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TRADING

Against the trend, Telstra's star is rising again

TECHNICAL ANALYSIS
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TELSTRA seemed like a licence to print money when it was sold on to the sharemarket progressively from the 1990s.

A former government monopoly with a stranglehold on the country's telecommunications market, it had once been Australia's most profitable company.

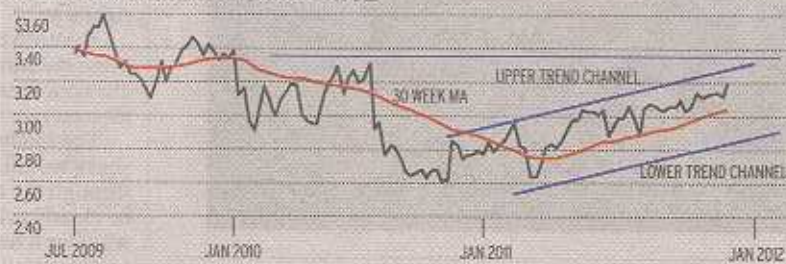
But this view turned out to be anything but true as new competitors challenged its most profitable markets and new technologies ate away at the value of its national copper communications network.

Indeed, from a high of \$9.20 back in the dotcom bubble days of 1999 it was all downhill for Telstra until it hit an all-time low of \$2.55 about a year ago. Then something unusual happened. Telstra began to make gains even when the rest of the market was falling.

As this week's chart shows, provided by Paul Ash, Victorian president of the Australian Technical Analysts Association, from the first quarter of this calendar year Telstra's share began to rise.

"Dow theory" states that the trend is up if there are higher highs and higher lows. Stocks in Australia at the moment with this characteristic are hard to find but Telstra is in an uptrend," Ash says. "The Australian stockmarket as defined by

TELSTRA WEEKLY SHARE PRICE



the All Ordinaries Index can be said to have been tracking sideways generally from October 2009 to July 2011. Since then the trend is distinctly downward despite last week's gains. Telstra on the other hand had been drifting down from August 2009 to November 2010. It then made a double bottom with a low in March 2011."

That double bottom proved the low point for the stock and the uptrend beginning then was given extra confirmation with the 30-week moving average price line also turning upwards a few weeks later. "The Telstra share price is in a rising trend channel this year defined by the rising parallel lines above and

below the price line. Telstra will find some resistance at \$3.35 but is expected to rise to \$3.50," Ash says.

Despite its drubbing in recent years, Telstra remains one of the best-known brands in the country. It is involved in significant areas of the growing telecommunications market. It stands to gain big payments from the national broadband network.

Its market capitalisation is \$38 billion, while the dividend yield is a healthy 9 per cent. Its price-earnings ratio is slightly below that of the market at 11.53 times.

This column does not constitute financial advice and those wanting to invest should seek professional counsel.

The writer has Telstra shares.