

KSE-100: Re-test of former breakout trendline likely

- The index registered a lower high and a lower low and has now come below the upper Bollinger Band, which had initially triggered the correction.
- The Stochastic Oscillator has reversed and has once again generated a sell signal. On the other hand, the MACD maintains its uptrend as well as buy signal.
- We maintain our stance of accumulating on weakness.



First support 11,893 points, second support 11,830 points;
First resistance 12,011 points, second resistance 12,074 points

Analysis and Overview:

The index opened marginally negative and after registering its day's high in the initial hours, remained under pressure throughout the session to close in the red. Volumes declined by 37.59% and stood at 124.85 mln. The index registered a lower high and a lower low and has now come below the upper Bollinger Band, which had initially triggered the correction. Moreover the index needs to test its breakout trendline, thus placing support at 11,850 points (trendline) and further down at 11,766 points (200-DMA).

The Stochastic Oscillator has reversed and has once again generated a sell signal while the RSI has shown weakness and has edged down from its overbought region as well. On the other hand, the MACD maintains its uptrend as well as buy signal.

We maintain our stance of accumulating on weakness.

The first support is at 11,893 points and the second support is at 11,830 points. The first resistance is at 12,011 points and the second resistance is at 12,074 points.

For 26 January, 2012

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KSE-100 Index: Key Highlights

	25-Jan	Change
Open	11,986.18	-5.20
High	12,034.64	43.26
Low	11,932.48	-58.90
Close	11,949.75	-41.63
Volume	124,848,754	-37.59%

Source: KSE

Key Technical Indicators

Date	25-Jan	24-Jan	Chg
30-DMA	11321	11300	21.63
50-DMA	11436	11437	-1.17
200DMA	11766	11766	0.08
9-D RSI	74.34	77.50	-3.16
14-D RSI	68.30	70.28	-1.98
25-D RSI	60.55	61.59	-1.04
SO* - %K	87.35	90.39	-3.04
SO* - %D	89.00	89.69	-0.68
SO View	Sell	Buy	

Source: KASB Technical Research

Synopsis

Stock	Recommendation
PTC	Buy
PSO	Buy on Weakness
POL	Buy on Weakness
OGDC	Buy on Weakness
PPL	Buy on Weakness
NML	Buy on Weakness
NBP	Buy on Weakness
MCB	Buy on Weakness
DGKC	Buy
LUCK	Buy
FFBL	Buy on Weakness
ENGRO	Buy on Weakness

Source: KASB Technical Research

Pivot Analysis

	CLOSE	STRATEGY	S3	S2	S1	PIVOT	R1	R2	R3	Lower Limit	Upper Limit
ABL	61.14	Buy on Weakness	59.19	59.85	60.49	61.15	61.79	62.45	63.09	58.08	64.20
AHCL	28.99	Buy on Weakness	27.51	28.06	28.53	29.08	29.55	30.10	30.57	27.54	30.44
AICL	51.34	Buy on Weakness	48.29	49.65	50.49	51.85	52.69	54.05	54.89	48.77	53.91
AKBL	10.64	Buy on Weakness	10.09	10.35	10.49	10.75	10.89	11.15	11.29	9.64	11.64
APL	433.03	Buy on Weakness	420.02	425.01	429.02	434.01	438.02	443.01	447.02	411.38	454.68
ATRL	122.37	Buy on Weakness	117.08	118.39	120.38	121.69	123.68	124.99	126.98	116.25	128.49
BAFL	12.29	Buy on Weakness	11.58	11.85	12.07	12.34	12.56	12.83	13.05	11.29	13.29
BOP	5.91	Buy on Weakness	5.50	5.68	5.79	5.97	6.08	6.26	6.37	4.91	6.91
DGKC	23.18	Buy	21.54	21.88	22.53	22.87	23.52	23.86	24.51	22.02	24.34
DOL	4.10	Buy on Weakness	3.65	3.85	3.98	4.18	4.31	4.51	4.64	3.10	5.10
ENGRO	114.10	Buy on Weakness	106.62	109.83	111.97	115.18	117.32	120.53	122.67	108.40	119.81
FABL	9.35	Sell on Strength	8.84	9.10	9.22	9.48	9.60	9.86	9.98	8.35	10.35
FATIMA	22.19	Buy	21.54	21.82	22.00	22.28	22.46	22.74	22.92	21.08	23.30
FFBL	49.03	Buy on Weakness	46.80	47.80	48.42	49.42	50.04	51.04	51.66	46.58	51.48
FFC	176.18	Buy on Weakness	172.09	173.79	174.99	176.69	177.89	179.59	180.79	167.37	184.99
HBL	115.93	Buy on Weakness	112.32	114.01	114.97	116.66	117.62	119.31	120.27	110.13	121.73
HUBC	36.00	Buy	35.00	35.20	35.60	35.80	36.20	36.40	36.80	34.20	37.80
ICI	147.66	Buy on Weakness	142.54	144.29	145.98	147.73	149.42	151.17	152.86	140.28	155.04
KAPCO	42.00	Buy on Weakness	40.50	40.90	41.45	41.85	42.40	42.80	43.35	39.90	44.10
LOTPTA	10.04	Buy on Weakness	9.36	9.55	9.80	9.99	10.24	10.43	10.68	9.04	11.04
LUCK	85.77	Buy	83.16	83.93	84.85	85.62	86.54	87.31	88.23	81.48	90.06
MCB	168.05	Buy on Weakness	163.61	165.56	166.80	168.75	169.99	171.94	173.18	159.65	176.45
MLCF	2.25	Buy on Weakness	1.95	2.05	2.15	2.25	2.35	2.45	2.55	1.25	3.25
NBP	45.02	Buy on Weakness	43.71	44.31	44.66	45.26	45.61	46.21	46.56	42.77	47.27
NCL	19.50	Buy on Weakness	18.52	18.89	19.20	19.57	19.88	20.25	20.56	18.50	20.50
NCPL	14.38	Buy on Weakness	13.45	13.67	14.03	14.25	14.61	14.83	15.19	13.38	15.38
NETSOL	9.30	Buy on Weakness	8.82	8.99	9.15	9.32	9.48	9.65	9.81	8.30	10.30
NML	46.96	Buy on Weakness	43.74	44.72	45.84	46.82	47.94	48.92	50.04	44.61	49.31
NPL	14.12	Buy on Weakness	13.65	13.87	14.00	14.22	14.35	14.57	14.70	13.12	15.12
NRL	242.91	Buy on Weakness	237.97	239.74	241.32	243.09	244.67	246.44	248.02	230.76	255.06
OGDC	149.66	Buy on Weakness	145.95	147.58	148.62	150.25	151.29	152.92	153.96	142.18	157.14
POL	365.37	Buy on Weakness	357.63	360.31	362.84	365.52	368.05	370.73	373.26	347.10	383.64
PPL	178.26	Buy on Weakness	170.01	173.63	175.95	179.57	181.89	185.51	187.83	169.35	187.17
PSO	252.48	Buy on Weakness	246.62	248.82	250.65	252.85	254.68	256.88	258.71	239.86	265.10
PTC	11.70	Buy	11.33	11.42	11.56	11.65	11.79	11.88	12.02	10.70	12.70
SHEL	201.00	Buy on Weakness	195.00	198.00	199.50	202.50	204.00	207.00	208.50	190.95	211.05
UBL	57.66	Buy on Weakness	54.76	56.01	56.84	58.09	58.92	60.17	61.00	54.78	60.54

