

Now is the time to keep a close eye on ANZ

TECHNICAL ANALYSIS
ROD MYER



THE banks have been a stalwart of many Australian investment portfolios for two decades since the end of the last big recession and have rewarded investors.

In the seven years from 2000 to the peak of the boom in 2007, the financials index rose 127 per cent. Over the longer term, the story is even better, with ANZ, the subject of this week's column, rising 12 times over the 16 years from the recession to the market's peak in 2007.

But since the global financial crisis struck in late 2007 the picture for bank

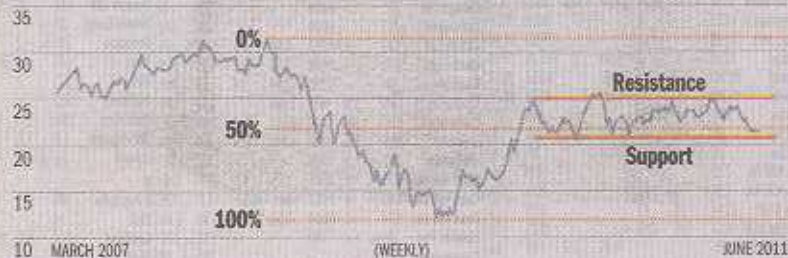
investors has not been all that pretty. As the attached chart, produced by Paul Ash, Victorian president of the Australian Technical Analysts Association, shows, ANZ reached its decade (indeed record) high of \$31.74 in October 2007, then fell to a decade low of \$11.83 in January 2009.

To get a handle on the meaning of such price falls and subsequent recovery, technical analysts look to the 50 per cent mark between the high and low points.

When a stock starts to trade above that 50 per cent level (in this case \$21.47) on a regular basis, analysts see the outlook as being bullish.

In ANZ's case "the price has been moving up and down over the 50 per cent level, but mostly above this

TESTING SUPPORT LEVELS



level. This is a bullish indication", Ash says.

In recent times, ANZ has suffered more than most of its peers. While the All Ordinaries and the financials indices have fallen about 9 per cent in the past two months, ANZ is down 13.7 per cent. This has led the stock to drop through the important 50 per cent level

that Ash is watching. But it has remained within the levels of \$20.50 and \$25 that have marked its trading range for the past 20 months (the support and resistance lines marked on the graph).

Now is the time to keep a close eye on the stock. As its price falls towards the \$20.50 level, Ash says we could expect to see buyer support,

as this is where it has appeared in the recent past.

But beware as technical analysts say stocks only test a bottom support level four times and ANZ has done so three times in the past 20 months.

If it reaches the \$20.50 level and bounces, then "we can expect a rally back to the \$25 level," Ash says.

But if it goes under the support level "the future price of ANZ doesn't look promising, and a fall to below \$20 is expected," he says.

Neither BusinessDay nor Paul Ash is offering investment advice. Anyone wanting to invest should educate themselves and seek professional guidance.

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