

Colin Nicholson: Newsletter 88

20 May 2009

Hear me speak in

Sydney

Wednesday 3 June 2009

ASA Eastern Suburbs (visitors are welcome)

10.30 am – 12 noon

Venue: Church in the Market Place, corner of Oxford Mall and Newland Street Bondi Junction

Timing is Everything

The recent bear market has reminded us once again that markets are cyclical. This can do great damage to passive investment methods if investors are not properly prepared to ride out the down trends. Colin is a market timer who has established a track record of beating both the market and his target rate of return over 40 years. He uses a combination of charting and fundamental ratios. Colin will discuss how passive and active investing can be fashioned to survive market cycles. There will be time for audience questions.

Further information: Peter Barker peterb@zeta.org.au 02 9315 8554

Brisbane

Friday 12 and Saturday 13 June 2009

Trading and Investing Expo

Friday 1.00pm and Saturday 12.45pm

When to go back into the stock market

30-minute presentation (free)

Many investors are looking to get back into the stock market at the right time. Colin will show what to look for to know that the time is right. This is a process of building a portfolio progressively. Colin will show how he intends to phase his way into the next bull market.

Friday 3.45pm and Saturday 1.45pm

How to plan for stock market investing success - in any market

90-minute presentation (there is a small charge)

We have just lived through one of the worst bear markets in decades. This event has exposed weaknesses in the investment plans of many people, principally those in or nearing retirement. Most of the problems exposed by the bear market come back to poor planning. A good investment plan makes allowance for periods of declining share prices.

My investment plan has enabled me to sail through the bear market virtually unscathed. You can do this too, if you know how. Don't miss this must-attend seminar as I clearly outline what you can do now to refocus your investment plan to ensure you minimise the damage from future bear markets.

Further Information: www.tradingandinvestingexpo.com.au/trading

Further speaking engagements

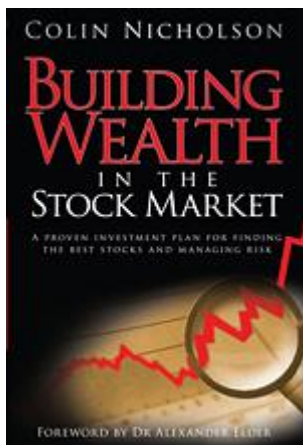
I have now posted the dates and the available details for my 2009 speaking engagements on the *Hear Colin Speak* page on www.bwts.com.au.

Building Wealth in the Stock Market (Hardback)

My book *Building Wealth in the Stock Market*, presented handsomely in a hardback format, is available for purchase directly from me postage free to Australian addresses.

I sign all copies of the book which are purchased directly from me.

For overseas destinations: The book will be distributed in New Zealand, Asia and USA. It is also available from Amazon US. Overseas customers will find it cheaper to buy this book from a local bookseller or Amazon.



If you are a private investor with a significant sum of money to invest safely in the stock market, here is a complete plan, proven through bull and bear markets.

Building Wealth in the Stock Market provides a complete model for investing successfully and safely in bull and bear markets. As an experienced investor and teacher, I share with readers my very own investment plan - one that has been honed over 40 years and has seen me consistently beat the market and my target rate of return.

Everything in my investing method is fully disclosed simply and with a minimum of market jargon. The central idea is how to manage risk in order to grow capital and secure a stream of dividends. The various risks to be managed are explained, along with strategies for managing them. Aspects covered also include:

- How to improve your decision-making skills, modelled on the way the best investors think.
- What is needed to succeed and why having an investment plan is crucial for success.
- How to select stocks, using charting and fundamental ratios in combination, to achieve a margin of safety.
- How to manage your portfolio - when to buy, how to build a position, when to cut losses and when to take profits.

The methods are brought to life through case studies based on real investments and the sharing of insights gained from years of experience and research. This book will change the way you think about the stock market forever.

Colin has written a serious and helpful book, kind in its attitude, broad in its scope, and practical in its advice. If you have an uncle in the trading business who is willing to put his work aside and show you the ropes, you might be able to skip this book. For the rest of us, who learn and struggle to make our way in the stock market, Colin Nicholson's new book is an invaluable resource. (Dr Alexander Elder)

Note: *Building Wealth in the Stock Market* replaces *The Aggressive Investor*. Most of my basic method has not changed over many years. However, since I wrote *The Aggressive Investor*, I have refined a few things, notably how I view charts in the right time frame, my maximum risk per stock and my focus on an additional financial ratio. While these things are minor in some respects, they have improved what I do. In addition, I revised the way ideas were presented throughout the book. There are completely new and later case studies, plus examples that were not printed in the original book.

