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### **2<sup>nd</sup> Board Index Daily Technical Analysis 01/11/2007**

The 2<sup>nd</sup> board index retreated as a form of technical correction on Thursday, closing 0.64 of a point lower to 110.68 points. Therefore, as indicated by A, we choose to apply the 14, 21, 31 EMA to track the sustainability of the uptrend, and the 14, 21, 31 EMA will be serving as the dynamic support for the 2<sup>nd</sup> board index. If the 2<sup>nd</sup> board index should resume its uptrend, it must rebound from the dynamic support.

As indicated by B, volume for the 2<sup>nd</sup> board market declined 35.4% but still remain above the 40-day VMA level. From a technical analysis stand point, the decline of volume

during the technical correction is viewed as a healthy signal. Nevertheless, if the 2<sup>nd</sup> board index should resume its uptrend, it must be confirmed with the increase of volume.

As mentioned continuously in our previous analysis, the Stochastic %K line falls below the 90% level on Thursday, issuing a short term technical correction signal. Therefore, the Stochastic is now suggesting a correction signal. If the Stochastic %D line should remain above the 70% level after the correction, the market movement for the short term shall remain bullish biased. (Study C)