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TRADING

Battered AMP shows signs of a turn upwards

TECHNICAL ANALYSIS
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IT'S been a mighty tough road for AMP shareholders pretty much ever since the big funds manager listed on the stock exchange. The group was demutualised in 1998 and floated on the stock exchange for about \$18.70 a share. In the early 2003 it tanked to hit \$3.14, then climbed back to a pre-global financial crisis high of just over \$11.

Like many financial stocks, it was clobbered by the GFC, falling back to a low of \$3.52 in March 2009. It again made a recovery of

sorts to get back to almost \$6.50 last calendar year. But, like the rest of the market, it has performed badly in recent times.

AMP fell from an April high of \$5.82 and hit \$3.61 in September. Now Paul Ash, Victorian president of the Australian Technical Analysts Association, is asking whether it is time to buy. The fact that the recent low was slightly higher than that of 2009 is the first sign that the price fall may have been arrested, Ash says.

"A technical analyst now looks for a confirming buy signal," Ash says. "This could be something as simple as an upward break of the confirmed down-trend line [the downward sloping blue resistance line]." The down



line has become "confirmed" as the price line has touched it three times. Only one is shown on the attached weekly graph as two of the occurrences were intraweek closes, Ash says.

The upward support line on the graph is yet to be confirmed, Ash says, as the price line has only touched it

twice, again on intraweek closes. If AMP closes the week above the downward trend line, Ash says, a trader might then take a position. If it rises from there, all is well.

However, were the stock to close below the upward support line, that could serve as a sell signal as the assumption of an up trend

would be proved wrong, he says. More conservative investors may like to wait until the price breaks through the red moving-average line, or the moving average itself turns up.

While AMP's share price has taken a battering, it is still a significant company, with almost \$120 billion in funds under management in the Asia-Pacific region. It has a market capitalisation of nearly \$12 billion, a price-earnings ratio under 12 times and a healthy dividend yield of 7.2 per cent, 60 per cent franked.

This column does not represent financial advice and those wanting to invest should seek independent counsel and do some homework. rodmyr@ozemail.com.au