

ISSUE #60 – MAY 30 2011

TECHNICAL ANALYSIS ON OGIB PORTFOLIO

Welcome to Richard Reinhard's T/A Commentary. The intention here is to chart some of OGIB's favorite stocks and, often not knowing anything about the company or its fundamental prospects, try to provide some useful technical commentary on what the charts are telling me. In this way the hope is to provide readers with an independent and objective look at what the market is saying, untainted by "the story". There's a well known adage that says the market doesn't lie. Price and trading action is driven not just by the widely known information, but also the behind the scenes knowledge, expectations, aspirations and fears of a broad range of market participants and stakeholders.

Richard Reinhard (a "*nom de plume*"), is the editor & publisher of *Growth Stocks Weekly* and a 26-year veteran of "the Street". Richard is a former Registered Investment Advisor, options trader and VP at a century-old full-service brokerage firm. An obsessive practitioner of technical analysis for almost 25 years, Richard also has a strong academic background which includes a Commerce degree in Organizational Behaviour, a professional designation as a Chartered Accountant, and membership in the Market Technicians Association of New York.

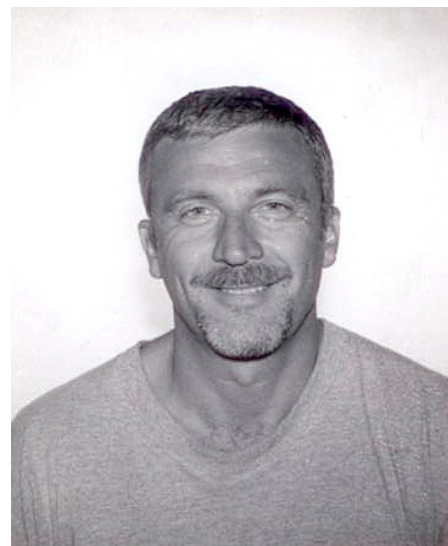
His own equity focus is identifying secular growth trends early and the companies most likely to benefit. Stocks are initially identified through fundamental analysis, with basic technical analysis then used to determine entry and exit points.

Richard spends far too much of his time reading economic and biographical history, economic reports and opinion, sifting through public-company records and rubbing elbows with entrepreneurs and proven company-builders seeking to build shareholder value, at least when he's not

spending time raising his second crop of children or playing tennis.

Richard seeks to maintain an anonymous and low-key profile, not only to facilitate access to industry professionals and entrepreneurs, but to keep at a distance the uber-promotional and less-altruistically inclined promoters mostly indifferent to the hopes and dreams of investors and the value of their hard-earned capital.

While Richard Reinhard is a pseudonym, this is his real life picture.



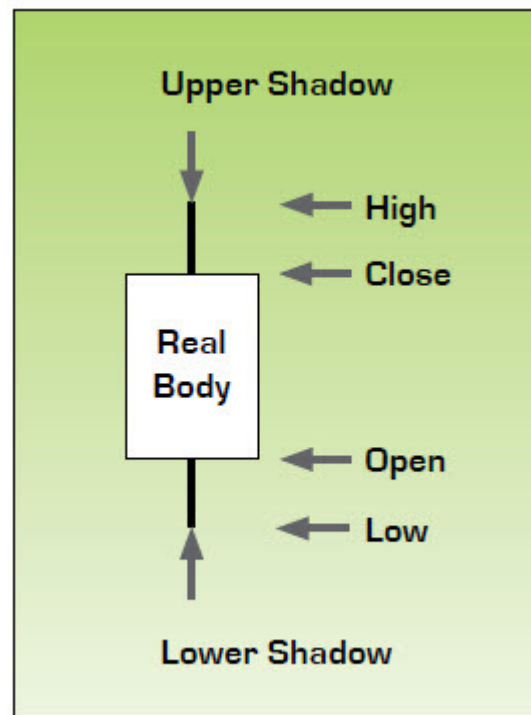
METHODOLOGY & INDICATORS USED

(excerpts from www.stockcharts.com)

JAPANESE CANDLESTICKS

We use Candlesticks charting as a matter of course, preferring the visually compelling information they display, and their ability to provide instantly recognizable stand-alone “patterns” that provide technical insights to the informed reader. Immediately a trader can compare the relationship between the open and close as well as the high and low. In order to create a candlestick chart, you use open, high, low and close values for each time period you want to display. The hollow or filled portion of the candlestick is called "the body" (or "the real body"). The long thin lines above and below the body represent the high/low range and are called "shadows" (or "wicks" and "tails"). The high is marked by the top of the upper shadow and the low by the bottom of the lower shadow. If the stock closes higher than its opening price, a hollow (or white) candlestick is drawn, with the bottom of the body representing the opening price and the top of the body representing the closing

price. If the stock closes lower than its opening price, a filled candlestick is drawn (black) with the top of the body representing the opening price and the bottom of the body representing the closing price.



SUPPORT & RESISTANCE

Support and resistance represent key prices where the forces of supply and demand meet. In the financial markets, prices are driven by excessive supply (down) and demand (up). Supply is synonymous with bearish, bears and selling. Demand is synonymous with bullish, bulls and buying. These terms are used interchangeably. As demand increases, prices advance and as supply increases, prices decline. When supply and demand are equal, prices move sideways as bulls and bears battle for control. Support and resistance are like mirror images and have many

common characteristics. In the case of support, this is the price level where demand is thought to be strong enough to prevent the price from declining further. Support, like resistance, does not always hold. A break below support signals that the bears have won out over the bulls. A breakout through resistance is a win for the bulls. Once support is broken, another support level will have to be established at a lower level.

Technical analysis is not an exact science and it is sometimes difficult to set exact support levels. In addition, price movements can be volatile and dip below support briefly. Sometimes it does not seem logical to consider a support level broken if the price closes just below the established support level, which is why we often establish support zones. The same logic applies to resistance, where price pokes up just through the resistance level.

Once the price breaks below a support level, the broken support level can turn into resistance. The break of support signals that the forces of supply have overcome the forces of demand. Therefore, if the price returns to this level, there is likely to be an increase in supply, and hence resistance.

The other side of the coin is resistance turning into support. As the price advances above resistance, it signals changes in supply and demand. The breakout above resistance proves that the forces of demand have overwhelmed the forces of supply. If the price returns to this level, there is likely to be an increase in demand and support will be found.

TREND LINES

Trend Lines are an important tool in technical analysis for both trend identification and confirmation. A trend line is a straight line that connects two or more price points and then extends into the future to act as a line of support or resistance. Many of the principles applicable to support and resistance levels can be applied to trend lines as well. Uptrend lines act as support and indicate that net-demand (demand less supply) is increasing even as the price rises. A rising price combined with increasing demand is very bullish, and shows a strong determination on the part of the buyers. As long as prices remain above the trend line, the uptrend is considered solid and intact.

A break below the uptrend line indicates that net-demand has weakened and a change in trend could be imminent. A downtrend line has a negative slope and is formed by connecting two or more high points. Downtrend lines act as resistance, and indicate that net-supply (supply less demand) is increasing even as the price declines. A declining price combined with increasing supply is very bearish, and shows the strong resolve of the sellers. As long as prices remain

below the downtrend line, the downtrend is solid and intact. A break above the downtrend line indicates that net-supply is decreasing and that a change of trend could be imminent.

SCALE SETTINGS

High points and low points appear to line up better for trend lines when prices are displayed using a **semi-log scale**. This is especially true when long-term trend lines are being drawn or when there is a large change in price. An **arithmetic scale** displays incremental values (5,10,15,20,25,30) evenly as they move up the y-axis. A \$10 movement in price will look the same from \$10 to \$20 or from \$100 to \$110. A **semi-log scale** displays incremental values in percentage terms as they move up the y-axis. A move from \$10 to \$20 is a 100% gain, and would appear to be a much larger than a move from \$100 to \$110, which is only a 10% gain.

MOVING AVERAGES

Moving averages (MAs) smooth the price data to form a trend following indicator. They do not predict price direction, but rather define the current direction with a lag. Moving averages lag because they are based on past prices. Despite this lag, moving averages help smooth price action and filter out the noise. They also form the building blocks for many other technical indicators and overlays. **Exponential moving averages** reduce the lag by applying more weight to recent prices. The weighting applied to the most recent price depends on the number of periods in the moving average. We use Exponential MAs in our charts.

The direction of the moving average conveys important information about prices. A rising moving average shows that prices are generally increasing. A falling moving average indicates that prices, on average, are falling. A rising long-term moving average reflects a long-term uptrend. A falling long-term moving average reflects a long-term downtrend. Two moving averages can be used together to generate crossover signals. There is also a triple crossover method that involves three moving averages.

A bullish signal is generated when prices move above the moving average. A bearish signal is generated when prices move below the moving average. Price crossovers can be combined to trade within the bigger trend. The longer moving average sets the tone for the bigger trend and the shorter moving average is used to generate the signals. One would look for bullish price crosses only when prices are already above the longer moving average. This would be trading in harmony with the bigger trend.

