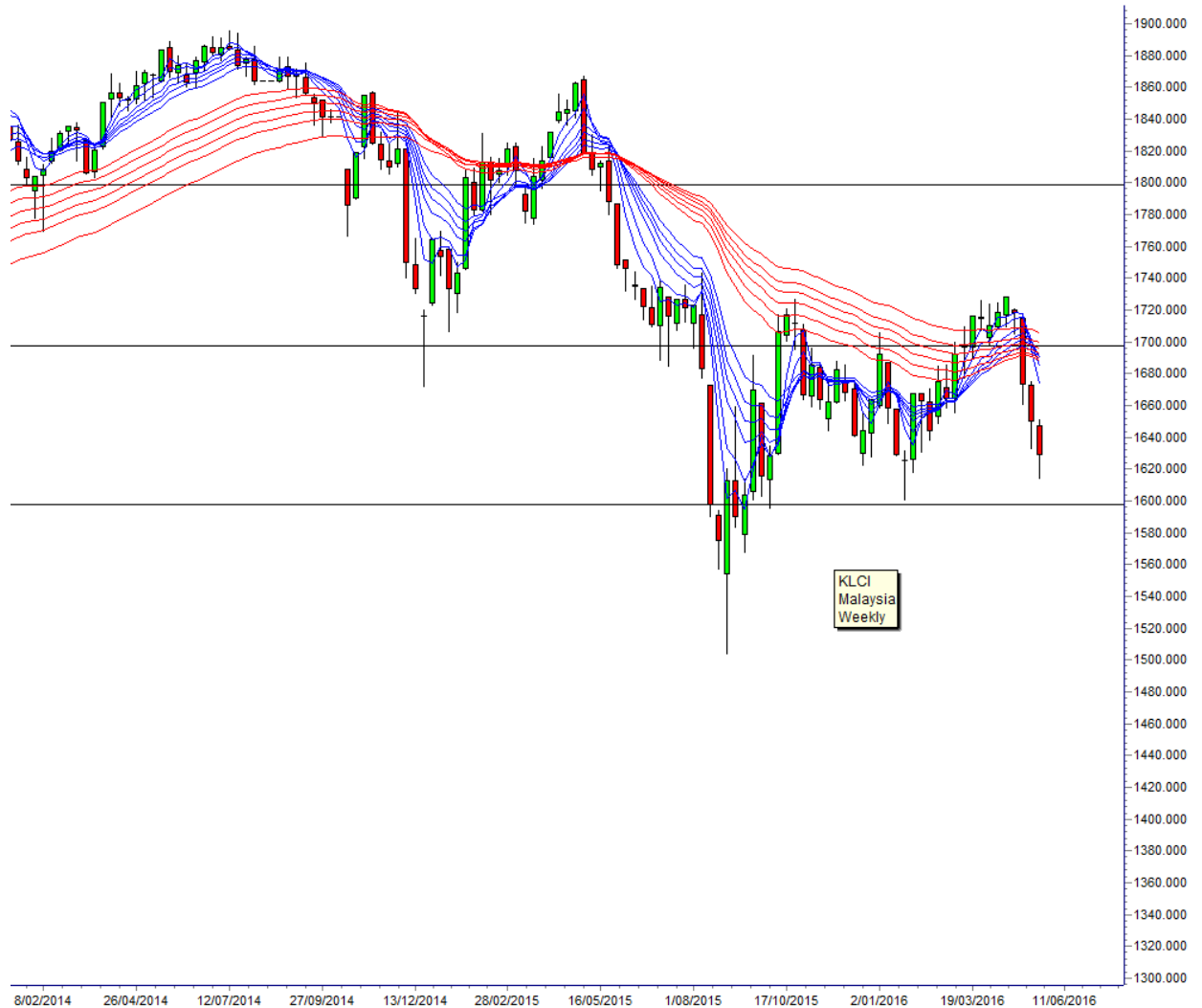


# **KLCI, MALAYSIA**

*By Daryl Guppy*

The KLCI index breakout failed and failed dramatically. The second retest of the long term GMMA as a resistance level was unsuccessful and was followed by a rapid collapse below the lower edge of the long term GMMA. This is an unusual outcome for this classic GMMA breakout pattern.

Traders watched for a pullback followed by a new rally to carry for the short term GMMA above the upper edge of the long term GMMA. This would have confirmed a new uptrend but it did not develop.



The support and resistance trading bands are used to set the next downside target near 1600. The KLCI is now looking at a sideways trading pattern.

These are the features.

- The GMMA relationships. The long term GMMA has compressed and turned down. This is a continuation of the previous downtrend.

- The short term GMMA developed the pattern of rally, retreat and retest rally typical of a trend change. However there is a limited probability of this pattern developing to completion. Instead traders watch for the short term GMMA to expand as it moves downwards. This confirms strong selling pressure.
- The key resistance level is near 1700. This will cap any rally rebound from support near 1600.
- The breakout is confirmed if the index can stay above the upper edge of the long term GMMA but the index failed to do this. The downtrend continuation is confirmed.
- The downside target is 1600.

The conclusion is that this is a downtrend continuation after the failure of an uptrend breakout. Traders watch for rebound and rally patterns as the consolidation continues.