Chapter 10:
Case Study 2 –
Supermax Corporation Berhad

10.1 Fundamental Analysis

Supermax Corporation Berhad was a five-bagger stock that Koon invested in May 2009, and held until November 2010. Koon started buying it when its share price was Rm 0.30/share in May 2009, and began selling it when it was around Rm 1.60/share in August 2010.

Prior to investing in a stock, Koon would look at the business, and earnings growth prospect of the company. In addition, he would also assess the efficiency, and capability of its management, and the value of the stock compared to its share price.

10.1.1 Understanding the Business of Supermax

Supermax principally involved in the production of medical gloves, and later in contact lens. It began as a latex glove trading company in 1987. As the business grew, the management increased their investment in the company, ventured into manufacturing, marketing and distribution of medical gloves. After thirty-three years of aggressive expansion. it now has 11 manufacturing plants in Malaysia.

Being the second largest medical glove manufacturers in Malaysia after Top Glove, Supermax produces more than 24 billion pieces of gloves every year. Its latex gloves are exported to over 160 countries worldwide. In addition, has eight own distribution centres based in the US, Brazil, Canada, Germany, UK, Hong Kong, Singapore, and Japan. The brands of medical gloves they offer include Supermax, Aurelia, Maxter, Medic-dent, and Supergloves, which are extensively used in hospitals, and laboratories.

When Koon started investing the company in April 2009, the market capitalisation of Supermax was only Rm 400 million. Today, as of May 2020, the market capitalisation of Supermax has crossed the mark of Rm 10 billion. In terms of capacity, it was also ranked No 2 in Malaysia in 2009, and could produce 14.5 million pieces of gloves per annum when Koon started investing in the company.

10.1.2 Assessing the Financial Performance of Supermax

To Koon, having an appreciation of Supermax's business and its outlook was not enough, he would also study the financial reports of the company, and would try to build his position in the stock below its fair price.

To judge the financial status of Supermax, it is important to study the profitability, solvency, liquidity and activity ratio of its business.

- **Profitability**

  First of all, Koon would make sure that the business made more profits this year than last year, and could make more profits next year than this year before placing his wager.

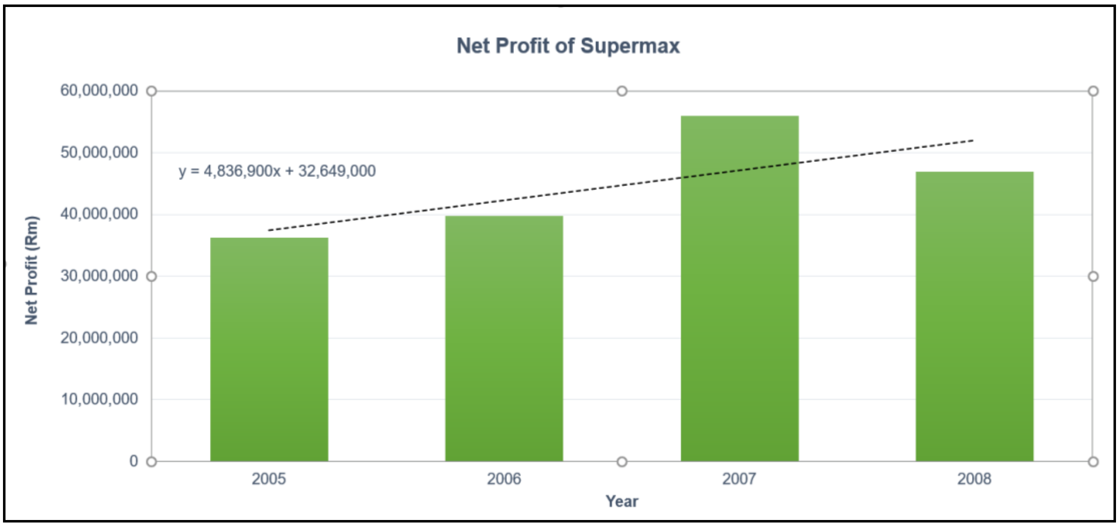

Figure 10.1: Net Profit of Supermax from 2005 to 2008

In order to determine the growth rate, we can use the linear equation in the chart above to determine the adjusted net profit of Supermax from 2005 to 2008.

In 2008, the company made a full impairment of its investment in its associate company, APLI, amounting to Rm 16.7 million, as the management believed that APLI was unable to carry through its restructuring exercise. As a result, the net profit of Supermax in 2008 was lower than that in 2007, even though its revenue continued to grow. But that exception would not bother Koon, as he paid more attention to the demand of the company's products, and the ability of the company to generate higher revenue and earnings in the next few years.

