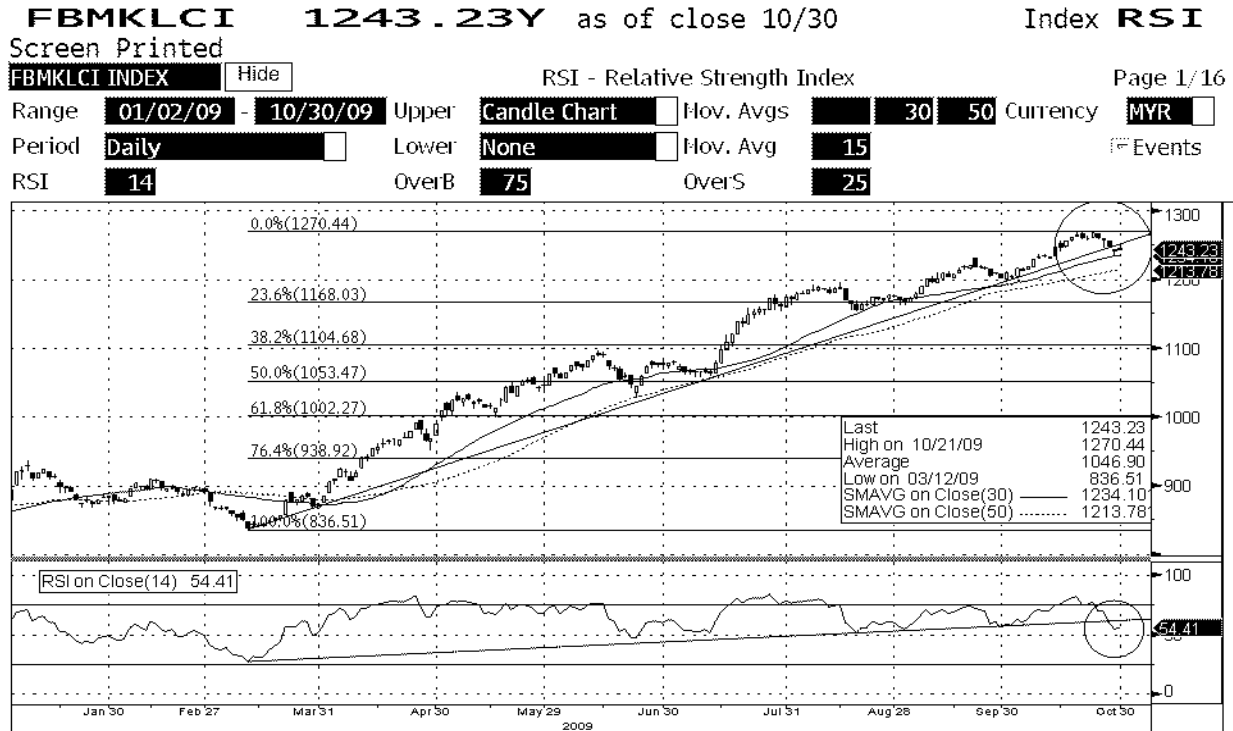


KL Composite Index

Cautious



Expect a cautious start to the week as buyers fatigue could set in to cap any short term uptick. While global economic data continues to signal that the worst of the crisis could be behind, markets are however seemingly looking to price in a tepid recovery in the near to medium term. Concerns seem to be gaining traction over a possible pricing-in of the recent market uptick across the board from commodities to equities thus providing a cap to any short-term upside.

Technically, CI is seemingly weakened with the break below the uptrend line which was confirmed by a similar break of the daily RSI. Flattening of the short-term moving averages could lend strength to the argument that the market is in need for some pullback and consolidation in the near term.

External wise, the weak showing on Wall Street is also not to be ignored. Similarly, concerns of a possible pricing-in of the recovery with minimal upside from hereon couple with a graver concern that the US financial system could remain stressed despite the massive bailouts and liquidity injections could be a potential source of volatility. Technically speaking, one would have to watch out for the S&P 500 closely which had cracked below the 50-day moving average as well as the uptrend line stretching from the March 09 low. Prior two occasions saw the S&P bouncing back up to resume its uptrend after having breached or nearly breaching the 50-day. Whether this can be maintained will be interesting to note.

For the CI, expect short term support at the 1,234 level with 1,213 as next. Trading action over the next few weeks will provide further clues as to whether an immediate top could have been in place when the CI hit a high of 1,267.1 on Oct 23, 2009. Resistance meanwhile can be found at the 1,260 level.

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