

THE blue chip INVESTOR

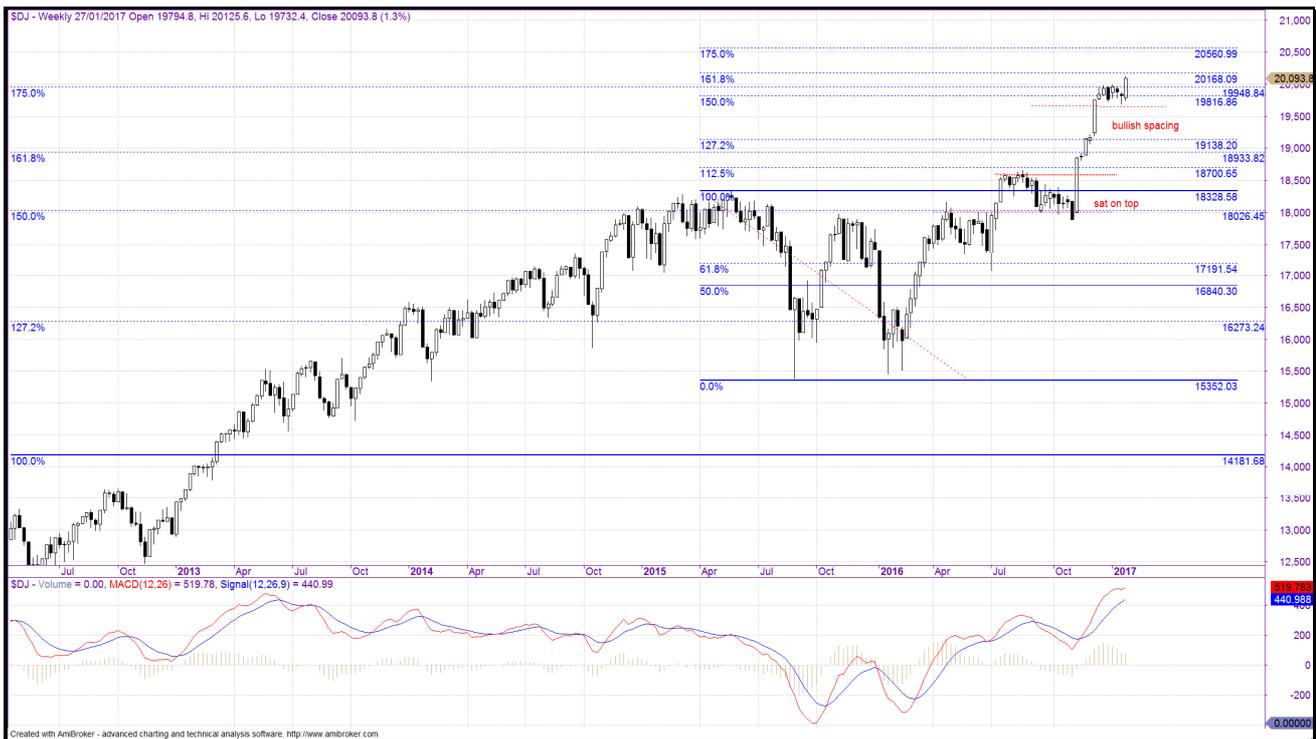
“Fundamental & Technical Trading Ideas for the Active Investor”

What We’re Watching

30th of January, 2016

Dow Jones Industrials Index (\$DJ) Weekly Chart

- After a five week congestion period, the main US indices has finally broken through the 20000 mark with an impulsive move higher last week.
- Although the US market would appear a bit overbought when we look at numerous technical indicators, markets can stay in overbought zone for an extended period before they start a correction. It would be rare also to stop one week up after a congestion period, it would normally as least match the amount of time taken with the prior consolidation, which in this case means another four weeks higher would be the norm.
- Most importantly here is the structure of the trend.
- This has been a strong trend since the market pulled back and sat on top of the previous high back in October 2016. The last occurrence on the chart now is bullish spacing. Ie the last pullback was much higher than the previous peak and this spacing suggests the buyers are getting more aggressive, stepping in after smaller pullbacks and this is typically how very bullish moves develop.
- At a very least I would expect an upward slanting consolidation.



