



Profit from mart correction in year of the crouching tiger

Investors are warned to watch out for volatility risk and expect a more volatile ride this year as compared to a bullish trend last year

by **LEE CHERNG WEE**

AFTER hitting a two-year high of 1328.22 points recently, the FBM KLCI could fall to between 900 and 1000 points as the local stock market is expected to turn bearish in the second and third quarter this year, said NextView Sdn Bhd's chief market strategist Benny Lee.

Following the expected decline, investors can potentially profit from the rebound that could form the next bull run as the Year of the Tiger has been historically filled with market corrections, he said.

"For the past 36 years, the tiger year has always been a major reversal year. It can be a bullish or a bearish reversal. If a preceding trend before the tiger year is a bull trend, a bearish reversal follows during the year of the tiger, and vice-versa. Our market has been in a bullish trend since April last year. So, my theme for this year is 'crouching tiger'," said Lee in an e-mail interview with *The Malaysian Reserve*.

Being an experienced trader and trainer, Lee said the



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equity market is in the middle of a very long term market range.

"So, as a long term investor, they could sell some of their positions now and collect again when the market goes into a correction. For short term traders, the upside potential is limited and therefore it is better to take profits and wait for a correction. Investors should jump in when there is a major correction," he said.

However, Lee warns investors to watch out for volatility risk and expect a more volatile ride this year as compared to a bullish trend last year.

"This year may be a year of really good opportunities but investors should be ready for a 30% volatility. This simply means that their equity portfolio may fall 30%," he said.

According to Lee, investors are able to take advantage of opportunities during a crisis with the help of technical

analysis.

"So, when there is a crisis, there will be fear and a smart investor should look for opportunities in the crisis because prices are going to be low. However, the investor needs to know how to identify when prices are low and one of them is through technical analysis," he said.

Technical analysis is a security analysis discipline for forecasting the future direction of prices through the study of historical market data, primarily price and volume. Technical analysts seek to identify price patterns and trends in financial markets and attempt to exploit those patterns.

"Technical analysis is a study of price action against time and therefore provides additional information which can be advantage for investors who knows about it because in a volatile market, buying and selling at the

right price and at the right time is crucial for determining their investment profitability," he said.

Understanding technical analysis may provide investors with an edge when making decisions in investing at the right price and at the right time. For professionals in the finance industry, technical analysis could assist them in providing clients with more sophisticated information.

Technical analysis also allows investors to build sound trading plans that can be used when trading in various markets other than equities because the foundation is the same for any markets and different indicators can be used in different markets," he said.

Lee noted that investors need to experiment with different theories and indicators to find out which work best in achieving their investment objective.

Lee, who has talked in seminars in many countries, will be conducting a technical analysis course on April 8 at the Securities Commission. The course, organised by the Securities Industry Development Corporation (SIDC), will feature major tools of technical analysis, samples of practical examples and live trading.

The course fee of RM1,100 per participant includes course material, refreshments and lunch. Interested investors can attend the course preview on March 18.