



Brainy's Articles on Technical Analysis

Breakouts — Case study details

Article No:
TA-3900
page 1 of 7
July 2012

This article
is NOT free*

Introduction

The day-to-day and week-to-week performance of companies in the share market depends on the underlying mood and sentiment of all the investors and traders who participate in the market.

One of the best opportunities to capture a reasonable share price increase and eventually take some very good profits, is by spotting a new trend early, and in riding the trend. Sometimes a new trend will start with a price *breakout* above a line of *resistance* which might be apparent in a price chart pattern like an Ascending Triangle, for example, or below a long-term horizontal resistance line. A price breakout can be the starting point for a major price trend — the earlier we spot it and join it, the better.

This Article in Brainy's series on Technical Analysis (number TA-3900) provides details and case study examples of two past breakouts, and current chart set ups that might be breakouts in the making (at the time of writing). By studying past breakouts and their characteristics we can be better prepared to spot future breakouts as they occur. This Article includes studies on the following four stocks:

- Lynas Corporation (LYC) — June 2010,
- Resolute Mining Limited (RSG) — October 2009,
- Murchison Metals (MMX) — possible breakout pending,
- Stockland (SGP) — possible breakout pending.

A discussion on the usefulness of the **Volume Moving Average** (VMA) chart indicator is also included in this Article.

For an introduction to the subject of *breakouts*, refer to Article **ST-6130**, "**Breakouts — Introduction**". Readers are also encouraged to see the latest full list of currently published Articles in the **Share Market Toolbox** ¹.

Key elements extracted from this Article TA-3900 are to be published online and distributed to email subscribers by the ASX in the August 2012 edition of the *ASX Investor Update* newsletter ².

Breakouts?

At any one point in time it is normal for the market participants who have an interest in a stock to have their own opinions about the "fair value" of the stock, and these opinions will fall into a range in share price. Depending on the particular stock and on many factors such as the latest news and announcements, this price range could be a small range, or it could be large. At some stage, if all of the interested sellers of the stock have finished selling, and if only buyers are left, then the share price will move higher as the buyers compete with each other. And it is possible that news or announcements can precipitate a move in share price.

Two common types of breakouts are the one that follows a period of price consolidation, and the one that follows a period of narrowing price variation within a chart pattern such as an Ascending Triangle. These price breakouts occur because the opinions of "fair value" of the market participants (ie. the buyers and sellers in the market) change rapidly. These situations are best explained by the following examples.

Table of Contents

Introduction.....	1
Breakouts?.....	1
Lynas Corporation Limited (LYC)....	2
Volume Moving Average (VMA).....	3
Resolute Mining Limited (RSG).....	3
Murchison Metals (MMX).....	5
Stockland (SGP).....	6
Summary	7

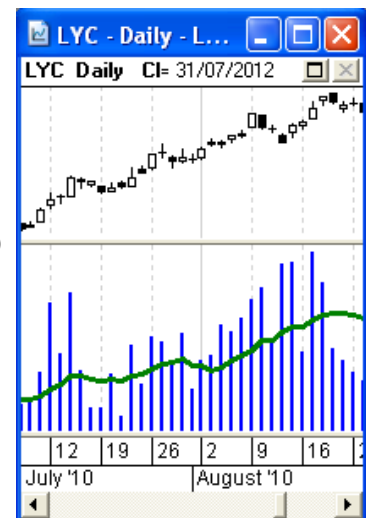


Figure 1: Sample VMA

1 Latest list of Articles:- www.robertbrain.com/articles
 2 www.asx.com.au/resources/investor-update-newsletter/InvestorUpdate-20120814.htm — Not yet available at the time of publishing this Article. To be available 14 August 2012.

* — Brainy's eBook (PDF) Articles are only available to **Share Market Toolbox** members. Visit www.robertbrain.com/articles/ for more information.

The first page of every article is free, and some of the articles are completely free (eg. shorter ones and Table of Contents).



Brainy's eBook (PDF) Articles

This article
is NOT free*

Unfortunately,
the remaining pages of this article
are not available for free.

Some of the eBook Articles are available for free,
including the Table of Contents pages,
and the Introduction and Overview pages.

These articles take a lot of time, experience,
knowledge and expertise to compile.

However, there is some good news.

You can subscribe as a Toolbox MEMBER
and have unlimited access to all Articles,
plus a whole lot more.

Visit: www.robertbrain.com

Robert writes and updates Articles on three topics:

- ✓ Share Trading & Investing
- ✓ Technical Analysis
- ✓ BullCharts (charting software)

See a list of Articles in the free section of the Toolbox:
www.robertbrain.com/members-area/articles.html
(the green shaded articles are free)

* — Brainy's eBook (PDF) Articles are only available to **Share Market Toolbox** members.
Visit www.robertbrain.com/articles/ for more information.
The first page of every article is free, and some of the articles are completely free (eg. shorter ones and Table of Contents).