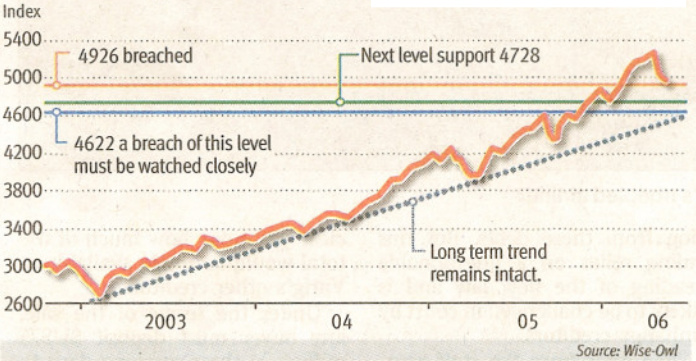
The Weekend Australian
10-11 June 2006

OFF THE CHART
The market support lines



Source: Wise-Owl

Chartists on alert for a stirring bear

Kevin Andrusiak
Technical analysis

CHARTISTS are divided on whether this week's heavy sell-down on the equities market has triggered the start of a bear market, despite leading indexes crashing through a major level of support on Thursday.

Although technical analysts yesterday agreed that the prospects for the share market looked sour over the short term, few were willing to predict their charts now indicated something more sinister.

Wise-Owl analyst Simon Guzowski said his charts showed 4728 as the new support level for the All Ordinaries after it crashed through 4926 on Thursday before rebounding to close at that level yesterday.

"If 4728 is broken on the downside, we get to the critical support level of 4622 that must be watched very closely," Mr Guzowski said.

"If we trade below this level, it may signal the break of the bullish trend that has supported our market over the last three years.

"The strong sell-off we have seen recently leaves the index in a clear consolidation phase that has just breached the first significant level of technical support at 4926.

"On a technical level, it would not be out of the question to see the emergence of a bear market from a significant breach of 4622."

Often dismissed by investors as being too unreliable, chartists argue technical analysis of the share market through charting long-term and short-term trend lines can help understand investor sentiment better than fundamental analysis.

Charts of indexes like the All Ordinaries and S&P/ASX 200 indicate they have been in a bullish channel since the share market took off with the invasion of Iraq in March 2003. Long-term Sydney chartist Dawn Bolton-Smith, a technical analyst for over 42 years who predicted the 1974 crash, was pessimistic about the prospects for the three-year bull run.

"I believe we are in the early stages of a bear market," she said. "From here on in we are looking down the hill.

"There has been a dramatic change in sentiment and the highs from the last leg of the bull run were unsustainable.

"Important levels have now been broken and when the S&P/ASX 200 broke 5180 it was a significant point for the market to head south."

The financial sector, in particular, had advanced too far during the bull run, she said.

> **'I would still be looking at it as nothing more than a correction at this stage'**
>
> Jason Sidney, Market Insight managing director

However, Market Insight managing director Jason Sidney said his charts showed the share market was still holding its long-term trend lines.

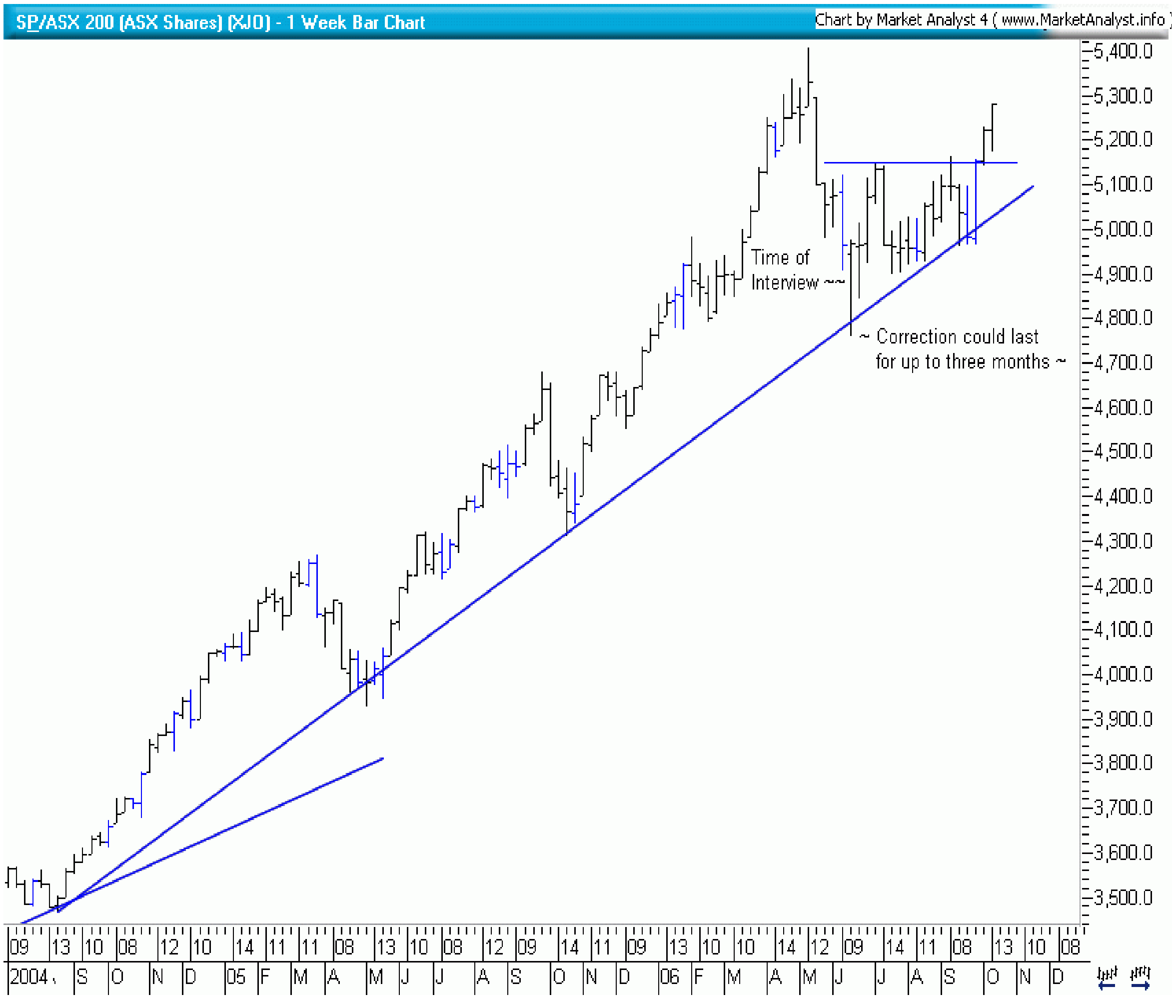
His view was that the down movements on the bourse were only a correction, which could last for up to three months.

"I would still be looking at it as nothing more than a correction at this stage," Mr Sidney said.

"The upside to that is it will present a number of buying opportunities for some stocks.

"There is support running for the S&P/ASX 200 at 4814.

"But if it breaks that, that would be of concern and could suggest a possible end to the bull run."



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