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KLSE CI poised to breach 1,050 resistance level

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SHARE prices on the Kuala Lumpur Stock Exchange staged a technical rebound last week. Institutional investors and retail players moved in to bargain-hunt on counters which had been battered to grossly oversold levels.

Just when many investors thought that the local bourse's benchmark, KLSE Composite Index, was about to stage a third attempt to break below the 1,000 psychological support, the CI opened strongly on Monday as local institutional investors bargain-hunted the KLSE heavyweights.

The CI opened on Monday relatively unchanged but soon picked up momentum in reversing the previous week's weak market sentiment. Index-linked buying support was evidenced throughout the trading session. The CI rebounded 21.12 points, or 2.11 per cent, to close at 1,022.67.

Slight profit-taking liquidations saw the CI traded lower to close at 1,018.01 points on Tuesday. This was expected especially immediately after a sharp rebound of 21.12 points on Monday.

The local bourse resumed its technical rebound on Wednesday when buying support came in from across a much wider front. Institutional buying support on selected blue chips and index-linked stocks saw the CI holding steady throughout the trading session to close 16.06 points, or 1.58 per cent, higher at 1,034.07.

Following Prime Minister Datuk Seri Dr Mahathir Mohamad's positive comments on the currency issue, the local bourse responded with further gains as institutional investors and retail players continued to push the CI higher. The CI rose another 11.82 points, 1.13 per cent, to close at 1,045.89 points on Thursday.

However, profit-taking and position-squaring liquidations on Friday, sent the CI down 4.63 points, or 0.44 per cent, to 1,041.26. The CI briefly hit an intra-day high of 1,051.65 on Friday before profit-taking pressure parred its earlier gains.

Reflecting the strong technical rally last week, the CI rose 39.71 points, or 3.97 per cent, over the week to close at 1,041.26 points on Friday. The KLSE All Share Emas Index jumped 12.35 points, or 4.35 per cent, to 296.23.

The KLSE Industrial Index gained 55.85 points, or 2.8 per cent, to 2,053.67. The KLSE Second Board Index rose 22.49 points, or 4.26 per cent to 550.29.

On the sectoral performance analysis, all sectors reversed their trends and displayed gains ranging from a low of 3.38 per cent on the consumer sector to a high of 6.55 per cent on the property sector. The week's top performer was the property sector with a gain of 6.55 per cent followed by the construction sector with 5.85 per cent.

Chartwise, the CI rose for three trading days followed by short consolidations on the last two trading days of the week. It staged a repenetration of its 10-day moving averages on Wednesday. The CI is currently resting on the support of its 20-day moving averages.

The following are readings of some of its technical indicators:

Moving Averages: The CI staged a repenetration of its 10-day moving averages. However, it continued to trend below its 20-, 30-, 50-, 100- and 200-day moving averages.

Momentum Index: Its short-term momentum index rebounded sharply from its recent divergences on the CI.

On Balance Volume: Its short-term OBV trend rebounded marginally but

failed to trigger a repenetration of its falling 10-day exponential moving averages.

Relative Strength Index: Its 14-day RSI rebounded from its recent positive divergences.

OUTLOOK:

Following its strong technical rally last week, the CI is showing some positive technical signs of reversing its intermediate-term downtrend. The CI is currently resting precariously above its immediate downside support (See the KLSE CI daily bar chart - B1-B2). Similarly, the KLSE Emas daily bar chart illustrates the same scenario.

Most of its technical oscillators, particularly the 14-day relative strength index and momentum index, are displaying positive divergences and signify that the CI has some room to move upwards before meeting its resistances.

From the CI's daily bar chart both the net energy (B5-B6) and confidence levels (B7-B8) indicators also displayed the positive divergences to that of the CI (B3-B4). The same technical scenario applies to most of its sectoral indices as well.

This week, the CI is likely to encounter some profit-taking and position squaring liquidations. It will be interesting to see whether the CI can overcome its immediate overhead resistance. Judging from its recent market behaviour, the CI is poised to breach the 1,050 resistance level this week.

On the second board front, the SBI is poised to rally once again. Trading focus for the week is likely to spill over to many second and third liners on the main board. However, the market movers will continue to come from second board counters.

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