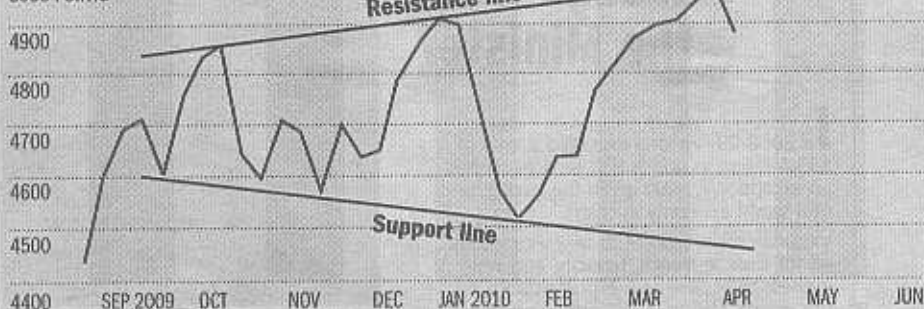


## S&P/ASX 200

5000 POINTS



# 'Megaphone' may be calling a fall

THE S&P/ASX 200 Index is nearing the end of a "megaphone" pattern, a rare shape formed when the market reaches increasingly higher highs and lower lows over several months.

Historically, the megaphone pattern ends with the index falling below the support line. If the pattern repeats itself, the market would fall to less than 4500 points by mid-June, according to Robert Brain, a director of the Australian Technical Analysts Association, private trader and consultant.

This would be a fall of almost 8 per cent from last Friday's close at 4881.5 points.

"On the few occasions where we can see [the megaphone pattern] over the last 20 years, what tends to happen is it does fall . . . to the bottom line and tends to break through [the bottom line] on the downside," he said.

The key characteristics of the megaphone are a line chart that touches an upward-sloping resistance line and a downward-sloping support line. So far, this megaphone has touched the top line three times and the bottom line three times.

Mr Brain said he could find two clear examples of the megaphone pattern in the S&P/ASX 200 over the past 20 years. On both occasions, the pattern lasted several months before the index fell below the support line.

However, because the megaphone pattern was uncommon, Mr Brain said he was not certain the pattern would repeat its previous behaviour.

"There is every chance that it might break to the upside, but what we have to do is be careful when the price is getting close to either the upper line or the lower line, and just be on guard," he said.

"Once it has taken on this shape, a megaphone has not usually gone much longer," he said. "I have not seen a megaphone that has touched four highs."

The S&P/ASX 200 had recently been opening the trading day strongly but closing weakly, Mr Brain said. This suggested the market was overpriced and increased the likelihood that the megaphone pattern would end by falling below the support line.



**TECHNICAL ANALYSIS**  
**LUCY BATTERSBY**

THE AGE  
Tuesday, April 27, 2010

News

Disclaimer: This article should be read only as an example of technical analysis. The information does not constitute financial or brokering advice.