



Analyst Insight.

26th January 2008 – Sample Edition

<http://www.marketinsight.com.au>



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Disclaimer

Welcome to Analyst Insight,

This fortnightly newsletter is part of a mentoring program that has been designed to help teach you about stock selection and technical analysis methods using recent market examples.

With the advent of online trading platforms and the huge variety of derivative products available on these markets today, the newsletter will demonstrate recent examples of both **long buying** and **short selling** opportunities in an attempt to help reinforce the methods and techniques taught in Market Insight workshops & course materials on an ongoing basis, and works on the principle that hindsight often becomes foresight if you learn to see things often enough!

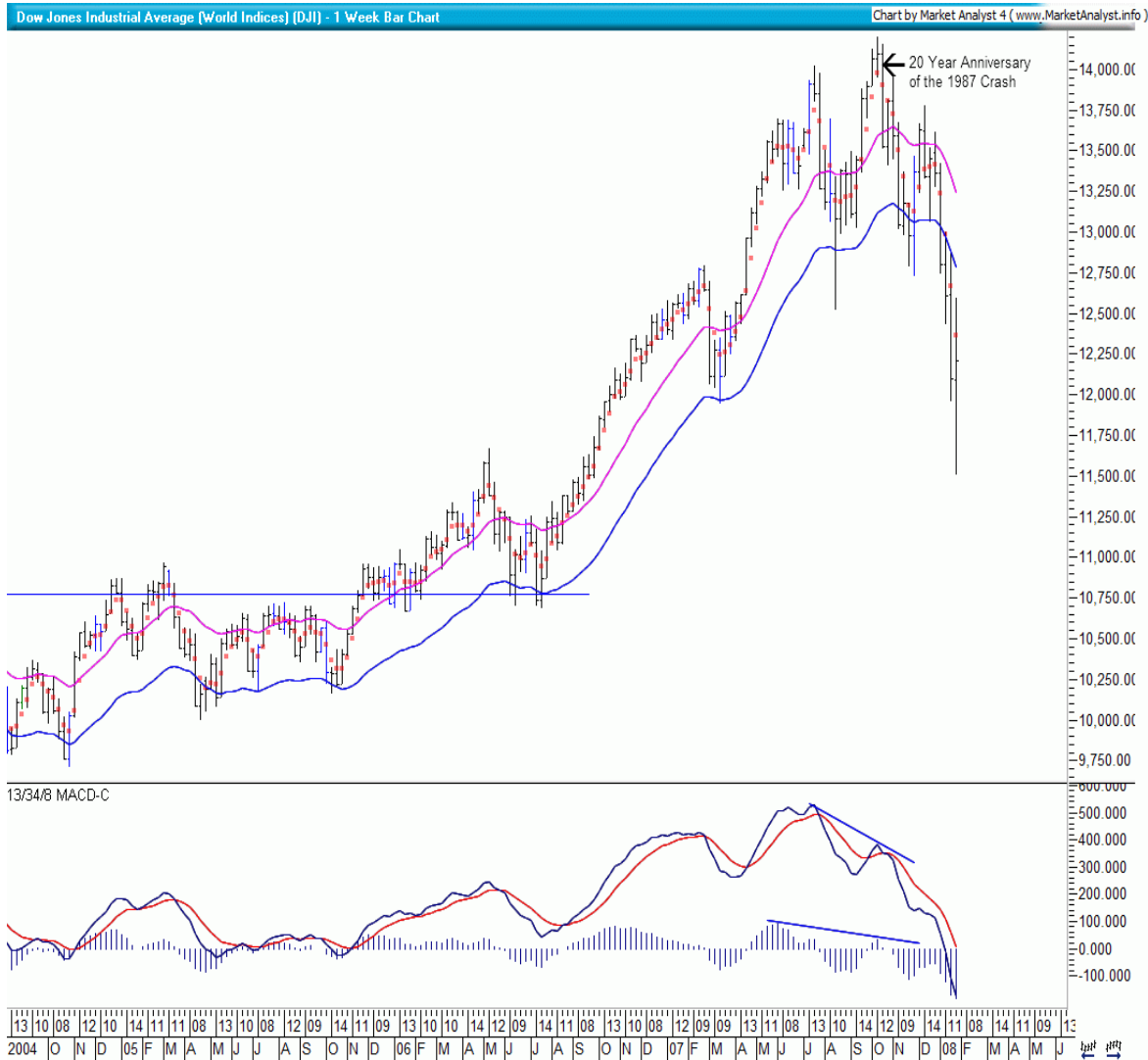
Subscribing to this newsletter will therefore put you in a much better position to help yourself learn to identify to your own potential opportunities based around these methods by continuously showing you ongoing recent examples of what these setups will look like.

Long buying opportunities should ideally be entered as close as possible to the **uptrend continuation zone** and only if the market has exceeded this level, only by exceeding this level would the chart then suggest continuation of its uptrend. A stop loss order should ideally be placed below the **uptrend failure level** at the time of entry to help control your risk.

