WHAT THE CHARTS SAY DAVID COE

Shares close to rock bottom

Two analyst-traders who have picked the market well believe stock prices are bottoming at last. The analysts – one Australian and the other American – agree that genuine buying opportunities are emerging after the S&P/ASX 200 slid more than 50 per cent from 6851 in November 2007.

But where they differ – and they differ greatly – is what happens come September.

The Australian, David Hunt, has accurately predicted every major top and bottom all the way down over the past 15 months. He expects the S&P/ASX 200 to find bottom on February 1 or 12.

Mr Hunt, the strategist for I-Deal and president of the Australian Professional Technical Analysts Association, mixes fundamental analysis with charting methods pioneered in the 1920s by Wall Street guru W. D. Gann, who forecast the 1929 crash a year before it happened.

Sentiment was not bearish enough yet for the market to be at a bottom – but it would reach that point soon, Mr Hunt said.

''We should see accelerating volume before a capitulation in which the last of the sellers is washed out of the market,'' he said.

''The perfect target for the bottom would be below 3200 [about 200 points down from current levels] in the first half of February. Then there should be a big move between May and September to take the index back up to 4800 to 5000 – but investors will have to be nimble.''

Mr Hunt said after September, ''there is a risk of a sharp decline to 2900 or even lower. It will be enough to make long-term investors panic and want to get out of their stocks''.

It would not be like 1929, however, ''because we are a long way from the high – but it will be scary''.

''Buy-and-hold strategies won't be viable for the next two years,'' Mr Hunt said.

The American analyst, Jake Bernstein, is a prolific author and a highly regarded institutional adviser.

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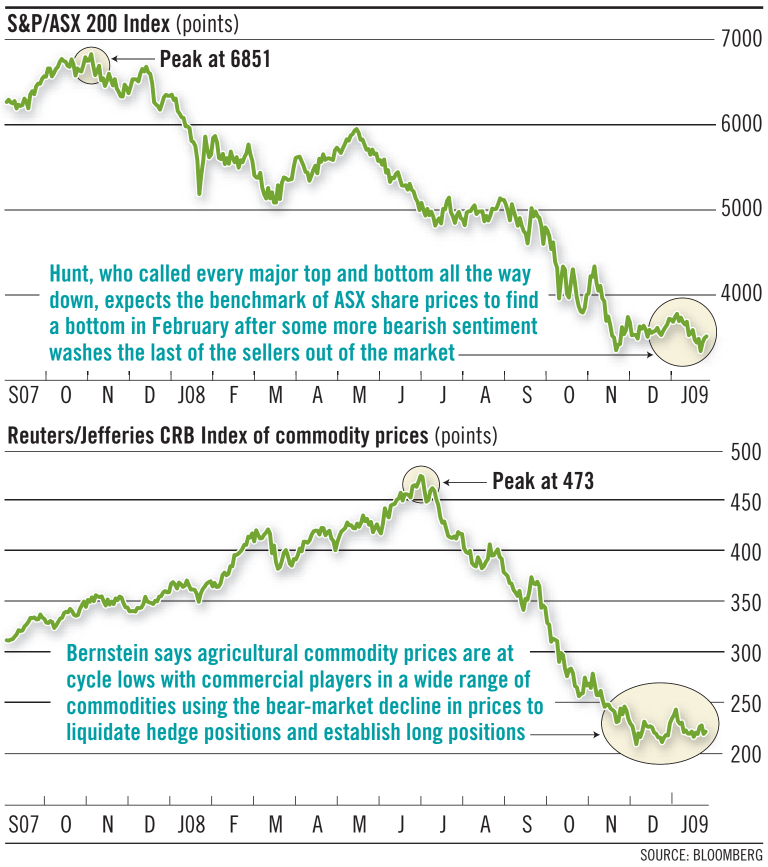

Mr Bernstein agrees the market is bottoming – and goes further, saying there has almost never been a better time to buy equities.

''Equity prices will bottom gradually over the first quarter,'' he said. ''This is the most attractive time to buy shares since the 1920s and '30s.''

Mr Bernstein, who is writing his 41st book on trading and investing, said there would be some corrections later in the year but nothing extreme.

