



Herald Sun (Melbourne)

Wednesday 8/09/2010

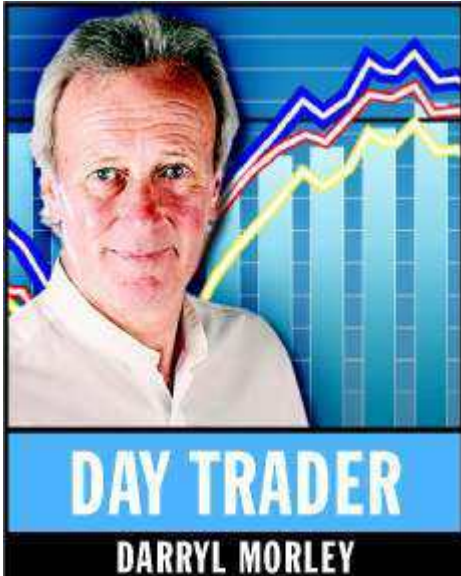
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LAST week our market moved up positively all week but fell short of forming a weekly pivot point. It closed the week about 65 points short of the close needed for a pivot point. Maybe this week will see the necessary close above 4643 on the All Ords.

Last week, like the previous few weeks, we saw many more stocks forming set-ups that are likely to lead to positive moves.

If I add this to the fact some stocks have already broken out and moved up positively, it makes me believe on the balance of probability, at least in the short term, that profits will be made on the long side of our market.

The increasing number of stocks setting up each week gives me optimism our market will move up from here. It is like the crowd is building at the gate and just waiting for it to open.

If the weekly pivot point forms, then the immediate target would be 5070 on the All Ords.

With this in mind, I thought it appropriate to discuss the set-ups of some of the stocks I am watching and the buy triggers I watch for.

When there are many stocks to choose from, I use my risk management and buy criteria to decide which to buy.

Bear in mind none of the following are

intended as recommendations but just set-ups I use to narrow the search for buying opportunities.

Firstly a couple of stocks which have already moved show how a move unfolds from the set-up stage.

Early this year, **Gryphon Minerals (GRY)** moved above 60¢. There had been several months of trading between 40¢ and 60¢ in 2007 before its move to a spike high of 80¢.

It traded in this range again on its way down to 6¢ in 2008 and again on the way up in 2009 and early this year. This makes same a significant support/resistance level.

After the break above 60¢ in April this year, GRY has been consolidating around the 2007 80¢ high until last week.

Last week's break above this trading range on increased volume would have been one of the signals to buy GRY, if the market had already given the weekly pivot point.

Andean Resources (AND) moved above its 2007 spike high in late 2009 and consolidated above \$3 for several months this year.

A look at how it has performed after it moved above this consolidation in July this year is a good example of how a stock performs when it breaks to a new high. Breaks to new highs provide good

trading opportunities.

Bottom dwellers can also provide good trading opportunities. A bottom dweller is a stock which has fallen from great heights and traded in a narrow range on low volume for an extended period.

Auzex Resources (AZX) fell from \$2.20 (on an adjusted chart) in early 2007 to below 20¢ at the end of 2008. It did this until August this year, when all of a sudden it started trading on increased volume. All things being lined up, a buy signal would be a move above 20¢ on increased volume.

Look for stocks with this pattern, as there will be many more after the past couple of years' market action and they do provide good trades.

Check www.thedaytrader.com.au for dates and details of my October/November workshops.

Portfolio Position

Cash: \$267,166

Shares: Nil

Total: \$267,166

Starting capital of \$50,000 in July 200

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Potential investors should seek professional advice before buying shares to determine whether such action is appropriate for their investment objectives and financial situation.