Price

A\$65.00 including GST (Australia only). Postage free to Australian addresses.

The book will be distributed in New Zealand, Asia and USA. It is also available from Amazon US. Overseas customers will find it cheaper to buy this book from a local bookseller or Amazon.

To Order

The book may be ordered from <http://www.bwts.com.au/text.cfm?55>, which is my preference because it is easier for me and leads to fewer mistakes. Alternatively, phone me on 02 9439 9724 in Sydney office hours with your Visa or Mastercard. The other option is to mail me a cheque - please use the order form that may be printed out from the above page on my website.

Investment Strategy in the Current Market

The most common question that I am being asked since I returned from overseas on May 10 2009 is: what is my view of the Australian stock market? The problem with this question is that I am not permitted legally to give what amounts to general investment advice without an adviser licence. I have not sought a licence, because I have no real interest in advising investors. What I am about is teaching investors to do their own analysis and make their own decisions.

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This is the right way to go in my opinion. Every one of us is different in so many ways. This means each of us must have a different investment plan which sits comfortably with who we are. Unless I know a great deal about every reader's situation and plans, I cannot give intelligent advice, even if I wanted to or was legally allowed to do so.

What I can do is to teach by example how I believe we should be looking at the present market situation. Readers must adapt my ideas to their own situation and investment plans.

The key strategy decision for me at this time is my level of exposure to the market. By this I mean what percentage of my investment funds I should invest in the stock market as apart from holding in a cash reserve. This is driven by my market exposure strategy as set out in my book *Building Wealth in the Stock Market*, which updates my earlier book *The Aggressive Investor*.

The key consideration at this time is whether we are still in the second phase (decreasing earnings) of the bear market, or are we moving into the final phase (distress selling)? This is an important judgement that I have to make, because if I think we are still in the second phase, I should be 100% in cash. However, if I think that we have moved into the final phase, then on my investment plan I should be looking to invest up to 20% of my investment capital in upward trending stocks or in stocks which are breaking upward out of accumulation of consolidation zones on their charts. This last sentence refers to the two models on which I base my stock selection as described in detail in *Building Wealth in the Stock Market*.

What prompts consideration of this issue is that we have been going through a significant rally on the Australian stock market, which echoes similar rallies in the US, UK and Japan. The ASX All Ordinaries index weekly bar chart looks like this as of the close of business on 19 May 2009:



On this chart I have marked in the major swings in the bear market as solid red lines. I have also marked in the lower order swings within the major swings in dotted red lines.

For me, this bear market has so far been easy to analyse in terms of trend peaks and troughs (the solid red lines). However, towards the end of the chart we have encountered a challenge. After plunging to the lowest trough on the chart in March 2009, the market has rallied strongly above the January peak marked B on the chart. This trend break has been marked as level B with a dotted blue line.

Why do I see this as a trend break? A trend is defined with peaks and troughs. A down or bear trend requires a series of lower peaks in order to remain intact. The April and May 2009 break above the last peak in the bear market means that we technically no longer have an intact down trend, because wherever the current rally finishes, it will establish a peak that is higher than the January peak marked B.

There is room to argue whether a new bull market has started, because it requires a series of higher troughs. We do not yet have a higher trough on the chart.

This is where the challenge comes in. That challenge is to deal with a situation where we cannot be sure whether we are looking at the first leg of a new bull market, or just a bear market rally.

When I was a neophyte, I used to spend a lot of time applying all kinds of indicators to the chart in different time frames trying to work out an answer. This pursuit of certainty where none can exist is something I have abandoned. It is an exercise in forecasting or prediction. We human beings are very poor at forecasting.

Moreover, the act of forecasting messes with our minds in unconscious ways. Once we make a forecast, especially a public one, we can no longer look at the market objectively. What we do without realising it is to filter every piece of information coming to us in the context of our forecast. So, if data comes along that supports our forecast, we unconsciously give it greater weight than is warranted. Likewise, if data comes along that does not confirm our forecast we unconsciously give it scant regard and may even ignore it completely.

