



**TECHNICAL ANALYSIS
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The Age
30-3-10

Looming 'double top' signals the market may soon turn down

THE sharemarket is approaching a critical level as the S&P/ASX 200 Index heads towards a high set in January.

The index is nearing 4955.1 points, reached on January 11. If it gets back to that level, it will form what technical analysts call a "double top".

However, making a double top means the index is also overdue for a pull-back, says Paul Ash, president of the Victorian branch of the Australian Technical Analysts Association.

"It is a pretty significant technical level

and often will cause all the people who bought at that level to say 'well if it gets back there, I am getting out'," Mr Ash said.

"If it does break above this 4955 level then the market is a lot stronger than the chart shows. It could very well head up another two or three hundred points."

A double top occurs when two high points, within 2 per cent of each other, are reached. Mr Ash said he expects the next top to be reached either this week or next.

The two diagonal lines on the chart show the

S&P/ASX 200 WEEKLY PERFORMANCE OVER THE PAST YEAR



market's upward channel for the 10 months from last April to January. But in January the index switched to a sideways channel, with neither the

bulls nor the bears dominating.

"On a daily chart, we have been in a fairly strong up trend, but on a weekly chart we have

been in a sideways market; on a monthly chart we have been heading up," Mr Ash said.

"That is why there is conflict, because the

long-term [analysts] can see the market going up and they are happy, but the people who are looking at weekly charts are getting a bit dejected because the market is going sideways."

Mr Ash said trading volumes were picking up but did not indicate any strong trends.

"The experienced people know that [the market] is due for a pull-back and the other people can see it is getting back to an old high. Whatever happens, it is going to resolve itself in the next week or two."