

Lessons From The Financial Markets For 2013

by Zak Mir

SAMPLE:

Charting Nightmares:

Ruspetro (RPO)

Ruspetro really has been a nightmare in the sense that it represents one of the most difficult charting phenomena there are. I'm not quite sure whether this type of price action has an official name, but I'd like to call it the "back and the back". The reason for the label is because it perfectly describes what happens to traders and how they can suffer so badly in such situations. Essentially shares in Ruspetro delivered a consistent pullback from the early April peak. From a trading perspective there were many times along the way when you would have said this is it, this is the end of the retracement and we shall see the initial January to April bull run resume. Indeed, perhaps the most obvious time for recovery here was during the June-July period when the shares temporarily managed to bear trap back above the initial January support of £1.21. Indeed, there was some mileage here in the sense that late July delivered a gap through the 50 day moving average, and the shares peaked over £1.50. But the reality of this intermediate recovery was actually worse for traders in the sense that it gave them the false notion Ruspetro was back for good. Indeed, that 30p rebound may actually have been good enough to convince some in the market to ignore the gap down through the 50 day moving average – a first-rate sell signal – and then line themselves up to catch the type of falling knife move that ended up probing well below the 90p level. In fact it could be even worse in the sense that unless Ruspetro manages to recover the top of the descending April price channel/blue 50 day moving average of £1.02, there is a risk of a new leg down towards the 2012 price channel floor at 50p. What makes us fear this scenario even more is the way that post-September resistance towards £1.10 was well below the former January and June support zones near the £1.20 mark. What can be said at this stage is that for Ruspetro to be a convincing dive we would like to see not only a break of the 100p zone, we would actually like to be treated to a fresh support point above this level and even really a recovery of the initial £1.20 floor - that is how negative the set up here currently looks.



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