



Technical Analysis – Daily FBM KLCI

	25/1/2011	24/1/2011	
Open	1,542.71	1,550.36	
High	1,544.85	1,550.95	
Low	1,526.43	1,539.48	
Close	1,526.43	1,542.97	
Volume	1.95 b	1.83 b	
Market Breadth			
Up	292	258	
Down	511	548	
Unchanged	278	282	
Indicators			
MACD	Sell	Sell	
DM Index	Sell	Sell	
Stochastics	sell	sell	

1,530 gave way

Market Commentary :

Supported by reports from National Association for Business Economic that economists are more positive about economic growth and the job market than any time since the start of the recession in December 2008, and Intel to increase dividend payout, DJIA had on 24/1/2011 **gained 108.68** points to close at **11,980.52**.

The triple-digit rise in Wall Street did not send any friendly effect to Bursa Malaysia in the opening bell on 25/1/2011, FBM KLCI only traded to a day high of **1,544.85** as traders were seen unwilling to play a buying game in anticipation of lower market. In the absence of stronger buying support at **1,544.85**, renewed selling interest rolled in, this put a pressure on stock index to go lower to **1,526.43**, and kept its position on the low side throughout most of the trading sessions before settled **day low**.

The **drop** of **16.54** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **Genting** (down RM0.46 to RM10.84), **GenM** (down RM0.06 to RM3.25), **TM** (down RM0.06 to RM3.70), **IOI Corp** (down RM0.08 to RM5.77) and **Tenaga Nasional** (down RM0.04 to RM6.45).

What was the chart saying

Market continued to go lower yesterday (25/1/2011) for 5 straight days despite overnight gain in Wall Street. The lower low on 25/1/2011 was **NOT** a surprise following the weak down close scenario on 24/1/2011, and it was believed to be the unsuccessful attempt to test its immediate peak of 1,576.95 (6/1/2011) on 18/1/2011 that continued to haunt traders emotionally.

Ladies & gentlemen, there was again no strong initial buying interest seen to pull the stock index upward on 25/1/2011. **Why ?** The gapped down scenario on 21/1/2011 provided another reason for traders to hold back buying decision as it indicated a market breakaway and the urgency on the part

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of traders to sell. This did not make traders comfortable to establish stock positions at this juncture, and it was again reflected by the intra-day penetration of 1,540 level on 25/1/2011. **Was the downside penetration real ?** It was premature to give a confirmation, because what we saw on 24/1/2011 and 25/1/2011 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 likely take another 2 - 3 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 occurred near the previous supportive level at 1,558.64 (11/1/2011), and it carried certain amount of significance. A rolling down effect should flow thru.

The earlier expected support level at 1,530 failed as the downward pressure continued to gain momentum with stock index hit the lower line of upward sloping channel. A caution is thus emitted as a downside violation of this lower line would see next immediate downside target of 1,513 level.

The decline from high of 1,576.42 on 18/1/2011 to a low of 1,526 on 25/1/2011, represented a retracement of 49.5% of the upward move from 1,474 on 29/11/2010 to 1,576 (18/1/2011). At 50% Fibonacci Retracement, market should fall to a low of 1,525 level.

Market volume was **1.95** billion shares on 25/1/2011 compared to **1.83** billion shares on 24/1/2011. **What can be said about that ?** *The bigger market volume with a fall in stock index showed the presence of stronger selling interest.* The advancers/decliners ratio stood at **292/511** on 25/1/2011 compared to **258/548** on 24/1/2011 and **185/717** on 21/1/2011.

What were the strong hands doing

A check of internal market strength on 25/1/2011 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 25/1/2011* was about *23% of more than* what was *acquired* between 30/12/2010 and 7/1/2011 compared to *11%* 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 25/1/2011 revealed that buying power(s) was weaker compared to selling pressure(s), FBM KLCI would thus likely to trade below 1,526.43.