If you do not believe me on this, you can conduct a little social experiment. Ask a group of friends to say what they think is ahead of us in the stock market. Then give the group a number of facts concerning the stock market and open a discussion. If you observe carefully, you will notice how each of your friends weights the importance of each fact to support their original forecast. It might be best not to explain to your friends what you have been observing, or you may upset some of them. Just absorb the lesson silently as part of your education.

I therefore consciously avoid making any forecasts on the market as a whole or on individual stocks. What I do instead, which I believe is far more productive, is to assess the condition of the market and craft a strategy for dealing with what I am seeing.

I have started with the chart. This is because, until the trend break occurred, I was comfortable with my existing strategy. This was based on a judgement that we were in the second (decreasing earnings) phase of a bear market. As such, my investment plan calls for me to be 100% in cash unless I hold a stock bought in the last bull market and is still trending up, which I wasn't, so I was 100% in cash.

The chart posed a challenge to this strategy. It posed a question of whether I was looking at a bear market rally or the first leg of a new bull market. The second of these possibilities is what raised the challenge. If a bull market was starting, then we may have been in the third

phase (distress selling) and I had been asleep at the switch. I should have already been moving 20% of my capital into stocks which were trending upward or were breaking out of accumulation or consolidation zones.

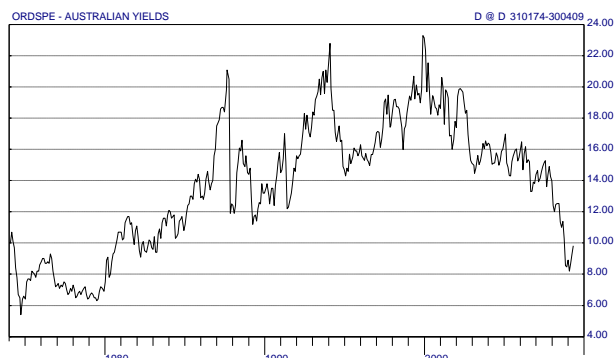
This was of particular concern to me because I had been travelling overseas through most of April and the first ten days of May 2009. Had I been away at a critical time?

The advent of the third phase of a bear market is my first signal to change strategy. That signal is usually followed by a trend break and a Coppock indicator signal. Those two signals can occur sometimes with the Coppock first and other times with the trend break first. We did not have a Coppock signal at the end of April (I will return to this later). However, we had a trend break. So, had the distress selling phase of the bear market begun? Had it crept past me while I was overseas?

I immediately reassessed the indications for the distress selling phase of a bear market. I will take each one in turn below. It is important to stress that I am only observing the Australian market. There will be similar indications in overseas markets, but there can also be only a very loose correlation on these issues.

Indication 1: Significant fundamental undervaluation

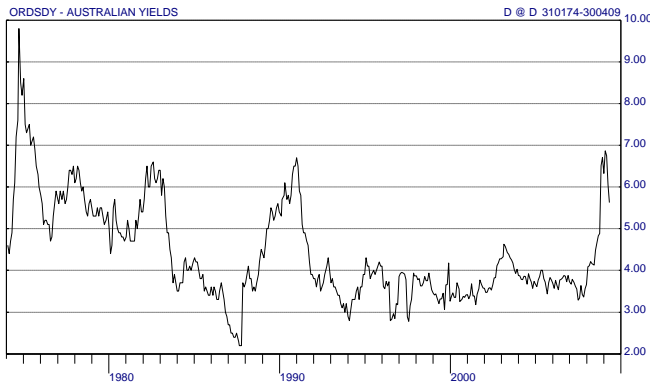
My favourite measure for this is the market average price earnings (PE) ratio. I also use the market average dividend yield. Taking the market average PE ratio first, the long term monthly chart looks like this at the end of April 2009:



The chart shows clearly that the PE ratio is now lower than at any bear market bottom since 1974, except for the 1974-79 bear market bottom. 1974 was the last time we had seen such a savage bear market as we lived through last year. I recall it well and the similarities were quite eerie this time around.

