— $355,000 plus sundry day surgery procedures. the past 10 years the annual than-expected half year

Long-term view can help define market trends

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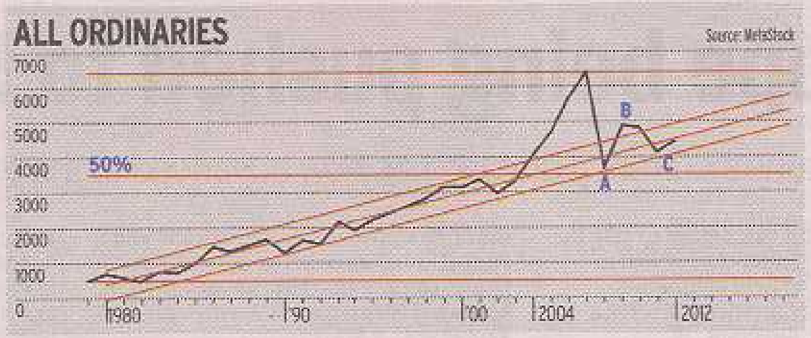
TECHNICAL ANALYSIS
ROD MYER

WE'VE looked at the short and medium-term trends on the Australian stock exchange but for a more complete picture of the trends it is also good to take a long-term view.

Mark Umansky, a counsellor with the non-profit organisation the Australian Technical Analysts Association, says "the long-term trend is your friend [and thus determines whether you take long or short positions in the market] while the medium and short-term trends are mechanisms used for timing of entries and exits".

This week's chart is a snapshot of the All Ordinaries Index back to 1979. It shows the market in a clear upward rising trend between December 1979 and December 2004. It then spiked dramatically upwards to the historical highs of late 2007. Then came the global financial crisis and the market broke back down.

Interestingly, the downward correction after the GFC put the All Ordinaries back in the trend channel of 40 years, just above the rising lower boundary of the channel. The low point at A on the chart was just above the 50 per cent retracement level on the Fibonacci number series, a level that gives technical analysts some confidence a bottom has been reached.



Although investors have experienced a wild ride since December 2008, the ABC formation on the chart gives some confidence to technical analysts. Umansky says it could be seen as a brief Elliott Wave formation — the fall from the peak to the low point at A, moving higher again to point B, then returning to a low point at C. Another positive sign is that the second low (point C) is above the original (point A). That ABC pattern is traditionally seen as a correction in a rising market that leaves the market poised for further rises.

The return to a rising trend will be indicated when the market breaks through point B, Umansky says. That could see the All Ords head back to its 2007 highs and beyond, resulting in a permanent breakout from the long-term up trend.

If the long-term trend is up, investors should be buying in when "bullish reversal signals" appear on downward-trending medium or short-term charts. Such reversals are the upturns at point A and C. Umansky warns that if the market falls below point C, we could be in for a protracted fall. Investors should look for bearish reversal trends in short and medium-term charts to get out.

This column is not financial advice. Would-be investors should seek professional counsel.
rodmyr@gmail.com