

MARKET'S PULSE

Written by Wong Yee

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Dear Disciples and subscribers,

Interest rates will determine the direction of the Dow. On Wednesday, when Janet Yellen announced no interest rates hike, Dow climbed to a new historical high of 17,350.64.

Let us read the following article:

Quote:

Ready for the Fed? Watch these two words

By Paul R. La Monica [@lamonibuzz](#) September 17, 2014: 8:10 AM ET



What the Fed is really saying

"Two Words" is a track on Kanye West's debut album. It might as well be the theme song for the market and Federal Reserve too.

When the Fed issues its policy statement on Wednesday afternoon at 2 p.m. ET, the only two words that may matter to Wall Street are "considerable time." Here's why.

The Fed has used these words to describe how long it will be before it starts to raise interest rates again.

The central bank cut its key short-term rate to near zero at the height of the credit crisis/Great Recession in December 2008. Rates have been at those historic lows ever since.

And even though the economic recovery has been painfully slow and inconsistent for many, it still is a recovery.

So are rate hikes coming soon? The answer to that question is also the name of Kanye's collaborator on "Two Words" -- Mos Def. It's just a matter of when.



There will be a lot of words in the Fed's statement. But Wall Street only cares about two.

If "considerable time" remains in the statement, Fed watchers will assume that the central bank is likely to keep rates near zero until next summer.

That's what Wall Street is hoping for right now. **Stocks rose on Tuesday** after the *Wall Street Journal's* Fed reporter suggested that "considerable time" is going to stay in the statement.

But if those words are removed, there will be instant speculation (and probably a lot of market jitters) about the Fed possibly moving to raise rates as soon as next spring.

"If the Fed wants to leave the door open for a March interest rate hike, it will need to drop the 'considerable time' language," said Zach Pandl, senior portfolio manager and interest rate strategist at Columbia Management.

"This indecision's bugging me" Pandl thinks the Fed will probably keep those two words in the statement Wednesday.

But obsessing about if they should stay or should they go now may be a moot point. (If they go, there will be trouble?) Pandl said it is a "virtual certainty" that the "considerable time" language will be cut from the Fed's next statement in October.

That makes sense. The Fed is expected to announce Wednesday that it is going to cut, or taper, the size of its monthly bond purchases one last time before ending the program, dubbed quantitative easing or QE, altogether in October. So it will be more appropriate then for the Fed to begin discussing the timing of interest rate hikes.

But not everyone agrees. Steve Van Order, fixed income strategist for Calvert Investments, argues that the Fed should hold off on changing the statement until December. He thinks QE should officially end first before the Fed worries about rate hikes.

Van Order added that the problem with the "considerable time" language is that there is really no consensus on what it exactly means. Janet Yellen goofed in her first press conference as Fed chair back in March when she said it could be six months after QE was over.

But couldn't a "considerable time" be three months? Or nine?

"How much time does the Fed really need to set the market up for a rate hike that is still months away?" Van Order asked.

Rate hikes are coming. Get used to it. Fortunately, it appears that investors are already prepared for the inevitable rate hike.

Bond yields have ticked higher lately, and that's usually what happens when the Fed is getting ready to raise rates. Stocks have been more volatile too.

But investors should also not lose sight of the fact that a rate hike is sorely needed and should be welcomed. It means the economy is finally strong enough to handle higher rates.

The Fed has been in fire-fighting mode for nearly six years. The flames are out. The Fed can put down the hose.



Yellen on human toll of unemployment

But the Fed also knows that it shouldn't move so quickly and risk killing the recovery either. That's why it has to continue to focus on the data.

"Yellen will not want to make the mistake of tightening too soon. If they are going to make a mistake, it will be waiting a little too long to raise rates," said Sam Wardwell, investment strategist at Pioneer Investments.

First Published: September 17, 2014: 7:39 AM ET

Unquote

It sounds weird that we have to watch and hear what Janet Yellen has to say before we invest in the stock market.