''Comparisons with 1929 are rubbish,'' he said.

''There's no comparison whatsoever. We have a different regulatory environment and a different international economy.''

Mr Bernstein pointed out that there were ''significant lows'' in agricultural commodities, oil and natural gas.

''Biofuel crops like sugar and corn are at cycle lows with commercial players using the bear-market decline in prices to liquidate hedge positions and establish long positions. Natural gas, in particular, has a huge amount of long positions,'' he said.

''Comparisons with the deflation of Japan's asset bubble in the 1980s are also wrong. The Japanese are savers and were happy to put their money in the bank at 0 per cent. We [Americans] are ready to go into debt and spend.''

Mr Bernstein said: ''With all the money being pumped into the economy, the danger is inflation.''

S&P/ASX 200 – THE DAY'S BEST AND WORST

Company	Price	Up	%	Company	Price	Down	%
Macquarie Office	0.21	0.02	10.5	PanAust	0.135	-0.015	-10.0
Independence Group	2.47	0.21	9.2	Transpacific	2.71	-0.24	-8.1
Gloucester Coal	3.65	0.27	7.9	B&B Power	0.062	-0.005	-7.4
Straits Resources	0.95	0.07	7.9	HFA Holdings	0.075	-0.006	-7.4
Aquarius Platinum	3.80	0.26	7.3	Mount Gibson Iron	0.395	-0.03	-7.0
Aust Worldwide Explore	2.64	0.17	6.8	FKP Property Group	0.405	-0.03	-6.9
Centennial Coal	2.82	0.17	6.4	Avoca Resources	1.65	-0.10	-5.7
Henderson-cdi	1.385	0.08	6.1	Macquarie DDR Tr	0.053	-0.003	-5.3
Nexus Energy	0.44	0.025	6.0	ING Office Fund	0.48	-0.025	-4.9
Downer EDI	3.39	0.19	5.9	Virgin Blue	0.30	-0.015	-4.7

Source: Reuters

S&P/ASX MIDCAP 50 – THE DAY'S BEST AND WORST

Company	Price	Up	%	Company	Price	Down	%
Macquarie Office	0.21	0.02	10.5	Mount Gibson Iron	0.395	-0.03	-7.0
Aust Worldwide Explore	2.64	0.17	6.8	ING Office Fund	0.48	-0.025	-4.9
Centennial Coal	2.82	0.17	6.4	Futuris Corporation	0.60	-0.025	-4.0
Downer EDI	3.39	0.19	5.9	Asciano Group	1.05	-0.04	-3.6
Nufarm	11.38	0.58	5.3	West Aust Newspapers	4.15	-0.14	-3.2
CFS Retail Property	1.76	0.08	4.7	Aristocrat Leisure	3.87	-0.12	-3.0
Dexus Property	0.77	0.035	4.7	David Jones	2.36	-0.07	-2.8
CSR	1.49	0.065	4.5	Boral	3.36	-0.09	-2.6
Macquarie Comm Infra	0.945	0.035	3.8	Bank of Queensland	7.71	-0.19	-2.4
Transfield Services	1.97	0.07	3.6	Harvey Norman	2.13	-0.05	-2.2

Source: Reuters

S&P/ASX SMALL ORDINARIES – THE DAY'S BEST AND WORST

Company	Price	Up	%	Company	Price	Down	%
Boom Logistics	0.64	0.17	36.1	Deep Yellow	0.125	-0.015	-10.7
Admiralty Resources	0.032	0.008	33.3	PanAust	0.135	-0.015	-10.0
Albidon cdi	0.085	0.014	19.7	Coffey International	1.22	-0.13	-9.6
Austereo Group	1.20	0.115	10.6	Coeur d'Alene	1.10	-0.11	-9.0
Independence Group	2.47	0.21	9.2	APN European	0.053	-0.005	-8.6
Gloucester Coal	3.65	0.27	7.9	Marion Energy	0.275	-0.025	-8.3
Straits Resources	0.95	0.07	7.9	Transpacific	2.71	-0.24	-8.1
Aquarius Platinum	3.80	0.26	7.3	Great Southern	0.17	-0.015	-8.1
Tap Oil	0.805	0.055	7.3	Lion Selection	0.635	-0.055	-7.9
Henderson-cdi	1.385	0.08	6.1	Apex Minerals	0.31	-0.025	-7.4