Moving averages can also act as support in an uptrend and resistance in a downtrend. A short-term uptrend might find support near the 20-day simple moving average, which is also used in **Bollinger Bands**. A long-term uptrend might find support near the 200-day simple moving average, which is the most popular long-term moving average. In fact, the 200-day moving average may offer support or resistance simply because it is so widely used. It is almost like a self-fulfilling prophecy.

Do not expect exact support and resistance levels from moving averages, especially longer moving averages. Markets are driven by emotion, which makes them prone to overshoots. Instead of exact levels, moving averages can be used to identify support or resistance zones.

The advantages of using moving averages need to be weighed against the disadvantages. Moving averages are trend following, or lagging, indicators that will always be a step behind. This is not necessarily a bad thing though. After all, the trend is your friend and it is best to trade in the direction of the trend.

FIBONACCI RETRACEMENTS & PROJECTIONS

Fibonacci Retracements are ratios used to identify potential reversal levels. Fibonacci Projections are ratio extensions useful for plotting where resistance levels will be found, especially useful when in new high territory with no previous trading history. The effective use of "Fib" properties for charting purposes is more of a practiced art than a science. They have proven to be amazingly accurate to this practitioner, and we do little without first referring to them.

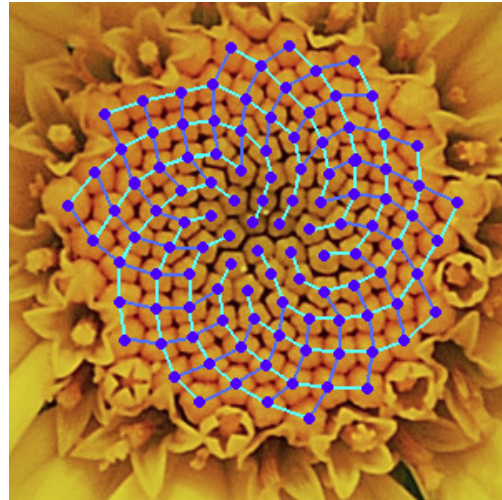
Fib ratios are found in the Fibonacci sequence as follows: 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, etc. The sequence extends to infinity and contains many unique mathematical properties. The most popular Fibonacci Retracements are 61.8% and 38.2%. 50% is not technically a Fib number, but has proven to be a key level from Dow Theory's assertion that the Averages often retrace half their prior move. 1.618 refers to the Golden Ratio or Golden Mean, also called Phi, and is useful for price projections. Interestingly, the inverse of 1.618 is .618 ... another unique characteristic.

These ratios can be found throughout nature, architecture, art and biology. For example, in biological settings, they appear as branching in trees, arrangement of leaves on a stem, the fruitlets of a pineapple, the flowering of artichoke, an uncurling fern, spirals of shells, spirals of galaxies, the curves of a wave and the

arrangement of a pine cone or sunflower. Retracement levels alert market participants of a potential trend reversal, resistance area or support area. Retracements are based on the prior move's high and low points. A bounce is expected to retrace a portion of the prior decline, while a correction is expected to

retrace a portion of the prior advance. Once a pullback starts, chartists can identify specific Fibonacci retracement levels for monitoring. As the correction approaches these retracements, chartists should become more alert for a potential bullish reversal.

Based on depth, we can consider a 23.6% retracement to be relatively shallow. Such retracements would be appropriate for flags or short pullbacks. Retracements in the 38.2%-50% range would be considered moderate. Even though deeper, the 61.8% retracement can be referred to as the golden retracement. It is, after all, based on the Golden Ratio.



Yellow Chamomile head showing the arrangement in 21 (blue) and 13 (aqua) spirals. Such arrangements involving consecutive Fibonacci numbers appear in a wide variety of plants.

MACD

Moving Average Convergence-Divergence (MACD) is one of the simplest and most effective momentum indicators available. MACD turns two trend-following indicators, moving averages, into a momentum oscillator by subtracting the longer moving average from the shorter moving average. As a result, MACD offers the best of both worlds: trend following and momentum. MACD fluctuates above and below the zero line as the moving averages converge, cross and diverge. Traders can look for signal line crossovers, centerline crossovers and divergences to generate signals. Because MACD is unbounded, it is not particularly useful for identifying overbought and oversold levels.

Signal line crossovers are the most common MACD signals. A bullish crossover occurs when MACD turns up and crosses above the signal line. A bearish crossover occurs when MACD turns down and crosses below the signal line. Crossovers can last a few days or a few weeks, it all depends on the strength of the move. Signal line crossovers at positive or negative extremes should be viewed with caution. Even though MACD does not have upper and lower limits, chartists can estimate historical extremes with a simple visual assessment. It takes a strong move in the underlying security to push momentum to an extreme. Even though the move may continue, momentum is likely to slow and this will usually produce a signal line crossover at the extremities. Volatility in the underlying security can also increase the number of crossovers.

Centerline crossovers are the next most common MACD signals. A bullish centerline crossover occurs when MACD moves above the zero line to turn positive. A bearish centerline crossover

occurs when MACD moves below the zero line to turn negative. Centerline crossovers can last a few days or a few months depending on the strength of the trend. MACD will remain positive as long as there is a sustained uptrend. MACD will remain negative when there is a sustained downtrend.

Divergences form when MACD diverges from the price action of the underlying security. A bullish divergence forms when a security records a lower low and MACD forms a higher low. The lower low in the security affirms the current downtrend, but the higher low in MACD shows less downside momentum. Despite less downside momentum, downside momentum is still outpacing upside momentum as long as MACD remains in negative territory. Slowing downside momentum can sometimes foreshadow a trend reversal or a sizable rally.

A bearish divergence occurs when a security records a higher high and MACD forms a lower high. The higher high in the security is normal for an uptrend, but the lower high in MACD shows less upside momentum. Even though upside momentum may be less, upside momentum is still outpacing downside momentum as long as MACD is positive. Waning upward momentum can sometimes foreshadow a trend reversal or sizable decline.

Divergences should be considered with caution. Bearish divergences are commonplace in a strong uptrend, while bullish divergences occur often in a strong downtrend. Yes, you read right. Uptrends often start with a strong advance that produces a surge in upside momentum (MACD). Even though the uptrend continues, it continues at a slower pace that causes MACD to decline from its highs. Upside momentum may not be as strong, but upside momentum is still outpacing downside momentum as long as MACD is above the zero line. The opposite occurs at the beginning of a strong downtrend.

OBV

On Balance Volume (OBV) is a simple indicator that uses volume and price to measure buying pressure and selling pressure. A well-established truism states that volume precedes price. Expect prices to move higher if OBV is rising while prices are either flat or moving down. Expect prices to move lower if OBV is falling while prices are either flat or moving up.

OBV rises when volume on up days outpaces volume on down days. OBV falls when volume on down days is stronger. A rising OBV reflects positive volume pressure that can lead to higher prices. Conversely, falling OBV reflects negative volume pressure that can foreshadow lower prices. Buying pressure is evident when positive volume exceeds negative volume and the OBV line rises. Selling pressure is present when negative volume exceeds positive volume and the OBV line falls. Chartists can use OBV to confirm the underlying trend or look for divergences

that may foreshadow a price change. As with all indicators, it is important to use OBV in conjunction with other aspects of technical analysis. It is not a stand-alone indicator.

STO – The Stochastic Oscillator

The Stochastic Oscillator (STO) doesn't follow price, it doesn't follow volume or anything like that. It follows the speed or the momentum of price. As a rule, the momentum changes direction before price. It's a momentum indicator that shows the location of the close relative to the high-low range over a set number of periods.

The STO makes it easy to identify overbought and oversold levels because it is range bound. The oscillator ranges from zero to one hundred. No matter how fast a security advances or declines, the STO will always fluctuate within this range. Traditional settings use 80 as the overbought threshold and 20 as the oversold threshold. The STO is above 50 when the close is in the upper half of the range and below 50 when the close is in the lower half. Low readings (below 20) indicate that price is near its low for the given time period, and oversold. High readings (above 80) indicate that price is near its high for the given time period, and overbought.

The indicator can therefore be used to identify turns near support or resistance. When a security trades near support with an oversold STO, look for a break above 20 to signal an upturn and successful support test. Conversely, should a security trade near resistance with an overbought STO, look for a break below 80 to signal a downturn and resistance failure.

Bullish and bearish divergences in the STO can often be used to foreshadow reversals. Divergences form when a new high or low in price is not confirmed by the STO. A bullish divergence forms when price records a lower low, but the STO forms a higher low. This shows less downside momentum that could foreshadow a bullish reversal. A bearish divergence forms when price records a higher high, while the STO forms a lower high. This shows less upside momentum that could foreshadow a bearish reversal.

Once a divergence takes hold, we look for a confirmation to signal an actual reversal. A bearish divergence can be confirmed with a support break on the price chart or an STO break below 50, which is the centerline. A bullish divergence can be confirmed with a resistance break on the price chart or an STO break above 50.

50 is an important level to watch. The STO moves between zero and one hundred, which makes 50 the centerline. Think of it as the 50 yard line in football. The offense has a higher chance of scoring when it crosses the 50 yard line. The defense has an edge as long as it prevents the

offense from crossing the 50 yard line. An STO cross above 50 signals that prices are trading in the upper half of their high-low range for the given look-back period. This suggests that the cup is half full. Conversely, a cross below 50 means prices are trading in the bottom half of the given look-back period. This suggests that the cup is half empty.

