

Watch for spikes that might not hurt at all

TECHNICAL ANALYSIS
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THE Australian sharemarket is at the same level it was in 2005, meaning there have been no real price gains in that time for the average of stocks making up the index. The general market index, the All Ordinaries, is up about 10 to 15 per cent since the major dip last September.

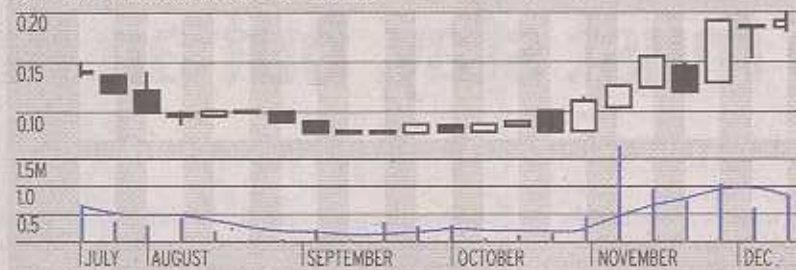
However, Robert Brain, director of the Australian Technical Analysts Association, says it is possible to identify stocks that will deliver stellar returns even in flat or down markets. "Syrah Resources," Brain says, "is one such gem

having risen 900 per cent since last October from a mere 10¢ to a recent high above \$1.30."

Brain suggests scanning the market every week looking for stocks with a spike in weekly volume. That is identified where the vertical volume lines on the bottom part of the graph break through the five-week moving average (the blue line snaking horizontally on the bottom graph) and such situations warrant further investigation using candlestick graphs.

The candlestick graphs on the top chart represent weekly prices. Where the candlestick is white the stock finished the week higher than where it started, and the height of the candle denotes how big the rise was. A wick

SYRAH RESOURCES LIMITED



on top of the candle shows there was an intraweek high that was above the closing price for the week.

A black candle indicates the share price fell that week. And upward or downward wicks indicate intraweek movements either higher than opening prices or lower than closing prices.

We can see Syrah was stuck

in a consolidation phase below 10¢ from August to October last year. Then things started to change, with the tallish white candle for the week starting October 31 pushing through the 10¢ level and closed near its weekly highs. The next week, volumes jumped dramatically and Syrah again rose, finishing the week on its highs.

A second major step-up happened in the week of November 28, with the tall white candle with no wick indicating Syrah finished that week on its highs.

A canny buyer would have used those two signals as a chance to get in, Brain says. Had they done so they could have ridden Syrah up to \$1.42 earlier this month. Since then profit takers have pushed the price back to \$1.05.

Syrah is an explorer with a market capitalisation of \$133 million. It has returned investors 863.7 per cent in the past year and 200.7 per cent annually for three years.

This column is not investment advice. Those wishing to invest should seek professional counsel and do some homework. rodmyr@gmail.com

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