Short Selling opportunities should ideally be entered as close as possible to the **down trend continuation zone** and only if the market has exceeded this level, only by exceeding this level would the chart then suggest continuation of its down trend. A stop loss order should ideally be placed above the **down trend failure level** at the time of entry to help control your risk.

Best regards, Jason Sidney

International Market Overview



Dow Jones Industrial Average Index – DJI

On the 20year anniversary of the 1987 crash I sent an email out to my entire data base reminding them of the anniversary of this event and what may follow. As history now shows this was the right thing to do with world markets selling off heavily on the anniversary of this event and eventually crashing.

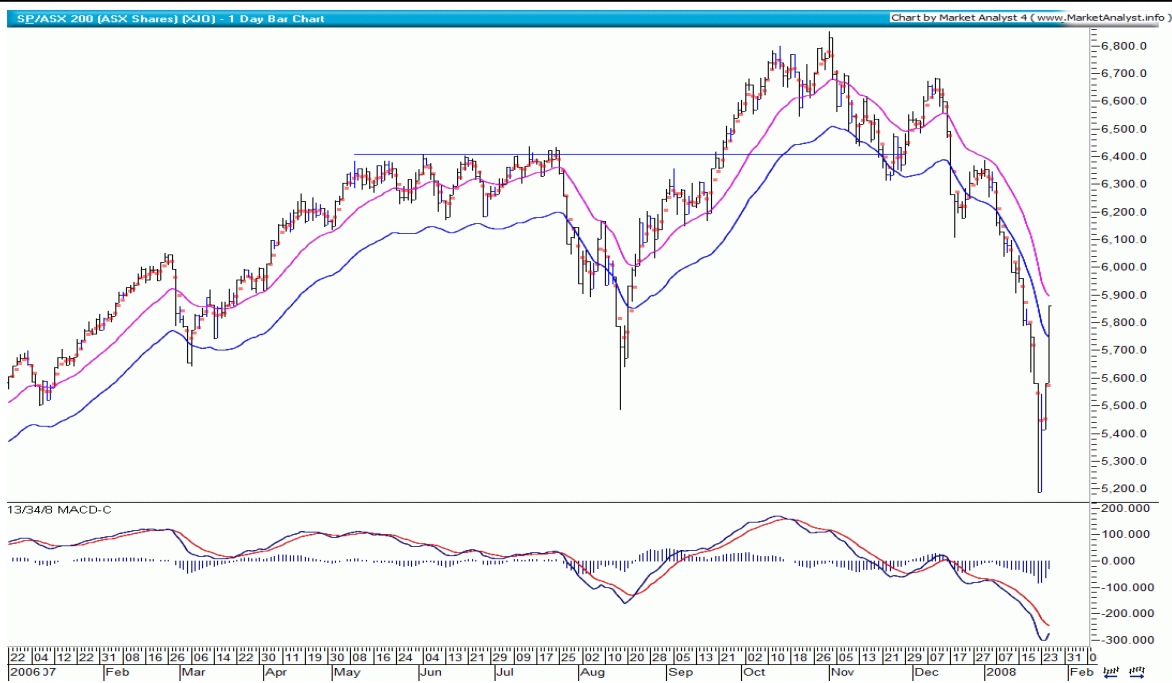
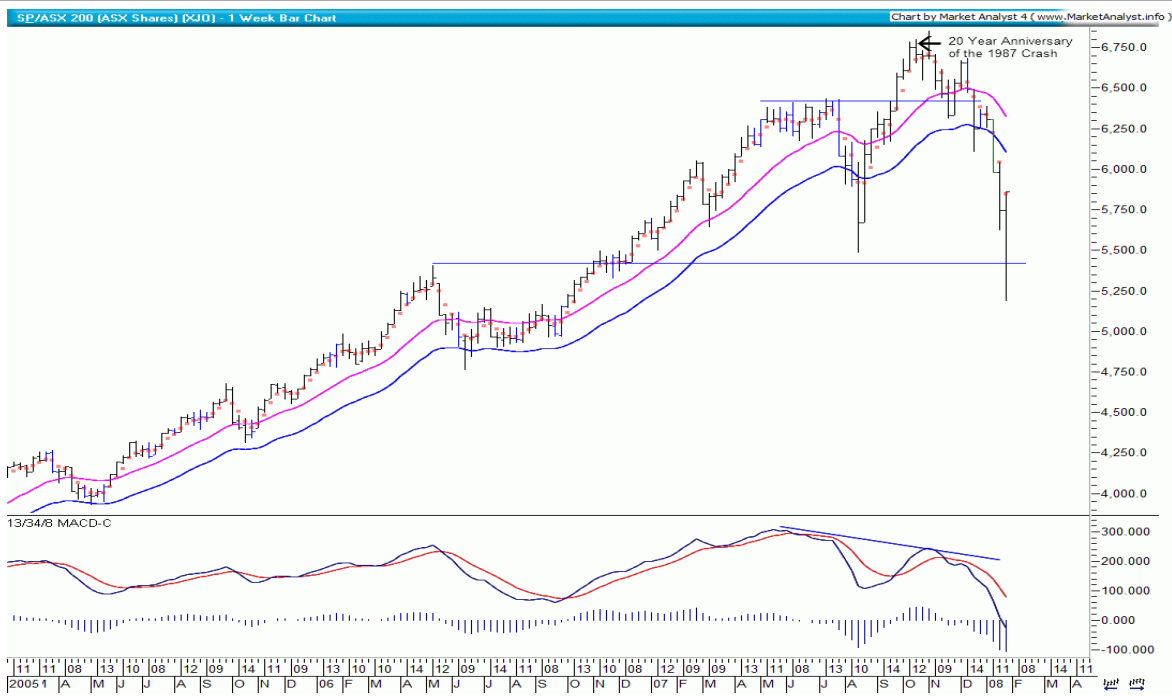
Few could now doubt the power of cycles and the effect they have on world markets, with many of you participating in live lessons in both this newsletter and the Analyst Insight workshop pre-empting the possibility of this event.