There's one other form of divergence we can use to predict bottoms or tops. A bull set-up is basically the inverse of a bullish divergence. The underlying security forms a lower high, but the STO forms a higher high. Even though the stock could not exceed its prior high, the higher high in the STO shows strengthening upside momentum. The next decline is then expected to result in a tradable bottom. A bear set-up occurs when the security forms a higher low, but the STO forms a lower low. Even though the stock held above its prior low, the lower low in the STO shows increasing downside momentum. The next advance is expected to result in an important peak.

Momentum oscillators in general are best suited for trading ranges, but they can also be used with securities that trend, provided the trend takes on a zigzag format. Pullbacks are part of uptrends that zigzag higher. Bounces are part of downtrends that zigzag lower. In this regard, the STO can be used to identify opportunities in harmony with the bigger trend.

Like all technical indicators, it is important to use the Stochastic Oscillator in conjunction with other technical analysis tools. Volume, support/resistance and breakouts can be used to confirm or refute signals produced by the STO.

RSI

The Relative Strength Index (RSI) is a momentum oscillator that measures the speed and change of price movements. RSI oscillates between zero and 100. Traditionally, RSI is considered overbought when above 70 and oversold when below 30. Signals can also be generated by looking for divergences, failure swings and centerline crossovers. RSI can also be used to identify the general trend.

Like many momentum oscillators, overbought and oversold readings for RSI work best when prices move sideways within a range. Momentum oscillators can become overbought (oversold) and remain so in a strong up (down) trend.

Divergences signal a potential reversal point because directional momentum does not confirm price. A bullish divergence occurs when the underlying security makes a lower low and RSI forms a higher low. RSI does not confirm the lower low and this shows strengthening momentum. A bearish divergence is formed when the security records a higher high and RSI forms a lower high. RSI does not confirm the new high and this shows weakening momentum.

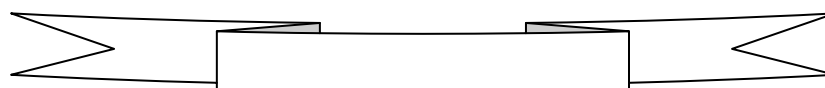
Before getting too excited about divergences as great trading signals, it must be noted that divergences are misleading in a strong trend. A strong uptrend can show numerous bearish divergences before a top actually materializes. Conversely, bullish divergences can appear in a strong downtrend - and yet the downtrend continues.

Failure swings can be strong indications of an impending reversal. Failure swings are independent of price action. In other words, failure swings focus solely on RSI for signals and ignore the concept of divergences. A bullish failure swing forms when RSI moves below 30 (oversold), bounces above 30, pulls back, holds above 30 and then breaks its prior high. It is basically a move to oversold levels and then a higher low above oversold levels. A bearish failure swing forms when RSI moves above 70, pulls back, bounces, fails to exceed 70 and then breaks its prior low. It is basically a move to overbought levels and then a lower high below overbought levels.

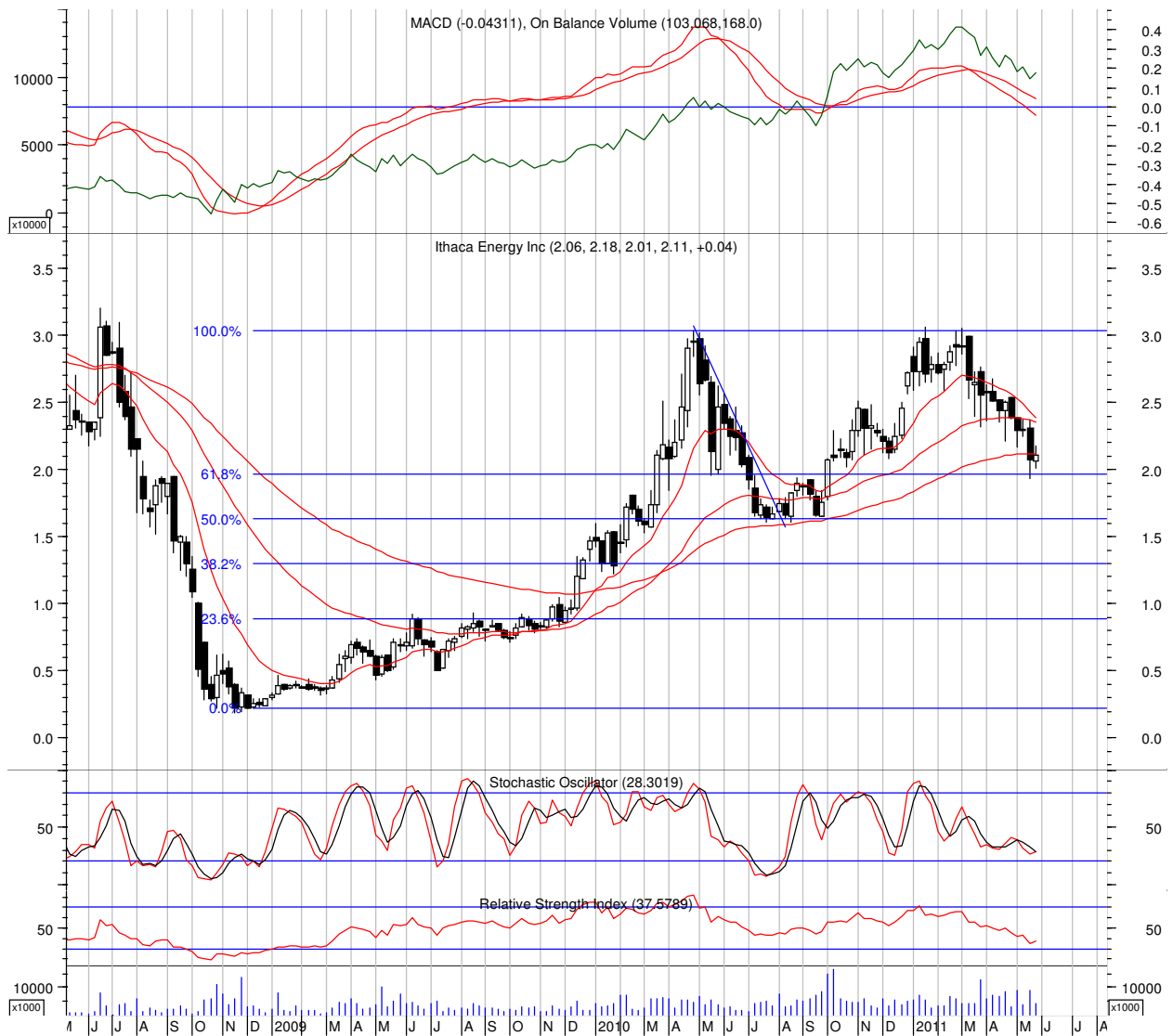
As an aid to identifying the trend, RSI may in fact not travel between 0 and 100. There is in fact a bull market range and a bear market for RSI. RSI tends to fluctuate between 40 and 90 in a bull market (uptrend) with the 40-50 zones acting as support. On the flip side, RSI tends to fluctuate between 10 and 60 in a bear market (downtrend) with the 50-60 zone acting as resistance. These ranges may vary depending on RSI parameters, strength of trend and volatility of the underlying security.

And then there are positive and negative reversals for RSI, which are the opposite of bearish and bullish divergences. A positive reversal forms when RSI forges a lower low and the security forms a higher low. This lower low is not at oversold levels, but usually somewhere between 30 and 50. A negative reversal is the opposite of a positive reversal. RSI forms a higher high, but the security forms a lower high. Again, the higher high is usually just below overbought levels in the 50-70 area.

RSI is a versatile momentum oscillator that has stood the test of time. Traditionally overbought conditions were considered ripe for a reversal, but we have observed that overbought can also be a sign of strength. Bearish divergences still produce some good sell signals, but chartists must be careful in strong trends when bearish divergences are actually normal. Even though the concept of positive and negative reversals may seem to undermine RSI's traditional interpretation, the logic makes sense and we must not dismiss the value of putting more emphasis on price action. Positive and negative reversals put price action of the underlying security first and the indicator second, which is the way it should be. Bearish and bullish divergences place the indicator first and price action second. By putting more emphasis on price action, the concept of positive and negative reversals challenges our thinking towards momentum oscillators.

