

Technical Analysis –

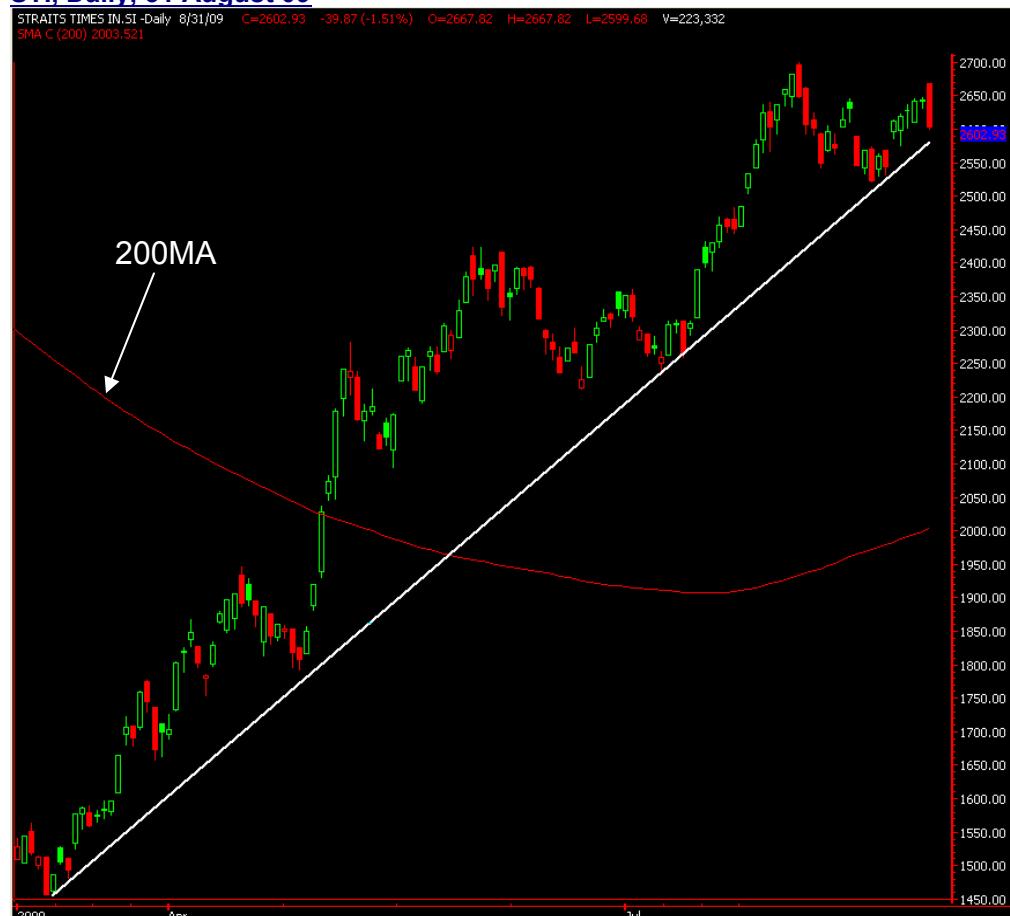
Watch For Break of Major Trendline in STI

Tuesday, 1 September 2009

Price

STI	
Previous close	2592
Support level 1	2570 to 2580
Support level 2	2542
Resistance level 1	2650
Resistance level 2	2700

STI, Daily, 31 August 09



Source: Phillip Securities Research, POEMSVIEW

In the above chart of the STI daily, we can see a very clear trendline that can be drawn from the beginning of the late March09/ early April09 rally.

This trendline is that it links all the major swing lows of the entire run up, including the recent pullback to the 2520 region. We can observe that there has not been a single trendline violation since the beginning of this run up.

The significance of this is that (1) it should act as interim support for the STI and (2) should this trend line be broken, it would turn into heavy upside resistance.

We elaborate more on the current market conditions below.

STI, Weekly, 31 August 09



Source: POEMSVIEW, Phillip Securities Research

We recently mentioned that in the bigger picture (weekly charts), the STI is still classified as being in a consolidation range.

The high and low of the range is delineated by the week ending 7August09, when the STI sold off from the 2700 mark. Not including this week, the STI has been trading within the high/low range of the week ending 7August09 for the past 3 weeks.

