

# THE blue chip INVESTOR

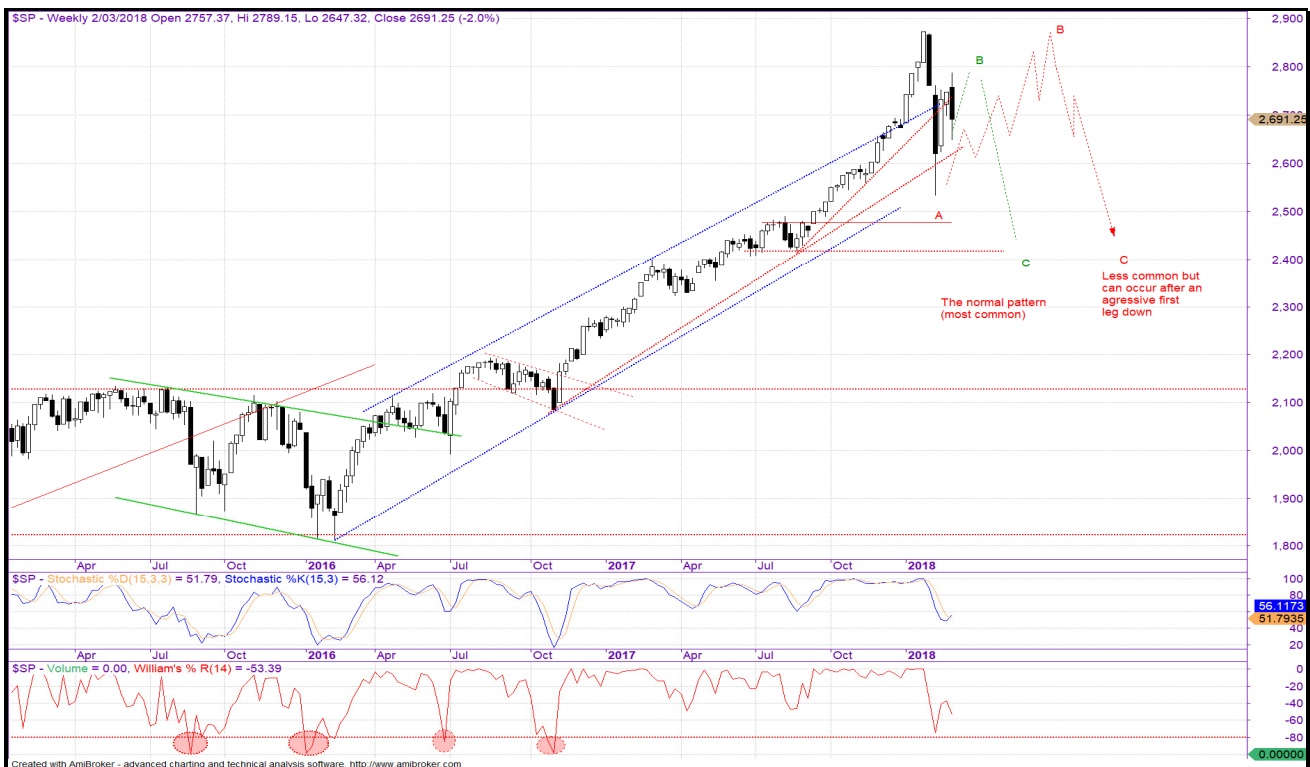
“Fundamental & Technical Trading Ideas for the Active Investor”