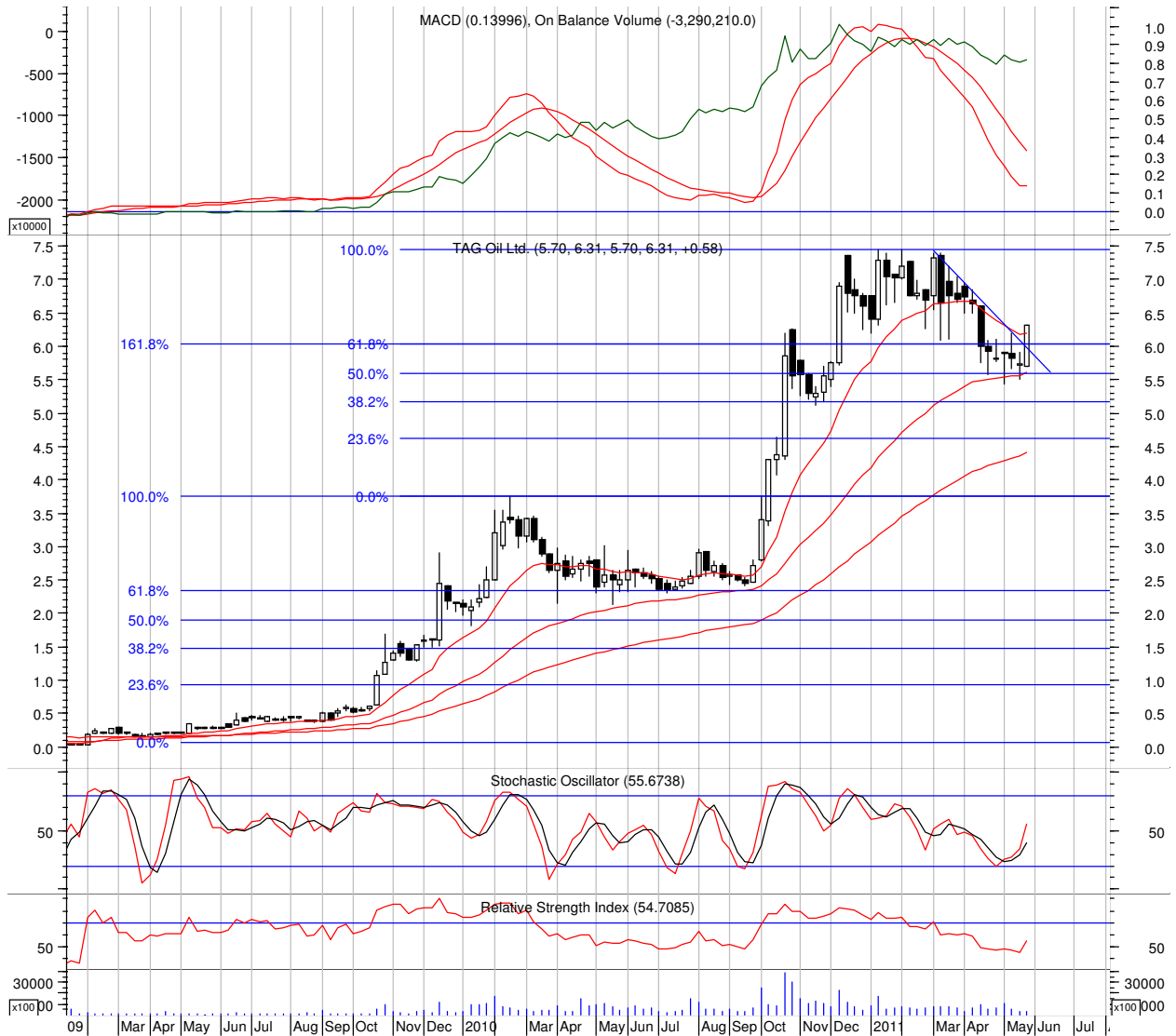


ITHACA ENERGY IAE-TSX



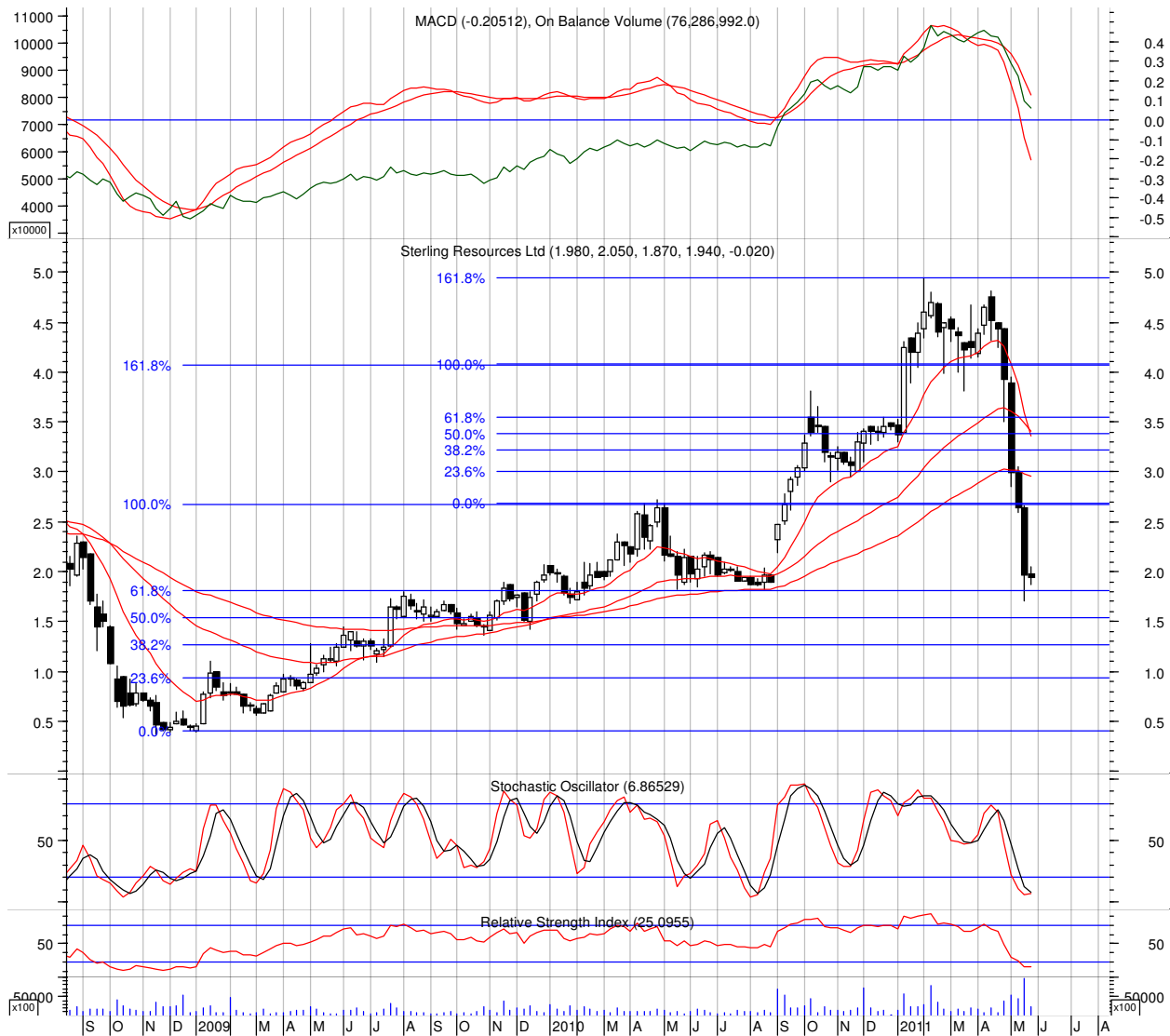
Ithaca Energy: Looking to find support at the \$1.95, 61.8% Fib line. Pressure is building as all MA's have turned down above price and will soon cross, and will act as resistance. The slower 80-week MA is historically the key support area, and looks fragile. The MACD is threatening to cross the zero line. The recent double-top matched the April 2010 high with the MACD in negative divergence, and STO and RSI were in the sell zone, which was a significant warning for a likely correction. Next support sits at the 50% retracement around \$1.60. STO and RSI are not yet in the buy zone but still trending down.

