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Market lacks momentum but the small caps are buzzing



DAY TRADER

with DARRYL MORLEY

THE downtrend was finally broken last week.

All three indices, the All Ords, ASX 200 and the SPI contract broke above the downtrend, so perhaps the uptrend is now in train.

The SPI is still lagging the ASX 200 by 25 points and the All Ords is 63 points ahead of the ASX 200, which is telling me the market still lacks any real momentum.

That said, this could change if the banks break their respective downtrends.

In the meantime, there are still many stocks not in the index that are performing way ahead of the overall market and it is these I am interested in at the moment.

As per last week's column, I put **Lithium Australia (LIT)** on the market at 31c and sold

20,000 at the open on April 19 at 31.5c for a total of \$6280 after brokerage. This was a profit of \$1760. I will look to buy it back again after it consolidates above 30c, if it forms another low-risk buy signal.

I bought 4000 **Emerchants (EML)** shares on April 18 at \$1.56 for a total of \$6620. The initial stop was \$1.41, the spike low formed on April 12. I have since raised it to \$1.50, the low of the day before it was purchased.

If it continues to move up then it has a target around \$2 and then \$2.70. The \$2 target

is a psychological resistance level and also a projection of the chart pattern from mid-2011 and early this year when it again broke above \$1.

A close look at the chart of any stock will show how round dollar amounts are highly likely to be where a stock will reverse or take a breather, particularly when the price is below \$10.

Above \$10 it is more likely to be around every \$5 that resistance is met.

EML has recently broken above \$1.40, which was a significant spike high formed in late 2010, and as such it

may well spend some time consolidating before a further move up.

I also bought 4000 **Structural Monitoring Systems (SMN)** shares on April 18 at \$1.98 for a total of \$7940 including brokerage. The initial stop is \$1.83, the spike low formed on April 14

and, if it moves up today without trading below Friday's low, then the stop will be raised to Friday's low.

Its target is between \$2.75 and \$3, which is a consolidation zone just below its all-time high of \$3.50. This consolidation zone was evident in 2004 and 2007.

If it does move to its all-time high and breaks above \$3.50, then there would be the potential for it to move towards the \$7 level.

Doray Minerals (DRM), a stock I was stopped out of in March which subsequently moved down to below 80c, reversed and moved back up to 95c last week. After moving to 95c it reversed for a day and formed a daily pivot point to the downside on Thursday.

On Friday it formed a daily

pivot point to the upside which was a strong buy signal and it was bought on the open today. I am also monitoring **Ramelius Resources (RMS)** for a buy signal this week.

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PORTFOLIO POSITION

Stock	Shares	Price	Stop	Close
MML	10,000	60c	73c	80c
PLS	15,000	36.5c	54c	67c
RSG	12,000	65c	60c	86c
TNK	4000	\$1.32	\$1.30	\$1.38
EML	4000	\$1.56	\$1.50	\$1.575
SMN	4000	\$1.98	\$1.83	\$2.12

Cash \$290,359 All figures are at close of trade on Friday
Shares \$48,670 **Starting capital of \$50,000 in July 2006**
TOTAL \$339,029 **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.