

Picking trends — analyst warns market could drop 350 points



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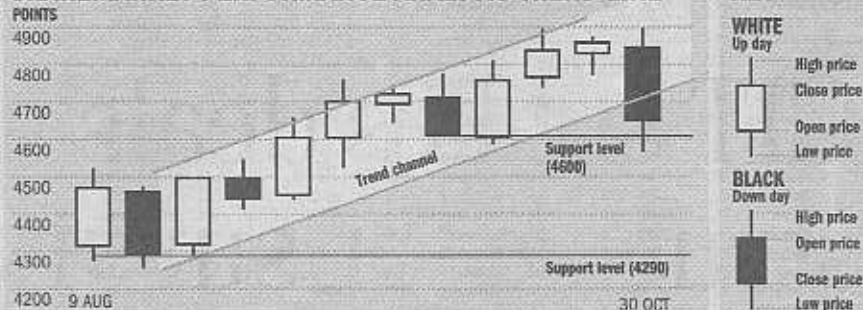
THE Australian sharemarket is softening and could retrace as much as 350 points in coming weeks, according to a technical analysis of the S&P/ASX 200 Index by this week's guest analyst, Robert Brain.

Weak performances by similar foreign indices, particularly Germany's DAX and the Dow Jones Industrial Average, are being reflected in the Australian equities market.

Mr Brain is a private trader and consultant, and a director of the Australian Technical Analysts Association.

Technical analysis maps movements in the price of shares, indices, commodities and currencies. It removes sentiment

SHAREMARKET PERFORMANCE ANALYSIS TREND LINE



and "gut feelings" from trading by giving traders a theoretical framework to analyse whether prices are following an upward or downward trend.

Mr Brain's chart shows the market's weekly performance over the past 13 weeks.

White "candles" represent weeks when the

market ended higher than it started, while black "candles" show weeks when the market fell.

"It is showing us that the up-trend we have seen recently over several weeks since early August is now failing and there is a good chance that we will see lower prices for a while," Mr Brain said.

"The next target that we might be heading for is about 4290 points."

There was only a "remote possibility" that the market could turn around and head upwards in the short term and also a chance the market could fall further than expected, he said.

But the good news is

that the 4290 level has been tested and not broken.

"Back in early to mid-August, there were three weekly candles where the price has fallen during those three weeks and has come close to the 4290 price point and bounced back off again, so 4290 can be seen as a support level."

Last week, the Australian sharemarket fell every day except Friday, when it was buoyed by a 2 per cent rally on Wall Street on Thursday.

But the Dow Jones on Friday night (Australian time) tumbled 2.5 per cent, led by bank shares, which dropped after the chairman of the House Financial Services

Committee said he would support moves to make large financial companies pay for a bail-out fund.

Last week's losses sliced 288 points, or 4.45 per cent, off the benchmark Australian index compared with a 2.6 per cent loss by the Dow Jones.

It was the Australian market's biggest weekly decline since March, when the index hit its post-crash bottom of 3120, and pushed the market below Mr Brain's rising trend level.

Last week's analyst, Paul Ash, said the index could be "quite negative for a month or two" if it got below 4770 points.

The S&P/ASX 200 Index dropped below 4770 points last Tuesday.

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