TAG OIL TAO - TSXV



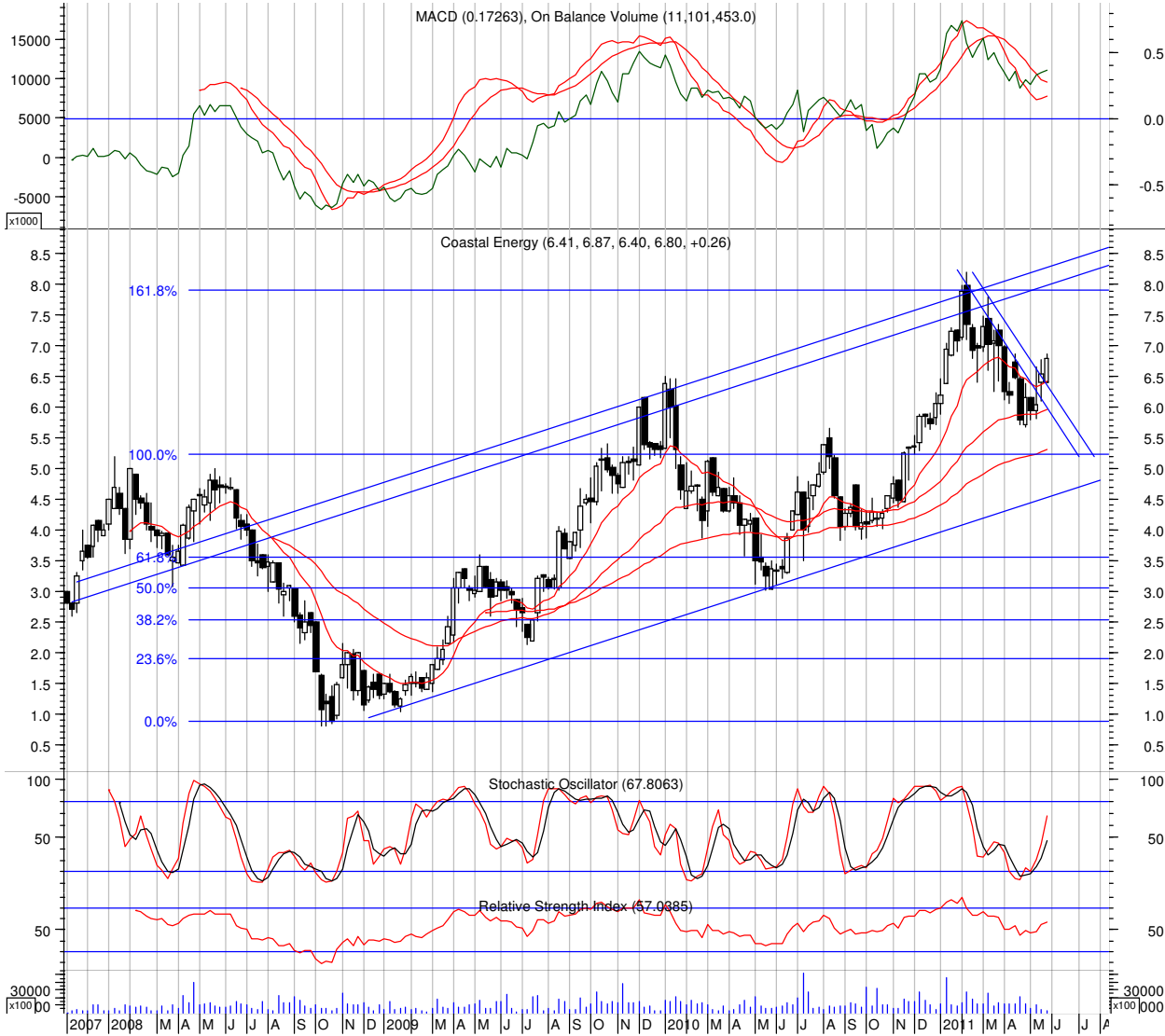
Tag Oil: Finding support at the 40-week MA and 50% retracement area (basis the Oct 2010 breakout area, and former resistance zone, now new support (it is a technical fact that old resistance areas on the way up will become new support areas on the way down). Strong base building in the \$5.50-6.00 area appears complete, with the downtrend broken to the upside last week, suggestive of a challenge to the \$6.75-7.50 congestion area. New highs will need to see significant volume, or more trading time will be required \$6-6.75 to sop up traders caught offside at higher levels.

STERLING RESOURCES SLG-TSX



Sterling Resources: Key Fib support at \$4.10 was decisively broken late April, initially finding support at the next Fib line around \$3.50. The following 3 weeks in turn cut through all post-breakout support areas, paused at the \$2.70 old high, and proceeded to bounce off the key old 61.8% Fib line at \$1.80. Both STO and RSI are severely oversold and in the buy zone, giving a buy signal. The long lower shadow of the May 20 week long black candlestick (called a hammer bottom in Candlesticks language) was followed by last week's Spinning Top, suggesting either a reversal, or indecision. Neither the buyers or sellers have the upper hand yet, but after such a severe downtrend, this marks a weakening of the sellers and a potential change or interruption in trend. The mid-2010 base-building in this same area supports the case that this area will hold.

COASTAL ENERGY CEN-TSXV



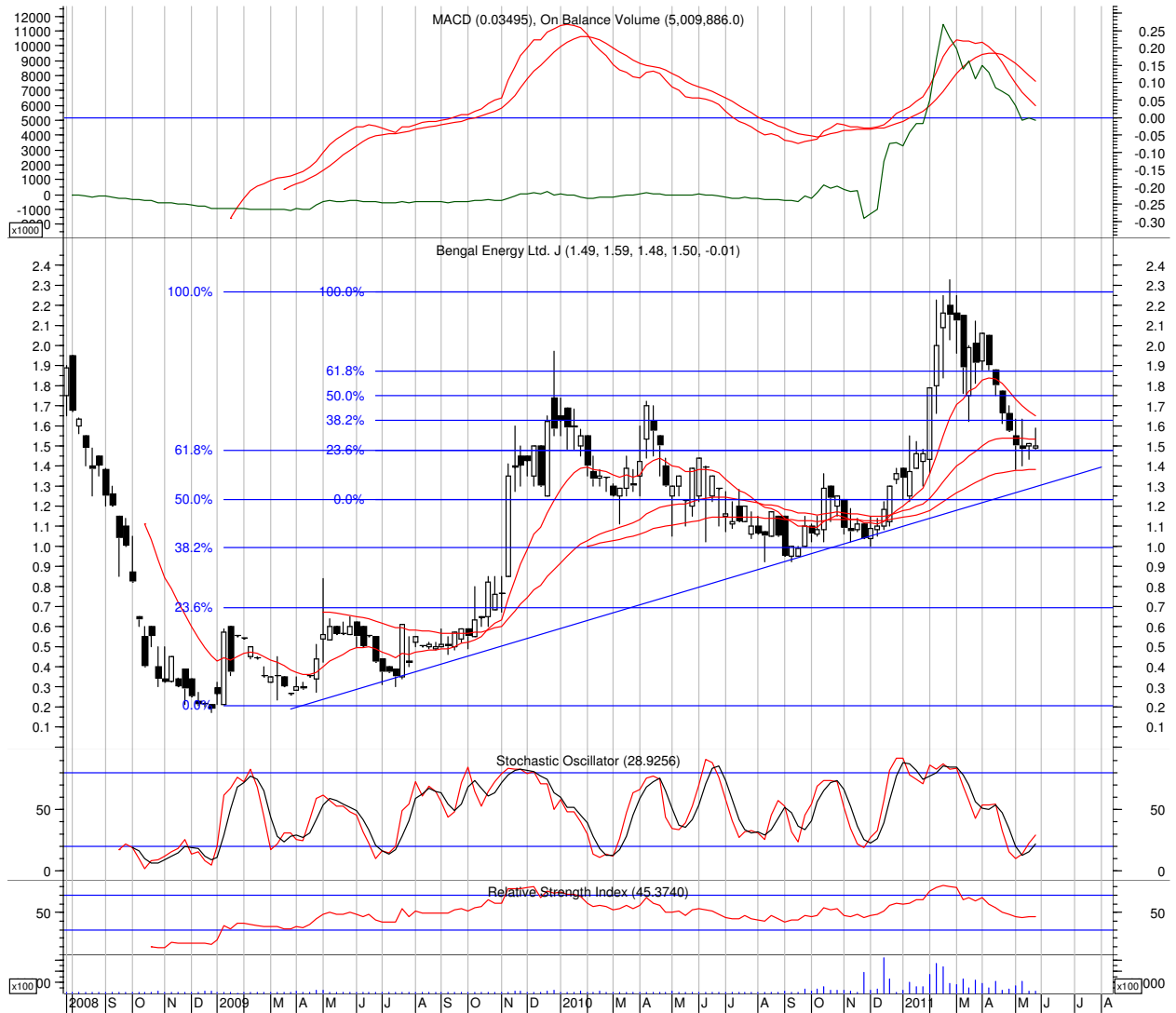
Coastal Energy: Currently trading mid-range within a wide trading channel, showing continued technical strength after finding strong support around the 40-week MA. Current rally has broken through the 3-month downtrend, but on relatively low volume. MACD and OBV support continuation of the upward trend, but a reversal from here is still a possibility given the amount of overhead supply that is in a loss position. It's nothing that volume and/or time can't overcome considering the relative strength underlying this chart.

