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CI to stage retest of its 75pc retracement support

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LAST week, share prices on the Kuala Lumpur Stock Exchange opened on a weaker note on Aug 17. The KLSE Composite Index weakened further to another 10-year low of 312.90 level on Aug 18.

Continued selling pressure from key bluechips led by Tenaga Nasional Bhd, Telekom Malaysia Bhd, Petronas Gas Bhd and Genting Bhd sent the KLSE CI to its intra-week low of 312.90 level on Aug 18.

Major players stood on the sidelines to await a clearer technical picture to emerge before committing their funds. Thus, the fall on the local bourse clearly reflected the bearish sentiment on both the local and regional stock and currency markets.

Investors were concerned with the further weakening of regional currencies and Russia's de facto devaluation of the rouble.

In addition, the market was also worried about the backlash of the intervention by the Hong Kong authorities on the stock and futures markets.

The KLSE CI dropped to its 10-year low at 312.90 level on Aug 18 before rebounding back to close at 315.66 points. Although the KLSE CI closed at marginally lower level, advancing counters led losers by 263 to 259 while 195 counters were unchanged. This was the first sign of stability after the market's recent heavy losses.

Share prices rebounded 8.81 per cent, or 27.81 points, on Aug 19, fuelled by a stronger yen against the US dollar and gains on the Wall Street and major regional bourses.

Another significant development could be linked to comments by Prime Minister Datuk Seri Mahathir Mohamad that the Government was looking at buying shares to boost the local market.

Some significant amount of short-coverings was detected on Aug 19 when its trade volume jumped to 312.522 million shares from 122.087 million shares on Aug 18.

However, the KLSE CI moved rapidly higher to 373.57 level on Aug 20 but soon fizzled out when investors' profit-taking liquidations halted its swift rise. Within the last hour of trade on Aug 20, the KLSE CI fell 34.93 points, or 9.35 per cent, to 338.64 level before recovering to close at 351.04 level.

Follow-through selling pressure continued to depress share prices on the local market. The recent two-day sharp rises provided the excuse for investors to cash out as they were more inclined to short-term trading perspectives. The KLSE CI retreated swiftly when it fell 26.98 points, or 7.69 per cent, to 324.06 level on Aug 21.

Reflecting the wild swing in market sentiment, the KLSE CI lost 3.92 points, or 1.20 per cent, over the week to close at 324.06 level. The KLSE All Share Emas Index eased 0.24 point, or 0.284 per cent, to 84.20 level on Aug 21.

The KLSE Industrial Index lost 17.12 points, or 2.49 per cent, to 669.56 level. The KLSE Second Board Index bucked the trend when it added 2.29 points, or 2.96 per cent, to 79.61 level.

Chartwise, the KLSE CI dipped lower to 312.90 level on Aug 18 before it rallied to 373.57 level on Aug 20, just briefly breaching the upper resistance (B1-B2) of its intermediate-term downtrend channel (See KLSE CI's daily bar chart B1-B2 and B3-B4).

The heavy profit-taking liquidations on Aug 20 & 21 sent the KLSE CI

retreating swiftly back into the confines of its intermediate-term downtrend channel, threatening to stage a re-test of its immediate downside support. Chartwise, the KLSE CI closed at its lowest level on Aug 21.

Following are the readings of some of its technical indicators:-

**Moving Averages:** Despite the two-day rebound, the KLSE CI continued to stay below its 10-, 20-, 30-, 50-, 100- and 200-day moving averages in their bearish sequential order.

**Momentum Index:** Its short-term momentum index moved out of its short-term downtrend on Aug 20.

**On Balance Volume:** Its short-term OBV trend staged an overhead re-penetration of its 10-day exponential moving averages.

**Relative Strength Index:** Its 14-RSI rallied from its low of 20.65 per cent level on Aug 18 to its high of 39.90 per cent level on Aug 20. Since then, it fell back to 32.95 per cent level on Aug 21.