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TRADING

Hard-hit stock could be heading much higher

TECHNICAL ANALYSIS
ROD MYER



BUYING rising stocks appears to be the easy way to make money on the sharemarket. And doing what everyone else is doing can make people feel wise. But picking the turning point of a stock that has been weak, although demanding more courage, can yield big returns.

This week professional trader and councillor of the Australian Technical Analysts Association, Mark Umansky, looks at pharmaceutical development group BioDiem, which arrived on

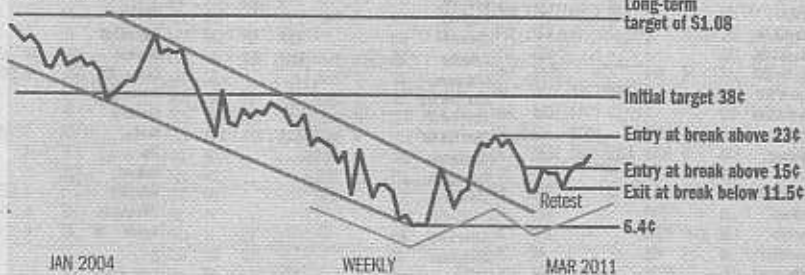
the market in January 2004 at \$1.08. But things turned nasty and it plumbed lows of 6.4¢ in October 2008 during the financial crisis.

Mr Umansky has charted the stock and observes that it broke out on the upside in September 2008 and went for a ride up to about 18¢.

But by April 2009 the downtrend re-emerged and the stock tested the breakout point from its previous falls.

It consolidated from this downward movement and a new uptrend appears to be emerging, with BioDiem now trading at 18¢. Mr Umansky says the recent test and consolidation put the stock into an "upward sloping W base" formation (marked in green on the chart) and demonstrates that it is now

BIODEM



in an "accumulation" phase.

Classical technical analysis theory says the stock is in an interesting position, Mr Umansky says. If the uptrend is proven with a break through the 23¢ level, then the "price should travel upward to at least 100 per cent of the base formation between 6.4¢ and 23¢". This

provides us with a potential target of 38¢ to 39¢, resulting in a 58 per cent to 62.5 per cent return if entry was taken on breakout from the accumulation phase at 24¢. But given that the highest price achieved was \$1.08, one cannot exclude the possibility that prices may retest previous highs also.

Should this hold true, then a 450 per cent increase in price would be achieved, Mr Umansky says.

Extra profits may be achieved by experienced traders who are prepared to call the up trend before the 23¢ level is breached. These buyers could enter the market above 15¢ and watch the stock. If it continues to rise then the profits just referred to may eventuate.

On Mr Umansky's chart, if the stock falls again, a safe exit would be below 11.5¢.

As usual, neither Business Day nor Mr Umansky is offering investment advice. Anyone wanting to commit funds to the market should seek professional advice and do some homework. rodmyr@ozemail.com.au