The danger with this chart is that it is so relatively short-term. We are looking at only a small number of bear markets. Drawing conclusions on such a small sample is hazardous in the extreme. Ideally, we would have 100 years or more of observations, but I have not been able to find that data. So, care must be taken. The sensible conclusion, I think, is to assume that this indication may well be in place. However, that said one thing stands out on the chart. This is that there can be significant fluctuation in the ratio around the market bottoms. Again, the number of observations is small, but we should bear the possibility in mind. What this means to me is that a distress selling phase may have started on this indication, but it MIGHT be early days.

The market average dividend yield chart at the end of April looked like this:



This chart more or less confirms the PE ratio chart, but slightly more convincingly in that the dividend yield this time is in the range of bear market bottoms in the late 1970s, the early 1980s and the early 1990s. Only in 1974 did the yield rise to a higher level. So, this adds support to the PE ratio chart by confirming the possibility that we are in the likely territory for a bear market bottom.

The one passing observation is that the global debt crisis has thrown up a very unusual situation which may not have many precedents. The crisis has seen a flight out of stocks into bonds, throwing their yields into relatively uncharted waters with only 1974-79 standing as a possible comparison. The risk premium between stocks and bonds has moved into a range which is quite unusual for the last four decades.

I post the data files for the above charts on the Resources page of my website www.bwts.com.au soon after the end of every month. These files may be downloaded in either Insight Trader or ASCII format.

I also post charts of these indicators with comments on the members only (paid) section of my website soon after the end of every month.

Conclusion on this indication: We may have begun a distress selling phase, but it may be early days.

Indication 2: Unemployment

Unemployment reached a nadir in 2008 and the unemployed count is rising. There are various estimates of where it will rise to this cycle, varying between 8 and 10%. These are forecasts and are as unreliable as any other forecasts. I pay them little heed.

That said, there is no doubt that unemployment is rising. We have no real idea how far it will rise or when it will reach a peak. This suggests that a distress selling phase may have begun. However, like the previous indication, there is no certainty as to how far we are through that particular cycle. Moreover, stock markets act on expectations, so are likely to turn around some time before the peak is reached. My judgement is that we are some time yet from the peak.

Conclusion on this indication: This indication of a distress selling phase may well be in place, but my suspicion is that it is very early days.

Indication 3: Bad news has little effect (is anticipated)

This indication requires a subjective judgement. Some people shy away from anything that has the word "subjective" attached to it.

Nevertheless, most observations we make of the world around us are subjective, even though most of us do not recognise consciously how much subjectivity there is in most of our views of the world around us.

I am not unduly concerned about making subjective judgements. The question is not whether a judgement is subjective or objective, but how good we are at making the subjective judgements. A person with strong skills in this area will be grounded in sound knowledge, especially of history, and experience which comes from past active participation in the markets and has morphed into something we loosely call expertise or wisdom.

I would not for one moment claim to be especially skilled in this area, but I have studied and participated in the stock market for 40 years and this must mean I am better placed now than I may have been when I began that investment journey.

I am also a little handicapped with respect to this observation because I have been out of the market travelling overseas for five of the last seven weeks. To make a sound judgement in this area means we have to be here observing market reactions to news on a daily basis.

Another factor is that during the last seven weeks the Australian stock market has been in a rally. This may tend to mitigate adverse reaction to bad news.

Nevertheless, my instinct suggests that the market is still finely strung when it comes to bad news and is still tending to react adversely to it. Having said that, my readers may well be in a better position than I am to make this judgement call.

Conclusion on this indication: The market is still reacting adversely to bad news, but this may be more moderate than it was last year. This suggests that we may be moving into the distress selling phase, but as before, it may be early days.

Indication 4: Low public participation

My observation is that most of the day traders have left the scene. However, there is still a good level of activity, especially around CFDs (Contracts for Difference).

In this area, I like to talk of my seminar indicator. When the room is full to overflowing we are in the rampant speculation phase of a bull market. When there are some empty chairs in the room, we are into the early stages of a bear market. It is only when the room is about half full that we are in the final or distress selling phase of a bear market. My recent experience is that there are still quite a few people in my seminars. The numbers have not fallen to distress selling levels.

Nevertheless, this must be modified:

Firstly, the bear market of 2008 has scared the pants off most investors. During the bull market it was easy. Now we find out who had real skills. I feel that many investors have realised how little they knew. Also, without gloating, I have managed the cycle fairly well, so this just may mean that my seminars have something to offer. This is reinforced by my friend Janene Murdoch at the Educated Investor bookshop at 500 Collins Street Melbourne telling me that sales of good and expensive investment books are holding up well.

