Mubasher in Depth Technical Analysis Report

Dubai Financial Market - DFM

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Introduction:

This is a special technical report covering Dubai Financial Market (DFM) stock. Several differences exist between this report & our normal regular daily report. This is a detailed technical report which will cover DFM extensively from a technical point of view. The report will also cover several time frames. The content of this report does not recommend buying or selling DFM, however, the most probable future direction will be shown as a conclusion at the end of the report based on the analysis throughout the whole report.

Medium Term Trend Analysis:

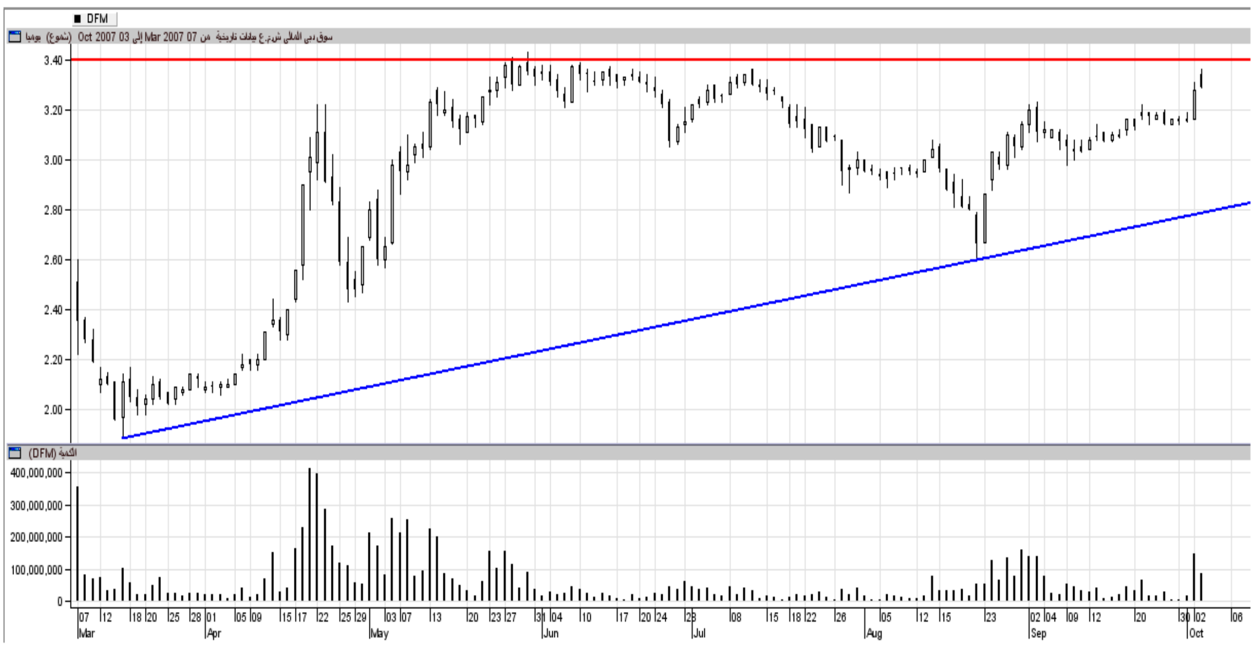

FIGURE 1: DFM DAILY CHART – MEDIUM TERM TREND ANALYSIS

The DFM stock is to some extent a special case as there is little historical data for the stock available since it has been listed on the 7th of March 2007. Enough historical data is always required to perform long term analysis. This is why the analysis in this very special case starts with the medium term, unlike our standard technique to start with the long term analysis.

As shown in Figure 1, the stock can be considered in a medium term uptrend almost since it was listed. The blue trend line is considered partially valid for 2 reasons. The first is that it uses only 2 bottoms which is the minimum to be used for drawing a valid trend line. The second is that we assume that the bottom formed on the 22nd and the 23rd of August to be a medium term bottom. This assumption might raise some concerns as many might find it a non-confirmed bottom for the medium term; however, we believe that the bottom is valid to some extent. Both the price action and the volume of trading at this bottom suggest that it can be considered a medium term bottom and thus can be used to draw a medium term trend line.

