

Sundance shows how to pick winners before they take off

TECHNICAL ANALYSIS
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WHEN the sharemarket moves into an uptrend it is possible to find stocks that will move up more strongly than the market.

This week Robert Brain, national director of the Australian Technical Analysts Association, looks at one such situation in his study of mining group Sundance Resources.

Sundance, with a market capitalisation of \$1.3 billion, is an Australian-based company developing iron ore deposits in Cameroon and the Republic of Congo in central west Africa. It plans to start production in 2014.

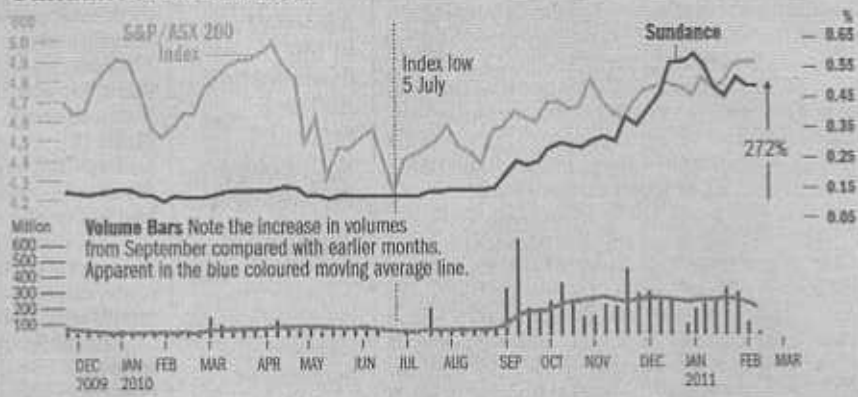
To move to the production phase, it is

looking for strategic partners to help with its capital requirements. It announced at the end of last month it was in negotiations with South Korean steel maker Posco, a development that pushed the stock up to 50¢ after a decline from 60¢ since the start of this year. However, no deal has yet been signed.

The chart tracks Sundance against the S&P/ASX 200 Index since June.

The index bottomed on July 5 and has since risen 15.6 per cent over 33 weeks. Over the same period Sundance, for those fortunate enough to have jumped on for the ride, has risen by a handy

Sundance Resources



272 per cent to 51¢.

This is how a canny investor could have picked up Sundance's uptrend. The first thing to notice was the stock

breaking through its then ceiling of 15¢ to 16¢ late in August.

"Another good clue was the increase in weekly volumes that

became apparent in September 2010 in the lower portion of this week's price chart," Brain said.

"The weekly volume

bars were between about 50 and 100 million a week in the first six months of 2010, then rose to about 200 million a week.

"This is easier to see by placing a moving average [the blue line] on to the volume bars as shown in the diagram."

For those sharp enough to see it, "the double observation of the price breaking above the August resistance of 15¢-16¢ and the weekly volumes stepping higher confirmed what we call a 'price breakout', which happened in the week of September 6", Brain said.

That, as the chart shows, would have been a very opportune time to take a punt on Sundance.

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