

25/03/2002

KLCI must rebound from 750 level to remain bullish

Fred Tam

TECHNOLOGY stocks, lower liners and second board counters were the major gainers on the Kuala Lumpur Stock Exchange (KLSE) last week. The KLSE Tech Index was the top gainer in Asia last week rising 4.81 points or 7.96 per cent to close at 65.2. With this strong close, we are looking for technology stocks to rally this week to test 69 and 79 points.

Second in line in terms of performance was the Second Board Index. Week-on-week, it rose 2.78 points or 2.19 per cent to close at 129.94 triggering a weekly PI system Trader buy signal.

The Emas Index, which comprised all common stocks, rose by 1.13 points or 0.63 per cent on a weekly basis to close at 179.71 while the benchmark Kuala Lumpur Stock Exchange Composite Index (KLCI) was the most lethargic, edging up by a mere 0.99 point or 0.13 per cent to close at 752.63.

The lacklustre close on the KLCI has unfolded another small range "gravestone" doji on the weekly chart, making it two dojis in a row.

A "doji" implies indecision by market players. For the KLCI to stay bullish it must rebound from the 750 level. Any close below 749.16 would mean a "sell" for KLCI-linked stocks.

The weakest link in the KLCI is now banking stocks. In view of this, be mindful and reduce positions if their sell-stops are triggered.

The most prospective stocks to be in are technology stocks as they are in strong technical positions after a strong rebound last week. We expect these stocks to continue their rally this week.

Former Mesdaq stocks like Intelligent Edge, Kotra, Palette, Super Comal and Discomp attracted much speculative interest after admission into remisiers' Brokers' Front End (BFE) trading system.

But given the long candles registered on most of them last Friday, we suggest investors be careful about jumping in early today.

They may stage a correction before rallying further. It is, however, a good idea to continue to track these stocks as their small free floats and their inclusion into the KLSE would attract much speculative interest.

Last Friday, stocks which displayed strong technical positions and triggered "buy" signals based on our PI System Trader are AKN-W, AMDB-C, AMF-C1, AMFB-F, CSA, Dialog, Emivest, Faber-LB, Gamu-W2, Gamu-WC, Glomac, GFB, H&L, HLIND-W, HLIND, IE, Jinlin, JPK, KCHB, KENMK-WA, Kenmark, Kian Joo, KIB, LBALUM-W, LBALUM, LLB, Malakof, MAS, MPI, MPlant, M'shita, Mechmar, Msniaga, Patimas, PDB, Pohmay, RHB-WC, RNC, REI, Setia, Setia-W, Suninc, STB, Talam-WA, NSTP, Tranmil, Tronoh, Unisem, Utama, Wong, WHB-W, WHB, WWE, Zecon.

March futures premium narrowed to 3 points from 5 points implying players are not so bullish on the index-linked stocks last Monday. But we expect the market to remain steady or trade higher and we therefore continue to call a "buy" or "hold" but be cautious on banking stocks and a few overbought plantation issues like Sime Darby and IOI, IOI-W.

This week we are looking at technology stocks to lead the rally. The KLCI, which has consolidated for eight sessions and formed a "pennant" pattern, may stage a breakout on the upside.

Do not discount a rally on index-linked stocks. Second liners, which consolidated last week, could also make a comeback this week.

Prime Minister, Datuk Seri Dr. Mahathir Mohamad's return from Russia, Germany and Poland should spur renewed buying interest.

Any fall below 749.16, however, is not a good sign for the KLCI. Also,

be careful of banking stocks as they have rallied for quite a while. If they should fall to hit our sell-stops, one should take profit and stay aside.

- The writer is a Member of the UK Society of Technical Analysts
(END)