Source: Reuters

S&P/ASX 300 RESOURCES – THE DAY'S BEST AND WORST

Company	Price	Up	%	Company	Price	Down	%
Admiralty Resources	0.032	0.008	33.3	Deep Yellow	0.125	-0.015	-10.7
Albidon cdi	0.085	0.014	19.7	PanAust	0.135	-0.015	-10.0
Independence Group	2.47	0.21	9.2	Coeur d'Alene	1.10	-0.11	-9.0
Gloucester Coal	3.65	0.27	7.9	Marion Energy	0.275	-0.025	-8.3
Straits Resources	0.95	0.07	7.9	Lion Selection	0.635	-0.055	-7.9
Aquarius Platinum	3.80	0.26	7.3	Apex Minerals	0.31	-0.025	-7.4
Tap Oil	0.805	0.055	7.3	Carbon Energy	0.315	-0.025	-7.3
Aust Worldwide Explore	2.64	0.17	6.8	Strike Resources	0.32	-0.025	-7.2
Centennial Coal	2.82	0.17	6.4	Mount Gibson Iron	0.395	-0.03	-7.0
Nexus Energy	0.44	0.025	6.0	Ausdrill	0.90	-0.06	-6.2

Source: Reuters

COMMODITIES AYESHA DE KRETSER

Hopes pinned on state-sponsored stimulus in China

They call the lunar new year holiday a ''golden week'' in China but the outlook for commodity markets once it ends and markets reopen on Monday appears anything but bright.

Metal inventories remain at high levels and, with economic growth at a seven-year low, the world's most populous nation is eagerly awaiting the first round of state-sponsored stimulus from Beijing.

After a trip to China earlier this month, one analyst commented that most market watchers believed a real, demand-driven (rather than government stimulus-driven) recovery is not expected until the second half of 2010.

Investment in roads and infrastructure would help to stop prices for commodities such as steel from sliding much further, but companies are bracing for more pain as the path to recovery could follow a ''W'' shape.

Talks to settle the 2009 contract price for iron ore appear to be far from close to finished, after the Nikkei reported that Nippon Steel wants a 40 per cent reduction from the miners.

Chinese sources said the miners offered a 10 per cent discount, but no serious discussions over price had taken place before the new year holiday began at the start of this week.

Crude oil inventories have risen in the US and prices are just half of their 2008 levels. Photo: AP

In some more positive news, President Barack Obama's moves to shore up the details of his $US819 billion ($1.2 trillion) economic stimulus package spurred commodity markets higher yesterday, despite evidence showing that demand for oil continues to sink.

In the US, inventories of crude oil swelled by 6.2 million barrels to 338.9 million barrels, up 45.9 million barrels on the same time last year. Oil prices are just half of their 2008 levels, down to $US45.12 a barrel in the week ended January 23 from $US90.37 a barrel earlier, the Energy Information Administration said.

Yet oil rose 1.39 per cent to $US42.16 overnight after the announcement, on renewed hopes that President Obama's economic stimulus package might save the world's largest economy from sliding into a depression.

Yesterday in Asia, oil traded at about $US41 a barrel.

Reports yesterday suggested that President Obama would allocate $US30 billion to building new roads and highways, as well as invest tens of billions in other transportation, water projects, park renovation, military construction and local housing. However, the Congressional Budget Office found that spending on construction would take the longest to filter through to the economy.

The US will also invest heavily in alternative energy projects, better schools and new technology.

In London, base metals markets were mostly motivated by the hope that the rush of new infrastructure projects may help trim rising stockpiles. Aluminium for three-month delivery gained nearly 2 per cent to $US1366 a tonne on the London Metal Exchange overnight. Copper for three-month delivery was marginally stronger, up .6 per cent to $US3330 a tonne.

Gold could not hold onto recent gains, slipping 1.3 per cent to $US887.50 an ounce.