

13 March 2023

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The emergence of fresh external headwinds could throw a spanner in the works as the Malaysian bourse struggles to mount a technical rebound. Last week, the FBM KLCI climbed initially to as high as 1,461 on Tuesday but lost steam thereafter to close at an intra-week low of 1,433 on Friday. This translates to a week-on-week drop of 20.5 points or 1.4%, its third consecutive weekly decline. In the US, the DJIA faced renewed selling pressure – exacerbated by last Friday's collapse of tech-focussed lender Silicon Valley Bank in what was the second largest failure of a financial institution in US history – to end the week at 31,910 for a week-on-week loss of 1,481.3 points or 4.4%.

With falling stocks beating rising ones in four of the five days, daily average turnover on the local stock exchange narrowed to 2.8b shares in volume and RM1.9b in value, down from the preceding week's average of 3.2b shares worth RM2.4b. The week also saw continued net weekly outflows of foreign funds amounting to RM557m as both domestic institutions and local retailers registered net buying flows valued at RM461m and RM96m, respectively.

In the wake of last week's remark by the US Federal Reserve Chairman Jerome Powell – who has cautioned that interest rates could rise higher than previously thought in response to recent strong economic data – all eyes will now be on the US February Consumer Price Index (CPI) report due for release tomorrow. Should the latest monthly inflation print come in hotter-than-expected, this may exert added pressure on the policymakers to move interest rates "higher and longer".

As it stands, consensus has already shifted its prediction for the US Federal Open Market Committee to raise the federal funds rate by a bigger size of 50 basis points when they meet next week. Meanwhile, the European Central Bank will likely increase its interest rate by a further 50 basis points at the monetary policy meeting scheduled to be held on Thursday. With that said, the incoming news flows pertaining to interest rate expectations will likely sway investor sentiment for the time being.

Back home, the January industrial production index data will be out later today. On the corporate scene, of probable interest is the listing debut on Wednesday on the ACE Market by Oppstar – which is principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions – with an indicative market cap valuation of RM400.8m based on its IPO offer price of RM0.63 per share. There will also be quarterly financial results announcements from the likes of Bermaz Auto (on Monday), Scientex (Wednesday) and Top Glove (Thursday).

At this juncture, investors may prefer to tread cautiously in view of last week's extended market slump, as tracked by the FBM KLCI (-1.4%), FBM 70 Index (-1.1%), FBM Small Cap Index (-0.7%), FBM Fledgling Index (-0.9%) and FBM ACE Index (-1.8%). By sector, industrial products & services (-2.7%), energy (-1.7%) and technology (-1.6%) bore the brunt of the selling activities as telecommunications & media (+1.2%), utilities (+0.7%) and healthcare (+0.2%) outperformed during the week.

From a charting standpoint, after a short-lived rebound to drop back to where it was in November last year, the FBM KLCI remains vulnerable to further weakness ahead. With both the stochastic and RSI indicators likely to extend their stay in the oversold zone for the moment, the Parabolic SAR's decelerating trend is signalling more downside risk on the horizon. On the chart, following its break below 1,440 (which is now our immediate support-turned-resistance threshold, R1), the negative momentum could persist for the bellwether, possibly sliding towards our first support line of 1,395 (S1).

Over on Wall Street, the DJIA's anticipated technical rebound may not be forthcoming anytime soon. Essentially, the bearish momentum carried over from last week's tumble (that had led to a loss of 2,336.3 points or 6.8% since mid-February this year) could signal deeper pullbacks ahead for the widely watched market barometer as the Parabolic SAR has reversed direction. We have adjusted our first support and resistance levels to 31,300 (S1) and 32,350 (R1), respectively.