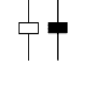
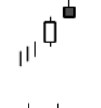
R1 = First Resistance
S1 = First Support

R2 = Second Resistance
S2 = Second Support

R3 = Third Resistance
S3 = Third Support

Glossary of Terms

- **Doji Star:** a *Spinning Top* which gaps above or below the previous candle. It is a reversal signal, which requires a confirmation from the next candle. If the Doji star gaps above the previous green candle, it is a bearish signal indicating a top and vice versa.
- **Dark Cloud Cover:** A long white candlestick is followed by a black candlestick. The black candlestick opens above the white candlestick's high and closes well into the white candlestick's body.
- **Inverted Hammer:** A candlestick with a long upper shadow and a small body formed in a downtrend. The long upper shadow and small real body at the bottom of the trading range are cause for concern by the bears. They wonder if this is the end of the downtrend and take measures to protect their gains. If the next day opens above the body of the Inverted Hammer, then expectations could be for shorts to cover and propel a reversal rally.
- **Bullish Piercing Line:** A bottom reversal signal. A red candlestick followed by a green candlestick that opens lower than the red candlestick's low, but closes more than halfway into the red body. The gap down on the 2nd day perpetuates the downtrend. However, the 2nd day's close is above the midpoint of the 1st day's body. This suggests to the bears that a bottom could be forming. The more penetration of the close on the 2nd day to the 1st day's body, the stronger the reversal signal.
- **Hanging Man:** A small body (white or black) near the high with a long lower shadow with little or no upper shadow. The lower shadow should be two or three times the height of the body. It is a bearish formation during an uptrend.
- **Shooting Star:** A single day pattern that can appear 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.
- **Spinning Top:** a candle with a small gap, negative or positive, between the open and close. Spinning tops usually indicate a trend reversal, but require a confirmation from the next candle. If they are formed at the peak of a rally, they usually indicate a top and vice versa.
- **Engulfing Bearish Formation:** A small green candle followed by and contained within a large red candle. This is usually an indication of a top.
- **Engulfing Bullish Formation:** A small red body followed by and contained within a large green body.
- **Bullish Divergence:** occurs when prices reach a new low but an oscillator or RSI reaches a higher bottom than it reached during its previous decline. This is known as a Class A bullish divergences. Class A bullish divergences are often the best signals of an impending sharp rally.
- **Relative Strength Index (RSI):** The Relative Strength Index (RSI) is a popular oscillator used by traders. The name "Relative Strength Index" is slightly misleading as the RSI does not compare the relative strength of two securities, but rather the internal strength of a single security. A more appropriate name might be "Internal Strength Index." The RSI is a fairly simple formula, but is difficult to explain without pages of examples.
- **The Moving Average Convergence/Divergence indicator (MACD):** is calculated by subtracting 26-period exponential moving average from 12-period exponential moving average. A 9-period dotted exponential moving average (the "signal line") is automatically displayed on top of the MACD indicator line.
- **The Stochastic Oscillator (SO):** is based on stochastic mathematics. It compares where a security's price closed relative to its trading range over the last x-time periods. The Stochastic Oscillator always ranges between 0% and 100%. A reading of 0% shows that the security's close was the lowest price that the security has traded during the preceding x-time periods. A reading of 100% shows that the security's close was the highest price that the security has traded during the preceding x-time periods. The Stochastic Oscillator indicates an oversold state below 20% and an overbought state above 80%.



- **Bollinger Bands:** is a type of envelope developed by John Bollinger. Bollinger Bands are plotted at standard deviation levels above and below a moving average. The moving average generally taken is a 20-DMA, while the standard deviation count is 2. This is very good to gauge both the general direction and the volatility.

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