During the Christmas New Year period, the Dow Jones continued to sell off heavily making both lower peaks and lower troughs putting the weekly chart into a long term down trend and eventually crashing.

It has now broken back down through and is well below the lower long term blue moving average band previously holding its long term uptrend, but is now beginning to look oversold and over extended in this direction.

MACD weekly did a good job pre-empting all of this, recently producing a sell signal and showing divergence on both the averages and the histogram, suggesting at the time a loss of momentum for its long term uptrend. Watch MACD averages closely as they test the zero line.

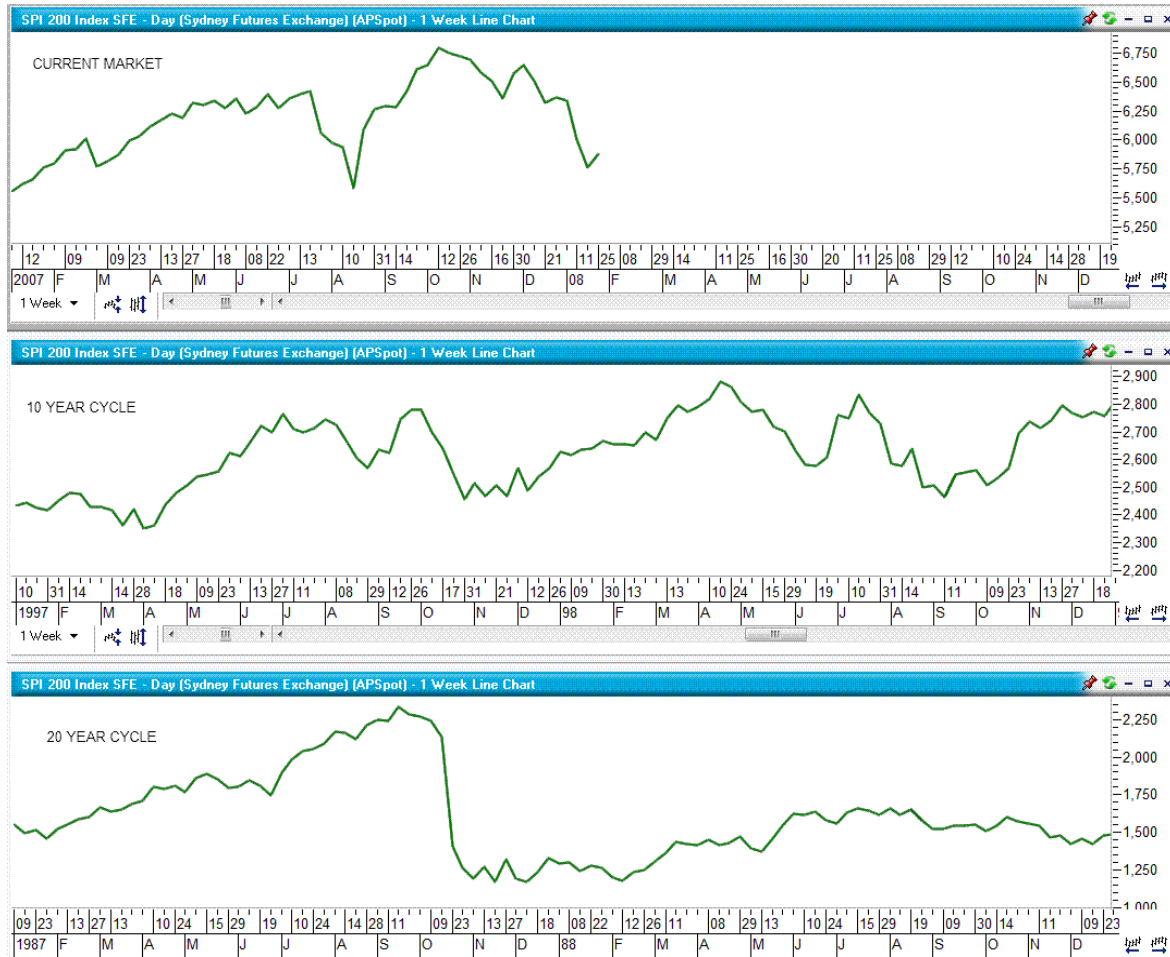
ASX 200 Overview



ASX 200 Index - XJO

The ASX 200 recently broke into new all time highs, but produced a false break high pattern and a Key reversal weekly bar as it did this, suggesting weakness and a possible correction. The ASX 200 did correct testing previous tops and a horizontal level of support. Short term strength was seen at this level before continuing to make lower peaks and lower troughs officially putting the XJO in a long term down trend on the weekly chart before eventually crashing. Preceding all of this, MACD weekly produced a sell signal and showed a good example of divergence suggesting a loss of momentum for its long term uptrend. This week shows the formation of a key reversal weekly bar suggesting some short term strength from here is most likely.