Adjusted net profit growth rate (3-yr CAGR)
= {[(Adjusted net profit in 2008 / Adjusted net profit in 2005) $^{1/3}$ *] – 1} × 100%*
= [(Rm 51,996,600 / Rm 37,485,900) $^{1/3}$ *] – 1 × 100%*
= 11.52%

It can be seen from Figure 10.1 that the Supermax did not suffer any financial losses in 2008 in spite of the subprime mortgage crisis, and the impairment charge. Moreover, it delivered 11.52% CAGR in net profit during FY05-FY08.

Further, it was expected to deliver higher profit in 2009, as the outbreak of H1N1 Swine Flu would lead to a higher demand of medical gloves, which in turn allowed Supermax to increase their selling prices without costing the company any additional expenses. In other words, the profit of the upcoming year would be higher than that of this year. In hindsight, Koon's judgement on the potential growth of Supermax's net profit was right, as its net profit surged from Rm 46.997 million in FY2008 to Rm 126.585 million in FY2009.

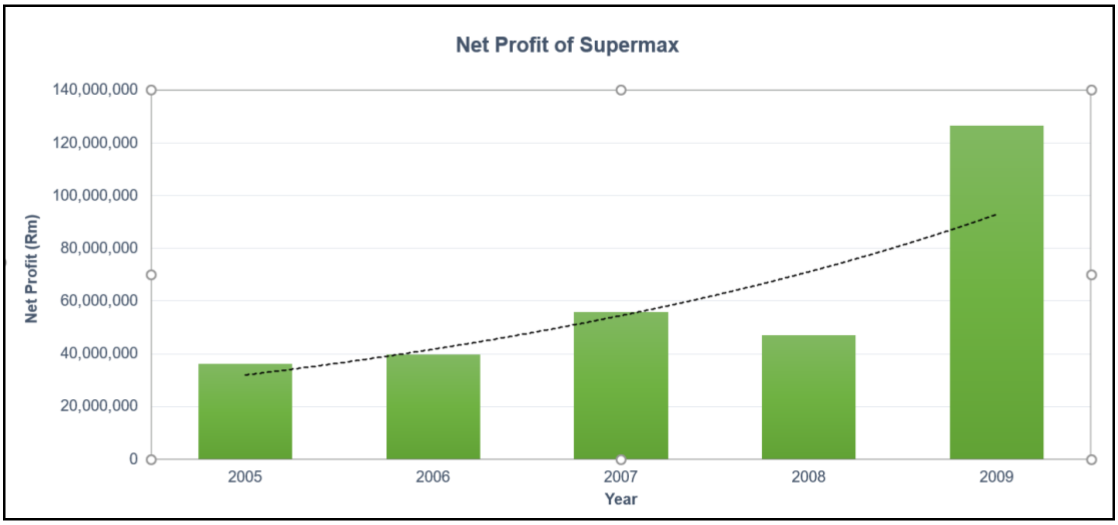

Figure 10.2: Net Profit of Supermax from 2005 to 2009

Further, the net profit margin of Supermax was maintained at a satisfactory level, around 10%, despite the increasing revenue. The number suggests that the management was successful at controlling its cost.

