



The Visual Investor

Psychological Barrier Breached!

Finally! The All Ords finally breached the 5000 point barrier on April 12 and more importantly closed above. This coincided with the Dow breaching the 11,000 mark for the first time since 2008. The last time we saw the US and local bourses at these levels was just about when Leaman Brother were heading into corporate oblivion.

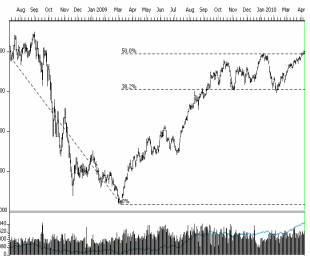
Although we actually breached the 50% retracement level a while back, people just love those even numbers, and the 5000 level has loomed large in people's minds as a price barrier. The resulting commentary from industry analysts revealed just how important this level has become over the past seven (yes count them!) months of sideways movement.

At the time of writing we have closed below 5000 and then broken through again. It remains to be seen if these levels finally switch from resistance to supply solid support; fingers and everything else crossed!

Since last month's newsletter, we've had our by now obligatory slap from the RBA with a further 25 basis points rate hike. However, the notes from the latest meeting suggest that the RBA think we are near 'average' rates and a halt to increases is on the cards. We shall see.

In the global macro economy, the on again, off again credit bailout for Greece continued to influence currency markets. The Aussie dollar has been performing well against both the US dollar and the Euro; not good news really for a resources based economy. The latest doomsayer target seems to be the emergence of a property bubble in China. These people just seem to have to find the fly in the financial ointment! Mind you they weren't so clever and timely with their warnings in 2007.

The US is in earnings reporting mode currently and some good news will definitely drive their market upwards. The Yanks react strongly to positive news while Australian investors tend to be slightly more pessimistic and cautious.



Can we hold above?



MARKET VIEW

Frank Watkins

Early April and we have poked our nose above the 5000 level but as at the close on the 13th have not been able to maintain that level. The doomsdayers still creep out of the woodwork and write strongly worded articles about the imminent crash and slow slide into oblivion. No doubt they will be right one day.

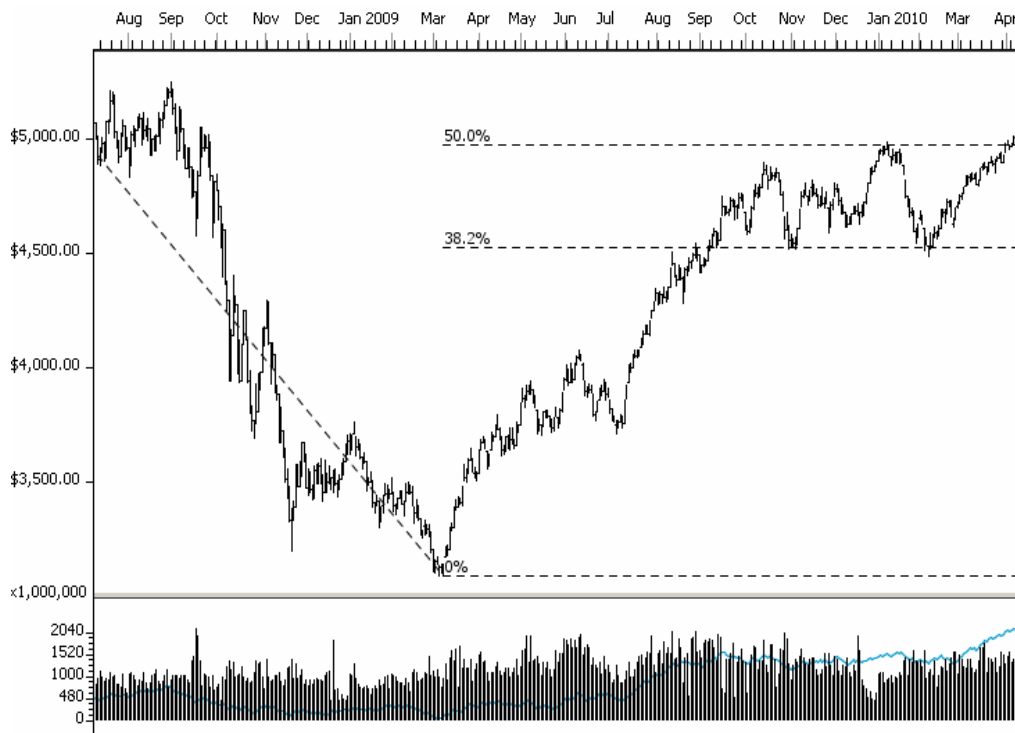
Meanwhile I remain bullish until such time as I write that I am bearish. We often have heated discussions in the office regarding market direction. For me, that discussion has lasted more than twenty years in various offices and with a vast range of people. The real issue however is whether you can make money from your predictions. I gave up the prediction game long ago and simply take a buy signal when I have one, safe in the knowledge that my buy signals give me a distinct edge. Talking about buy signals, I have been monitoring a particular weekly Darvas scan since November.