Cycles and Time Frames



Gann's Master Time Factor

With the recent events of world markets, Gann's Master Time Factor has never been proven to be so valuable. It essentially gives the user a glimpse of what the future may look like and with the recent events unfolding, that information was proven to be very valuable indeed!

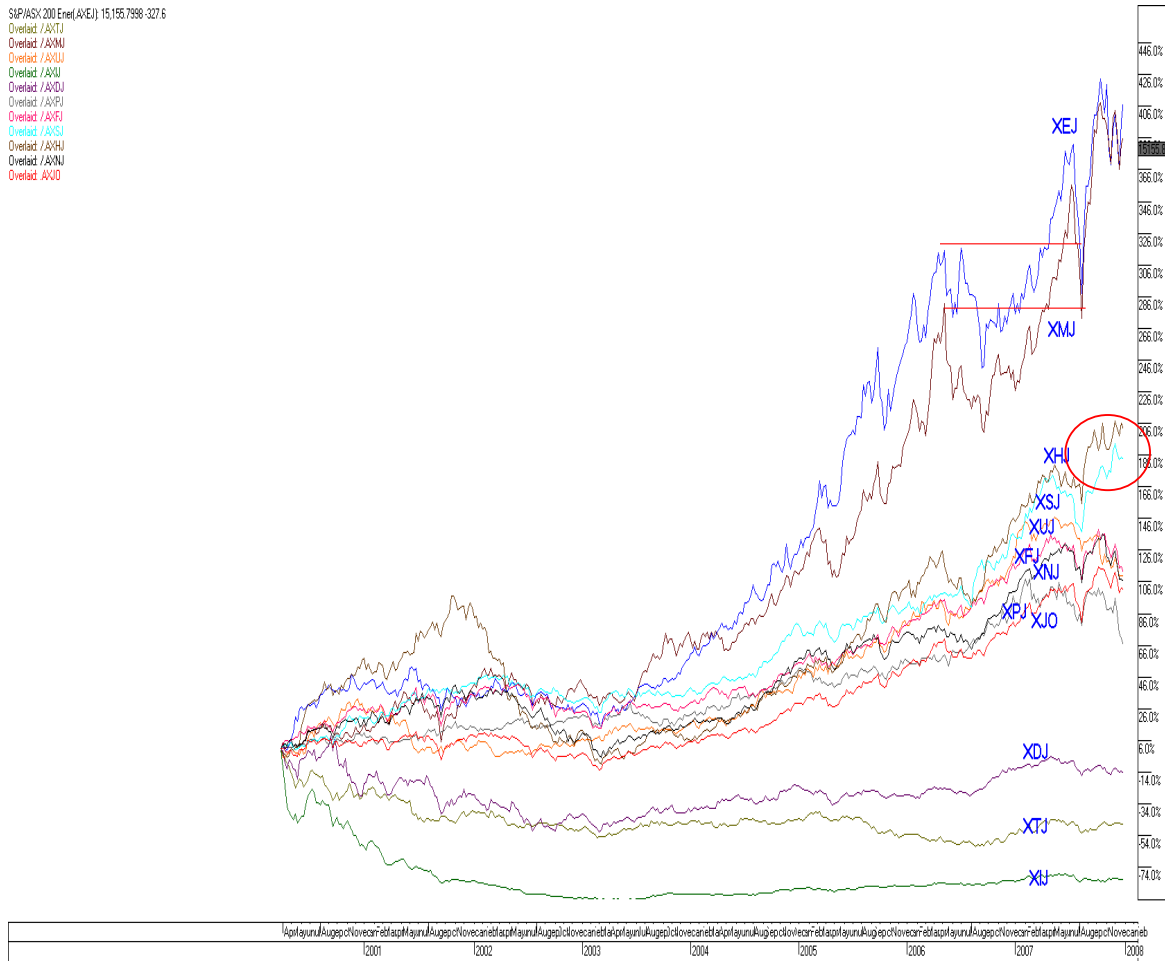
Gann's Master Time Factor is essentially a roadmap of how the year ahead could possibly look. In this example we will look at two cycles and compare them to each other, which are the twenty year (bottom) and ten year (middle) cycles. These previous periods in time suggest how the year ahead could possibly look for our own ASX 200 (top).