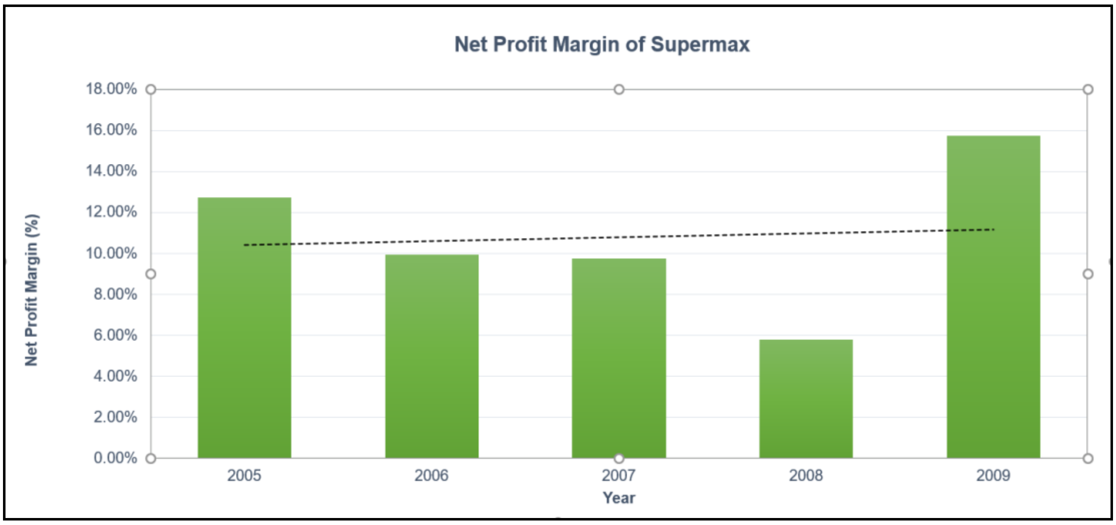

Figure 10.3: Net Profit Margin of Supermax from 2005 to 2009

Also, the return on equity of Supermax was maintained at a high level, around 15%, despite the growing shareholders' equity. The figure suggests that the management was efficient in utilising the available resources to generate profits.

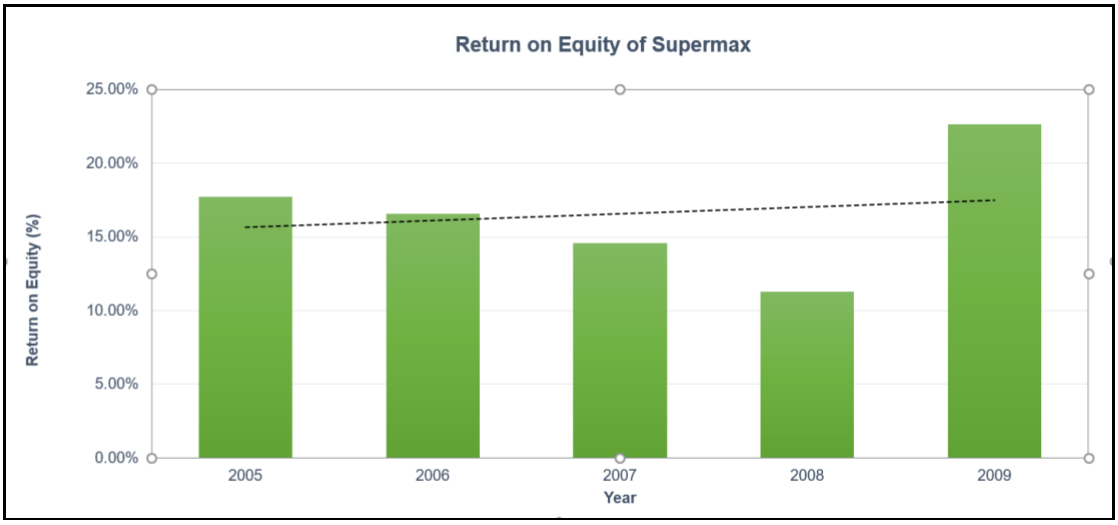

Figure 10.4: Return on Equity of Supermax from 2005 to 2009

- **Solvency**

  One of the methods to assess the ability of Supermax to meet its long-term financial commitments is by analysing its debt-to-EBITDA and debt-to-equity ratios.

  Debt-to-EBITDA ratio
  = Debt / EBITDA
  = Rm 390,749,423 / Rm 101,119,000
  = 3.86

  Debt-to-Equity ratio
  = Debt / Shareholders' Equity
  = Rm 390,749,423 / Rm 416,380,000
  = 0.94

  The debt-to-EBITDA ratio and debt-to-equity ratio of Supermax in 2008 were 3.86 and 0.94, respectively. The ratios were higher than those of industry average, 2.09 and 0.57, respectively, and were also somewhat higher than the upper limit of normal ranges, as the management of Supermax took more loans to expand their business, buy assets, and build inventory, in order to meet the strong market demand.

- **Liquidity**

  Also, we must not forget to assess the company's ability to pay its short-term obligations. It can be done by determining the current ratio and quick ratio of the stock.

Current ratio
= Current assets / Current liabilities
= Rm 407,312,394 / Rm 347,382,835
= 1.17

Quick ratio
= (Current assets – Inventories) / Current liabilities
= (Rm 407,312,394 – Rm 135,507,463) / Rm 347,382,835
= 0.78

The current ratio and quick ratio of Supermax in 2008 were 1.17 and 0.78, respectively. In comparison, the figures were somewhat lower than those of the industry average, 1.33 and 0.86, respectively, and were the lowest ones in the past five years. One of the reasons why the figures were so low is that the company borrowed a lot of money to facilitate its expansion plan. Nevertheless, the company still managed to maintain its current ratio above 1.00, which showed that the company was able to meet their short-term obligations, and had the necessary financial resources to maintain its solvency.

