Bursa sees slow uptrend

K.M. Lee
market trend

REVIEW: Despite starting the week below the flat line and losing 0.3 of a point to 1,661.59, Bursa Malaysia quickly turned higher in the wake of renewed bargain hunting activity, tracking a steadier Wall Street on the previous Friday.

Sentiment was positive in early session, as news about 1Malaysia Development Bhd (1MDB) exiting the power business after agreeing to sell its entire energy assets to China Nuclear Power Corp, lifted investors' appetite for stocks.

Although there was a degree of buying momentum, interest was very much concentrated in the quality issues.

Elsewhere, most second and lower liners drifted lower owing to an apparent profit-taking activity, dampened down by lower crude oil prices and a softer ringgit against the greenback while the regional market traded mixed in cautious mood.

Apparently, the two-tier market tone was clearly painted on the scoreboard.

Though the key index climbed a modest 9.01 points to 1,670.90 at the final bell, decliners beat advancers by 474 to 449 on Monday.

After a strong rally, Wall Street reversed down 31.13 points to 17,792.68 in quiet trading due to profit-taking selling while heightened expectations the Federal Reserve would raise interest rates next month and signs of rising US stockpiles drove crude oil prices lower despite Saudi Arabia pledged to work toward oil price stability.

Given the dearth of fresh market-stimulating leads on the horizon, many people had expected the FBM KLCI to ease, but that was not the story, as Bursa was saved by a ringgit rally on bets that the sale of 1MDB power business would improve the Malaysian economy.

Sadly, interest was again concentrated in the blue chips, led by Tenaga Nasional Bhd but profit-taking activity was apparent in the cheaper stocks.

Hence, the overall market breadth was decisively negatively eventhough the key index added an additional 6.13 points to 1,671.03 on Tuesday.

In another almost similar trading pattern, the FBM KLCI fluctuated between an intraday low of 1,671.58 in early business to a high of 1,684.77 in mid-morning before turning sideways on follow-through bargain hunting buying in the heavyweights offsetting profit-taking selling in the second and lower liners, underpinned by a spike in crude oil prices and firmer ringgit against the greenback.

In mixed note, the key index added an extra 7.39 points to 1,684.42, with losers outpacing winners by 669 to 268 in mid-week.

Thereafter, profit-taking activity offset bargain hunting dominated the floor, and losses in select blue chips pulled the key index down 1.33 points to 1,683.09 on Thursday and an extra 0.5 point to 1,682.59 yesterday while US markets were shut for a public holiday.

Statistics: For the week, the principal index perked up 20.7 points, or 1.2% to 1,682.59 yesterday, against 1,661.89 on Nov 20.


Technical indicators: The oscillator per cent K and the oscillator per cent D of the daily slow-stochastic momentum index were fast reaching the top, but retaining the buy signal, triggered on Nov 17.

The past week saw the 14-day relative strength index hitting a high of 67 before curving down slightly to settle at the 62-point level.

In stark contrast, the daily moving average convergence/divergence (MACD) histogram firmed in tandem with the daily signal line to keep the bullish note. It had issued a buy call in mid-week.

Weekly indicators were very much the same, with the slow-stochastic momentum index falling and the MACD retaining the buy signal.

Outlook: Bursa had moved out of the short-term bearish channel earlier of the week, suggesting the recent correction has ended, but a rally remains elusive despite the key index flitting above the 14-day, 21-day, 50-day and the 100-day simple moving averages.

Based on the daily chart, the local bourse is basically range-bound on consolidation, with investors equally divided.

While the recent appreciation of the ringgit against the greenback is good for stocks, the volatility in crude oil prices remains a drag on the broader market and a tumble in China market also may undermine the local sentiment.

In the absence of clarity, Bursa is expected
to extend the sideways consolidation, but with a slight upward bias on sporadic buying this week.

Apparently, most of the indicators, especially the daily and weekly MACDs are positive, implying Bursa may firm, but at a slow pace.

A breach of the 1,700-point psychological barrier would propel the key index up to the uppermost 200-day simple moving average (SMA), resting at the 1,729 points.

Initial support is seen at the 100-day SMA of 1,664 points. A crack of the most recent lows of 1,644 points may see the lower floor of 1,590-1,600-point band becoming vulnerable.