

Technical Analyzer

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FKLI & FCPO

FKLI: Marching Higher

Figure 1: FKLI's daily chart



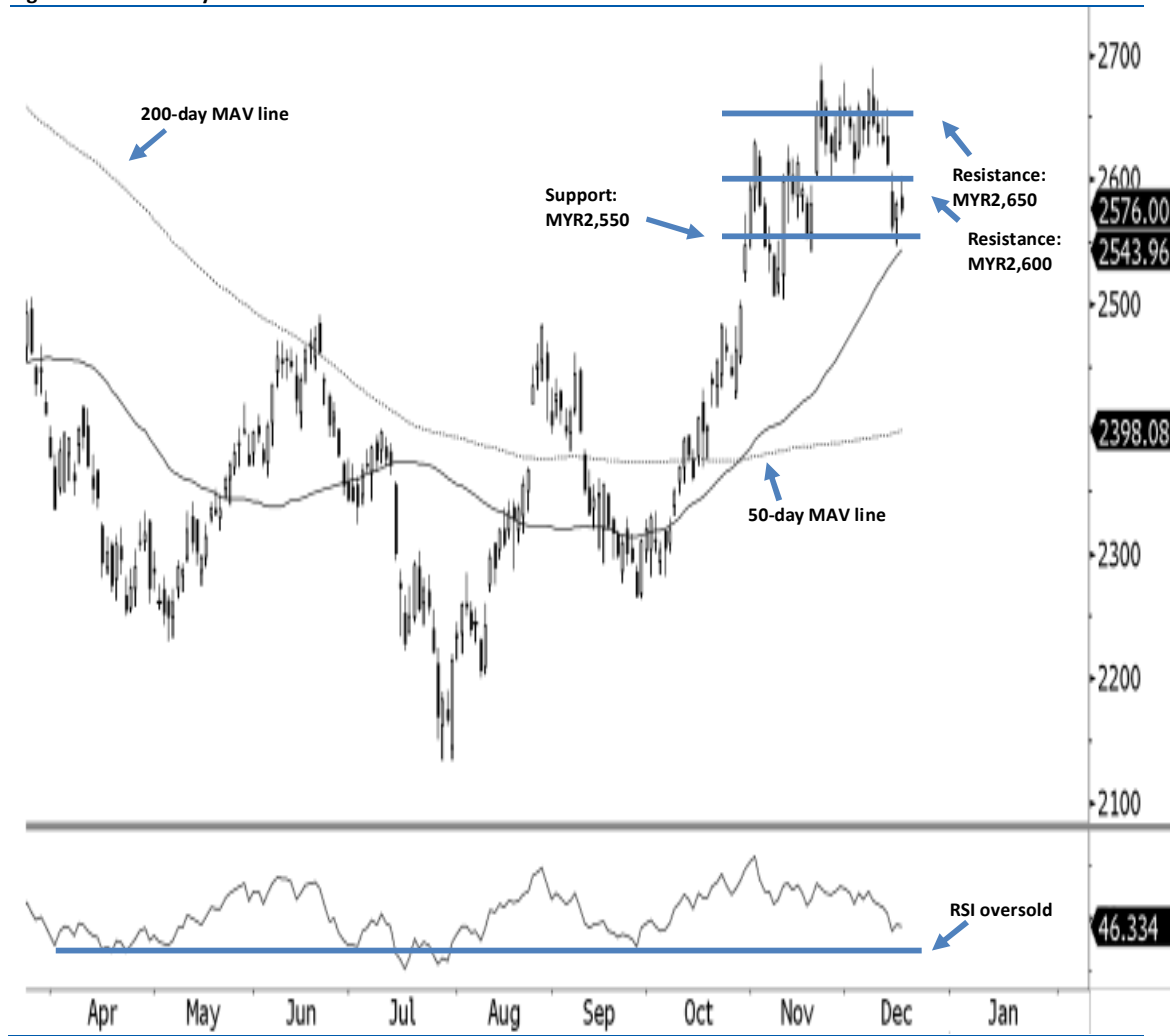
Source: RHB, Bloomberg

Stay long above 1,825 pts. The FKLI continues to respond positively to 12 Dec's "Hammer". The sentiment was clearly in positive territory, as the index gapped higher at the open before going on to close near a day's high. This pushed the FKLI to its highest close in five days, matching the all-time high close set on 10 Dec. This keeps the upward movement that started from 4 Sept's "Hammer" going, and the index is now above both the 50-day and the 200-day MAV lines too.

Thus, the buying support is likely to continue and a firm upward bias should see it stay above 1,835 pts, near 16 Dec's high. It is better that the FKLI stays above 1,840 pts, which the index could not do last week, as that will keep the upward momentum seen in the past two days going. Further resistance are at the 1,850 pts and 1,870 pts levels – both extrapolations based on the strong September-October rally. A failure to hold above 1,835 pts – which will cover the gap created yesterday – will somewhat dampen the buying support. Strong support is at 1,825 pts – near 12-16 Dec's lows and the positive sentiment will likely be reversed if this is broken. This will send the FKLI to its lowest close in eight days and may spark a correction to the upward movement that started in mid-November. Supports are found at 6 Dec's 1,817 pts low, 1,810 pts – near 4 and 5 Dec's lows, and a stronger one at the 1,800 pts round figure.

FCPO: “Upper Shadow” Signals Weakness

Figure 2: FCPO’s daily chart



Source: RHB, Bloomberg

Stay short below MYR2,600. The negative view held yesterday was vindicated after the FCPO declined yesterday. The sellers were firmly in control as the commodity failed to hold on to the morning gains and went on to close near a day’s low. The FCPO closed back below MYR2,580, after failing the MYR2,600 test, leaving the negative “Upper Shadow” on the latest candle. This shows that the selling that started from 9 Dec’s black candle is still not over.

Thus, the weakness ought to continue, with a firm negative bias keeping the commodity below MYR2,600 – near 13 and 17 Dec’s highs. Again, it is preferable that the FCPO stays under MYR2,580 – near 16 Dec’s high, as that should increase the chances of getting below the strong MYR2,550 support – near 16 Dec’s “Hammer” low. A violation will completely cancel out the “Hammer” and extend the correction to the rally that started from 27 Sept’s “Long White Day”. Support is then found at 30 Oct’s MYR2,520 low, followed by the psychological MYR2,500 mark, which was a prior 8-month resistance level. A close back above MYR2,580, however, will suggest that the commodity may still respond positively to the “Hammer”, but a close above the MYR2,600 level is needed to confirm the return of the buying. This should reignite the upward move that started from the failed violation of the MYR2,220 support in late July. It will also likely see the FCPO above 13 Dec’s black candle too and stimulate further buying. In this scenario, further resistance is at MYR2,625 and 11 Dec’s MYR2,650 high.

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