Well, we are talking about human psychology. People just feel nervous about interest rates hike to determine their future. We have to accept such mass thinking and go along with their thinking.

So, before our lady declares interest rates hike, let us look for opportunities.

In this issue, we shall study a Malaysia stock, Gamuda Berhad.

Why Gamuda? Let us read the following article:

Quote:

Published: Friday September 19, 2014 MYT 12:00:00 AM

Updated: Friday September 19, 2014 MYT 7:00:08 AM

Seven highways worth RM20bil expected to start work next year

BY INTAN FARHANA ZAINUL AND LIZ LEE



KUALA LUMPUR: Work on seven new highways will start next year, offering jobs worth RM20bil for the construction sector.

This will also fill up the order books of construction companies that have been waning following the tail-end of the RM23bil Klang Valley mass rapid transit (MRT) project.

The seven highway projects are the RM1.18bil Duta-Ulu Kelang Expressway (DUKE) extension, the RM5.04bil West Coast Expressway (WCE) from Banting to Taiping, the RM2.5bil Kinrara-Damansara Expressway (Kidex), the

RM1.5bil Kuala Lumpur Outer Ring Road (KLORR), the RM4.18bil Damansara-Shah Alam Expressway (DASH), the RM4.3bil Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) and the Serdang-Kinrara-Putrajaya Highway (SKIP).

Works Minister Datuk Fadillah Yusuf said yesterday that work on the seven highways should start next year.

“Currently, most of the projects are in the process of seeking approvals from the state authorities and relevant bodies, as well as public consultation,” he told reporters after the opening ceremony of International Construction Week (ICW) 2014.

He said the impending DASH and Kidex projects were in a process of seeking public approval and the final approval from the state.

“If you look at Kidex, the promoters have received the feedback from the public for realignment ... with the information, we now need to sit down and evaluate how to proceed with the project,” he added.

Kidex is a 14.9-km fully elevated expressway stretching between the NKVE Damansara Toll and Lebuhraya Bukit Jalil.

“For the WCE project, the approvals on the Perak side are more or less cleared. On the Selangor side, there could be some adjustment in the alignment following the public consultation,” Fadillah said.

The WCE project is from Banting in Selangor to Taiping, stretching over 233km of tolled highway.

Meanwhile, on the overall construction sector, Fadillah expects the industry to continue its double-digit growth in the second half of the year, on the back of mass ongoing construction activities from the private and public sectors.

“The construction industry will continue to be one of the prime movers of the Malaysian economy. We estimate that there would be more than RM110bil worth of projects this year,” he said.

For the first half of 2014, the Malaysian construction industry charted a strong growth of 14.3% against 12% in the same period last year, he said.

ICW 2014, from Sept 17 to 23, is organised by the Construction Industry Development Board Malaysia.

There are 300 exhibitors from 24 countries involved, including from the United Kingdom, South Korea and China, with 15,000 visitors expected.

While the construction sector's performance was somewhat muted in the second quarter of this year, research houses remain positive on the sector's momentum to drive earnings in the next few years.

RHB Research said although almost all construction companies delivered their numbers, there was a "lack of spark" in their latest quarterly results.

The research house remains optimistic on the sector, believing that its strong momentum of activities will be sustained, potentially driving medium-term sector earnings growth.

"We are unconcerned by the construction resources to be disengaged from the RM23bil Line 1 of the Klang Valley MRT project upon completion in mid-2015. We believe they will find their homes in the RM25bil Line 2 of the project, which is scheduled to start work in the first quarter of 2016," the research house noted.

Among analysts covering the sector, Gamuda Bhd remains a top pick, being a proxy to the Klang Valley MRT project.

The other top themes for the sector, as RHB Research noted, were piling and public housing, to which Pintaras Jaya Bhd and Protasco Bhd are meaningful proxies, respectively.