The results so far are interesting. My particular scan brings up Darvas stocks regardless of the size of the risk. I will then assess risk to suit me and place my stop accordingly, so some of my stops are at data points within the actual Darvas box. Sometimes I will get my stop up to breakeven as soon as I feel it is reasonable to do so.

If you do a weekly (13) Darvas scan at the moment you should come up with two stocks in particular, CEY and AGO. I was stopped out of both of these stocks around the 22nd Jan when the Greek crisis emerged. It is interesting that the Darvas program we have written has outperformed me with both of these stocks and with many others. IF we are in a reasonably strong market there is no doubt in my mind that you can do extremely well using Darvas.

Meanwhile some of the penny dreadful stocks are on the run,; OBL, SSN, ATN, RTL, CXN, SBL etc, and many will take advantage of better times to raise capital i.e. AVB, NSL.

Broking Issues



The All Ordinaries closed out March at 4893 for a gain of 246 points or a whopping 5.3%. This was a great result by any measure, and the break of the 5000 resistance level in April was the icing on the cake. We have noticed a definite change in investor sentiment over the past few weeks. It seems that most traders are itching to get into the market, there is a palpable optimistic vibe.

The big interest in the month was the frenzy over Macarthur Coal (MCC). With two rival bids in, and rumours that Xstrata may be poised for a tilt, the share price has been heading northwards.

US company Peabody has now offered \$14 per share while New Hope Corporation has an offer on a cash plus scrip consideration of 2.7 New Hope shares for every 1 MCC share.

Not surprisingly with so many possible suitors, along with the option of a merger with Gloucester Coal, the Macarthur board are playing hard to get. At the time of writing, MCC shares had eased a little to \$15.94; still heady stuff if you are an MCC shareholder.

Another story in the merger and acquisition news, was Atlas Iron (AGO) and Aurax Resources (AXO). The two companies implemented a Scheme of Arrangement to merge, whereby AGO will issue AXO shareholders with one Atlas share for every three Aurax shares. The arrangement was unanimously endorsed by both Boards.

A couple of big movers over March and early April were Grange Resources (GRR) and One Steel (OST). Grange who are Australia's largest magnetite producer announced that it had secured a 69% increase in price for their ore pellets.

Remember your risk level in any trade is the amount of money you are willing to spend to find out if you are right or wrong.

Index Performance for March 2010		
XAO	+246	+5.3%
XJO	+242	+5.2%
XPJ	-2	-0.2%
XMJ	+983	+8.3%
XIJ	+45	+6.6%
XHJ	+456	+5.3%
XNJ	+140	+3.6%

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Company Profile

Definition

Stapled Security

Stapled securities are created when two or more different things are contractually bound together so that they cannot be sold separately. Many different types of securities can be stapled together. For example, many property trusts have their units stapled to the shares of companies