Using this method I concluded and put into writing in Volume 2 Issue 8, *While other declines are being suggested in the future particularly in July and August, it's the months of September and October that should be watched the closest, as both cycles show new all time highs forming in September followed by a crash in October for the years 1987 and 1997. This then potentially could have a big impact on our market for these months for 2007, ignoring it could be costly mistake indeed!*

A closer look at this roadmap suggested a peak toward the end of September followed by the possibility of sharp declines in October. In terms of what the market actually ended up doing, it made new all time highs toward the end of October (20 Year Anniversary of the 1987 crash), followed by sharp declines in November which was not too far from the mark. It then continued to make lower peaks and lower tops before eventually crashing.

From here the 20 year cycle is suggesting lows and possible support for the months of January & February before a resumption of its longer term uptrend. Look for evidence of support in these months on the ASX 200 to suggest a possible resumption of its long term uptrend.

ASX 200 Sector Analysis



ASX 200 Sector Analysis

A study of sectors is a great way to get a feel for what areas of the market are performing better than others. Buying shares in the strongest sectors is just another way of identifying opportunities that helps to put the odds a little more in your favour. In the chart above we have overlaid the eleven main sectors that make up the ASX 200 index – XJO using a percentage gain comparison scale.

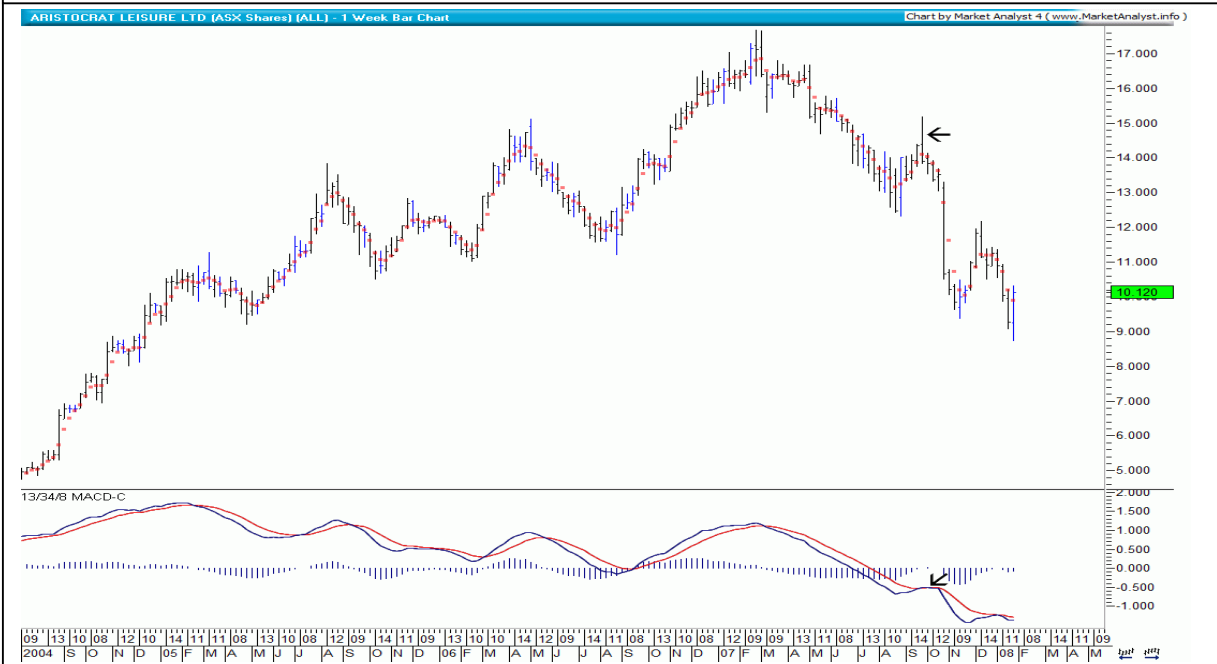
Based on this chart, we can see that the two previously strongest sectors Energy – XEJ and Materials - XMJ have also recently suffered the biggest percentage falls but have now recovered from this making them our two strongest sectors at the moment.

Our most consistent performers which also suffering declines are: **Consumer Staples – XSJ**, Industrials – XNJ, Utilities – XUJ, Financials – XFJ, **Healthcare – XHJ** and Property Trusts – XPJ, currently pulling away from the pack and suggesting continued strength are **XSJ** and **XHJ**.

The chart also shows the weakest sectors currently in the ASX 200, which ideally are the sectors to avoid. In this case our weakest links in the ASX 200 are Consumer Discretionary – XDJ, Information Technology – XIJ, and Telecommunications – XTJ. Consumer Discretionary – XDJ being the strongest of the three.

While good trades can certainly still be found in these areas, as a rule of thumb, you would ideally avoid the weakest areas and look to invest in shares in the strongest sectors.

