

'Bullish divergence' suggests ANZ stock is on the up and up



TECHNICAL ANALYSIS
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SHARES in ANZ are showing what technical analysts call "bullish divergence" between a chart of the daily closing price and a technical indicator based on the number of shares traded each day.

This trend suggests the shares may increase in value in coming weeks and stay above the recent four-month high set in the third week of January, according to this week's guest technical analyst, Robert Brain.

Yesterday afternoon ANZ shares passed their highest January closing price of \$23.27, reached on January 20, and closed at the high of the day, \$23.59, their highest for 17 weeks.

Mr Brain is the vice-

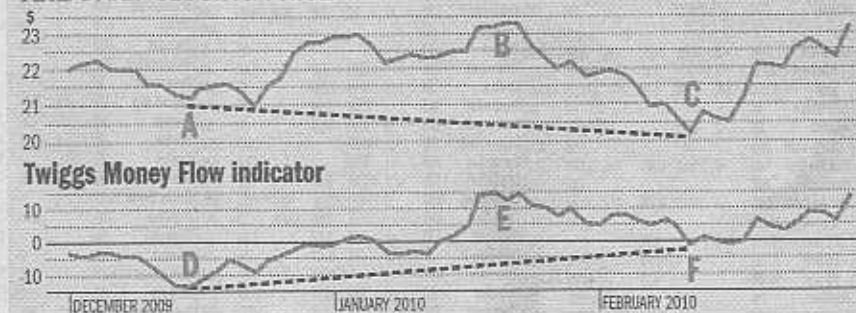
president and secretary of the Melbourne chapter of the Australian Technical Analysts Association, and a private consultant.

Technical analysis maps movements in the price of shares, indices, commodities or currencies, and gives traders a theoretical framework to analyse whether prices are on an upward or downward trend.

In this instance, Mr Brain has used a technical chart indicator called the Twiggs Money Flow indicator, designed by a Queenslander named Colin Twiggs, and applied it to a chart of ANZ's daily closing prices.

He points out that the TMF has been moving upwards in recent months, and made a

ANZ DAILY CLOSING PRICE



bullish move over the zero indicator, which shows the shares are in a strong accumulation phase.

"We are looking to see if the indicator is moving in sync with the chart," Mr Brain said. "The fact that we have seen this divergence over the last couple of months means

that there is a likelihood of higher prices."

The divergence is between the direction of the line linking the lows in ANZ's share price and the direction of the TMF indicator. The shares have made a "lower low" (points A and C) while the TMF has made a "higher low" (points D and F).

"On the current daily chart of ANZ, we can see that the price has been rising for about three weeks, and the two are now moving in sync. And we can actually read into that that there should be continued higher prices."

Mr Brain said there was no indication how long the price rise could

last, and did not rule out a dip in the share price before the rise started.

"Over coming days, if the ANZ price can stay above the last peak (point B), this will be bullish for the share. And if the TMF moves higher than its last peak (point E), this will also be bullish and lend support to a greater likelihood of the share price rising further," he said.

"We should add that from a chart pattern point of view, it is possible that we might see a pullback to around \$21.70 in the short term."

DISCLAIMER: Information in this article should be read in the context of a technical analysis of the performance of ANZ shares. It does not constitute financial or brokering advice.

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