- **Activity Ratio**

To prevent investing in a poorly-managed company, we have to analyse the total asset turnover ratio, inventory turnover ratio and receivable turnover ratio of the company.

Total asset turnover ratio
= Sales / Average total assets
= Rm 811,824,000 / Rm 946,726,801
= 0.86

Inventory turnover ratio
= Sales / Average inventory
= Rm 811,824,000 / Rm 135,507,463
= 5.99 (61 days of inventory on hand)

Receivables turnover ratio
= Sales / Average accounts receivable
= Rm 811,824,000 / Rm 124,698,879
= 6.51 (56 days of credit)

In comparison, the asset turnover ratio of Supermax in 2008, 0.86, was lower than that of the industry average, 1.06, but was the highest one in the last five years. This implies that the company was working hard to utilise its assets to generate higher revenue.

In addition, its inventory turnover ratio, 5.99, was lower than that of the industry average, 6.89. Given the increasing demand of gloves amid the widespread of H1N1 virus, it was sensible that the management built higher inventory in 2008 so that they could deliver goods to clients once they received their orders, and to prevent shortage of gloves.

Compared to its peers, its receivables turnover ratio, 6.51, was slightly higher than that of the industry average, 6.02. This signifies that the management were less efficient as its peers in collecting its credit. But that figure would not bother Koon, as many companies offer 90-day payment (or credit) term to their customers in order to bring in new blood, and to grow their business.

- **Cash Flow**

To ensure that the company is not running out of cash, we must also analyse the free cash flow and operating cash flow to sales ratio of the firm.

Free cash flow
= Operating cash flow – Capital expenditures
= Rm 53,085,879 – Rm 38,544,696
= Rm 14,541,183

Operating cash flow to sales ratio
= Operating cash flow / Sales
= Rm 53,085,879 / Rm 811,824,000
= 0.07

The free cash flow of Supermax in 2008 was Rm 14,541,183, and was higher than the industry average. This was a positive sign, which showed that the company was still able to generate cash flow internally to pay dividend to shareholders after allocating fund for expansion.

Its operating cash flow to sales ratio, 0.07, was close to that of the industry average, 0.07. This indicates that the management was as good as their competitors in turning sales into cash in their day-to-day operation.

Description	**2005**	**2006**	**2007**	**2008**	**2009**	**Industry Average (in 2008)**
Revenue (Rm)	284,688,000	400,324,000	574,260,000	811,824,000	803,633,000	563,642,076
Earnings before interest, tax, depreciation and amortisation, EBITDA (Rm)	44,522,000	61,113,000	93,730,000	101,119,000	205,670,000	75,992,563
Net profit (Rm)	36,273,000	39,749,000	55,946,000	46,997,000	126,585,000	42,461,192
Adjusted earnings per share (Rm)	0.0267	0.0292	0.0411	0.0346	0.0931	0.0305
Net profit margin (%)	12.74%	9.93%	9.74%	5.79%	15.75%	7.53%
Equity (Rm)	204,522,000	239,904,000	383,789,000	416,380,000	558,835,000	279,166,032
Return on equity (%)	17.74%	16.57%	14.58%	11.29%	22.65%	15.21%
Debt (Rm)	179,570,848	196,899,547	345,936,125	390,749,423	289,607,227	159,118,718
Debt-to-EBITDA ratio (times)	4.0333	3.2219	3.6908	3.8643	1.4081	2.0939
Debt-to-equity ratio (times)	0.8780	0.8207	0.9014	0.9384	0.5182	0.5700
Current ratio (times)	1.9308	1.7969	1.3883	1.1725	1.7838	1.3340
Quick ratio (times)	1.6835	1.4557	0.9715	0.7824	1.2400	0.8594
Total assets (Rm)	473,013,618	521,974,073	868,528,734	946,726,801	945,249,232	533,278,407
Total asset turnover ratio (times)	0.6019	0.7669	0.6612	0.8575	0.8502	1.0569
Inventory turnover ratio (times)	10.6439	9.5052	5.3992	5.9910	6.9160	6.8860
Receivables turnover ratio (times)	8.2766	7.3179	5.9035	6.5103	10.1515	6.0180
Free cash flow (Rm)	-20,661,938	9,974,470	39,958,453	14,541,183	208,421,277	-5,679,413
Operating cash flow to sales ratio (times)	-0.0050	0.0781	0.1287	0.0654	0.2810	0.0725
Price to earnings ratio (P/E)				8.6814		14.9010

Figure 10.5: Summary of Supermax Corporation Berhad’s Financial Performance

10.1.3 Valuing the Business of Supermax.

To avoid paying too much for sellers and avoid overpaying for what the business is worth, Koon would make sure that the Price-to-Earnings ratio or forward Price-to-Earnings ratio of the stock were lower than 10, and lower than that of the industry average.

