Telstra the unlucky one in 'Tale of Two Stocks'

TECHNICAL ANALYSIS
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THERE is a well-known saying that "a rising tide lifts all ships". In an investment sense that means that in a bull market nearly all shares will rise. And, likewise, when the market tide goes out, most stocks will tend to fall.

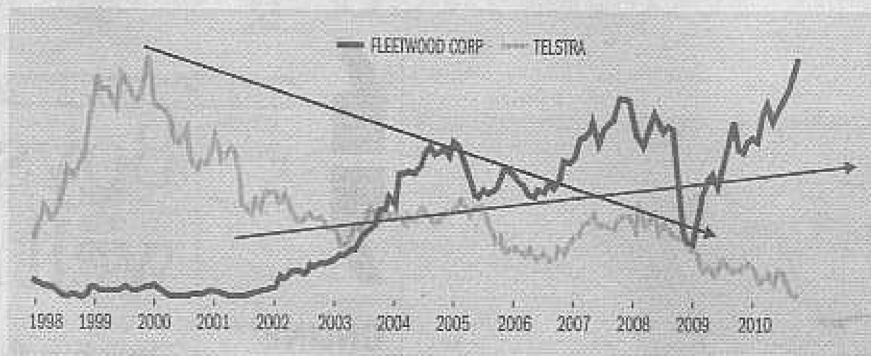
But when the bears are pulling the market down, the strongest stocks are the ones that fall the least. And really good stocks can go against the trend when their performance warrants it.

This week technical analyst Rob Shelley, director of Total Trading Concepts, illustrates these concepts by giving us "A Tale of Two Stocks" in chart form.

The chart plots the divergent courses of Telstra (green line) and Fleetwood Corporation (red line), which is a manufacturer of caravans and mobile accommodation.

Shelley points out that during the difficult years of 2002-03 Fleetwood went from strength to strength. It peaked in 2004 and then went sideways, when the market appeared to take a breather.

Telstra, for its part, was in a strong uptrend from 1998, peaking later the following year and then being slugged heavily after the collapse of the dotcom market in 2000. It recovered a little up to 2005 but since then the news has not been great for what was once Australia's monopoly telecommunications provider.



Fleetwood, however, made gains during the good business years of 2006 and 2007. When the hard times hit with the global financial crisis from late 2007, both stocks took a pounding. Fleetwood shareholders endured a particularly precipitous drop until early 2009.

But the temporary accommodation supplier showed its worth from late 2008 when it started to move up in what was then still a downward market. Since then it has rocketed to be close to $12 and has well and truly outperformed the general market.

Telstra did not benefit from the uptrend from early 2009 and kept falling due to particular factors it had to deal with in its markets. The rise of mobile technologies has steadily whittled away profits from its fixed-line business, which was high margin. New business it has won in the advancing areas like mobiles and web hosting has not replaced those margins because they are highly competitive areas.

For these reasons, Telstra has been in a downtrend for a decade. The one saving grace for its shareholders is that it pays a handsome 10 per cent dividend.

But Fleetwood, with a healthy share price growth profile, pays its shareholders a 5.9 per cent dividend yield.

That's still better than money in the bank; and it delivers growth as well. Since the lows of December 2008, it has grown a massive 279 per cent while Testra shares have lost 31 per cent in that time.

As usual, this column is not offering investment advice and readers to seek professional direction.

The writer owns Telstra shares.

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