## What We're Watching

5th of March, 2018

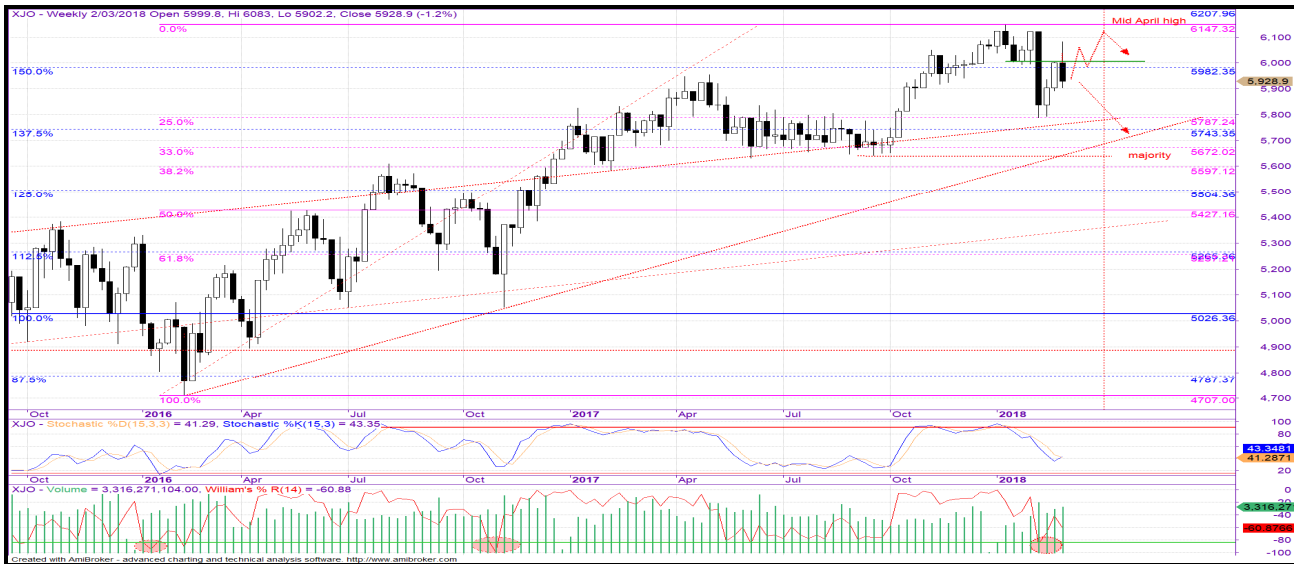
### S&P 500 Index - Main US Index (\$SP) Weekly Chart

- After a very sharp and deep sell off from the recent high, price has now had a three week recovery but it did struggle last week and could this bounce be in trouble already?
- Is this going to be the classic three wave correction that happens quickly or will it be a more of a broadening pattern that takes up more time?
- Normally there is a period of distribution or some sort of lower high or marginal new high before we see a larger correction unfold but considering the speed of the first leg of this correction and how vertical this move has been rallying over 72% in 24 months, I am wondering whether the second leg down might follow in a similar fast style.
- 2400 looks like the target here, it is just a matter of the path taken to get to this point.
- A lower high that takes some time to set up was a strong possibility but I am starting to lean away from this outcome now and think something faster might occur here.
- It either gets stuck around the same price point for a while here or we see another fast leg down. I can't see too much upside here in the short term and all the risk looks to be on the downside at the moment.



## S&P ASX 200 Index - Main Australian Index (XJO) Weekly Chart

- The bounce following the recent sell off was very impressive as it moved back deep into the overall range.
- The only issue with this bounce so far was the size of the sell off late last week and the fact that the body of the candle here has stayed below the previous lower high.
- Weak trends will often stay below the previous swing low, so the Australian index is now looking a bit vulnerable here for another leg down.
- I thought we might hang on here until mid April and follow the strong seasonal pattern that normally occurs in Australian indices but last weeks price action leaves this index in a potentially vulnerable position and we could see another leg down to new lows occur now.
- I still expect this to be a very volatile year ahead so we should see volatility both ways here but the risk could be to the downside here in the short term now after the weakness shown late last week and the fact that it couldn't close above the 6000 level.