Aristocrat Leisure Limited - ALL



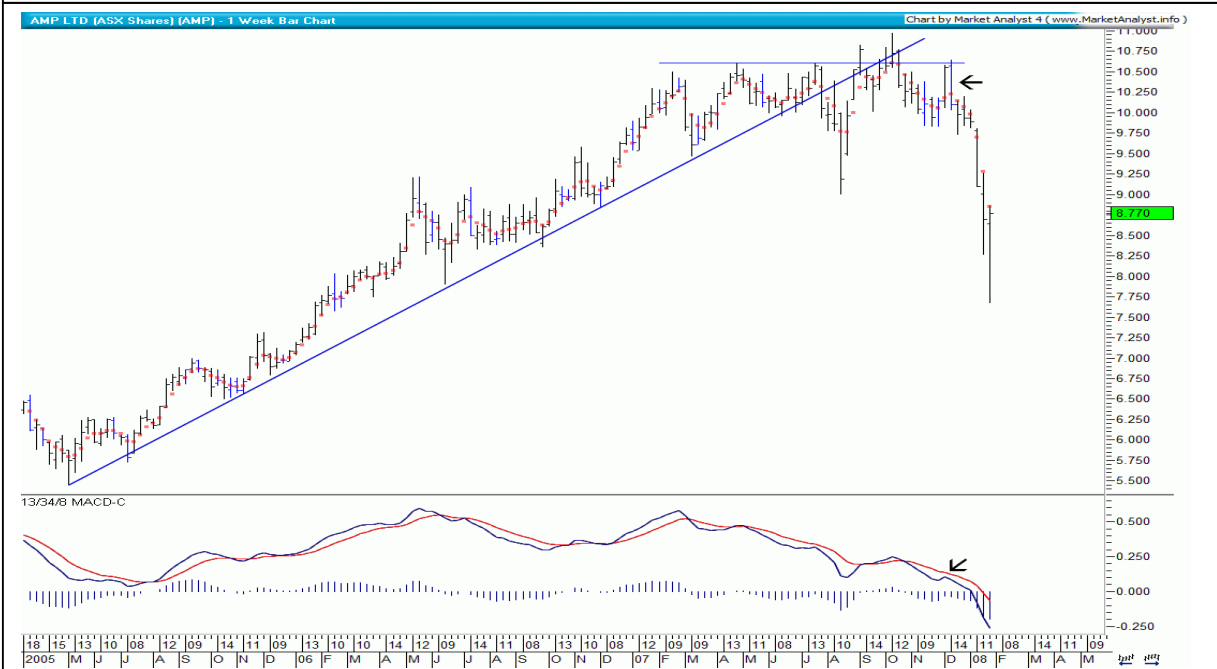
Aristocrat Leisure Limited – ALL

Sector: Consumer Discretionary **Sector Performance:** Average – Long term up trend

Ex-Dividend Date: 3rd December 2007 - .10 cents **First Listing Date:** 3rd July 1996

Aristocrat Leisure Limited is great recent example of how price patterns and form reading can be used to identify a potential opportunity. Looking at the weekly chart first, you can see a wonderful example of a Key Reversal bar signalling potential future weakness and combined nicely with a retest signal on MACD weekly. The daily chart showed first lower top confirmation patterns and produced a sell signal on MACD daily. Based on a previous level of support, its down trend continuation zone was situated at around \$13.50 with a down trend failure level suggested at \$14.13. Based on a previous range in the same direction, a possible level of future range resistance was indicated at \$11.79, giving a reward to risk ratio of 2.71.

