


Technical Analysis – Daily FBM KLCI

	13/1/2011	12/1/2011	
Open	1,570.74	1,564.36	
High	1,573.36	1,569.08	
Low	1,567.61	1,562.73	
Close	1,571.56	1,566.49	
Volume	2,70 b	2.47 b	
Market Breadth			
Up	528	460	
Down	341	406	
Unchanged	305	273	
Indicators			
MACD	buy	buy	
DM Index	buy	buy	
Stochastics	buy	buy	

Still within channel line

Market Commentary :

Supported by the successful bond auction in Portugal and hopes that banks in US would start raising their dividends, DJIA had on 12/1/2011 **gained 83.56** points to close at **11,755.44**.

The double-digit **rise** in Wall Street sent a friendly signal to Bursa Malaysia in the opening bell on **13/1/2011**, FBM KLCI traded higher into 1,570 zone with a day high of **1,573.36** as traders chose to play on buying side in anticipation of higher market. However, profit taking activity rolled in, and this put a pressure on stock index down to a day low of **1,567.61** before settled **1,571.56**.

The **rise** of **5.07** point(s) in FBM KLCI was attributed to **buying** pressure in blue-chip counters such as **TM** (up RM0.04 to RM3.70), **Hong Leong Bank** (up RM0.06 to RM9.46), **Maybank** (up RM0.01 to RM8.89), **Sime Draby** (up RM0.05 to RM9.35) and **GenM** (up RM0.06 to RM3.65).

What was the chart saying

Market traded into 1,570 zone yesterday (13/1/2011) on the back of up close scenario in preceding day and overnight gain of 83.5 points on Wall Street. The higher high market on 13/1/2011 was not a surprise as stock index had made a good attempt to test 1,570 level on 12/1/2011, and also the rebound into 1,560 zone despite a dip below 1,560 level in early part of trading session on 11/1/2011.

Ladies & gentlemen, what we experienced in the past 4 days (10/1/2011 – 13/1/2011) was believed to be a **tug of war** among the traders with one side expecting a pull back and the other wanting to keep the market above 1,558 level with an intention to pull the stock index far away from 1,558 level to preserve the market bullish sentiment.

While it was good to see the market traded into 1,570 zone as it showed the presence of bullish traders in the game; but, it was **premature to confirm** that market had completed its pullback from 1,576.95 (6/1/2011) to 1,558.64 (11/1/2011). The high built-up market volume of about 2 billion shares daily from 4/1/2011 to 7/1/2011 must be "neutralized" in order to lure in risk adverse traders to establish stock positions at this market level.

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 did 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 was not seen healthy.*

Market volume was **2.70** billion shares on 13/1/2011 compared to **2.47** billion shares on 12/1/2011. **What can be said about that ?** The **increase** in market volume indicated **mores** buying participation in the game play with ratio of advancers/decliners stood at **528/341** on 13/1/2011 compared to **460/406** on 12/1/2011 and **437/426** on 11/1/2011. *However, higher market volume with a rise in stock index showed the presence of more risk taking buying interest.*

Taking cue from what happened on 13/1/2011, what would the market do next ? The higher market on 13/1/2011 was seen friendly; thus, we should see attempt to push the market higher on 14/1/2011. However, market must cross over the upper line of the upward sloping channel on settlement basis to indicate market buying strength.

What were the strong hands doing

A check of internal market strength on 13/1/2011 showed that buying strength **improved** with strong hand(s) seen **acquiring a portion of buying positions**, and the net number of stock positions **liquidated** from **10/1/2011 to 13/1/2011** was about **32% of** what was **acquired** between 30/12/2010 and 7/1/2011 compared to **43%** 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 1,510.

The analysis of overall daily market action(s) on 13/1/2011 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,567.61 after making attempt to go higher than 1,573.36.