PETROFRONTIER PFC-TSXV



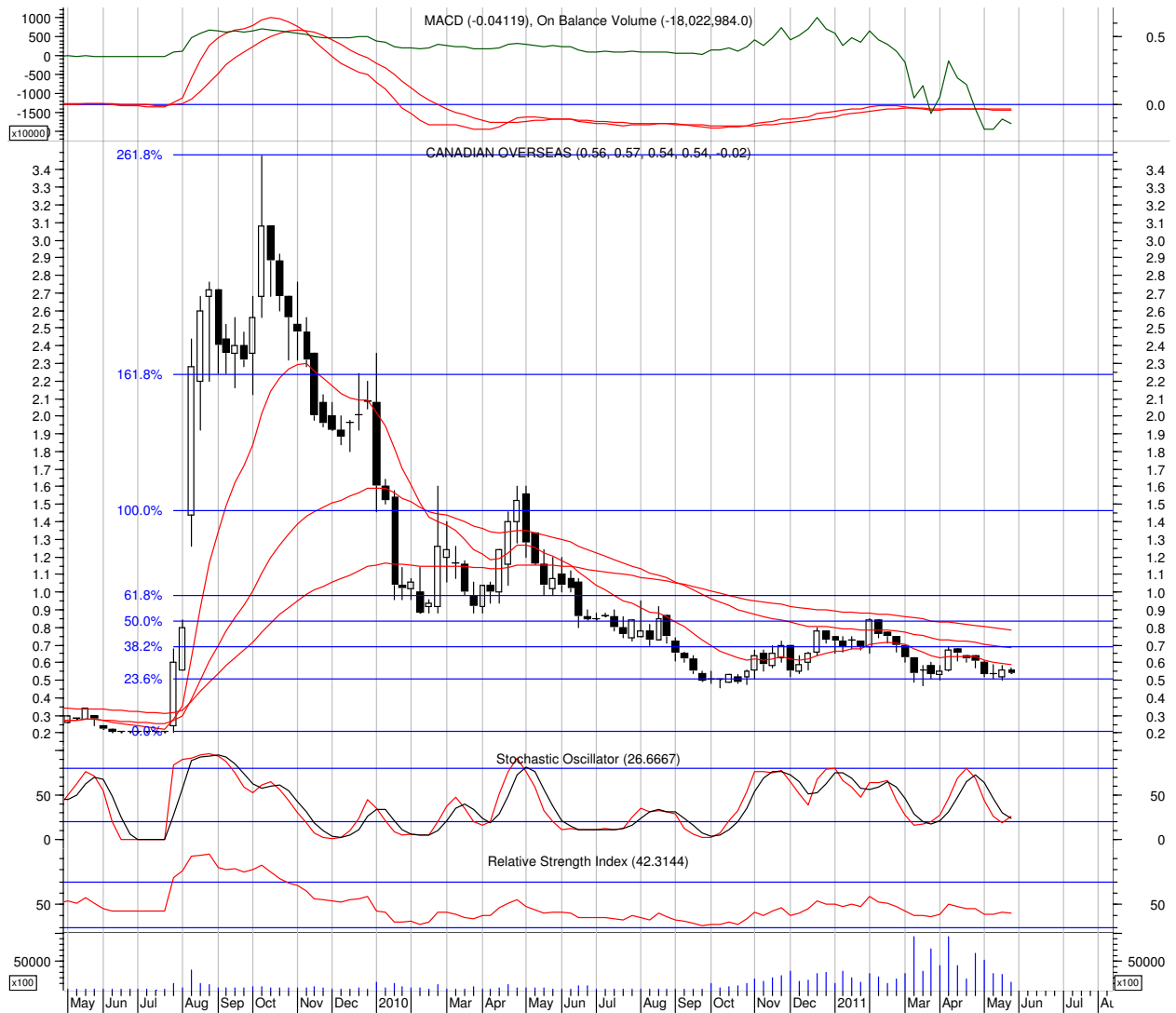
PetroFrontier: Not a lot of technical history here, but after the minor double-top new high around \$4.40 in April relentless selling pressure quickly took price back through the supporting 13 and 40-week MAs, which then became resistance. Once the MA's formed a "death cross" in early May, the bears quickly took control while the bulls' defenses gave way. This culminated with a typical "throwing in the towel", a relatively high-volume "long shadow" spike new low set the week of May 11. The bulls quickly regrouped and mounted a strong counter-rally to show a gain for the week, but the technical and psychological damage of a new low was done. Fear continued to rule as the bears pounded out their positions until exhaustion finally set in, with price matching the spike low. With no one left willing to sell the bulls are back in charge, but will run into significant resistance at the 40 and 80-week MAs and 38.2% Fib, in the \$3.30-3.40 area.

BENGAL ENERGY BNG-TSX



Bengal Energy: After a significant price run up and equally severe correction, support was found at the 80-week MA and 61.8% Fib line around \$1.40-1.45. In addition, price has almost reverted back to the long term trend line currently at \$1.30. The STO is well into the buy zone which has historically proven to be a relatively low risk entry point. MACD was mildly negatively divergent at the recent new high in February 2011 from the high set in December 2009, and both STO and RSI were in the sell zone, with OBV suggesting some distribution was taking place, giving adequate warning for a likely pull back. OBV is now flattening out as both STO and RSI have turned up, further evidence for price being in a strong accumulation area.

CANADIAN OVERSEAS PETROLEUM XOP-TSXV



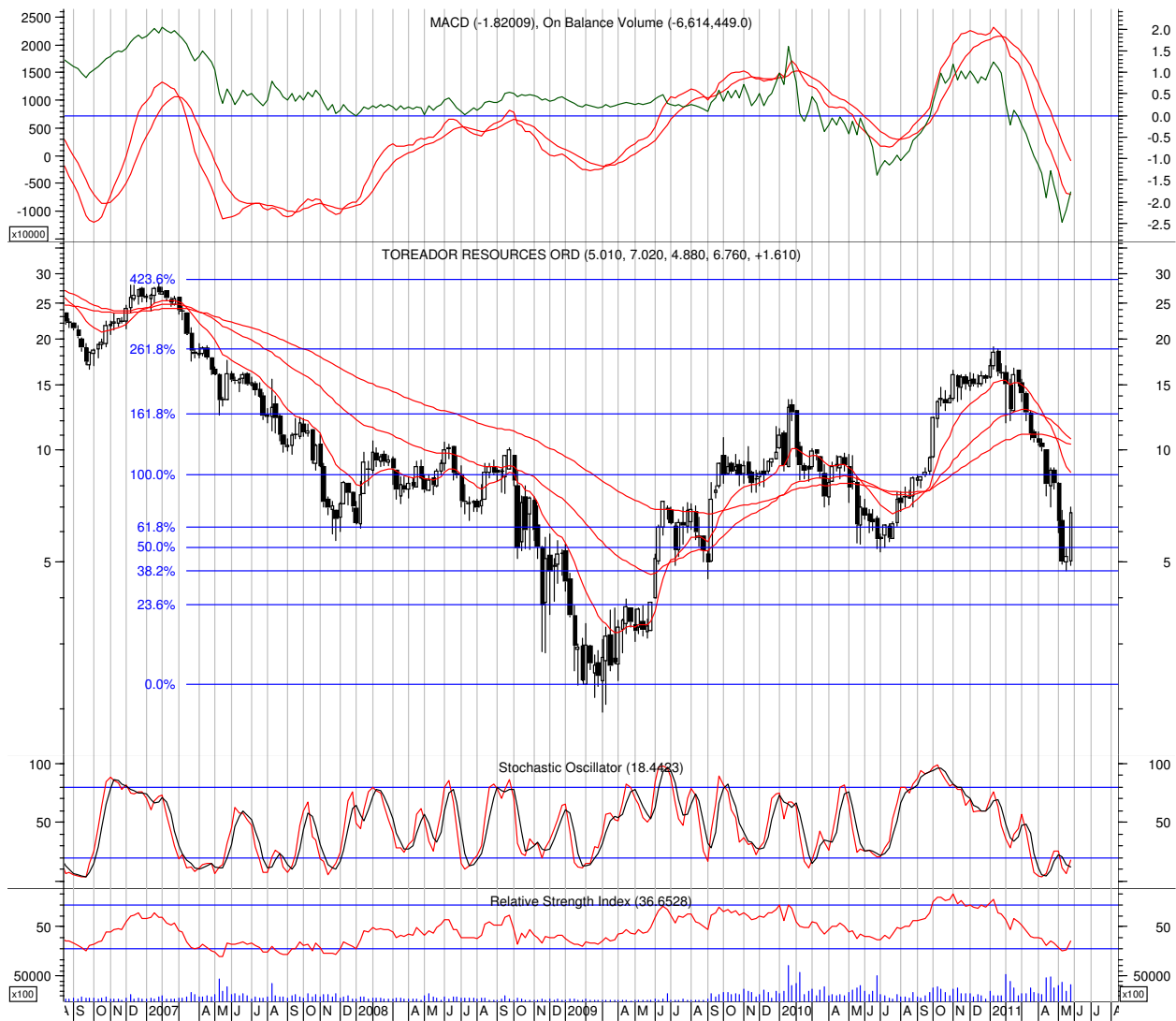
Canadian Overseas Petroleum: Price has found support on the 23.6% Fib line, and is well along in the process of building a technical base. This vehicle may require some patience yet, as price is trading below all our MAs which are still declining and continue to offer overhead resistance during rally attempts. If the \$0.46 low area is broken there is little if any support to be found until \$0.20, so that is the risk. Traders may do well taking early profits on any rally attempts. The \$0.80-0.90 area will offer significant resistance that only a long period of time or significant and continuous volume can overcome. Of course the latter can come at any time when driven by some fundamental event, but often the chart will be the first place where clues to such a change becomes visible to the retail public.