As it can be seen as well from Figure 1, the major resistance in front of the stock lies at the area 3.39-3.43 which is being approached by the stock currently through the current advance.

Medium Term Fibonacci Analysis:

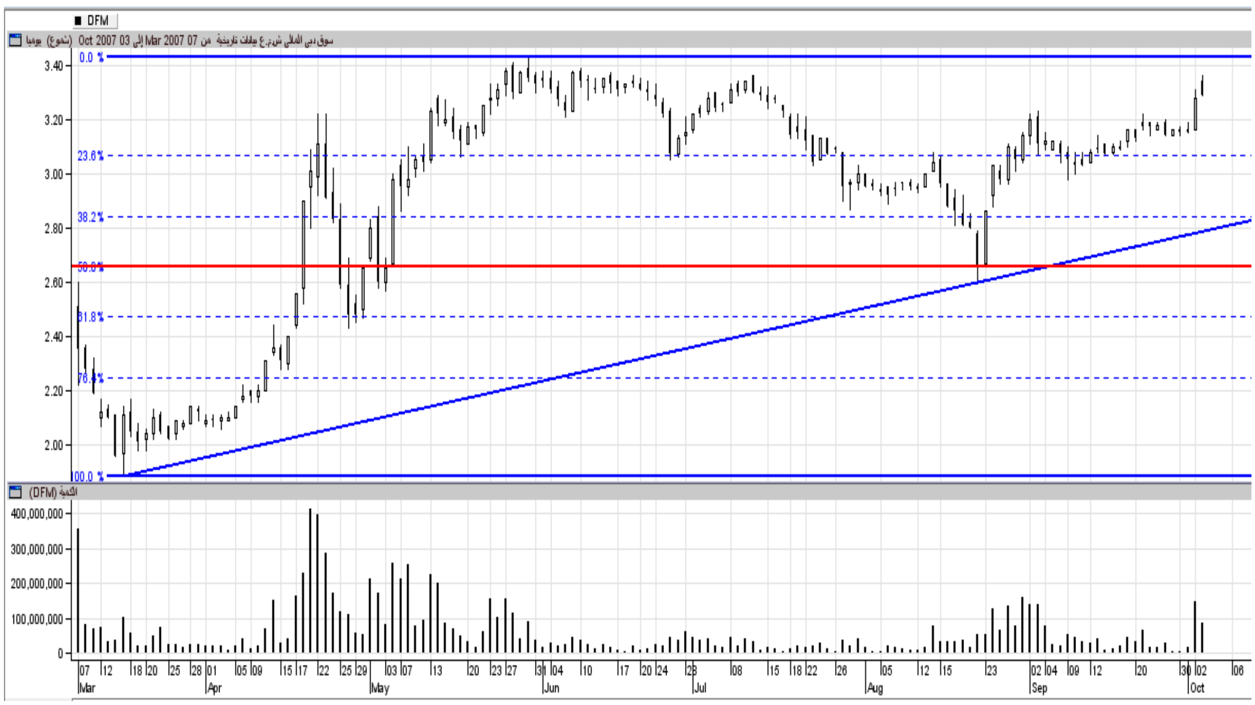

FIGURE 2: DFM DAILY CHART – MEDIUM TERM FIBONACCI ANALYSIS

Figure 2 shows a simple classic Fibonacci analysis for the previous wave and highlights the 50% retracement level at around 2.66 where the assumed medium term bottom formed around (Shown by the red horizontal line).

It was impossible for any technician to assume which level the stock would have stopped at earlier since the stock was not having enough data to judge and the overall trend was not complete yet. However, in such cases, the safe area where such corrections usually end comes in between the 50% and the 61.8% that is between 2.48 and 2.66. The correction actually stopped at 2.60, well within this area.