The low (2542) and high (2700) of the range are the key support and resistance zones respectively. Typically, a consolidation range as such is a prime candidate for breakouts. Volatility in the market moves in cycles, and usually periods of low volatility (past 3 weeks) beget periods of high volatility.

In the chart above, we have delineated 2 scenarios for the STI. One for an upside breakout and another breakout to the downside. What we are looking for is for the STI to trade past key support (2542) or resistance (2700) and come back to test it again before pushing off.

For example, a break below key support at 2542 turns key support into key resistance. A second rejection of 2542 would usually be a high probability indication that the STI would be pushing lower. (please see arrows on chart)

The reverse holds true should the STI trade to the upside beyond 2700 as well.

In the interim, last week's low, 2574, should hold up as shorter term support.

Conclusion

In our recent report, we have pointed out the possibility that the STI might be in the latter phases of its run up. This is from an Elliott Wave perspective as well as the seasonal tendency for equity weakness during the months of September to October.

From a "classical" technical analysis stand point, we are watching out for the violation of a major trendline and also a breakout of a large consolidation range.

The trend line low is in the region of 2580, which also coincides with the region of last week's low at 2575. This region might prove to be some support in the interim and the first line of defense against a decline.

The most significant level to watch for a downside decline is as mentioned above, the 2542 level which is the consolidation low.

Perhaps the point of most importance here is that consolidation lows (2542) and highs (2700) from the week ending 7August09 are going to act as key support/resistance.

We would like to see a breakout to either side of this range, and for key support to turn into key resistance (for downside, a break below 2542 and rally to test and reject it again) or vice versa, should the STI breakout to the upside above 2700.

Key Points:

- STI is in wide consolidation range in the weekly charts. While breakouts are by right 50-50 probability events, our view is more inclined to the downside.
- From an Elliott Wave perspective, it is highly probable that STI is in the latter, topping out phases of wave 5.
- Upcoming seasonal weakness in equity markets during September/October period
- Major trendline in tact for STI run up. Watch for trendline violation around the first level of support, 2570 to 2580.
- Key support at 2542. Support turning into resistance at this price range would be *the* confirming factor that a decline is in play.
- As mentioned last week, S&P 500 might be in the phases of topping out. A sharp decline in the S&P 500 should weigh down on the STI and other indices as well.

General Disclaimer

This publication is prepared by Phillip Securities Research Pte Ltd ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Non-applicability of Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), corporate banking or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may have participated in or invested in financing transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may have provided significant advice or investment services to such companies and investments or related investments as may be mentioned in this publication.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may at any time engage in any of the above activities as set out above or otherwise hold a material interest in respect of companies and investments or related investments which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The covering analyst does not have an interest in the said company.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

© 2006 Phillip Securities Research Private Limited

SINGAPORE	<p>Phillip Securities Pte Ltd Raffles City Tower 250, North Bridge Road #06-00 Singapore 179101 Tel : (65) 6533 6001 Fax : (65) 6535 6631 Website : www.poems.com.sg</p>
HONG KONG	<p>Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway, Hong Kong Tel : (852) 2277 6600 Fax : (852) 2868 5307 Website : www.poems.com.hk</p>
THAILAND	<p>Phillip Securities (Thailand) Public Co Ltd 15/F, Vorawat Building 849 Silom Road Bangkok Thailand 10500 Tel : (622) 635 7100 Fax : (622) 635 1616 Website : www.poems.in.th</p>
MALAYSIA	<p>Phillip Capital Management Sdn Bhd B-2-6 Megan Avenue II 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur Tel : (603) 2166 8099 Fax : (603) 2166 5099 Website : www.poems.com.my</p>
CHINA	<p>Phillip Financial Advisory (Shanghai) Co. Ltd No 550 Yan An East Road, Ocean Tower Unit 2318, Postal code 200001 Tel: (86-21) 51699200 Fax: (86-21) 63512940 Website: www.phillip.com.cn</p>
JAPAN	<p>PhillipCapital Japan K.K. Nagata-cho Bldg., 8F, 2-4-3 Nagata-cho, Chiyoda-ku, Tokyo Tel : (81) 03 3666 2101 Fax : (81) 03 3664 0141 Website : www.phillip.co.jp</p>
UNITED KINGDOM	<p>King & Shaxson Ltd 6th Floor, Candlewick House 120 Cannon Street London EC4N 6AS Tel : (44) 207 426 5950 Fax : (44) 207 626 1757 Website : www.kingandshaxson.com</p>