In its roadshows in Kuala Lumpur, Singapore and Hong Kong, CIMB Research found that most fund managers concurred with its view that Gamuda could play catch-up in the second half of the year.

"Expectations are still high for Muhibbah Engineering Bhd securing packages in the Refinery and Petrochemical Integrated Development project in

Pengerang, Johor. While still skeptical, investors were eager for the high-speed rail updates and keen to hear our opinion about YTL Corp Bhd's advantage," the analyst said.

CIMB Research opined that local investors were more interested in the timing of tenders and awards for the major domestic projects in the pipeline than Singaporean and Hong Kong investors.

"Some expressed concern over the perceived delay in MRT 2 approvals and project delivery partner, or PDP, appointment, but concurred with our view of a revival in the last quarter," the research note said.

"We continue to recommend investors to accumulate Gamuda, as sentiment is warming up to a recovery in MRT 2 catalysts, likely in the fourth quarter, and given positive developments in the water takeover deal," CIMB Research added.

Unquote

MARKET OUTLOOK

Let us study Uncle Sam's mood as per Dow charts below:

Dow Jones Industrial Average chart



TECHNICAL ANALYSIS

Let us study Dow performance as per table below:

Date	Open	High	Low	Close	
11.10.2007	14,079.10	14,198.10	13,950.25	14,015.12	Top
06.03.2009	6,595.16	6,755.17	6,469.95	6,626.94	Low
31.12.2013	16,512.38	16,588.25	16,511.48	16,576.66	Top
05.02.2014	15,443.00	15,478.21	15,340.69	15,440.23	Low
13.05.2014	16,695.92	16,735.51	16,695.92	16,715.44	Top
20.05.2014	16,511.22	16,511.22	16,341.30	16,374.31	Low
17.07.2014	17,133.45	17,151.56	16,966.19	16,976.81	Top

30.07.2014	16,920.11	16,983.94	16,817.16	16,880.36	Sell signal
07.08.2014	16,448.29	16,504.35	16,333.78	16,368.27	Low
19.08.2014	16,839.06	16,929.13	16,839.06	16,919.59	Buy signal
04.09.2014	17,083.61	17,161.55	17,030.12	17,069.58	Top
12.09.2014	17,044.05	17,044.05	16,937.67	16,987.51	Low
18.09.2014	17,163.73	17,275.37	17,163.73	17,265.99	Buy signal
19.09.2014	17,267.21	17,350.64	17,257.46	17,279.74	

Observation:

- 1) On 06.03.2009 Dow hit a low at 6,469.95.
- 2) On 31.12.2013 Dow rallied to a new record high at 16,588.25.
- 3) On 05.02 2014 Dow fell to a low at 15,340.69.
- 4) On 04.09.2014 Dow hit a new record high at 17,161.55 .
- 5) On 12.09.2014 Dow fell to a low at 16,937.67.
- 6) On 18.09.2014 Dow closed at 17,265.99 which was above its MA 5 Days, MA 10 Days and MA15 Days signified a **“Buy signal”**.

Possibilities:

- 1) **Dow is trending upwards.**
- 2) **Dow could hit 17,810.93 according to my Mystic 7 formula.**

FBMKLCI

Let us study FBMKLCI as per chart below:

FBMKLCI charts



TECHNICAL ANALYSIS

Let us study FBMKLCI movements as per table below:

Date	Open	High	Low	Close	
31.12.2013	1,872.13	1,882.20	1,862.52	1,866.96	Top
04.02.2014	1,795.89	1,795.89	1,769.80	1,778.83	Low

08.07.2014	1,893.89	1,896.23	1,891.66	1,892.65	Top
22.07.2014	1,873.62	1,874.00	1,868.03	1,871.36	Sell signal
08.08.2014	1,864.68	1,864.68	1,837.28	1,839.87	Low
21.08.2014	1,878.89	1,879.62	1,871.36	1,874.81	High
15.09.2014	1,853.14	1,856.16	1,836.50	1,847.30	Low
19.09.2014	1,845.09	1,853.68	1,843.35	1,849.49	

