(s) seen disposing a portion of buying positions, and the net number of stock positions liquidated from 10/1/2011 to 11/1/2011 was about 30% of what was acquired between 30/12/2010 and 7/1/2011 compared to 18% in the preceding trading day.

Conclusion :

Market outlook remained friendly as KLCI was still trading above 50-day MA with key market support level pegged at 1,500.

The analysis of overall daily market action(s) on 11/1/2011 revealed that buying power(s) was stronger compared to selling pressure(s), FBM KLCI would thus likely to trade above 1,565.33.