Medium Term Trend Reverse Fibonacci Analysis:

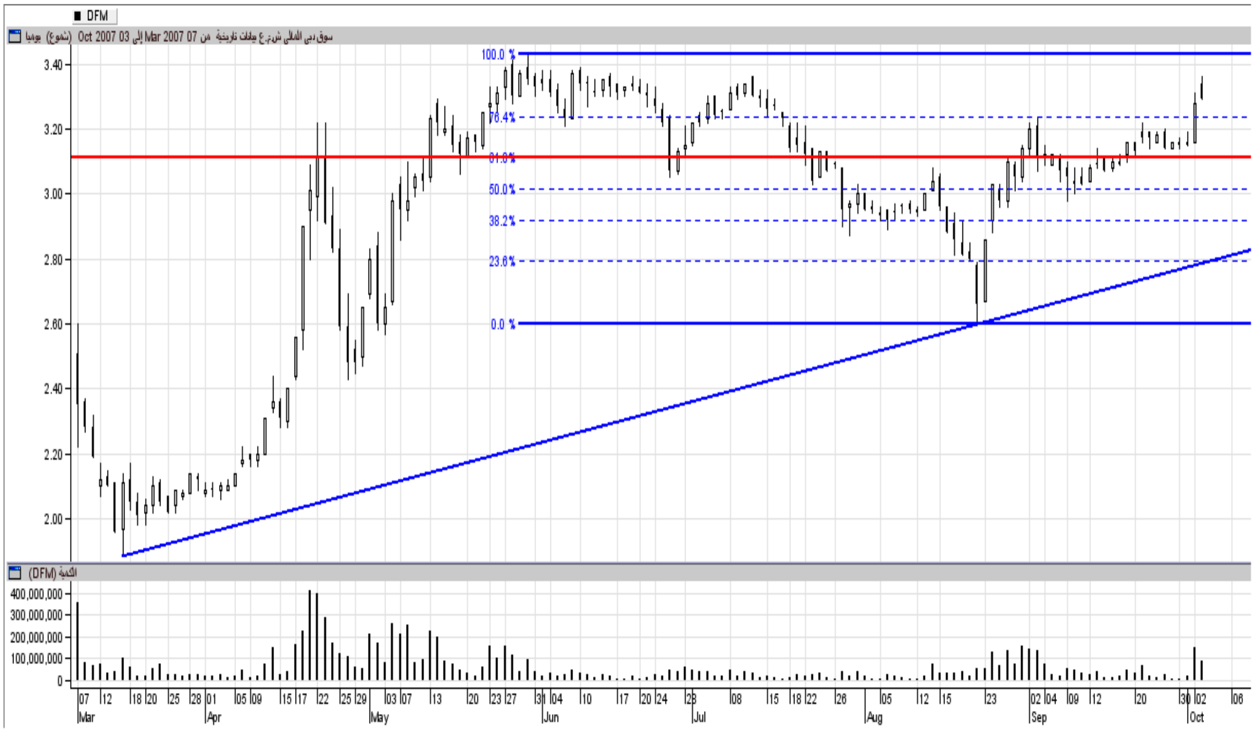

FIGURE 3: DFM DAILY CHART – MEDIUM TERM REVERSE FIBONACCI ANALYSIS

Figure 3 shows the reverse Fibonacci analysis against the previous correction. The previous correction is treated as a medium term correction since it lasted for around 3 months and retraced almost 50% of the previous ascending wave. For this previous correction, the most important reverse Fibonacci level was the 61.8% which stood at 3.11. It is beyond the scope of this report to explain why this specific level was the most important, however, the correction should not be considered terminated unless this level was decisively penetrated.

After the level is penetrated, the stock is expected to resume the medium term trend once again and the level itself is considered of no importance after that and thus it should not be used further on in the analysis as either a support or a resistance level.

The level represents the largest pile of clustered supply and thus once this cluster is destroyed by buyers, the stock is expected to move freely according to the new alignment of positions in the stock. From the volume it can be seen that volume was the heaviest while penetrating this level at the first time which supports the point of view while the second penetration was without any significant volume as the level itself was insignificant after that.