CGX ENERGY OYL-TSXV



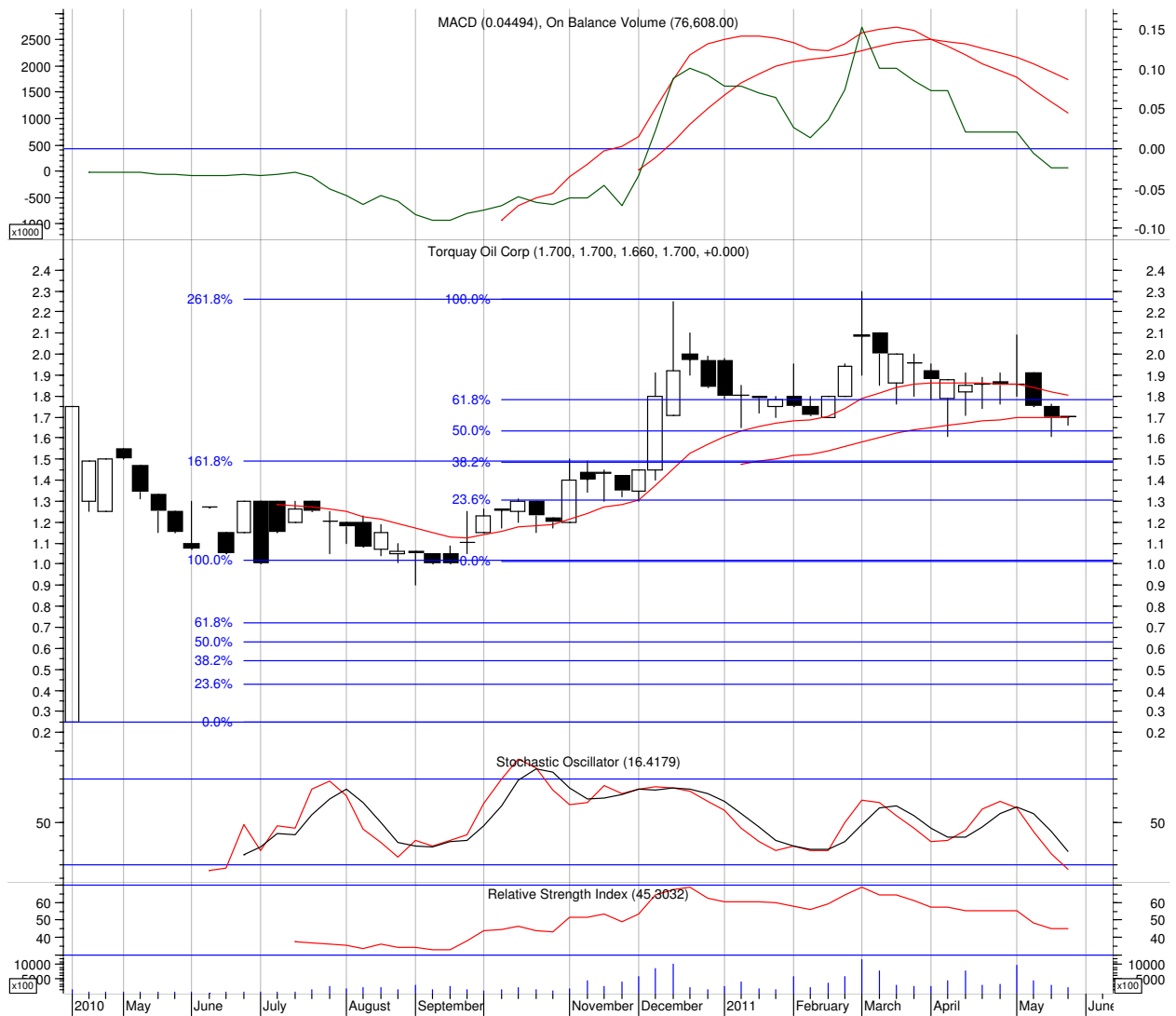
CGX Energy: Price has found a support zone and relatively low-risk accumulation area. Currently trading off rising trend line support at \$0.57, downside is likely to be at the nearby well-tested \$0.50 area where our 23.6% Fib line is drawn. This line marked the 2010 and 2009 lows from where we saw price moves to at least the 100% Fib line at \$1.32. On a material break of support here, downside risk would be to next support at \$0.26. OBV shows some net accumulation going on, and STO is in the buy zone, although not yet confirmed by the RSI. MACD has not yet turned up and is in fact still diverging to the downside, but keep in mind it is a lagging indicator that is best used as an anticipation tool to show when selling pressure (supply) is running out of steam.

TOREADOR RESOURCES TRGL-NASD



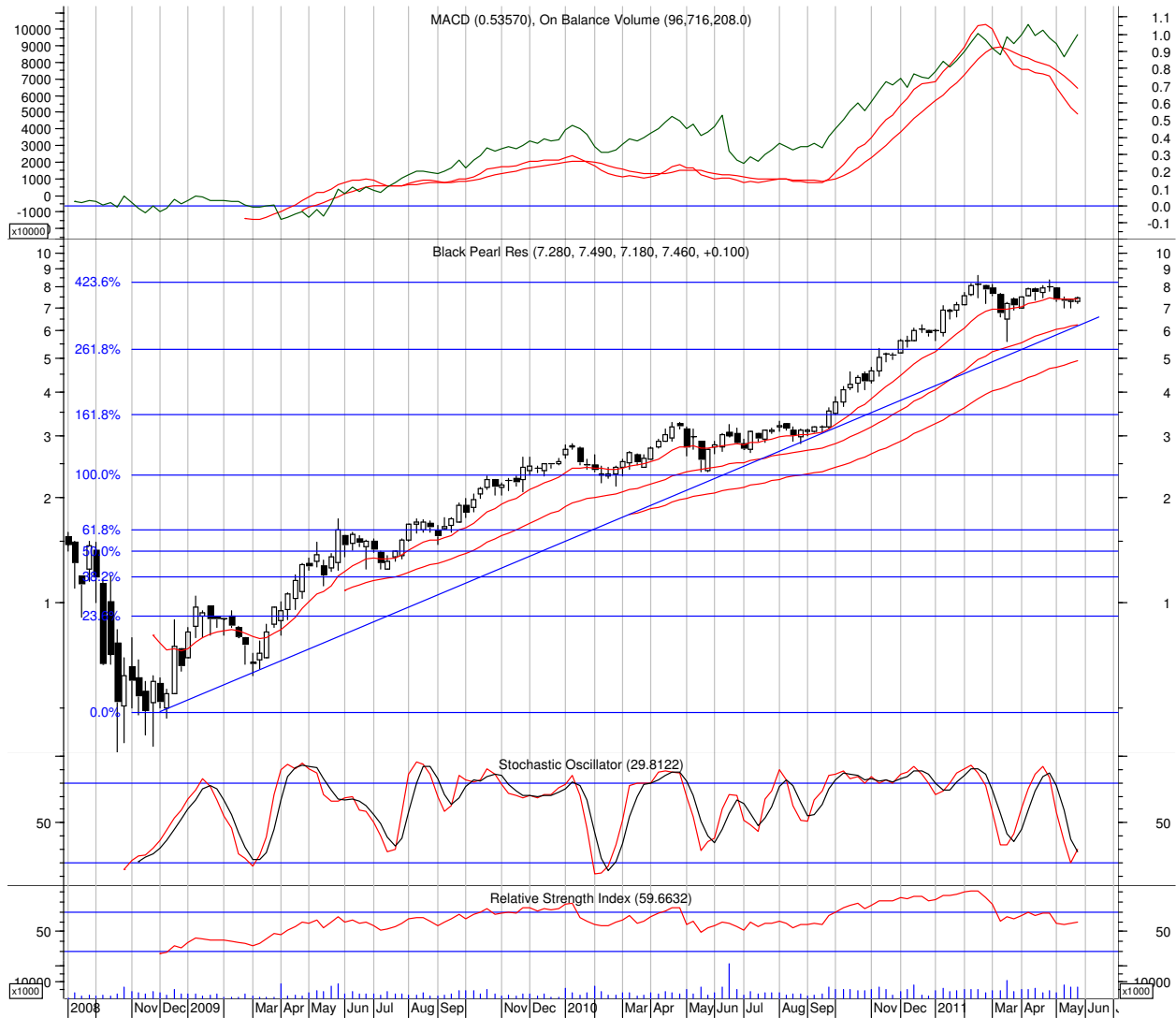
Toreador Resources: The price peak short of \$19 in Jan 2011 saw an initial correction that held the first line of defense on the 161.8% Fib line at \$12.50, but gave way the week of March 1 on the 2nd attempt. That break all but guaranteed a test of next support around \$8.60 which lacked the required firm resolve. The bears took charge in mid April, finding another line of defense at the next Fib line around \$6.25 – which gave way. The bulls held the line at \$4.75 for 2 weeks, marked by the Spinning Top 2 weeks ago, suggesting either a reversal, or indecision. After a severe downtrend this often marks a weakening of the sellers. While neither buyers nor sellers were dominant, the likelihood of a potential change or interruption in trend is increased. Sure enough, last week saw a significant relief rally that typically occurs when most of the sellers have already liquidated, and traders sense a turn and look to position in a timely manner. The bounce will meet significant resistance in the mid-\$8 area.

