

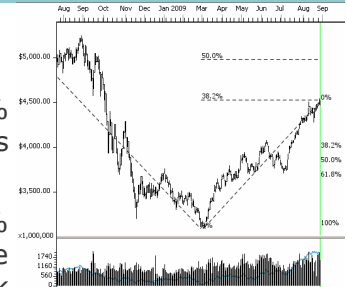


The Visual Investor

Steady As She Goes

The Australian market closed at 4484 up 233 points or just under 5.5% for the month. In fact the intraday high on the final day's trading was the highest since October 2008.

For all you Fibonacci exponents out there we are touching the 38.2% retracement level as measured from the high in November 2007 to the bottom in March 2009. Make of it what you will, but a solid break maintained above this level should instill some confidence for the Fibos aficionados, while a break from current levels to below 4000 would be a highly pessimistic move.



Holding above 4400

The big news during the month was the Federal Government's Future Fund decision to sell off about 34% of its holding in Telstra at \$3.47 each. Telstra was trading at \$3.65 and the share price promptly fell to \$3.26 by the closing session for the month. The sell off was in line with the Future Fund's earlier announced plan to reduce the overweighting of Telstra shares in its portfolio.

Reporting continued during the month with some good stimulus-driven results from the retail sector with JB Hi-Fi reporting a 45% profit increase, and Harvey Norman delivering a strong second half result to post a 15% reduction in profit, turning around a first half shortfall of 29.1%.



MARKET VIEW

Frank Watkins

August saw the All Ordinaries rally 5.5% taking the financial year gains to close to 14%. Once again the various experts that appear in the media are quite surprised by the strength of the recovery. It seems that whatever the market does it catches the experts by surprise. I think that it is time that the experts started looking at the economy and the market as two separate entities. Quite often something that appears as being bad for the economy is in fact good for the market. Take the issue of rising unemployment, as people are retrenched (seen as bad for the economy) companies usually become more profitable, hence a rising share price.

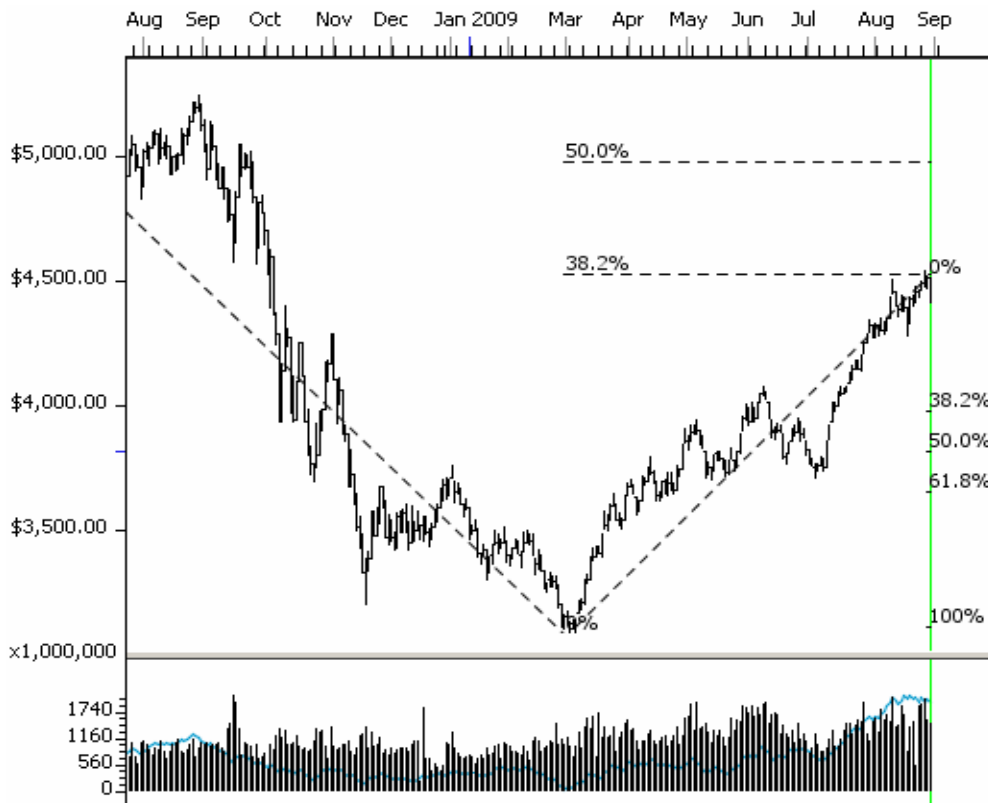
Back to the market, the All Ords has lost a little momentum as it struggles to maintain the 4500 level. You can expect further pressure over the next couple of weeks as articles emerge suggesting October is a shocking month and it may be timely to get out of the market. An October sell-off is almost becoming self-fulfilling. As per usual I find this attitude a bit stupid. If you are concerned about October then tighten up the stops a little.

