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Press Release

Topic: Share market finds good reason for a breather
From: Gary Stone, Managing Director ShareFinder Investment Services
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Share market Finds Good Reason for Breather

Share investors can be thankful for the fall in the local market today. So far this calendar year the All-Ords has risen 9% with very little profit taking. A breather by way of a momentum correction was overdue.

It is a case of the market being overbought in the short to medium term but not overvalued in the long term. ShareFinder Managing Director Gary Stone says that investors should not panic and should resist being sucked into the hype while short term traders take profits or limit losses.

“The fall today is a natural part of what markets do – they go up and they go down. It is important to remain objective by sticking to your normal investment processes rather than knee-jerk reacting. The reality is that whenever a momentum correction is due after the price run-up a reason needs to be found for traders to take profits,” says Mr Stone.

Stone continues: “The catalyst this time around was that the Shanghai Stock Exchange Index dropped 9% on fears of over speculation. A 9% drop is only a fraction of the 188.1% increase that had occurred since 1 July, 2005 compared to the ALL-ORDS being up 41.5% and the S&P500 being up 21.3% over the same period. Only speculation drives a market index to 188% gains over such a short period of time.”

The fundamentals of the US market and the Australian market remain strong. The all market PE Ratio is near historical lows so smart investors should be looking at the current momentum correction as an excellent time to snap up some bargains. There is no rush though as this momentum correction should take a few weeks to roll out.

“I use the All-Market PE Ratio + CPI as an all market fundamental indicator which is currently at 17.8. This is well below the danger level of 22.5 seen at fundamental market tops and not far off the fundamental oversold level of 15.5. Even if company profits only remain at current levels there is still plenty of upside in this market over coming months and years”, says Gary Stone.

Investors that know their investment time-period and have a set of rules and processes to keep them objective and consistent should continue to do well while the market is not fundamentally overvalued.

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For further comment:

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ShareFinder is Australia's number #1 mechanical share investment solutions company. Founded in 1995 ShareFinder Investment Services began as one of the pioneer vendors of share market charting and fundamental analysis tools in Australia before becoming the only company in Australia that provides mechanical trading systems for their customers. Our flagship technical analysis product, Market Master, was developed by PrimeCharts who has been developing leading edge trading software since the mid 80's. Gary Stone has researched and designed proven long, medium and short term share trading methodologies for do-it-yourself investors.