Price-to-Earnings ratio
= Share price / Earnings-per-share
= Rm 0.300 / Rm 0.035
= 8.57

Forward Price-to-Earnings ratio
= Share price / Estimated earnings-per-share
= Rm 0.300 / Rm 0.07
= 4.28

Predicted share price of Supermax
= Industry average P/E ratio × Predicted earnings-per-share
= 14.90 × Rm 0.07
= Rm 1.04

The Price-to-Earnings ratio and forward Price-to-Earnings ratio of the stock were only about 8.57 and 4.28, respectively, when Koon built his position in Supermax. Both ratios were lower than 10, and were below the average of industry P/E, 14.90. Compared to its peers, whose P/E multiples were in range between 14 and 18, the P/E ratio of Supermax was only 8.57, which was very low when Koon started buying it. In addition, it had an upside potential of Rm 1.04 per share, which would give Koon 247% profit.

10.2 Technical Analysis

Figure 10.6 is the price chart of Supermax from April 2009 to November 2010, the period of time when Koon invested in Supermax. The green coloured line and red coloured line are 50-day SMA and 200-day SMA, respectively. Golden Cross appeared in the chart on 7 May 2009 when the price was Rm 0.30/share, whereas Death Cross appeared in the chart 15 Oct 2010 when the price was Rm 1.10/share.

Figure 10.6: Price Chart of Supermax from April 2009 to November 2010

Source: TradingView (www.tradingview.com)

Prior to studying how Koon traded Supermax shares, it is important to analyse the support and resistance areas and of the stock. Those are the points where Koon would pay attention to, and would make his buy and sell decisions. In addition, Koon would also monitor the trade volume of the stock and its trend. Figure 10.7 is the price chart of Supermax with its support and resistance lines drawn in the chart.

Figure 10.7: Price Chart of Supermax with Support and Resistance Lines from April 2009 to November 2010

Source: TradingView (www.tradingview.com)

Figure 10.8 shows the major points where Koon would buy and sell Supermax shares during the outbreak of H1N1 Swine Flu after noticing that Malaysian Airport Authorities installed temperature testing equipment to check the temperature of arrival passengers, and after seeing the removal of the temperature detection equipment from the airport when the situation was under control.

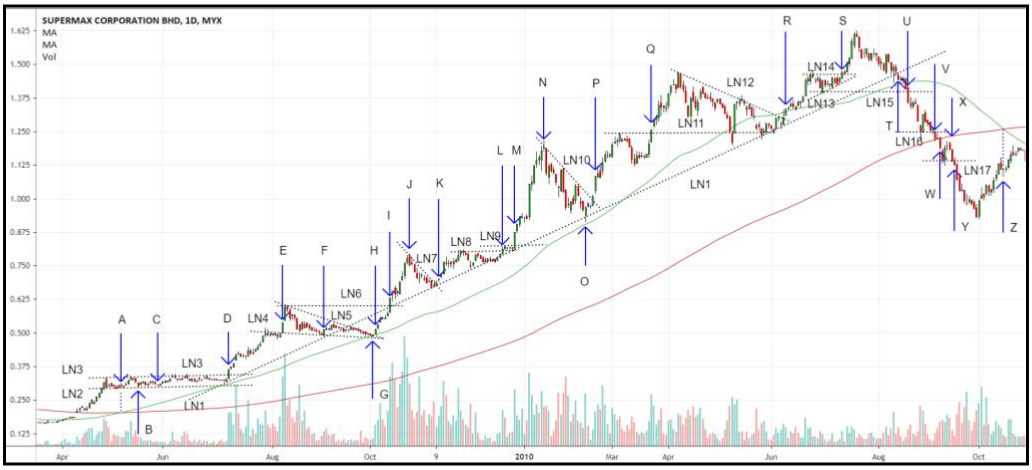

Figure 10.8: Price Chart of Supermax and Good Trading Points from April 2009 to November 2010

Source: TradingView (www.tradingview.com)

Point A

The share price of Supermax climbed for a couple of months after the global stock market bottomed out in March 2009. The stock then traded within a narrow price range and formed a strong platform between May 2009 and July 2009. The elevated platform was the best area where smart money took advantage of to build their positions in the stock. The first point where Koon would start building his position in Supermax was Point A, where its short-term moving average (50-day SMA) crossed above its long-term moving average (200-day SMA), around early May 2009. It was also the time when he saw the temperature detection equipment installed at airport and train stations. Note that even though the fundamental analysis of Supermax's business showed that it was safe to buy the stock, Koon would not go all-in at the beginning of his venture in the investment. Instead of taking too much risk before his hypothesis was proved right, he would buy the stock with just a fraction of his fund. For example, he would probably dip his toe in Supermax with just 30 ~ 40% of the money in his fund, around the level of Rm 0.300/share, when the Golden Cross appeared. He would cut loss if the company reported two consecutive quarters of reduced profits, or if downtrend started.

