

Analyst shows that not every stock falls in a falling market

TECHNICAL
ANALYSIS
ROD MYER

The Age
20-7-2010

WITH the sharemarket looking particularly shaky, investors will be wondering where they can put their money to keep it safe from the seismic ructions in the finance world that have caused so much damage in recent years. There is always cash, but that will never surprise on the upside.

Rob Shelley, a certified trading technician and analyst and director with investment educator Total Trading Concepts, has brought his skills to bear on the market and come up with a stock that may give some upside for those looking for growth in a downturn.

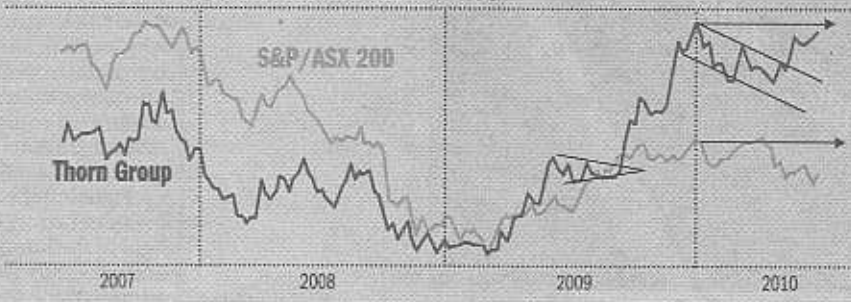
His selection is Thorn Group, a company that

rents electrical, office and computer equipment to business and home users as well as providing fast cash for the consumer market. The attached graph shows Thorn was in a decided down trend from late 2007 to early 2009. But since then things have turned around.

In March 2009 the stock price began to rise, with its 10-week moving price average crossing back above the 30-week moving average, Shelley says, following the pick-up in the general market.

Then, in September 2009, the stock broke out of a small equilateral triangle formation it had been in with the ASX/S&P 200 Index (XJO) and went

CONSUMER DISCRETIONARY RETAILING



up steeply while the general market went on to form a bearish megaphone pattern (discussed previously in this column). For the remainder of 2009 it held in what the chartists call a strong impulsive uptrend.

Since January this year Thorn has had a bumpy

ride with plenty of ups and downs, and for a time it was in what's known as a downward flag pattern. But recent strength has seen it break out of this pattern and it is now back at the levels it opened the year on. Meanwhile, the general market has fallen away and is now down

more than 10 per cent on January levels.

As a result, Thorn is showing bullish divergence against the XJO, Shelley says, meaning the stock is going sideways or up while the market is going down.

And just to show technical analysts do keep an

eye on the fundamentals, Shelley points out that Thorn's recently announced 2009-10 result saw normalised profit up 33 per cent and earnings per share growing 32 per cent. And to top it off, Thorn is now trading at a low price-earnings ratio of eight times and a dividend yield of 5 per cent.

In times of economic uncertainty, Shelley says the retail sector often does well. So there you have it. But remember, none of this amounts to investment advice, either from Shelley or BusinessDay, and investors should seek professional guidance and do some homework before committing their hard-earned cash to the market.