

# Trending on the upside

RECENT MARKET RALLIES HAVE SEEN FINANCIALS AND PROPERTIES GAIN MOMENTUM AND SPARK UPWARD MOVEMENT IN OTHER SECTORS AS WELL.

TEXT CHARTNEXUS MARKET RESEARCH TEAM

We are currently at the half-time report and so far, the report card shows the market rallying and now on an uptrend. Before this, the market has decimated with the Straits Times Index (STI) free falling from an all-time high of 3,906 (on October 10, 2007), to a low of 1,455 (on March 10, 2009) exactly 17 months later. During this period, numerous strategies to revive the market had been planned and executed with varying degrees of success. These include:

- the US cutting interest rates
- the US government taking over home mortgage lenders
- imposing restrictions on money market fund insurance and short selling
- the introduction of the US Troubled Asset Relief Program (TARP)
- global interest rate cuts
- and the G20 US\$1 trillion injection

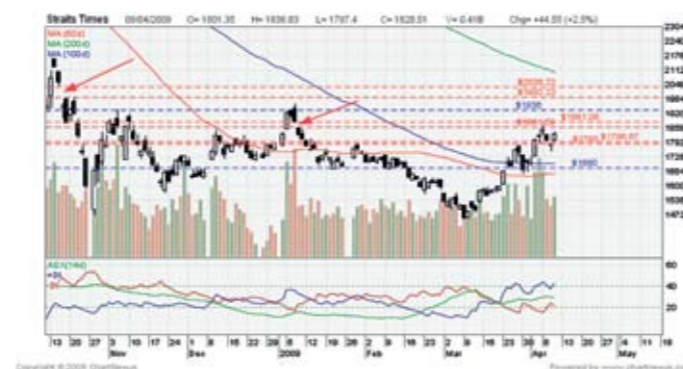
In the recent rally, the financial and property sectors have risen to the fore in providing some semblance of calm in the market. This should come as no surprise, considering that the two sectors were the primary cause of the massive economic plunge through the sub-prime crisis and the ensuing financial meltdown. The trend reversal started on March 10, 2009, and the market has since been surging upward with other sectors such as offshore, oil and gas, plantation and commodities sectors also gaining momentum. Even the vulnerable S-Share sector has been rising of late, sparking hope for a continuing uptrend.

So, what happens to the Bear?

For the past one month, after the stunning rebound, bearish sentiments seem to have finally returned. A few weeks after Mr Vikram Pandit, chief executive officer of Citigroup, said that the first two months of 2009 have been profitable for the troubled bank, one of his top management staff came out stating that March did not post as much profit. The truth of this report is expected to be unveiled within the next few days as major companies report their quarterly financial performance. This will be a critical moment in which

the market may take a turn for the worse. A make or break situation in which nothing is predetermined. Regardless, the time for action is coming soon.

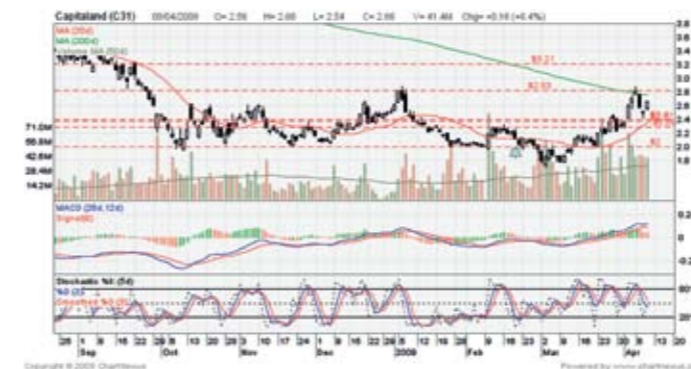
## STRAITS TIMES INDEX (STI)



Source: www.chartnexus.com

From a low of 1,455 made slightly more than a month ago, the STI has been on a strong bull run that seemingly defies gravity. All technical resistances that should have resisted the STI were broken through easily and for more than one month, there was only one clear profit taking that formed a low toward the end of March. This type of strong movement is a classic run arising from pent-up energy when a historical low is formed. Using the analogy of a spring, the tighter it is compressed, the stronger the rebound. During the run to the upside, the STI has formed numerous rising windows and this is something we need to take note of as each of these rising windows can act as future support zones. Using candlestick analysis, falling window can also form a possible resistance and the STI is coming close to two major falling windows as marked by the arrows. The STI will need to clear the nearest resistance of 1,880 for a possible upside to another resistance at 1,936. A major resistance will be the falling window

## PROPERTIES - CAPITALAND



Source: www.chartnexus.com

## S-SHARES - YANLORD



Source: www.chartnexus.com

## OFFSHORE - SEMBCORP



Source: www.chartnexus.com

from 1,992 to 2,036 which will coincide with the 200-day moving average as the STI comes close to that region. This will form a double whammy of a very strong resistance. Support for the STI will be a small rising window of 1,786 to 1,797. Stronger support for the STI will be in the region of 1,680 which is also very close to the 50- and 100-day moving averages. Using the ADX indicator, +DI is on the upside with ADX line above 20 and rising. This indicates that it has a higher possibility of an upside as compared to the downside.

Overall, the STI has not had any significant retracement, but if a higher low is formed at the support, it will be a good opportunity to look for stocks to buy for the upside.

## PROPERTIES - CAPITALAND

Among the properties counter, Capitaland is one of the leaders. After breaking through the resistance at \$2.29, it hit a major resistance at \$2.83 which also coincided with the 200-day moving average. Currently, it is looking to recharge its energy to break the \$2.83 resistance with an upside target at the next resistance of \$3.21. MACD line is above the centerline, which indicates that it is on an uptrend with stochastic not showing overbought as yet. Support for Capitaland will be the rising window from \$2.37 to \$2.40 which also coincides with the 20-day moving average. A strong support may be at \$2.00 which is also a psychological support.

## S-SHARES - YANLORD

For the past few days, S-Shares have consistently been on the SGX Top 20 volume list. This is part of the sector rotation which was started off by the financial and property sectors and is now being rotated among the various sectors that have not moved. Yanlord is one of the few S-Shares which have remained resilient and scandal-free. It has broken out of the 200-day moving average which shows that it is very bullish. This is also confirmed by the ADX indicator which is currently above 40. Yanlord just did a classic breakout of resistance at \$1.12 with the upside capped at \$1.51. A strong support may be at \$0.955.

## OFFSHORE - SEMBCORP

As various sectors come into play, SembCorp is also trying not to miss out on the game. It has been trying to break the resistance at \$2.71 formed by the early November falling window. SembCorp should be able to clear \$2.71 after testing it numerous times but upside may be capped at the \$2.87 resistance which also coincides with the 200-day moving average. SembCorp is showing a strong uptrend with ADX above 20 and rising. However, with RSI showing overbought, SembCorp may see a retracement before any attempt to break on the upside. **SI**

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