AMP Limited - AMP



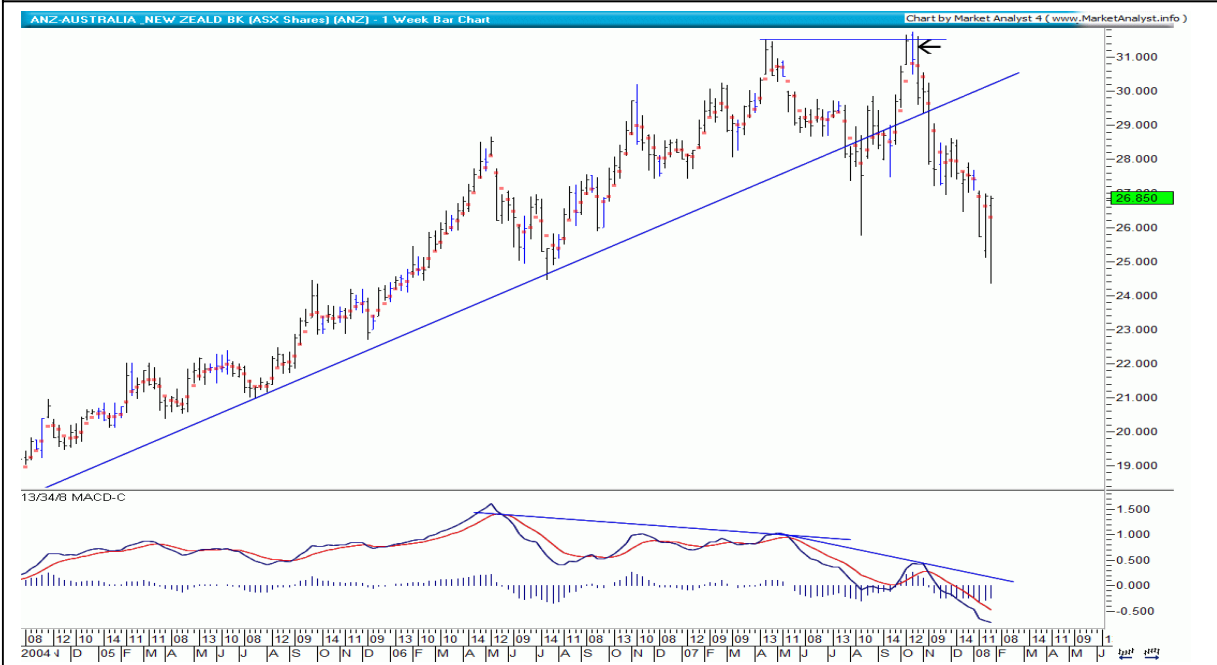
AMP Limited – AMP

Sector: Financials **Sector Performance:** Strong – Long term up trend

Ex-Dividend Date: 10th September 2007 – .22 cents **First Listing Date:** 15th June 1998

Amp Limited is great recent example of how price patterns and form reading can be used to identify a potential opportunity. Looking at the weekly chart first, you can see a good example of an Outside bar forming a lower top below horizontal resistance. This tied in with MACD weekly producing a retest signal. The daily chart backed this up by producing a first lower top confirmation pattern and produced a sell signal on MACD daily. Based on a previous level of support, its down trend continuation zone was situated at around \$9.71 with a down trend failure level suggested at \$10.21. Based on a previous range in the same direction, a possible level of future range resistance was indicated at \$8.66, giving a reward to risk ratio of 2.10.

Australia & New Zealand Bank - ANZ



Australia & New Zealand Bank – ANZ

Sector: Financials **Sector Performance:** Strong – Long term uptrend

Ex-Dividend Date: 8th November 2007 – .74 cents **First Listing Date:** 30th September 1969

Australia & New Zealand Bank is another good recent example of how form reading can be used to identify a potential opportunity. Looking at the weekly chart first, you can see a great example of a Double top pattern combining with an Outside bar, false break high pattern – representing an alignment in patterns. MACD weekly was showing a good example of divergence confirmed by MACD daily producing a sell signal. Based on a previous level of support, its down trend continuation zone was situated at around \$29.59 with a down trend failure level suggested at \$30.55. Based on a previous range in the same direction, a possible level of future range resistance was indicated at \$23.17, giving a reward to risk ratio of 6.69.