Observation:

- 1) FBMKLCI hit a top at 1,882.20 on 31.12.2013.
- 2) FBMKLCI hit a low at 1,769.80 on 04.02.2014.
- 3) FBMKLCI hit a new record high at 1,896.23 on 08.07.2014.
- 4) On 22.07.2014 FBMKLCI fell to 1,871.36 which was below its MA 5Days, MA 10 Days and MA 15Days which signified a **“Sell signal”** .
- 5) On 15.09.2014 FBMKLCI fell to a low at 1,836.50.

Possibilities:

- 1) **FBMKLCI is rebounding.**
- 2) **FBMKLCI immediate resistance is at 1,879.62. If FBMKLCI can breakout this level, it will challenge its all time high at 1,896.23.**

STI

Let us study STI performance as per chart below:

Straits Times Index chart



TECHNICAL ANALYSIS

Let us study STI data as per table below:

Date	Open	High	Low	Close	
22.05.2013	3,453.28	3,464.79	3,453.26	3,454.37	Top
04.02.2014	2,954.88	2,973.72	2,953.01	2,965.80	Low
29.05.2014	3,279.85	3,308.80	3,278.31	3,300.71	High
05.06.2014	3,278.08	3,282.86	3,272.23	3,279.64	Low
09.06.2014	3,308.62	3,311.44	3,298.33	3,305.20	High
17.06.2014	3,289.56	3,295.13	3,268.45	3,274.44	
01.07.2014	3,255.65	3,256.37	3,234.06	3,242.64	Low
04.07.2014	3,282.23	3,289.77	3,271.90	3,272.25	Uptrend
11.07.2014	3,274.49	3,294.40	3,274.49	3,293.73	Buy signal
21.07.2014	3,313.83	3,320.35	3,309.17	3,314.27	breakout
31.07.2014	3,353.70	3,387.84	3,352.13	3,374.06	Top
08.08.2014	3,303.06	3,303.65	3,277.97	3,288.89	Low
12.08.2014	3,314.90	3,319.70	3,303.03	3,303.39	Sell signal
14.08.2014	3,308.06	3,309.76	3,289.05	3,294.83	Low
25.08.2014	3,331.91	3,343.62	3,326.80	3,330.28	Buy signal
28.08.2014	3,348.25	3,358.52	3,330.22	3,330.22	High
16.9.2014	3,313.48	3,314.39	3,266.25	3,272.62	Low
19.09.2014	3,302.61	3,313.18	3,301.94	3,305.05	

Observation:

- 1) The STI hit a top at 3,464.79 on 22.05.2013.
- 2) The STI hit a low at 2,953.01 on 04.02.2014.
- 3) On 31.07.2014 the STI hit a high at 3,387.84 .

Possibilities:

- 1) **The STI is trending nowhere.**

GAMUDA BERHAD

Story:

Please read the above article on highway projects in 2015.

TECHNICAL ANALYSIS

Let us study Gamuda share price movements as per charts below:

Gamuda chart



Let us study Gamuda share price performance as per table below:

Date	Open Price	High Price	Low Price	Close Price	Vol
	RM	RM	RM	RM	
28.08.2013	4.14	4.24	4.00	4.22	17.4M Low
30.10.2013	4.79	4.81	4.78	4.81	1.01M High

16.01.2014	4.31	4.33	4.04	4.22	2.42M	Low
26.08.2014	4.91	5.00	4.87	5.00	8.46M	Top
19.09.2014	4.81	4.83	4.80	4.81	5.29M	

Observation:

- 1) Gamuda share price hit a high at RM5.00 on 26.08.2014.

Possibilities:

- 1) **Gamuda share price has a good chance to trend upwards further.**
- 2) **If Gamuda share price able to breakout of RM5.00 it could hit RM5.27 or RM5.62 or RM6.32 according to my Mystic 7 Formula.**

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