

## Technical Analysis – Daily FBM KLCI

	24/1/2011	21/1/2011	
Open	1,550.36	1,559.62	
High	1,550.95	1,559.62	
Low	1,539.48	1,546.98	
Close	1,542.97	1,547.43	
Volume	1.83 b	1.89 b	
<b>Market Breadth</b>			
Up	258	185	
Down	548	717	
Unchanged	282	224	
<b>Indicators</b>			
MACD	Sell	Sell	
DM Index	Sell	Sell	
Stochastics	sell	sell	

**Support seen at lower line of channel .....**

### Market Commentary :

Supported by an earnings-inspired rally in General Electric, DJIA had on 21/1/2011 **gained 49.04** points to close at **11,871.84**.

The double-digit rise in Wall Street sent a minimum friendly effect to Bursa Malaysia in the opening bell on 24/1/2011, FBM KLCI only traded to a day high of **1,550.95** as some traders chose to play a buying game. However, non-follow thru buying support in area of **1,550.95** prompted renewed selling interest to roll in, this put a pressure on stock index to go lower to **1,539.48**, and kept its position on the low side throughout most of the trading sessions before settled **1,542.97**.

The **drop of 4.46** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **Genting** (down RM0.06 to RM11.30), **GenM** (down RM0.09 to RM3.31), **TM** (down RM0.01 to RM3.76), **IOI Corp** (down RM0.04 to RM5.85) and **Tenaga Nasional** (down RM0.02 to RM6.49).

### What was the chart saying .....

Market continued to go lower yesterday (24/1/2011) for 4 consecutive days despite an early buying attempt to prop up the stock index back into 1,550 zone. The lower low on 24/1/2011 was **NOT** a surprise following the weak down close scenario on 21/1/2011, and the unsuccessful attempt to test its immediate peak of 1,576.95 (6/1/2011) on 18/1/2011 continued to have a dampening effect on the traders emotionally.

**Ladies & gentlemen**, there was again no strong initial buying interest seen to pull the stock index upward on 24/1/2011. **Why ?** The gapped down scenario on 21/1/2011 was believed to be the reason for traders to hold back buying decision as it indicated a market breakaway and the urgency on the part of traders to sell. This did not make traders comfortable to establish stock positions at this juncture, and it was reflected by the intra-day penetration of 1,540 level on 24/1/2011. **Was**

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**the downside penetration real ?** It was premature to tell, because what we saw on 24/1/2011 fit into the adaptation of Newton's First Law of Motion, where a trend in motion is more likely to continue than reverse. Traders basically chose to further unload their winning trades in an attempt lock in profits, and market would take a few more days to consolidate the upcoming selling and buying activities. **Why a few more days ?** This has a lot to do with the downside gap left behind on 21/1/2011, because the downside gap was believed to have carried certain amount of significance as it occurred near the previous supportive level at 1,558.64 (11/1/2011), and this would likely start a rolling effect to the downside. In other word, a downward selling strength was getting stronger.

**How low can this market go ?** With 1,558.64 level be broken on the downside on 21/1/2011, the downward pressure was still believed in momentum as more traders would still want to sell given a choice. We could see next immediate downside target of 1,530 - 1,540 level.

Market volume was 1.83 billion shares on 24/1/2011 compared to 1.89 billion shares on 21/1/2011. **What can be said about that ?** The smaller market volume with a fall in stock index showed the presence of weaker selling interest. The advancers/decliners ratio stood at 258/548 on 24/1/2011 compared to 185/717 on 21/1/2011 and 293/545 on 19/1/2011.

### **What were the strong hands doing .....**

A check of internal market strength on 24/1/2011 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 24/1/2011 was about 11% of more than what was acquired between 30/12/2010 and 7/1/2011 compared to 10% 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 1,525.**

The analysis of overall daily market action(s) on 24/1/2011 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,539.48.