Target Projection Analysis:

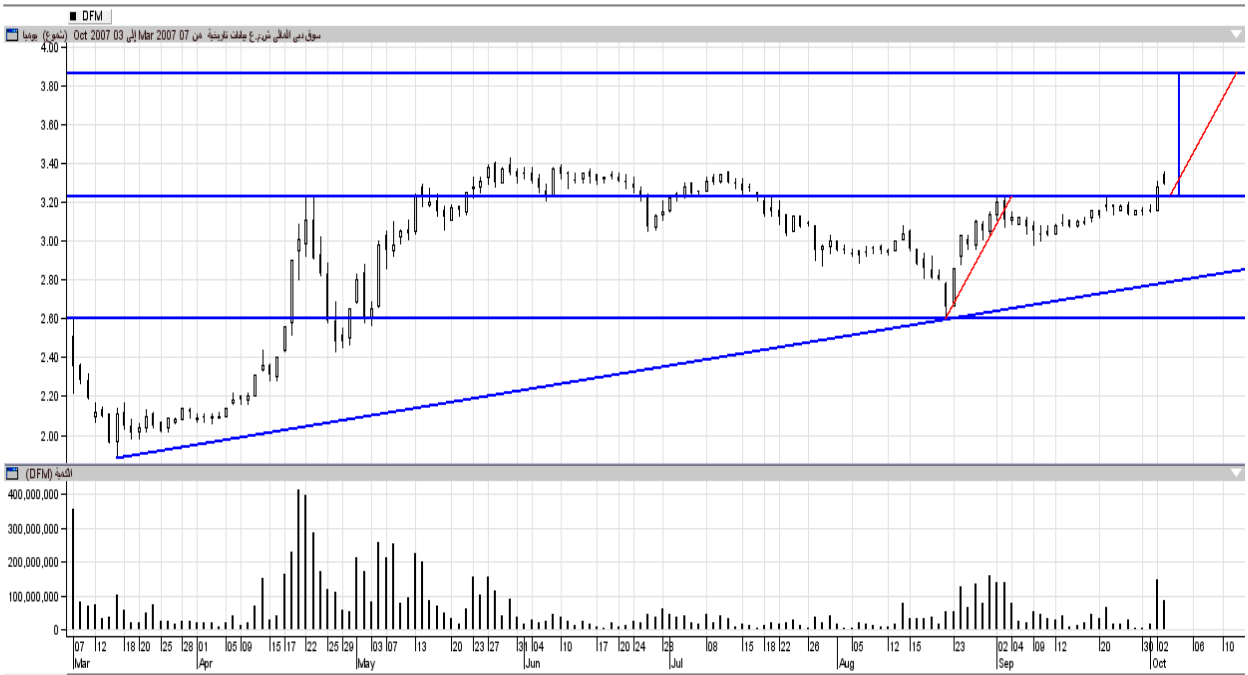

FIGURE 4: DFM DAILY CHART– TARGET PROJECTION ANALYSIS

Figure 4 shows the first projection analysis scenario for the stock. Considering the previous assumption that the bottom formed at the 50% retracement level is a medium term bottom and considering that volume picked up substantially during the previous rally followed by a flat correction which lasted almost a month, a target can be established for the stock which equals the height of the previous ascending wave.

The previous ascending wave started at 2.60 and ended at the minor top at 3.23 making the height of the whole wave stand at 0.63 AED. Thus it can be projected that the next expected wave would be partially equal to the previous and will top out at around 3.23+0.63 = 3.86 AED.

FIGURE 5: DFM DAILY CHART– TARGET PROJECTION ANALYSIS

Figure 5 shows the second target projection scenario. This scenario shows that the stock might even go higher if and only if sufficient volume was present. This shall be seen through following the trading volume during the next wave and judging if the stock is having enough volume and momentum to reach this target or not.

This second scenario target stands at 1.618 times the previous ascending wave and thus the target is expected to be in the range of 4.20-4.25.

Once again it is beyond the scope of this report to explain in details the methodology behind calculating such targets. Please be aware that calculating targets is not depending straight forward on previous waves and that different methodologies are used for different cases.

For our case, future developments in the stock shall dictate which scenario will unfold and consequently which target is expected to be reached by the stock. For the time being and depending on the acceleration of the next wave and it's volume, the first projection at 3.86 is highly probable in case the stock continued the next wave upwards with moderate acceleration and moderate volume relative to the previous ascending waves.

The second scenario projection at 4.20-4.25 is highly probable in case the stock continued the next wave upwards with high acceleration and on heavy volume relative to the previous ascending waves.

It is also worth noting that those targets are expected to be profit taking areas and thus corrections against the trend are expected after they are reached.