Point B

The stock then climbed for a couple of days, and fell again to test its support, as some doubtful traders sold it when it approached the resistance (LN3). It could also be due to a shakeout within the narrow price range to drive weak holders out. As can be seen from the chart, the share price of Supermax did not produce a lower low after the golden cross appeared, as other smart money had also started to discover the value, and future earnings of Supermax's business. Point B was probably the time when Koon would add more shares to his original position, with 5 ~ 10% of the money in his fund, when the price retested its support (LN2) around Rm 0.300/share the following week. The reason of adding shares progressively in this manner is to avoid losing too much money in the stock at the beginning of his venture.

Point C
The stock moved in the narrow trading range for a couple of weeks. It retested its support (LN2) at Point C, with light trading volume, on 28 May 2009. That was another time when Koon would add more shares to his position, with another 5 ~ 10% of the money in his fund, as the stock did not make a lower low. It can also be seen from the chart that its trading volume was getting lighter and lighter (about 2 million shares per day) as the stock tested its support, around Rm 0.300/share. It signified that those doubtful traders and impatient sellers who intended to get out of the stock had become fewer and fewer. Hence, it was very safe to buy the stock during that period of time before it broke above its resistance (LN3).

Point D
The stock broke out of its resistance (LN3) on 8 July 2009 with high volume (21.09 million shares, which was higher than that of the previous high). The break out signified that those weak sellers who wanted to sell their shares near the resistance (LN3), around Rm 0.340/share, had all been taken out of the stock by eager buyers. In addition, the buying pressure was higher than the selling pressure. That was the time that Koon would add more shares to his winning position, with about 5% ~ 10% of the money in his fund. Latecomers or indecisive investors who were interested in the stock but did not buy before the breakout occurred would miss the opportunity to buy the stock at cheap prices.

Point E
The share price of Supermax continued to move up after the breakout, as sellers became fewer and fewer, and some major investors' aggressive buying pushed the price up. Subsequently, the stock hit its next resistance (LN4) around Rm 0.500/share. The stock traded in a range-bound market (descending channel) for a week, and then broke out again on 7 August 2009 with high volume (58.88 million shares). The trade volume at breakout point was also higher than that of the previous high, which signifies that the breakout was a valid breakout. Therefore, the breakout was the area where Koon would add more shares to his winning position, with 20% ~ 30% of the money in his fund, as sellers were getting less and less, buying interest was high, and the company had just released the second quarter of increased earnings.

Point F
After the breakout, the original resistance line (LN4) turned into a new support line, as investors who missed the opportunity to buy at the breakout point would join others to buy when its price approached the price region. The share price of Supermax rose quickly after the breakout. Profit-taking then began after the stock went up about 25% to Rm 0.625/share. Shakeout could also be happening at the same time. The stock came down to test its support (LN4) on 1 September 2009 with low trading volume. The low volume pullback toward support area was actually a healthy correction and the long-term uptrend remained intact. That was another point where Koon would add more shares to his winning position, with 5 ~ 10% of the money in his fund, before the value of the stock was realised.

Point G

Supermax retested its support (LN4) on 2 Oct 2009. At that point, the stock was not only supported by the descending support (LN4), it was also supported by the short-term moving average (50-day SMA). Technicians or traders who waited at the side line patiently would come in to buy the stock at that point in time, thus preventing the share price of Supermax from declining further. In addition, the number of people who were willing to part with their shares at the level had dropped significantly, as many of these weak longs had already been taken out of the stock earlier. That was the point where Koon would scoop up the fantastic bargains before the supply dried up.

Point H

After a period of consolidation, the stock broke above its descending resistance (LN5) or falling wedge on 5 Oct 2009, around Rm 0.500/share. At the same time, its volume picked up at the breakout point. That was the area where Koon would add more shares to his winning position. By that time Koon probably had used up all his original capital. But his accounts would not be running out of money. In fact, with margin finance, he would never short of fund (to buy more shares) if the share price continues to rise. As the share price of Supermax went up, his collateral value also went up in tandem. Therefore, Koon could borrow more money from his brokers through margin finance to buy more Supermax shares as the price continued to climb. Note that even though his original fund had run dry, Koon would not settle down for just a small gain. If he believed that the stock still had plenty of room to grow, he would stick to his guns, and borrow money from banks to buy more shares, despite the disagreement of his friends.