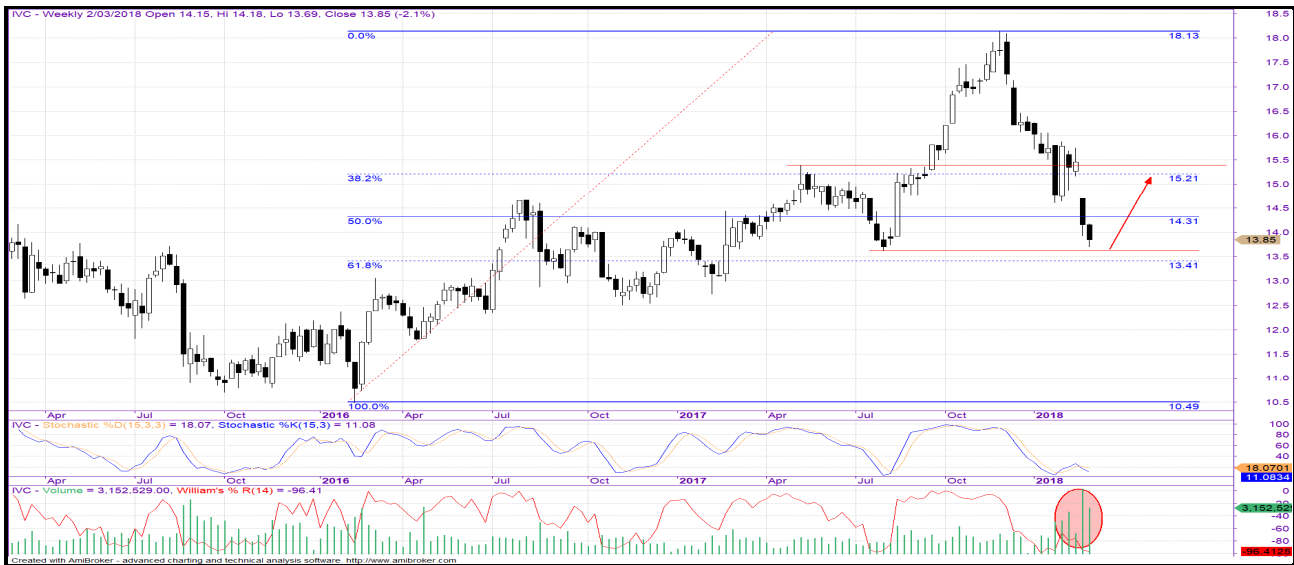
## Platinum Asset Management (PTM) Weekly Chart

- The well known fund management company has sold off hard from its peak correcting over 61.8% of its weekly range in only four weeks.
- There are two main reasons for the selloff, one being the price got a bit ahead of itself and this company got a bit overvalued on the strong growth this companies has recently achieved but the recent panic in the last fortnight is about the CEO Kerr Neilson who was highly regarded stepping back in the business.
- Most companies will have a strong management team and a strong corporate culture embedded, particularly those that have achieved this measure of success, so although it might be a short term negative to lose one of the key leaders in the business, not much is likely to change in the short to medium term, so this sort of sell off from this type of quality organisation could be a great opportunity to get a premium company at a discounted price.



## Invocare Ltd (IVC) Weekly Chart

- Invocare Ltd is the leading Funeral company in Australia and has experienced great growth over the past decade.
- Price had potentially run too hard recently and it has had an incredibly run of robust earnings reports, showing many periods of growth.
- Like a lot of good business that do grow quite fast, it is hard to keep up that earnings momentum particularly when the size of the company has expanded so much and Propel Funerals is starting to add some competitive pressures in this industry.
- Yes this company may have peaked in terms of its growth momentum but it has been an incredibly well run business and extremely profitable overall so its all about value now.
- The 25% drop in price from its recent high is probably warranted after recent results highlighted that growth is going to be harder to come by in the future but now this company trades on a much more reasonable earnings multiple at 15.6 times and a fully franked yield of 3.3% and is starting to look quite attractive now.
- \$13.40-13.50 looks like it could be strong support zone from a technical perspective.



## Fletcher Building Group (FBU) Weekly Chart

- The last time we got down to \$6.25 we bought the stock and traded it out after a \$1.00 rally. (just over 15%)
- With price back down at these lower levels and back on a P/E of 11 times again we have bought back another long position at an even better entry price at \$6.10.
- New CEO's often clear the decks so to speak at the start of their reign, so I view the small write down in their construction division and the tightening up in this division as a positive step forward.
- Only one of their four divisions has been causing this company any issues and squaring the new CEO's strong move early to correct this is likely to be well received by the market.
- Any reversal in price here should be followed as this could be another classic false break and bullish turn around should be expected from here. That is exactly what happened last week and I expect this to have another strong run higher here. It looks very bullish again.



## Select Harvests Ltd (SHV) Weekly Chart

- The price action has been quite volatile over the last fortnight after the company recently reported its earnings.
- Overall I see the strong recovery last week and the series of higher lows as very constructive.
- Technically this is showing all the right signs here and the strong volume that appears after any shallow pullback is a very bullish sign. Strong accumulation taking place on any share price weakness is exactly what we want to see and a strong rally is likely to follow here.



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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