

Banks outperform index and seem set to keep moving up



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A TECHNICAL analysis of banking shares shows the sector is outperforming the rest of the sharemarket and the financial index, with strong underlying support in buying volumes.

The S&P/ASX 200 Index recently softened and trading volumes stagnated while the banking index remained strong.

Within the financial index, the banking sector is outperforming insurance, managed funds and listed property

trusts, according to Paul Ash, Victorian president of the Australian Technical Analysts Association.

"The financial index is quite a bit different than the bank index," he said.

"The financials have been going distinctly sideways for the last three months, whereas the bank index is showing strength."

The big four banks account for 63 per cent of the financial index, and 26 per cent of the top 200 companies.

Mr Ash said the

S&P/ASX 200 BANK INDEX



banking index had rallied 20 per cent since hitting a low in February, while the financial index had rallied only 9 per cent.

The S&P/ASX 200 had

risen 11 per cent during this period.

"This demonstrates the interest in buying the banks and in particular the big four," Mr Ash said.

"The strength of the banks is still there, and a probable upwards move of the banks will occur on any good news."

Technical analysis

maps movements in the price of shares, indices, commodities or currencies, and gives traders a theoretical framework to analyse whether prices are following an upward or downward trend. It presumes that company and economic news is already built into prices, and looks for technical trends.

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