



Small caps lead way as pivot point heralds new uptrend



DAY TRADER with DARRYL MORLEY

It finally looks like the downtrend in our share market, which has been in place since early last year has reversed.

The downtrend line was broken after a weekly pivot point four weeks ago.

This was followed by a pullback on the daily chart two weeks ago and, last Tuesday, a daily pivot point to the upside indicated to me a new uptrend was in place.

It still remains for the major banks, with the exception of National Australia Bank to break their respective downtrends. NAB broke its downtrend last week and the others did form reversals, so it remains to be seen if they continue to move up with the market.

However, it is the small cap resource, software and

healthcare stocks that are leading the way.

Once the All Ordinaries index closes above 5400 points, the next target and resistance level is 6000, which is a projection of the pattern from November last year to last week and is also the spike high formed early last year.

Really looking down the track, if 6000 is broken then the targets would take the market to new highs.

Emerchants (EML) closed below its stop last Tuesday and was sold the next day at \$1.51 for a total of \$6020 after brokerage.

It formed a daily pivot point to the upside after the move down to touch \$1.48 last Wednesday. I will wait for it

to test \$1.70 and see how it behaves there before possibly buying it again.

The reason I am still interested in it is because, if it now consolidates above \$1.40 and then resumes the uptrend, it would have a target around \$3.

Structural Monitoring Systems (SMN) closed below its stop of \$2.11 on May 3 and was sold the next day at \$2.11 for a total of \$8420. SMN also formed a daily pivot point to the upside on Friday and I will again wait for it to move towards the recent high of \$2.40 and see how it behaves before making a decision to buy into it again.

Saracen Minerals (SAR) consolidated above \$1 after trading up to \$1.16 three weeks ago.

On May 2 it moved above the consolidation on increased volume and I bought 7000 shares at \$1.14 for a total of \$8000.

The initial stop is \$1.02 and there are various targets ranging up to \$2.

I mentioned last week that I would put a sell order on for **Resolute Mining (RSG)** just below the 2013 spike high of \$1.15. I did place an order at \$1.14 but the price reversed below that.

I then decided to hold it to see if 90c (the top of the recent narrow trading range) would prove to be support as 90c was well above its stop level.

I have cancelled the sell order and raised the stop to Thursday's spike low of 88c.

Stocks from the small cap space are still leading the

market and most are in the gold, software and tech, healthcare and retail sectors.

Woolworths (WOW) is one stock in the retail sector still trending down and, after it broke the strong support level at \$23, it is likely to continue down for some time.

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PORTFOLIO POSITION

Stock	Shares	Price	Stop	Close
PLS	15,000	36.5c	61.5c	70c
RSG	12,000	65c	88c	93.5c
TNK	4000	\$1.32	\$1.30	\$1.43
DRM	10,000	95c	89c	94c
RMS	20,000	40c	38.5c	41.5c
SAR	7000	\$1.14	\$1.02	\$1.19

Cash **\$287,279** All figures are at close of trade on Friday
Shares **\$53,470** **Starting capital of \$50,000 in July 2006**
TOTAL **\$340,749** **Email: daytrader@heraldsun.com.au**

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