

Here's a tip: Maybe it's time to take time off



TECHNICAL ANALYSIS
ROD MYER

TECHNICAL analysis is ultimately about plotting and understanding human behaviour. While its practitioners can sometimes sound like they are explaining the laws of physics, it's just a mathematical way of predicting how humans will act, and this is not always all that complex.

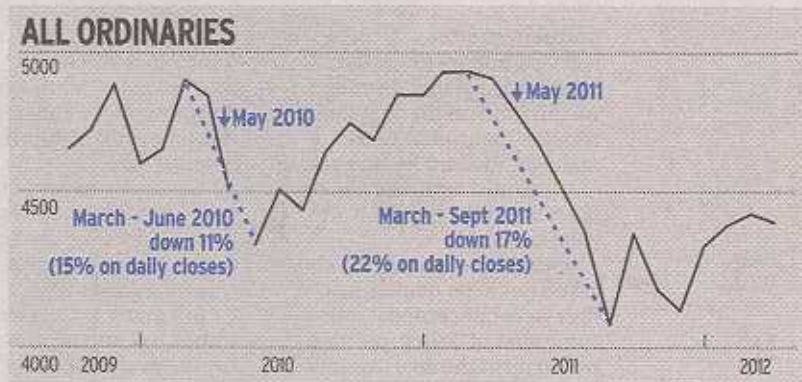
There's a Wall Street adage that says "sell in May and go away". It's built on the idea that not much exciting will happen on the markets while brokers and investors in the northern hemisphere are taking their annual holidays

in July-August. So it's best to abandon your exposure and have a worry-free break.

While we were enjoying our Easter break, Australian Technical Analysts Association director Robert Brain did some work to see whether this adage applies Down Under, despite the seasonal differences. The results may surprise.

The monthly chart of the Australian market (in this case, the All Ordinaries Index) shows that in recent years May has signalled the onset of an uninspiring period for investors. The All Ordinaries Index fell 11 per cent from March to June in 2010 and 17 per cent from March to September last year.

Brain says that if daily, as opposed to monthly, charts are used then the respective falls are 15 per



cent and 22 per cent.

They are only two examples and we cannot build a trend on such scant evidence. But Brain has looked back further and discovered something remarkable. "If we look at the 27 years from 1985, there were only three years when the market did *not* fall

markedly (at least 3 per cent) at some time from April to October," he says.

In 18 out of those 27 years the market peaked at some time between April and June and then fell by a minimum of 5 per cent and a maximum of (ouch!) 48 per cent over the following months. And if we look only at falls of more

than 10 per cent, they occurred in 15 years out of those 27, which is 56 per cent of all the years surveyed.

"So, statistically," Brain says, "the chances of a fall of more than 10 per cent occurring this year, some time between April and October, are greater than even."

Why does this happen? Mainly because our market is affected by sentiment driving its major international counterparts. Right now, with the shadow of the global financial crisis hanging over international investors, maybe it's the time to focus on the footy or snow skiing and see how things look in spring.

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

The Age, 10-4-2012 (p.6)