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Chart 1 – FBMKLCI



Source: Kenanga Research

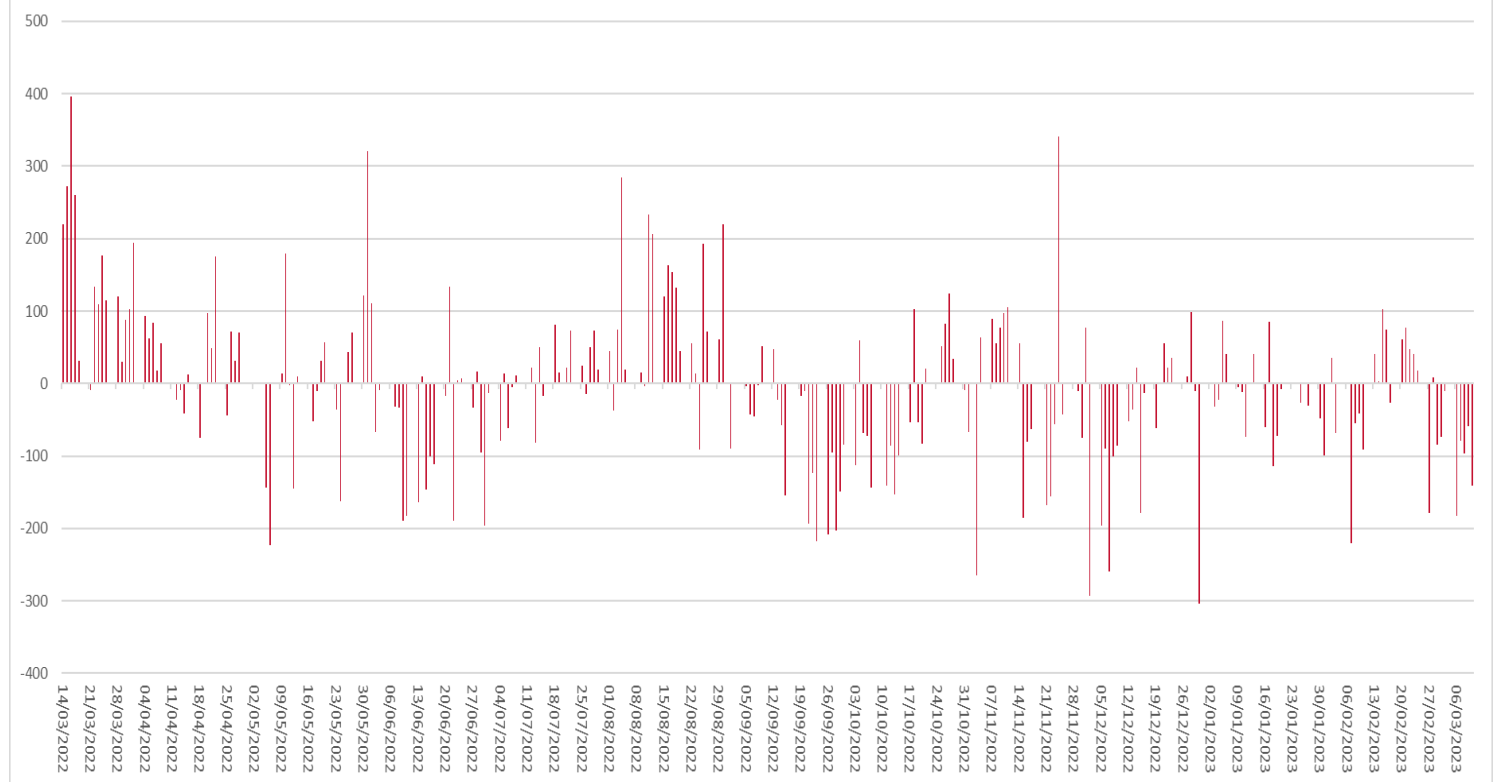
Chart 2 – DJIA



Source: Kenanga Research

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Net Foreign Trade Position vs FBMKLCI




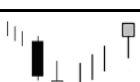
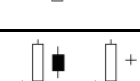





Foreign investors remained net sellers with net outflows RM556.9m last week compared to cumulative net outflows of RM338.7m in the prior week.





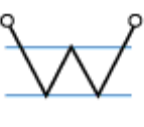

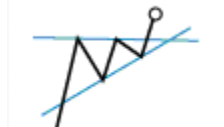
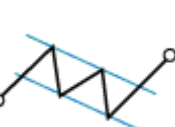


Source: Kenanga Research

* Note: Stock Call Monitor is not presented today due to technical issues in data update.

Basic Technical Terms:

Reversal Candlesticks	Patterns	Description
Doji Dragonfly Doji (Bullish) Gravestone Doji (Bearish)		Dojis form when a security's open and close are virtually equal. The length of the upper and lower shadows can vary, and the resulting candlestick looks like a cross, inverted cross or plus sign. Dojis convey a sense of indecision or tug-of-war between buyers and sellers.
Engulfing Pattern		A reversal pattern that can be bearish or bullish, depending upon whether it appears at the end of an uptrend (bearish engulfing pattern) or a downtrend (bullish engulfing pattern). The first day is characterized by a small body, followed by a day whose body completely engulfs the previous day's price action.
Hammer (Bullish) Shooting Star (Bearish)		Hammer candlesticks form when a security moves significantly lower after the open, but rallies to close well above the intraday low. This appears in a downtrend. In contrast, the Shooting Star pattern appears in an uptrend. It opens higher, trades much higher, then closes near its open. It looks just like the Inverted Hammer except that it is bearish.
Inverted Hammer (Bullish) Hanging Man (Bearish)		The Inverted Hammer is a single-day bullish reversal pattern. In a downtrend, the open is lower, then it trades higher, but closes near its open price, therefore looking like an inverted lollipop. Hanging Man candlesticks form when a security moves significantly lower after the open, but rallies to close well above the intraday low.
Harami Harami Cross		The Harami is a two-day pattern that can be bullish or bearish. It has a small body day completely contained within the range of the previous body, and is the opposite colour. The Harami Cross is similar to the Harami. The difference is that the last day is a Doji.
Marubozu		A Marubozu candlestick has no shadow extending from the body at either the open, the close or at both.
Morning Doji Star (Bullish) Evening Doji Star (Bearish)		A Morning Doji Star (Evening Doji Star) is a three-day candlestick bullish (bearish) reversal pattern - a long-bodied black (white) candle extending the current downtrend, a short middle candle that gapped down (up) on the open, and a long-bodied white candle that gapped up (down) on the open and closed above (below) the midpoint of the body of the first day.
Spinning Top		Spinning Tops are candlestick lines that have small bodies with upper and lower shadows that exceed the length of the body. They are similar to the Doji candlesticks, and signal indecision.

Source: Various

Common Chart Patterns					
Reversal Patterns	Inverted Head & Shoulders (Bullish)	Head & Shoulders (Bearish)	Wedge Reversal (Bullish/ Bearish)	Double Top (Bearish)	Double Bottom (Bullish)
					
Continuation Patterns	Symmetrical Triangle (Bullish/ Bearish)	Ascending Triangle (Bullish)	Channels (Bullish/ Bearish)	Flags (Bullish/ Bearish)	Pennant (Bullish/ Bearish)
					

Source: Various

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