Secondly, the seminar season for me is just starting this year. Maybe I have not yet seen the drop-off in numbers that is typical of the distress selling phase.

Thirdly, I am hearing that bookings for conferences are much lower than usual. This is an indicator that points forward, because those conferences are in the second half of calendar 2009 and reflect current investor thinking.

All that said, there is no doubt that many people have abandoned the stock market. The volume of trading has fallen away, albeit depressed for a while by an insane ban on short selling which robbed us of an important level of liquidity in some stocks. Financial stocks still have the ban in place and they are an important sector of the market (give or take 20-25%).

Many of the speculators have gone. Many passive investors have crept into their foxhole. Public participation has fallen, without doubt. The question is whether the level is low. It is lower than in the bull market - that is a no-brainer. The real question is just how low it is. I am sensing that there are still a good number of people looking for investment and speculation opportunities. Please bear in mind that my judgement here may be badly biased because a great deal of my exposure is to dedicated market enthusiasts in associations like The ATAA, The AIA and the ASA.

Conclusion on this indication: I am not seeing public participation falling right away yet. We may be in the distress selling phase, but not yet near the ultimate nadir when the stock market tends to be broadly anathema to the general public.

Indication 5: Media coverage decreases

This is a really tough one for me to judge, because I have been back from five weeks travelling overseas for less than two weeks. Even so, I feel that some contraction is starting to occur. This is also an observation that I find difficult because, since I have returned the federal budget has been brought down and this may have heightened interest in matters economic and in financial market related in the media.

Conclusion on this indication: This indication is not very clearly in place yet, but may have begun. We may be in the early stages of the distress selling phase.

Indication 6: Many bankruptcies

There is no doubt that we have seen the first wave of bankruptcies. This has concerned large, listed companies and trusts that were over-g geared. This always follows a debt binge and bust.

This is being followed by some of the smaller public companies which have clutched at straws and failed, calling in liquidators or selling out to opportunistic takeovers.

However, this indication of the distress selling phase is primarily aimed at the smaller fish in the economy: The small businesses, the contractors and the man and woman in the street who cannot meet their mortgage payments and credit card debts. This will get worse as unemployment grows.

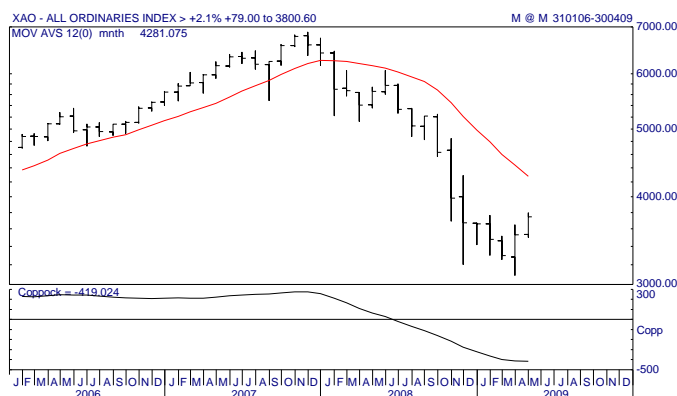
If one reads the financial press there have been many articles on this subject over the last four months. Debt agreements are rising (the public). Insolvencies are rising (small business). The number of days which debtors are taking to pay is at a higher level than since the early part of this decade (small business).

Conclusion on this indication: This indication has clearly begun. However, as with several other indications above, it may have quite some way to run yet before it gets to a peak.

My overall conclusion on phase analysis is that I believe that the third phase of the bear market has probably begun, though it may have some time to play out as yet.

Against this I must caution my readers. One of the most important indications for the first phase of a BULL market is disbelief that we are seeing any more than a bear market rally. We may be further advanced into the cycle than I judge that we are.

This is reinforced by the Coppock indicator. To give a signal that we are within a few months of the bottom of the market, we need it to turn up from below zero. As at the end of April it had not yet given a signal, as shown on the chart below:



Notice that the Coppock indicator went essentially flat in April. That is not a signal because it did not turn up. However, it was cause to look a little more closely. By using the spreadsheet on the Resources page of my free website www.bwts.com.au it is possible to do some “what-if” calculations. If the market maintains the rally through to the end of May, there is likely to be a signal then. Much can happen in a week or so, but the longer the market holds its ground, the more likely it will be that we see a signal.