In the meantime I see opportunities in various sectors, iron ore should continue to perform, the Banking sector continues to rake in the profits (and get rid of bad debt with a capital raising), the Health and Biotech sector is always worth watching, the Property Trust sector is showing signs of recovery, and many companies involved should soon return to paying dividends.

Telstra, with a little help from "King Kev" has again broken a few hearts. Just as it started to look very good technically, 1/4 of the holding of "Honest John's Future Fund" became a thing of the past. You have to admire the breathtaking stupidity of some of the decisions that emanate from Canberra.

One thing I must point out, this is the style of market where Darvas shines. Do your Darvas scans, look for the "Perfect" Darvas set-up.

Broking Issues



Remember your risk level in any trade is the amount of money you are willing to spend to find out if you are right or wrong.

Index Performance for August		
XAO	+233	+5.5%
XJO	+233	+5.5%
XPJ	+107	+13.9%
XMJ	-133	-1.2%
XIJ	+26	+4.5%
XHJ	+567	+7.2%
XNJ	+362	+10.9%

The All Ordinaries closed out August at 4484 having opened the month at 4249.5. The month started well, with a good rally up until mid-August when the market just lost momentum for while, but came back strongly towards the month's end.

With reporting still under way, both here and in the US, we expect some variability as company reports and national and international economic data is absorbed and analysed.

Corporate Actions

The past few months have seen a lot of corporate actions such as rights issues, capital raisings etc. It is vital that you read any correspondence that you receive as a share holder, as a corporate action can greatly affect the value of your shares.

For example, rights issues and capital raisings may dilute the value of your shares, and taking up the rights or participating in the capital raising may mitigate potential losses. As we mentioned in a previous article a few month ago, renounceable rights issues are tradeable but have a time limit, so watch out for that. We have seen clients missing out on thousands of dollars by not bothering to take up their issued rights, even when we've advised them to do so.

The lesson is that you should read everything issued by companies, and don't just bin it as junk mail. Taking a few minutes to read the announcements and offer documents could save you money.

Does your broker offer conditional orders to help you optimise your entries and exits?

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Company Profile

Definition

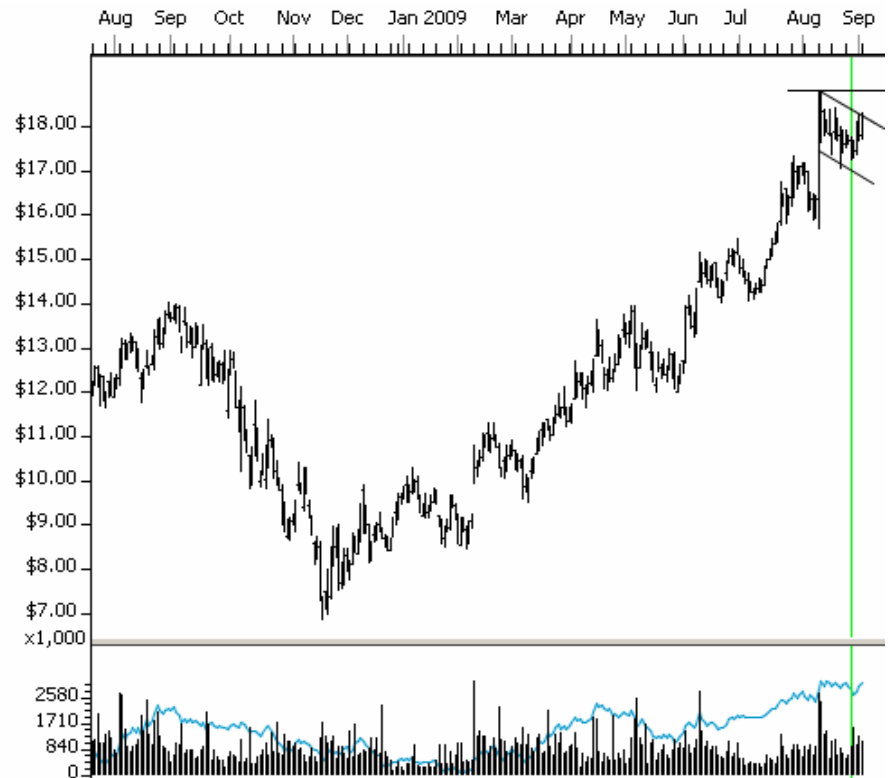
Dilution

When a company issues new shares, this will lower the percentage of ownership for current shareholders.

