

KLCI, MALAYSIA

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The KLCI index has developed a strong rally from the support level near 1615. This level is slightly above the historical support level near 1600. The GMMA downtrend is in place about the pattern of test and retest suggests the index is developing a long term reversal pattern. Currently the breakout rally is not confirmed because the long term GMMA remains well separated

The upper edge of the long term GMMA is near 1665. This is followed by very strong resistance near 1700.

The upper edge of the long term GMMA is below the historical resistance level near 1700. These two features are powerful resistance features that suggest the KLCI will continue to move in a very broad trading band with a downward bias. However the momentum of this downwards trend is slowing.

The lower edge of the trading band is support around 1600. Support has also developed near 1665 and this first downside target was achieved prior to the strong rally. The downtrend as shown by the long term GMMA is intact and substantial.



The support and resistance trading bands are used to set the next upside and downside targets near 1700 and 1600. The KLCI is now looking at a rally rebound within a sideways trading pattern.

These are four features.

- The GMMA relationships. The long term GMMA remains turned down. This is a continuation of the previous downtrend. The long term GMMA has steady separation.
- The short term GMMA has reacted away from the upper edge of the long term GMMA and this confirms selling pressure. The short term GMMA must turn up and compress to show continued trader support for the rally.
- The key resistance level is near 1700.
- The downside target is 1600.

The conclusion is that this is a downtrend trend continuation with a temporary rally. Traders watch for rebound and rally patterns as the consolidation continues.