The worry is whether the signal is premature. This means that it will have been triggered by a strong bear market rally rather than a genuine start to a bull market. This has not happened in Australia for a while, but is there in the historical charts. It was a real factor in the US market in the last bear market, when several early signals occurred.

It is for this reason that the Coppock indicator is my least important signal. Phase analysis and trend analysis are far more reliable and important for me. The Coppock indicator is more a warning bell that I need to be reassessing the situation in case I have slept through the really important indications that the cycle has turned. However, I am always wary that Coppock indicator signals may be generated by bear market rallies.

To sum up to this point, what I am seeing from my analysis is:

1. Phase analysis suggests we MAY be in the early stages of the third phase of a bear market, but it also MAY be further advanced that I am assessing to be the case. It is even remotely possible that it has ended.
2. The bear market downtrend has been broken. However, there is no indisputable signal that a bull market has begun.
3. The Coppock indicator is highly likely to give a signal at the end of May. However, it could be a premature signal from a bear market rally.

This being the case, I am seeing that we have no way of knowing whether we are looking at a bear market rally or the first leg of a bull market. As soon as I have said this to people since May 10 they want to tell me what they think. Frankly, I do not want to hear their views. They are simply predictions and I abhor predictions because of the overwhelming human frailty in that area and the psychological risks.

So, let me tell you how I act in the situation we have before us and why.

We have a rally - a strong one. It may equally be a bear market rally or the start of a bull market rally. We are most likely in the final phase of a bear market, albeit early, but it could be later than I judge.

They are the two possible conditions of the market. The question for me is not which one is right – that is unknowable – but what strategy to adopt?

On my investment plan, I should be beginning to build some positions because we are probably in the distress selling phase. I should be looking to build towards 20% invested by buying upward trending stocks or stocks clearly breaking out of accumulation or consolidation patterns. The latter are a bit difficult to find and the patterns are generally not as wide as I would like, but there are a few.

It does not matter whether we are in a bear market rally or the start of a bull market, because if we are in the distress selling phase (or, remotely, later), I should be starting to build some positions.

If it is a bear market rally and the market falls strongly, perhaps to new lows down the track, my sell stops will take care of it. Even so, I may be buying some of the early risers and they may not fall to their sell stops in an extension of the bear market.

If it is the start of a bull market, then I will be well placed and will not have missed the gun completely.

I have bought small positions in two stocks so far, both before I left for overseas. You can check on my website at any time for what I hold – I update it as soon as a buy or sell order has been executed. The two stocks I have bought seem to me to have counter-cyclical businesses, in that they should do well in bad times: IMF (Australia) and Cash Converters International.

Bear in mind that I may have bought more stocks if I had not been travelling overseas and had precious little time to devote to studying individual stocks since I returned. Watch my website for what I do, but remember that what I do is disclosed to meet my legal obligations as a writer – **MY STOCKS ARE NOT A RECOMMENDATION FOR READERS**. I cannot know what is correct for readers and their investment plans must be different to mine because they are different to me in so many ways. If you must regard my portfolio as more than a legal disclosure, see it as examples of my thinking for you to think through for yourself and reach your own conclusions, learning in the process.

I am also intending to begin writing up some case studies on my current investments in close to real time. I will probably update the case studies monthly, or when something significant has happened. I will be setting out what I see to be the facts and outline what decisions I have made on the basis of these facts. For legal reasons this will be:

1. On my members only (paid) website behind an entry page on which members must acknowledge a detailed disclaimer.
2. Written as educational. It will not be general advice. For this reason, it may be updated a little after the event to avoid the risk of it being judged to be advice.
3. I will only discuss what I have actually done in pursuit of my own investment plan. I must stress again that my plan is for me and readers need to take the facts and my actions to apply to their own investment plans. I am seeking only to assist readers to learn to be better investors.
4. I will not respond to questions from individual readers on these stocks (or any other specific stocks) for legal reasons and in line with my policy on the Ask Colin page of www.bwts.com.au.