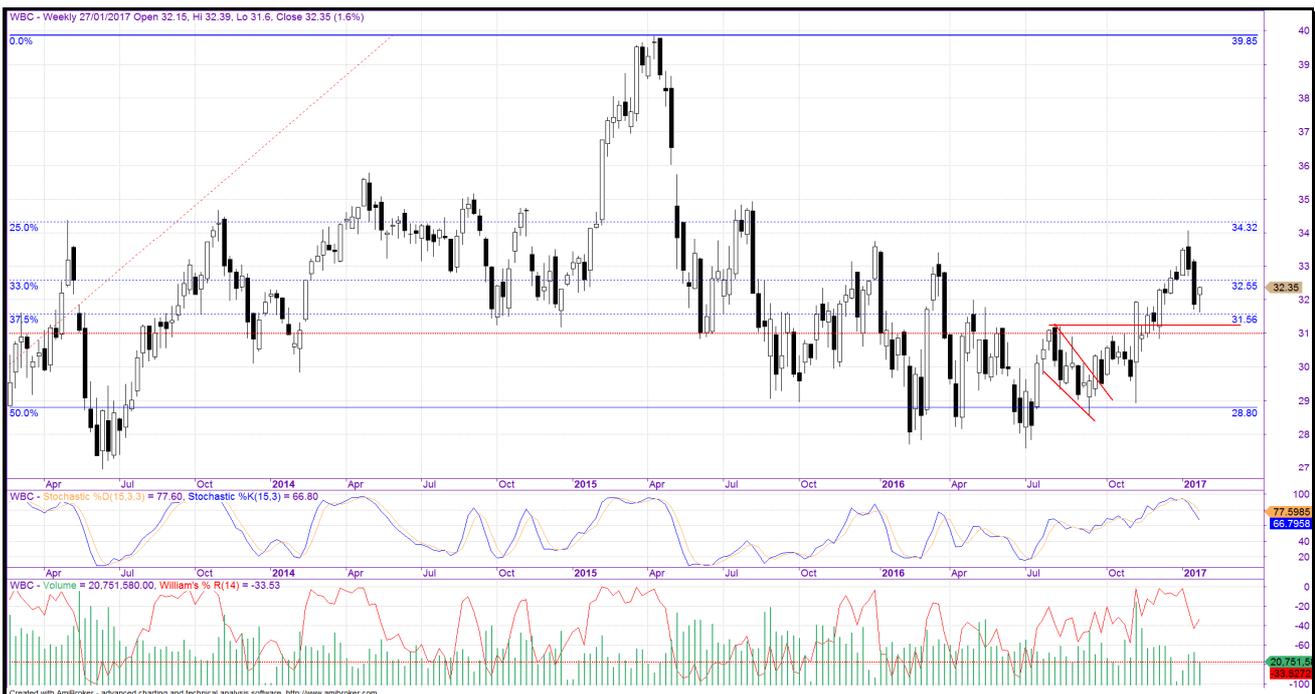
S&P ASX 200 Index (XJO) Weekly Chart

- Our market is not quite as bullish as the US market, the recent peak reached an oversold point normally only seen at major peaks. We have only had a two week pullback from this point, so the correction or consolidation looks a little small also.
- The main area of support is the previous peak in Aug 16, back around 5570, so that would make a better support low.
- The US market is saying it wants to go higher, while the Australian index looks like it needs to go deeper.
- Commodities might be the only reason why these two indices might vary in direction.



Westpac Banking Corporation (WBC) Weekly Chart

- Most of the banks have pulled back from their recent peaks but so far this pullback has been very mild in nature.
- A two week pullback is really only a small amount of time to match the small pullback in price - so something larger would typically occur after such a strong move.
- A pullback towards the last peak at \$31.20 would be the ideal re-entry point as this should bring strong support.
- I prefer to see a bit more of a pullback here.



Lend Lease Group (LLC) Weekly Chart

- One of the more interesting charts at the moment as there is the appearance of a larger basing pattern starting to take place here, with the establishment of a number of higher lows now in place since the early 2016 low.
- The volume is constructive also with accumulation taking place at the lows and with each low getting less shallow each time it does suggest our buyers are getting more anxious to participate at slightly higher levels each pullback.
- If the trend holds here this could develop into a strong move higher as this is now looking like a solid base has been established.
- I think this is looking very bullish here. With a P/E of 11 times and yield of 4.5% - construction and infrastructure is likely to be a positively viewed sector moving forward.



Wesfarmers Limited (WES) Weekly Chart

- Wesfarmers has effectively traded in a large sideways orientated trend for the past few years.
- Recently we have seen a series of higher lows established and this could be the precursor to a larger bullish move.
- With five to six higher lows now established it could be primed for a larger bullish break out.
- A rally back to the top of the trading band around \$44.50 looks a high probability.



Fortescue Metals Group (FMG) Weekly Chart

- A lot of the resource sector is running hot currently and some stocks have almost moved vertical recently when viewing their charts.
- The FMG chart is showing a very strong bullish move since early 2016. From the \$1.44 lows in Jan 2016, to the recent high of \$6.96 in Dec 2016, it has been an incredible run.
- Three things concern me here, the trend appears to have overbalanced, with the last correction being the largest of the bullish move so far (\$1.19 pullback), secondly after two large weekly ranges down, it has now rallied twice the time, 4 weeks up and hasn't managed to move to a new high - this is classic trend running out of steam signal and it would appear vulnerable for a pullback here.
- The 13 week rally or 90 day acceleration from the last swing low is also a common set up for these types of tops, so quite a few things suggesting this trend is at risk here.



Newcrest Mining (NCM) Weekly Chart

- After the strong rally in Gold last year, most of the gold stocks are showing a loss in momentum.
- NCM as with most gold stocks, are showing a series of lower highs and this is starting to look like distribution, as the sellers look to exit.
- The last thing on the chart here is a five week rally on very light volume (low commitment to this rally) and this second lower high is exactly 27 weeks from the recent \$27 high - Gann referred to this as a squaring of price and time and this often marks important turning points.
- I can't see much to get excited about here and people are holding Gold only because of the Trump - unpredictability factor.
- The charts are suggesting it's a sell here.



FAR Limited (FAR) Weekly Chart

- The oil and gas producer in Africa is a high risk play but the current chart is looking very promising at the moment.
- With a series of higher lows setting up and volume increasing at the lows it could be setting up for another run.
- Potentially this is a large base and it could pop higher.
- Remember this is a higher risk play due to its speculative nature.



For professional and timely advice on how to maximize your returns on your portfolio please call

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There are no certainties in the share market, only probabilities.

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