GICS Industry Group Codes

1010	Energy
1510	Materials
2010	Capital Goods
2020	Commercial Services & Supplies
2030	Transportation
2510	Automobile & Components
2520	Consumer Durables & Apparel
2530	Hotels Restaurants & Leisure
2540	Media
2550	Retailing
3010	Food & Drug Retailing
3020	Food Beverage & Tobacco
3030	Household & Personal Products
3510	Healthcare Equipment & Services
3520	Pharmaceuticals & Biotechnology
4010	Banks
4020	Diversified Financials
4030	Insurance
4040	Real Estate
4510	Software & Services
4520	Technology Hardware & Equipment
5010	Telecommunications Services
5510	Utilities

JB Hi-Fi JBH



JB Hi-Fi Limited (JBH) is a discount retail group supplying domestic electronics, car audio, white goods, music and DVDs. The group's operations are unusual in that it does not hold warehouse inventories, instead all stock is held on the shop floor at each outlet.

From the low of \$6.87 in November 2008, the share price has risen to a recent high in August of \$18.80, closing out the final August session at \$17.79; a solid performance by any measure.

The company recently reported a 45% increase in profit for the 08-09 financial year, no doubt benefiting from the Federal Government's stimulus measures.

Technically, the chart is showing a flag formation offering a couple of possible trading strategies. A break above the recent high at \$18.80 would be the conservative move, but an entry on a break of the downward sloping resistance of the flag could also be used.

You could perhaps purchase half of the position on the flag entry, with the remainder purchased on a break of \$18.80. The flag pattern would indicate a possible target of around \$21.35. An initial stop level of around \$17.25 would be suitable.

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Technical Issues

Watch Lists

Watch lists are very useful for traders, and we would recommend that you learn how to use them. Whenever you see a chart that catches your attention, you should add it to a watch list, otherwise you may forget which stock it was, and you may miss out on a trading opportunity.

Watch lists should be given a descriptive title such as 'Darvas_0809' or 'Oil_Stocks' to make them easier to manage.

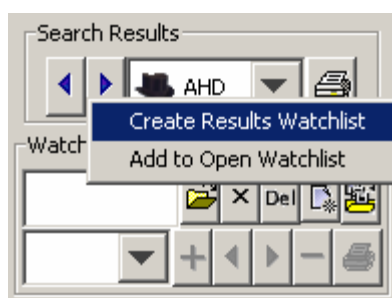


To create a watch list simply click on the second icon from the right in the Watch List panel and follow the prompts.

Watch lists may also be imported from a text file of line separated stock codes, for example:

BHP
RIO
CBA

As you can see each code is on a separate line, so you may create a watch list by using a spreadsheet column, or a text file. Clicking on the first icon on the right will start the process to import your file, and create the watch list.



A watch list may also be created from the scan results by right-clicking on the results text box. You are given the options to create a new watch list, or add the results set to an open existing watch list. When adding to an existing watch list any duplicates will be removed from the resulting amended watch list.

You may also scan watch lists to greatly reduce the number of stock needed to scan. For example, if you are really interested in oil stocks, you could create an 'Oilers' watch list to scan for trading opportunities in that industry group only. To scan an open watch list, first tick the 'Scan Subset' box in the scanner, and then click the 'Watchlist' radio button. The scan will only run on the stocks contained in the open watch list.

Financial Planning

Changes to the Age Pension

The qualifying age for the age pension will be gradually increased from 65 to 67 by 2023. Anyone born after the 1st Jan 1957 will have to wait until age 67 to receive the age pension. The qualifying age for a service pension will be unchanged.

The reason for the changes is that official projections show that by 2047 around 25% of the Australian population, or 7.2 million Australians, will be over the age of 65. This is almost double the current proportion of only 13%. This could mean significant gaps in the Australian workforce and strain on the financial system.

The Pension Bonus Scheme will be closed to new entrants from 20 September 2009 and replaced with Work Bonus, where only half of the first \$500 of employment income earned per fortnight will be assessed under the income test. This will enable up to \$250 of earnings a fortnight to be excluded from means testing.

WARNING: The above is a guide only. You should consider speaking to a registered tax agent about your personal circumstances or visit the Australian Tax Office web site for additional information.

GENERAL ADVICE WARNING

The information contained in this publication may be regarded as general advice only. That is, your personal objectives, needs or financial situations were not taken into account when preparing this publication.

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