

In Focus

Technical Outlook

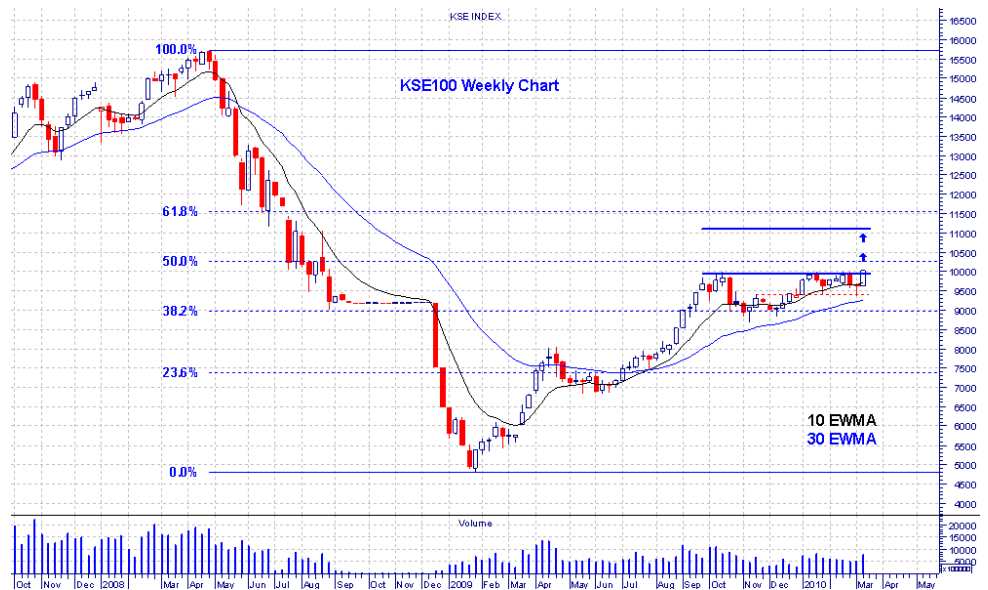
Nurali Barkatali
nurali.barkatali@bmacapital.com

KSE100: Bringing Home the Beacon

- Closing above 10,000 is indicative of an end to the prolonged hibernation period. The said is likely to shift the equilibrium in favor of bulls.
- During this consolidation period spread over the past six months, the price action has formed constructive patterns unleashing upside potential towards 10,900 – 11,100.
- Disregarding minor fluctuations, investor behavior is likely to stay impulsive in medium term, while we continue to emphasize on affluent market participation.
- Levels in between 9,850 – 9,700 currently stand as major support levels. It is important to note however that ‘Acts of God and Acts of Terrorism’ can adversely affect the demand and supply scenario and hence our thesis

The bulls have finally come out of a prolonged hibernation period by posting a close above 10,000. The benchmark KSE100 spent about six months in this consolidation phase which likely has ended. Having gained enough momentum, the KSE100 Index is expected to witness renewed wave of strength, propelling the benchmark index towards our target levels of 10,900 – 11,300 and then 11,600 (Please refer BMA Pakistan Outlook 2010). However, we reiterate that ensuring a smooth progression requires affluent investor participation especially through multiple supply zones.

KSE100 Weekly Chart



Source: BMA Research

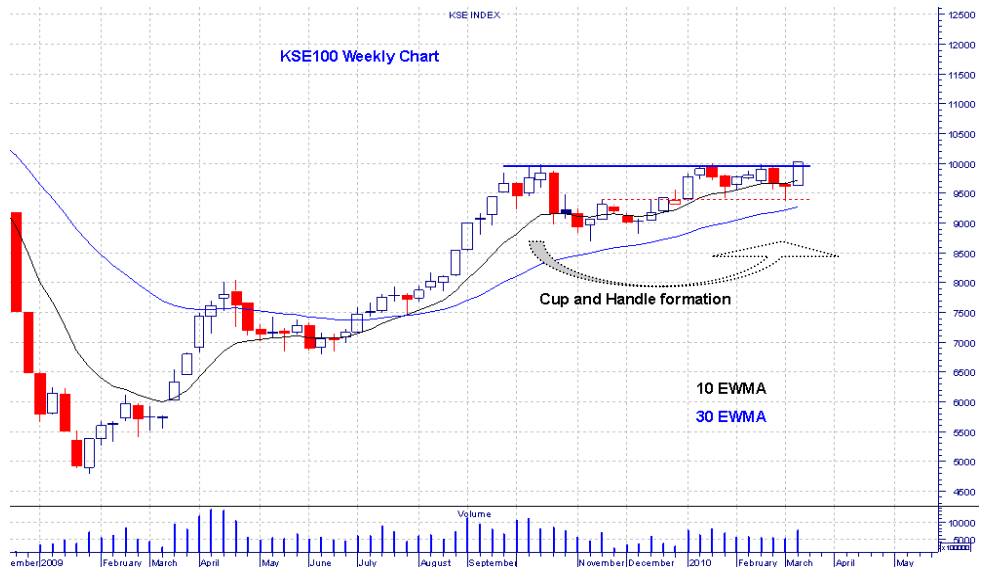
Market moves are function of investors' greed and fear over any specific point or time, therefore the rally ahead is likely to test investor confidence at multiple levels.

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Therefore, disregarding minor fluctuations, investor behavior is likely to stay impulsive at every possible correction in the medium term.

The present price structure of the KSE100 is of a constructive nature, giving a minimum target of 10,550 and later 11,100; whereas the index level of around 10,300 could potentially attempt to hamper the current bullish momentum. The aforesaid hurdle is also the 50% retracement level of the 2008 fall (15,739 – 4,782).

KSE100 Weekly Chart



Source: BMA Research

Having said the above, multiple bullish price structures are evident on charts where, in a minor structure, the index movement has formed a double bottom, giving an upside estimate to about 10,550. At the same time, the overall consolidation phase from October 2009, has also formed a Cup and Handle formation unleashing upside potential towards 11,100. Should the bulls be able to charge through the said targets, further potential towards the 61.2% retracement level of the 2008 fall is likely to be seen (targeting 11,600).

Base support currently stand in between 9,850 – 9,700, while a breach of the double bottom support level of 9,400 could induce further pressure. We nonetheless remain bullish on the market. Given the current law and order situation, we would however like to point out that ‘Acts of God and Acts of Terrorism’ can adversely affect the demand and supply scenario and remains a potential threat to our the analysis.