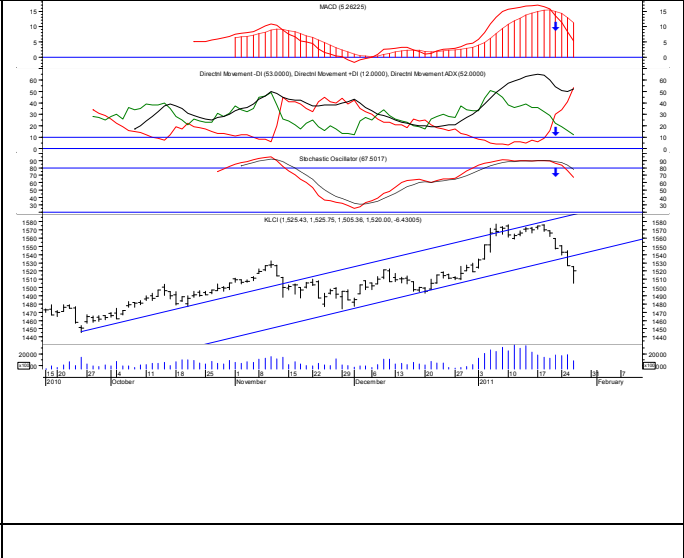




Technical Analysis – Daily FBM KLCI

	26/1/2011	25/1/2011	
Open	1,525.43	1,542.71	
High	1,525.75	1,544.85	
Low	1,505.36	1,526.43	
Close	1,520.00	1,526.43	
Volume	1.41 b	1.95 b	
Market Breadth			
Up	328	292	
Down	418	511	
Unchanged	311	278	
Indicators			
MACD	Sell	Sell	
DM Index	Sell	Sell	
Stochastics	sell	sell	

Bargain hunting interest showed up

Market Commentary :

Dampened by disappointing corporate earnings and another fall in home prices, DJIA had on 25/1/2011 **shed 3.33** points to close at **11,977.19**.

The single-digit drop in Wall Street sent a strong negative effect to Bursa Malaysia in the opening bell on 26/1/2011, FBM KLCI only traded to a day high of **1,525.75** as traders were seen unwilling to play a buying game in anticipation of lower market. In the absence of stronger buying support at **1,525.75**, renewed selling interest rolled in, this put a pressure on stock index to break below 1,510 level to reach a low of **1,505.36** before settled **1,520.0**.

The **drop** of **6.43** point(s) in FBM KLCI was attributed to **selling** pressure in blue-chip counters such as **Sime Darby** (down RM0.10 to RM9.20), **GenM** (down RM0.01 to RM3.24), **TM** (down RM0.02 to RM3.68), **IOI Corp** (down RM0.01 to RM5.76) and **Tenaga Nasional** (down RM0.07 to RM6.38).

What was the chart saying

Market continued to go lower yesterday (26/1/2011) for 6 straight days with both 1,520 level and 1,510 failed to provide the support. The lower low on 26/1/2011 was **NOT** a surprise following the weak down close scenario in the preceding day, and the snow ball rolling effect. **What triggered the vicious fall in the past 4 days particularly (21/1/2011 – 26/1/2011) ?** The cause of the market fall was believed to be originated from the unsuccessful attempt to test its immediate peak of 1,576.95 (6/1/2011) on 18/1/2011, and this market failure had been haunting on traders emotionally.

Ladies & gentlemen, there was again no strong initial buying interest seen to pull the stock index upward on 26/1/2011. **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 of traders to sell. This did not make traders comfortable to establish stock positions at this juncture,

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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, 25/1/2011 and 26/1/2011 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 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.

With the earlier expected support level at 1,530 failed to deliver its support and the downside violation of lower line upward sloping channel on 25/1/2011, the market in general has thus become **weakened** with traders likely to sell into rallies, **any attempt(s) to lift the stock index upward (technical rebound) would be encountering selling pressures.**

The decline from high of 1,576.42 on 18/1/2011 to a low of 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. However, market managed to recover a portion of lost ground beyond 1,513 level (61.8% retracement) to register a close above 1,513 level in an attempt to avoid an overly "bearish" scenario. **A close below 1,513 level would accelerate a market decline with an eye to break 1,500 psychological support.**

Market volume was **1.41** billion shares on 26/1/2011 compared to **1.95** billion shares on 25/1/2011. **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 **328/418** on 26/1/2011 compared to **292/511** on 25/1/2011 and **258/548** on 24/1/2011.

What were the strong hands doing

A check of internal market strength on 26/1/2011 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 26/1/2011** was about **18% of more than** what was **acquired** between 30/12/2010 and 7/1/2011 compared to **23%** in the preceding day.

Conclusion :

Market outlook was not seen friendly as KLCI had on 26/1/2011 broken below the 50-day MA with key market support level pegged at 1,470.

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 1,505.36.