Point I

The stock continued to rise, crossed above Rm 0.600/share (LN6), and produced another higher high on 13 October 2009, with high volume (44.03 million shares). That was another area where Koon would add more shares to his winning position, using margin loan, as the resistance of the stock was very low at that level. Note that as the share price climbed, the trade volume also increased in tandem. This signified that the price rise had attracted a lot more market participants to the stock.

Point J

The stock continued its upward move, and attracted more and more traders into the game. A bearish engulfing candlestick then appeared on the chart of Supermax on 23 October 2009, as S&P500 index futures fell more than 1% after US market hours. At that point in time, the price of Supermax had gone up too fast, and its gradient was too steep. It was due for a correction. Koon always says no stock can continue to go up higher and higher for whatever reasons. That was the point where Koon would take some money off the table, so that he could reduce his margin loan, realise some of his gains, and buy more shares during pullback.

Point K

Supermax's share price then moved in a narrow descending channel (bullish flag) from 23 October 2009 to 9 November 2009. The pullback on falling volume was not only a good time for the stock to take a breather, it was also an opportunity to drive weak holders out. Subsequently it crossed above the resistance or upper descending line (LN7) on 10 November 2009. The lower section of the consolidation zone, and the breakout point were the area where Koon would add more shares to his winning portfolio, as the price had fallen 15%, but the demand for gloves was still expected to increase since the H1N1 Swine Flu epidemic had not shown any sign of improvement. Around that period in time, the company also indicated that the gains from the sale of treasury shares at higher prices, and the extraordinary profits from higher demand of gloves would be distributed to shareholders as special dividend.

Point L

An ascending triangle subsequently formed, as its share price failed to move higher after hitting the resistance level (LN8), but each pullback within the triangle reversed at a higher low. Note that the trade volume was getting lighter and lighter before the breakout occurred. It was an indication showing that weak holders or sellers had become less and less as the consolidation continued. After trading the range bound for eight weeks, the stock broke above its resistance (LN8) on 17 December 2009 with high trading volume. Additionally, it showed that the buying pressure was higher than the selling pressure. That was the period in time that Koon would add more share to his position using borrowed money from his brokers.

Point M

After the breakout, the old resistance became a new support. The stock came down to test the new support (LN8) after the breakout, and moved sideways, bounded by LN9 (resistance) and LN8 (support), for a week, which led to the formation of a small box pattern. Impatient speculators, doubtful traders, and other weak holders, who had no intention to invest for long-term, and had no confidence in the company, were taken out of the stock slowly within that week. After a week of sideways drift, the resistance dropped significantly. The stock then crossed above the resistance (LN9) of the box on 28 Dec 2009. The sideways market, and the breakout point were another area where Koon would add more shares to his winning position.

Point N

After breaking through the line of least resistance, Supermax’s share price moved up very fast, as many of the weak holders had been taken out of the stock earlier. It shot up nearly 50% within two weeks without experiencing any corrections. The movement was obviously too fast, the gradient was too steep, and the stock was due for another correction. Koon always says no stock can continue to go up and up for whatever reason, and after some time it will experience a pullback. A shooting star then appeared on the chart on 14 January 2010. That is an indicator showing that whilst the crowd still pushed the share price up, smart money had started to take some profits off the table. That was also the point where Koon would sell some of his shares into strength, in order to pare down his margin loan, to realise some of his gains, and to bring down his cost. To Koon, profit is not a dirty word if earned ethically. If he did not take it, someone else would.

Point O
Subsequently the stock experienced a correction, as profit-taking began after the stock rose 50% within two weeks. At the same time, short-term traders, gamblers, or weak holders were also forced to either take a small profit or cut loss when the share price dropped. The stock came down to test its support (50-day SMA) on 9 February 2010. Traders who missed the chances to buy earlier would take advantage of the opportunity to build their positions at that level. That was also the point where Koon would use the sales proceeds to buy more shares at a lower price (around Rm 0.95/share). The reason of buying at that point was that many of the weak holders had already been taken out of the stock, and newcomers had a tendency to hold the shares longer in their portfolios, which would increase the stability of the stock. In addition, the demand for medical gloves was still high. Therefore, the company would continue to produce increasing profits, which was one of the key factors that could drive interest of market participants in the stock higher.