Source: ATO

GICS Industry Group Codes

1010	Energy
1510	Materials
2010	Capital Goods
2020	Commercial Services & Supplies
2030	Transportation
2510	Automobile & Components
2520	Consumer Durables & Apparel
2530	Hotels Restaurants & Leisure
2540	Media
2550	Retailing
3010	Food & Drug Retailing
3020	Food Beverage & Tobacco
3030	Household & Personal Products
3510	Healthcare Equipment & Services
3520	Pharmaceuticals & Biotechnology
4010	Banks
4020	Diversified Financials
4030	Insurance
4040	Real Estate
4510	Software & Services
4520	Technology Hardware & Equipment
5010	Telecommunications Services
5510	Utilities

Charter Hall Group (CHC)



Charter Hall Group (CHC) is a specialist property funds management and development company based in Sydney. The group was established in 1991 and listed on the ASX in 2005 as a stapled security.

Charter Hall Group manages wholesale and retail funds capital and owns or manages over \$10 billion in real estate assets making it one of Australia's largest property fund managers.

CHC recently completed a retail entitlement offer raising of \$50 million and an institutional placement and entitlement offer for \$171 million. The retail offer was under-subscribed by was sub-underwritten by Gandel Group who took the shortfall of \$19 million.

Gandel also took up their full pro rata entitlement in the institutional offer and now have a 16.1 % interest in CHC. As we mentioned in last month's newsletter, we like to see any corporate actions out of the way before we enter a trade.

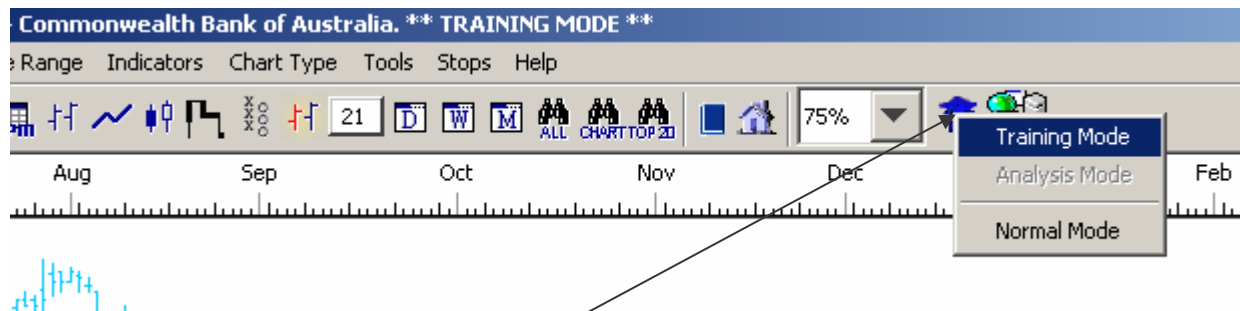
Technically, the stock has been in a consolidation phase for the past few months. It had one tilt at the \$0.75 level in mid-February and is worthy of consideration if it breaks this level.

An entry at \$0.755 with an initial stop loss of \$0.675 would be recommended.

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Technical Issues

Training Mode



Training Mode

A useful tool in your software is the Training Mode. Training Mode allows us to practice trading by stepping through historical chart data. To select the mode, right-click on the Training Mode icon which looks like a student's mortar board hat.

Once selected, ****TRAINING MODE**** is indicated in the status bar. This is important, as while in Training Mode your chart data will revert to a point about 250 trading days into the chart. This could take you back many years, so it is important to know that your application is in training, and more importantly to reset back to normal mode when you have finished training.

Next Day Button



While in Training Mode, clicking on the next day button will advance to the next day's data as normal. However, the application will automatically run scans in the background and will indicate when a particular pattern or event occurs. In the picture above we can see a Breakout was detected on this particular day. As normal, holding down the Shift key while click the Next Day button will advance the data 10 days per click.

As the patterns or events appear we may make simulated trading decisions or plans, and then see what happens on subsequent days. It is very useful to see how patterns emerge, and we would suggest that you pay particular attention to how the price and volume data interact as patterns form. These interactions can be a valuable clue as to the veracity of the signals.

It is essential that you return the application to Normal Mode when you have finished training. Right-clicking on the Training Mode icon and then selecting Normal Mode will reset your application. Double check to see that the ****TRAINING MODE**** indication has disappeared.



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