

Headline	KLCI cautious above 1,800 points		
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# KLCI cautious above 1,800 points

by **Benny Lee**



**T**he market seems to find resistance when the FBM KLCI tries to stay above the 1,800 points resistance level. After climbing above this level last week, the index pulled back to stay slightly below it for the past one week. Market sentiment was weak and directionless despite markets in the US and Europe climbing to historical highs. The main factors contributing to the resistance are the weakening ringgit and the possibility of higher interest rates early next year.

The KLCI declined 0.5% in week to 1,798.13 points after trading in a range of between 1,790.94 and 1814.73 points. Trading volume was marginally higher in the past one week with 1.9 billion shares traded on average daily as compared to 1.8 billion shares two weeks ago. Decliners led gainers 2 to 1 in the past one week and were led by Genting Malaysia Bhd (-6.8%), Genting Bhd (-5.6%) and SapuraKencana Petroleum Bhd (-4.6) while gainers were led by Tenaga Nasional Bhd (+3.7%), CIMB Group Holdings Bhd (+2.8%) and Petronas Dagangan Bhd (+2.4). Trading volume in the whole of last week was supported by local institutions and retail with a net buying of RM524.5 million.

Markets in the region continued to decline as the focus continued to be on the West. Thailand's SET Index declined 3.5% in a week to 1,363.34 points and Jakarta's Stock Exchange Composite Index declined 3.7% to 4,235.26 points. Singapore's Straits Times Index also declined 0.6% in a week to 3,172.21 points. Hong Kong's Hang Seng Index closed marginally higher at 23,681.28 points while China's Shanghai Stock Exchange Composite Index declined 0.4% to 2,183.07 points. However, Japan's Nikkei 225 index increased 2.8% in a week to 15,515.24 points.

Markets in the US and Europe continued to increase to historical highs but on a slower momentum. The US Dow Jones Industrial Average rose 1.2% in a week to 16,072.54 points on Monday, the third consecutive week of the index breaking record high. In Europe, Germany's DAX Index also

increased to another record high after rising 0.8% in a week to 9,299.95 points. However, London's FTSE100 Index closed marginally lower at 6,694.62 points, down 0.5% from the previous week.

Gold prices found some support as the US dollar slightly weakened. The US Dollar Index, which measures the US dollar against a basket of major currencies, rose marginally from 80.83 points a week ago to 80.96 points. The ringgit was weaker against the greenback at 3.21 compared to 3.18 a week ago.

Commodity Exchange gold is still 1.9% lower from last week at US\$1,250.80 (RM4,027) an ounce after a rebound from a low of US\$1,225.70 last Monday. Crude oil was marginally higher, rising only 0.6% in a week to US\$94.18 per barrel. Crude palm oil continued its upward trend after a downward correction two weeks ago, increasing 2.6% in a week to RM2,622 per tonne.

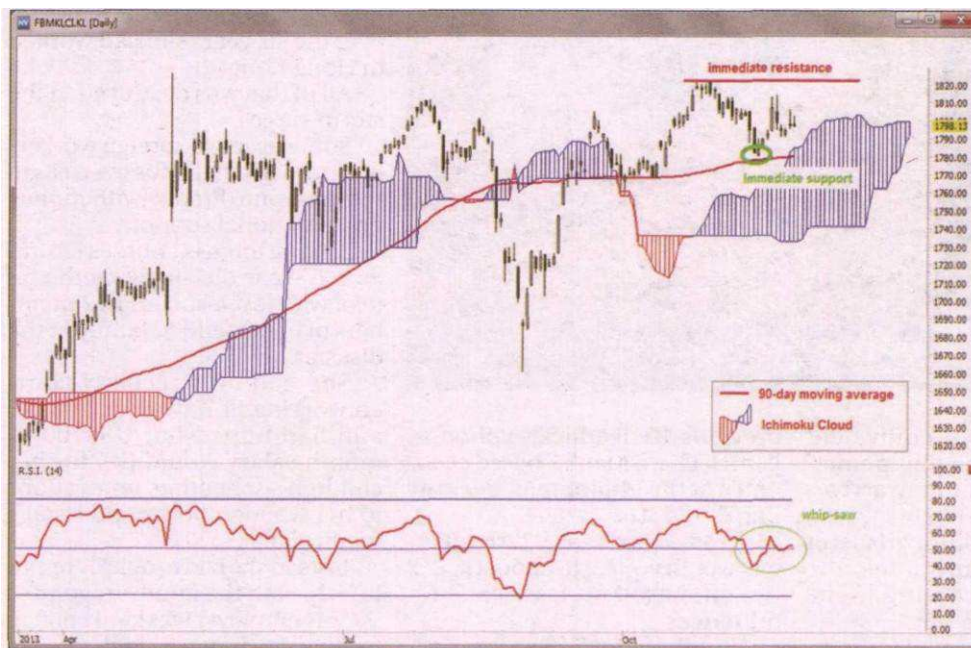
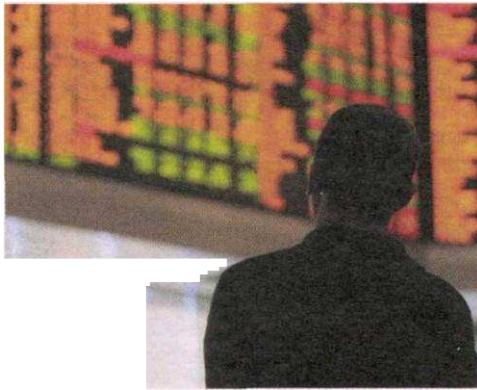
The KLCI remained bullish as it stayed above the longer term 90-day moving average and the Ichimoku Cloud indicator. However, the KLCI struggles to stay above 1,800 points, indicating a cautious market. In the short term, the index had been whip-sawing above and below the short-term 30-day moving average and this indicates uncertainty but the increasing moving average shows that the trend is still bullish.

Momentum indicators are indicating mixed sentiment as indicators like MACD, RSI and Momentum Oscillator have been whip-sawing their mid levels in the past two weeks. The Bollinger Bands are declining, indicating that the trend is bearish in the short term but weak because the bands' width is firm. However, the index is currently on a very thick Ichimoku Cloud which indicates very strong support.

The market is uncertain and cautious because the US and European markets are bullish but the regional markets are slightly bearish. Now that the index is once again above 1,800 points, we can see the uptrend continuing with the index testing the 1,820-point resistance level this week. However, if the index is unable to stay above 1,800 points, I am expecting the market to continue drifting sideways between the immediate support and resistance levels of 1,780 and 1,820 points.

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Daily FBM KLCI chart as at Nov 26, 2013 using Next VIEW Advisor Professional.