

Technical Analyzer

Mohammad Ashraf Abu Bakar, CMT
 TEL : +6(03) 9207 7699
 EMAIL : mohammad.ashraf@rhbgroup.com

FKLI & FCPO

Below 1,825-Pt Support

Figure 1: FKLI's daily chart



Source: RHB, Bloomberg

Initiate short below 1,835 pts. The selling that made a return after 2 Jan's "Long Black Day" is not over after all. The index failed to respond positively to 13 Jan's full-bodied white candle and instead, lost all the gains made by that candle. It even closed below the 1,825-pt support, which it could not do on several occasions last week. The decline suggests that a swift reversal in sentiment may have taken place and this may result in strong follow-through selling. This also reverses the prior long recommendation to short. Another close below 1,825 pts today should confirm that a correction of the Nov-Dec 2013 rally has started earnestly.

Thus, the selling pressure may continue and a firm downside bias should keep the index below 1,835 pts, near 6 Jan's high. Again, it is preferable that it stays below 1,825 pts, as this should stimulate further selling. In this case, supports are found at 7 Jan's low of 1,817 pts (which was tested yesterday), 1,810 pts – near 4 and 5 Dec 2013's lows, and a stronger one at the round figure of 1,800 pts. A close back above 1,825 pts may yet again lead to a reversal in sentiment but it will only be taken seriously if the 1,835-pt level is broken. This will recoup most of yesterday's losses and follow-through buying can be expected. Strong resistance is seen at the 1,850-pt level – near 3 Jan's high, and the level has to be violated to confirm the return of buying and extend the upward movement that started from 4 Sept 2013's "Hammer".

FCPO: White Candle Threatens Downward Movement

Figure 2: FCPO's daily chart



Source: RHB, Bloomberg

Stay short below MYR2,530. While the selling pressure that made a strong return following the violation of the MYR2,625 support level on 6 Jan is not over, the FCPO is having trouble staying below MYR2,500. The commodity could not close below MYR2,500 like it did on Monday, and instead closed firmer on a full-bodied white candle. This may potentially cause a false breakdown of the MYR2,500 support level but the sole white candle is not good enough to end the downside movement. Thus, the commodity has to neutralise the latest white candle if it is to extend the correction of the rally that started from 27 Sept 2013's "Long White Day".

Thus, the selling pressure is likely to continue and a firm downside bias should keep the commodity below MYR2,530, near 13 and 15 Jan's highs. Again, it is better that the FCPO closes below MYR2,500 to confirm the breakdown of Monday. This is likely to keep the strong downward momentum going and supports are seen at MYR2,485, near 13 Jan's low, followed by MYR2,450, near 29 Oct 2013's low. Buying support, however, could make a return if the commodity closes above MYR2,530. This suggests that it is responding to the lowest daily RSI level recorded since July 2013 on Monday. A close back above MYR2,550, near 9 Jan's high, may well be enough to confirm the return of buying. Buying may intensify and may even extend the upward bias that returned after the false breakout of MYR2,220 back in July 2013. Resistance is found at MYR2,560 – near 8 Jan's high, MYR2,590 – near 7 Jan's high, followed by a stronger one at MYR2,600.

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