St George Bank Limited - SGB



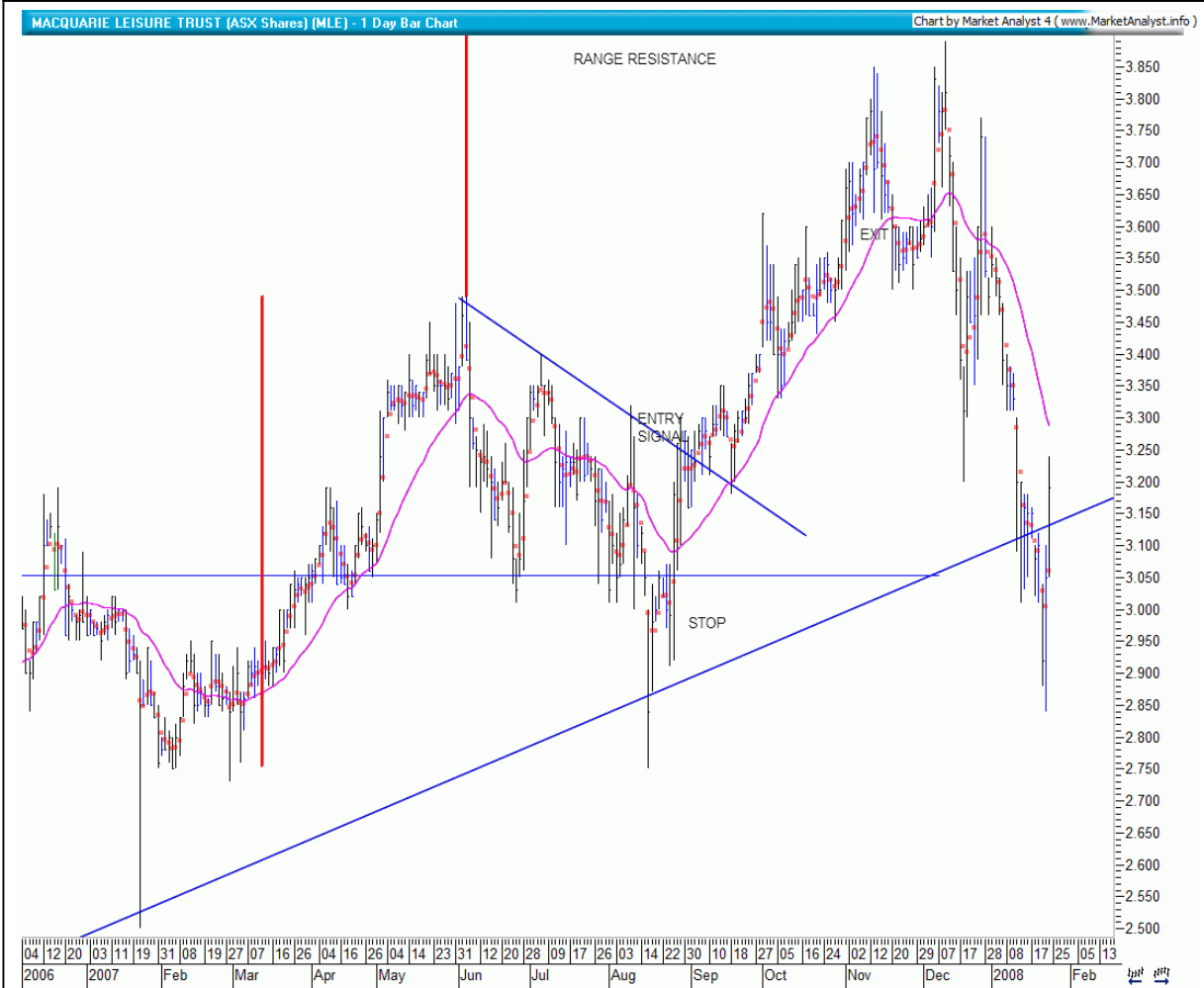
St George Bank Limited – SGB

Sector: Financials **Sector Performance:** Strong – Long term uptrend

Ex-Dividend Date: 23rd November 2007 – .86 cents **First Listing Date:** 2nd July 1992

St George Bank Limited is another recent example of using form reading to help you identify a potential opportunity. Looking at the weekly chart first, you can see a great example of a double top pattern combining with a false break high pattern again giving an alignment in patterns. It then later went on form a first lower top pattern that combined with a key reversal bar. MACD weekly showed a good example of divergence confirmed by MACD daily producing a sell signal and forming a first lower top confirmation pattern on the daily chart. Based on a previous level of support, its down trend continuation zone was situated at around \$36.36 with a down trend failure level suggested at \$37.46. Based on a previous range in the same direction, a possible level of future range resistance was indicated at \$27.69, giving a reward to risk ratio of 7.88.

Trade Management Review



Trade Management Review

In this example, we will revisit Macquarie Leisure Trust – MLE which was featured on the 12th January 2008 in this newsletter, to see how this potential opportunity actually worked out.

The uptrend continuation zone for MLE was around \$3.26 and was exceeded as it broke through previous peaks and a falling plane of resistance triggering a long buying opportunity.

A positive close above, but still near to this level could have been used to open positions in the early stages of the new emerging uptrend.

The initial stop should always be placed at the time of entry as it helps control our initial risk, most professionals will tell you to never risk any more than 2% of your account on any one trade. In this case a stop (sell order) placed under the uptrend failure level at around \$2.90 could have been used to help control our risk.

Based on the previous range in the same direction, a future level of range resistance was indicated at around \$4.20, achieving this level would have resulted in a profit of around 2.61 times your initial risk!

A moving average (34 periods - weighted) fitted just under the higher troughs could have provided an alternative exit strategy, and for those people that did choose to use this exit method, trailing their stop (sell order) just below this moving the average would have been stopped out, but at slightly lower levels and prior to the level of range resistance being reached.

Analyst Insight® Mentoring Newsletter

This fortnightly newsletter is part of a mentoring program that has been designed to help teach you about stock selection and technical analysis methods using recent market examples.

It is NOT a newsletter that gives tips and recommendations, but instead focuses on teaching techniques and methods using recent market examples and promotes the idea that hindsight really can become foresight if you learn to see things often enough!



In each edition of Analyst Insight® we will talk about a variety of markets, these markets will range from international markets to local stocks and shares.

You will be given a minimum of six recent examples for you learn from which will help reinforce the techniques taught within newsletter. These recent examples will rotate and change in each edition of the newsletter and will range from international markets to local stocks and shares. And so regardless of whether you're a local or international subscriber there will be something of interest for everyone!

With advent of online trading platforms and the huge variety of derivative products available on these markets today, the newsletter will feature both long buying and short selling opportunities and so regardless of whether we are in a bull market or bear market, potentially profitable techniques will still be demonstrated.

Unlike other financial newsletters, Analyst Insight® does more than just demonstrate potentially profitable techniques; it takes the next step and discusses trade management methods using previously featured markets as case studies.

If you study the examples in Analyst Insight® you will not only gain new skills but you will also develop greater confidence in your own trading abilities. Analyst Insight® is designed to educate you by providing the knowledge, skills and confidence to make ongoing informed and independent investment decisions, proving hindsight really can become foresight if you learn to see things often enough!

This newsletter now gives me the ability to coach you and involve you in a mentoring program no matter where you live anywhere in the world!

To read more about this exciting newsletter and to receive a FREE copy of a previous edition of the new look newsletter, simply click on the link below:

<http://www.marketinsight.com.au/AnalystInsight.php>

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