Point P
The stock broke above its descending resistance (LN10) with high volume on 17 Feb 2010. It is noteworthy that trade volume before the breakout was very light, which signified that most if not all weak holders and sellers who intended to sell near the level had already been taken out of the stock. That was another area where Koon would continue to buy with borrowed money from his stock brokers.

Point Q
The stock continued its upward trend following the breakout until profit-taking began on 4 March 2010. It then experienced a mild correction for two weeks, from 5 March 2010 to 22 March 2010. The next breakout occurred on 23 March 2010 when Supermax crossed above its previous high or resistance (LN11) with high volume. Again, that would be the point where Koon would add more shares to his winning position.

Point R
The stock experienced a consolidation following the breakout at Point Q, and led to the formation of a descending triangle. Its share price broke out upward (crossed above the descending resistance or LN12) on 9 June 2010. The breakout was a signal of the continuation of the original bullish trend. At the same time, it crossed above the 50-day SMA. That was another point that Koon would add more shares to his position.

Point S
After rising for a week, its share price stopped rising again. It then went through a period of consolidation, for about two weeks. During the consolidation, its share price made a series of higher lows, thus forming a rising support (LN13), and several equal highs, thus forming a flat resistance line (LN14). Breakout of the ascending triangle occurred on 12 July 2010, but with a relatively low volume. That was the point where Koon would buy, but with just a very little amount of money. The reason is that the breakout with low volume and the rally on contracting volume, were a bearish sign, which indicated that people interested in the stock had decreased.

Point T
After peaking around Rm 1.620/share, the share price of Supermax began to decline on 20 July 2010, and crossed below its main trendline (LN1) on 12 August 2010. That was a warning sign indicating that the uptrend has ended. Also, the temperature testing equipment used at the airport had been removed at that point in time. It implied that the situation was under control, and the demand for medical gloves would begin to fall. That was the time when Koon would start disposing his shares, as the demand for medical gloves would decrease, and the earnings of Supermax would decline.

Point U
The price crossed below its prior low (Rm 1.400/share) or support (LN15) on 18 August 2010. The series of lower highs and lower lows were a sign showing that the downtrend was confirmed. As can be seen on the chart, there were more bearish candlesticks than bullish candlesticks in that area, and the bullish candlesticks were short, which indicated that the buying pressure was low, selling pressure was higher than buying pressure, and most of the buyers were dumb money. In addition, the price decline was on increasing volume, which was also a bearish signal. That was the point where Koon would dispose his shares aggressively.

Point V
The price crossed below its prior low (Rm 1.250/share) or support (LN16) on 3 September 2010. It signified that the support was weak, and the selling pressure was strong. That was another good selling opportunity for investors who wanted to get out of their positions.

Point W
Supermax crossed below its 200-day SMA (Rm 1.220/share) on 7 September 2010. It was also a bearish sign, as the long-term support (or long-term moving average) had been breached. That was another selling opportunity for investors who had not sold their shares earlier. By that time, Koon had completely sold all his Supermax shares. After several weeks of decline, the writing was on the wall for all investors, and there was no reason to not getting out, as most smart money had disposed their shares.

Point X
The long-term moving average support (200-day SMA) then became a new resistance for the stock after the breakdown. The stock attempted to bounce back but failed to crossed above the 200-day SMA. Sellers would dispose their shares aggressively when price approached the line. Apparently, the selling pressure was too strong. The price then resumed its downward move on 14 September 2010.

Point Y
The stock continued its downward move and its price crossed below the prior low (Rm 1.140/share) or support (LN17) on 17 September 2010. The support was a weak one, as there were not many peaks and troughs on the left-hand side of the chart. The breakdown of LN17 was another selling opportunity for

investors who wanted to get out of their positions, and to turn their paper gains into cold cash.

Point Z
After hitting the trough with high volume on 30 September 2010, the stock attempted to bounce back. At that level, the stock was oversold, and its price had gone down too fast. At the same time, dumb money who missed the chance to buy previously would join the crowd to buy shares aggressively at the level. After rising for two weeks, Supermax’s short-term moving average (50-day SMA) crossed below its long-term moving average (200-day SMA) on 15 October 2010. The death cross was the last bearish signal that investors should not ignore. Investors who had not sold their shares earlier should take advantage of on the dead cat bounce to sell their share at a higher price before the stock falling further.

Remark:
The above-mentioned points are just some of the major points where Koon would buy and sell his Supermax shares during the outbreak of H1N1 Swine Flu in 2009. In fact, there were many other points where Koon would buy and sell within the two years, in order to reduce his cost, and to optimise his return. Sometimes, if the volatility was high, or when the stock was overbought or oversold, he would get in and out, several times a day, to make some small quick profits.