This may fall short of what some readers would like, but I must stick to facts and education and avoid giving advice.

I hope you have found value in this discussion and invite feedback – but briefly please – there are only 24 hours in a day. I do not have time to debate contrary views and it would not be productive to do so. My view is mine and is intended to get readers thinking. There are a range of possible views and those of readers may be even more valid than mine. If readers think that I am wrong and their contrary view is correct then by all means go for it – I am not a guru, just an experienced investor trying to teach the knowledge and skills by example. My observations should be treated as those of a “devil’s advocate”. Readers must make their own decisions in the context of their investment plans.

New Highs – New Lows

In the last newsletter, I advised that charts of this data for several markets, including Australia were now available on a website hosted by Dr Alexander Elder and Kerry Lovvorn. I have repeated that notice at the end of this item. Kerry has been kind enough to let me reproduce the following article on this subject discussing the US stock market as at late March. Readers may find some of the ideas in the article to be very interesting:

A Good Market for Active Traders

We have noticed repeatedly in recent years that if there are no new highs in the rally, that rally will be short lived. A rally from oversold levels is only a reaction rally or a bear market rally. That’s what we had for the past few weeks. Such rallies are followed by pauses and pullbacks - that’s what is occurring at the present time. If we are to have a secondary rally from here, its quality will show whether you want to buy or sell into it. How will we measure that quality?

1. *We will need to see New Highs expanding. We currently are seeing New Highs top out in mid 20’s. We have seen New Highs over 30 per day on only four days this year. The latest occurrence was on March 26th, and before that on January 6th. We need to see a continued expansion, not just one or two days.*
2. *To achieve an expansion in these numbers we need to have stocks trading not far below their 52 week highs. Today there are only 85 stocks on the NYSE and NASDAQ within 5% of a new high and 207 within 10%. This is a pretty shallow pool.*
3. *This is why a pullback and a consolidation would be good; giving more stocks a chance to enter the pool of potential new highs.*
4. *We monitor the health of this pool by counting the number of stocks making 20-day (approximately monthly) New Highs (currently there are over 700 stocks trading more than*

- 200,000 shares per day within 5% of 20 day new highs).
5. At the March 26 price peak the 20-day new highs hit 2438. We saw a 20-day new high peak of 3114 on January 6th which also marked a bear market rally peak.
 6. We have yet to see a higher low in prices after coming down from such a peak. In order for this to occur we need to see New Lows stop expanding and go dormant.
 7. There are only 80 stocks within 10% of their 52 week low on the NYSE and NASDAQ; this is lower than 207 stocks within 10% of their 52 week high, mentioned above. We are now seeing for the first time in this bear market the potential pools shift from New Lows to New Highs.
 8. For a rally to be sustainable it needs more than a hodge-podge of stocks. We need to see strong sector leadership leading the rally. No market bottom has ever been made that led to a new bull market without sector leadership. We cannot have sector rotation on a daily or weekly basis and have a sustainable rally for more than a few weeks. Currently we are still witnessing frequent rotation. The strong sectors today are sold tomorrow and vice versa – no clear leadership is present.
 9. Barring another outright crash sending stocks plunging to new lows quickly, the potential pools are shifting momentum. This is not to suggest we are about to launch off like a rocket ship but rather that the wind is shifting and the sails need to be adjusted to navigate a different course.

My personal analysis leads me to believe that we will experience a wide trading range, with mini bull and bear markets within it. Wild moves of 20 – 30% in short amounts of time will become the norm.

This will definitely be a market for an active trader.

Kerry Lovvorn

New High – New Low Charts

Dr Alexander Elder recently made me aware of how Australian New High – New Low charts can be accessed on one of his websites:

As you may know, I consider New High – New Low Index the best leading indicator of the stock market. The daily NH-NL update is one of the key features of SpikeTrade.com that I run together with my friend and partner Kerry Lovvorn. We have a brilliant Brazilian fellow in our group who has built a system for creating NH-NL for any country. He began with Brazil, then UK and Germany, and a few weeks ago added Australia to the list.

The updates for Australia are published weekly, usually on Saturdays. All one needs to see them (and comment on them if one likes) is to come to www.spiketrade.com, register as a Guest (free), and proceed to the blog.

I hope you like those charts and perhaps your readers will like them too.

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