TORQUAY OIL CORP TOC.A-TSXV



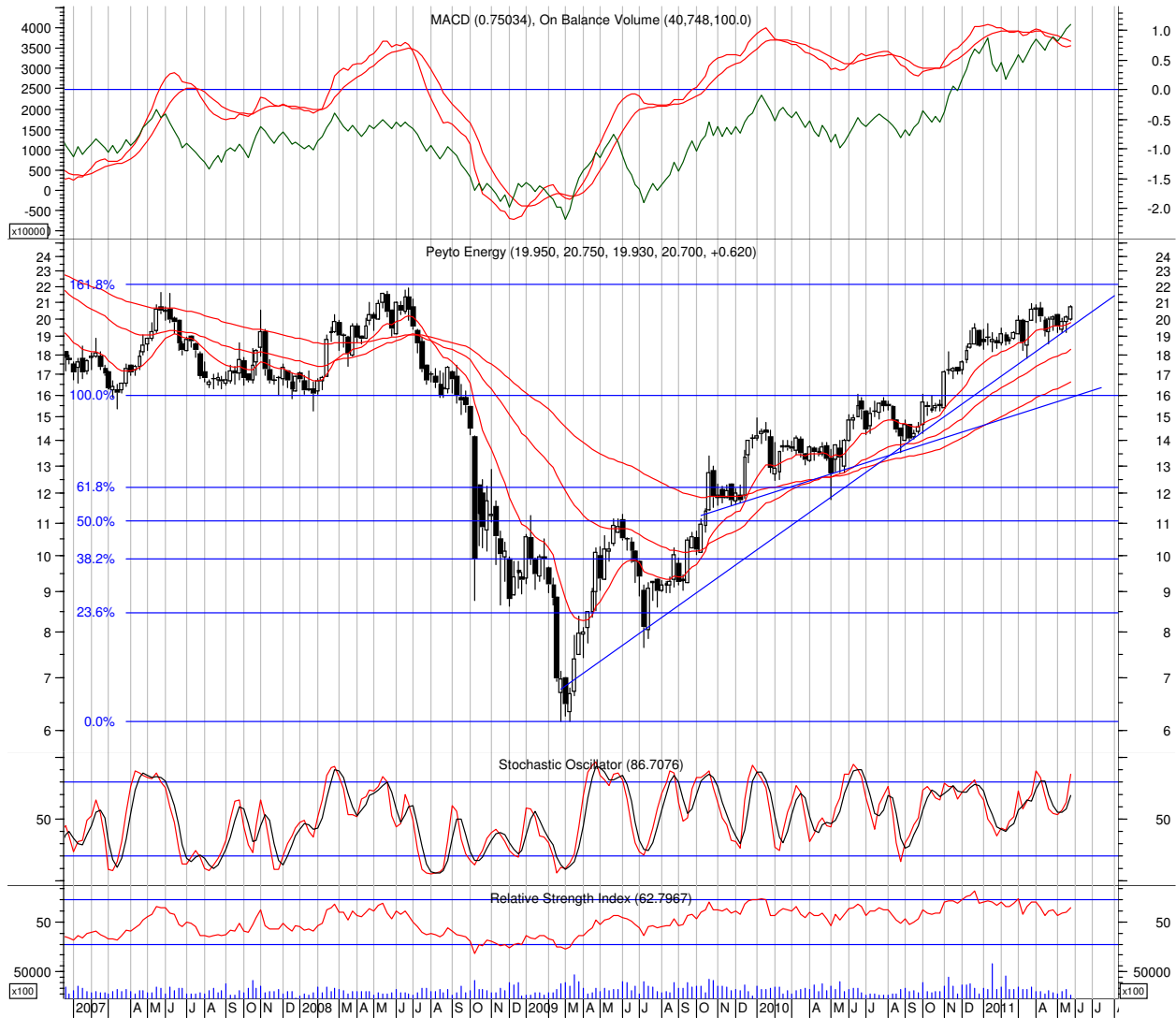
Torquay Oil: little trading history--essentially forming a second long flag off a long low volume pole formed in its initial week of trading in April 2010. A relatively illiquid stock, there is already a pattern of price moves followed by consolidation, although some recent weakness these last three months is of concern. This may well be a season event, given low liquidity and general market weakness. Price is in fact holding up around the \$1.65 Fib support area and holding on the 40 week MA. Signs of trouble include the down-turning 13 week MA offering resistance, the MACD which is in negative divergence and gave a sell signal early April, and the OBV which peaked early March and is in steady decline, suggesting some distribution. Next support is just under \$1.50; then \$1.30 and \$1.00. The STO is entering the buy zone but RSI is still neutral. Technically there's now more downside than upside evident, failing a material change in buying volume, but a move to hold back above \$1.80 can turn those odds around quickly.

BLACK PEARL RESOURCES PXX-TSX



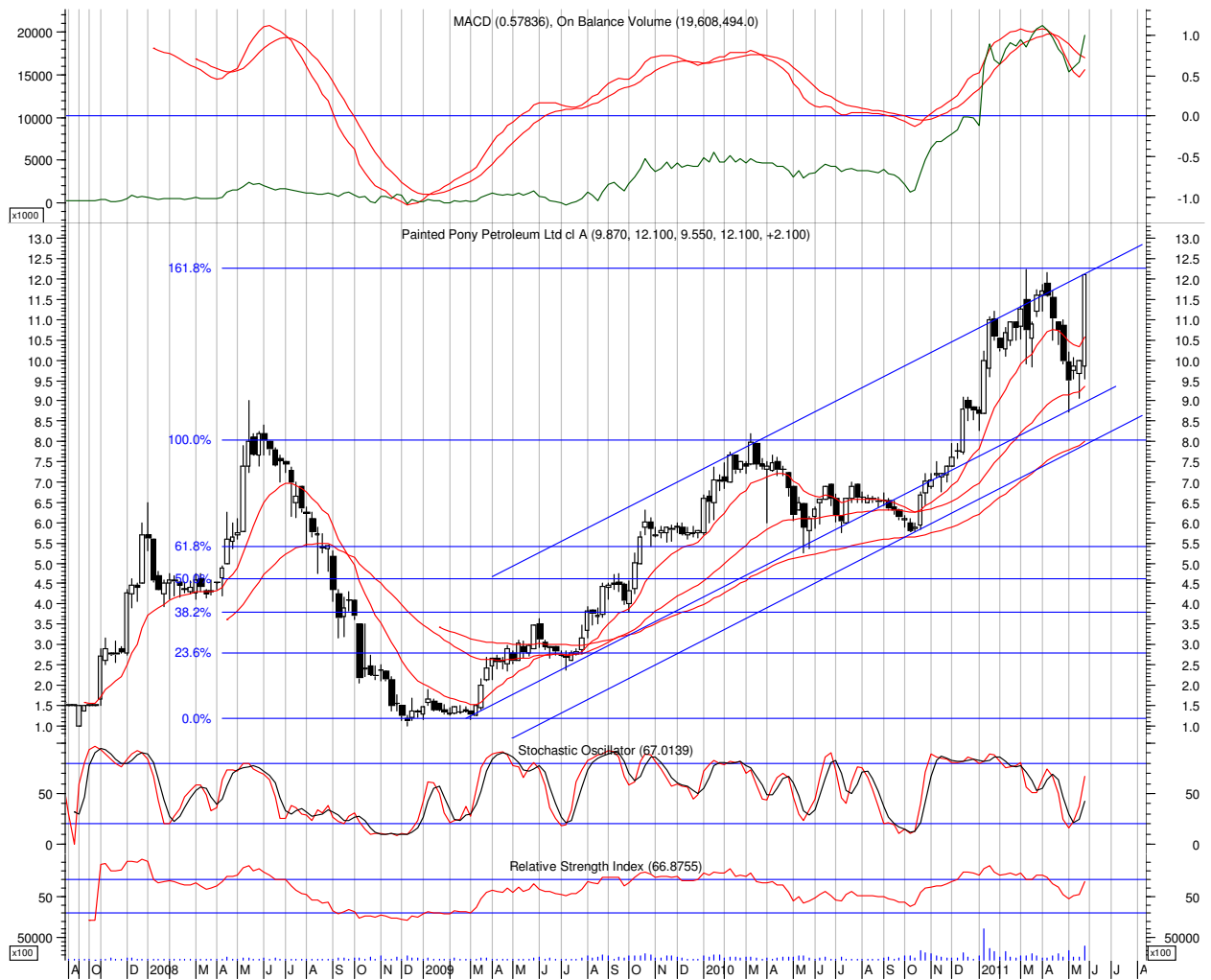
Black Pearl Resources: The trend is your friend, and this is well-represented by this picture of wealth creation. But, there are warning signs. The big one is the double top, confirmed by the negative divergence of our MACD. After the Feb. peak at \$8.64 we saw a 35% correction over 4 weeks, to a \$5.61 low. The ensuing rally saw a retest of the high that fell a bit short at \$8.37, 6 weeks later. The price dip so far since this 2nd attempt at a new high has been relatively shallow, and the STO is bouncing off the buy line which suggests the selling pressure may be done. OBV looks good, near the highs. So why is MACD so ugly? All we can say at this point is that short term demand is faltering – traders are failing to produce new high closes. The trend is still in place. Still, as a safety feature, a stop-loss set somewhere below the trendline and 40-week MA, both around \$6.30 currently, and certainly below the recent correction low of \$5.61, may help avoid taking part in a more severe correction.

PEYTO ENERGY PEY-TSX



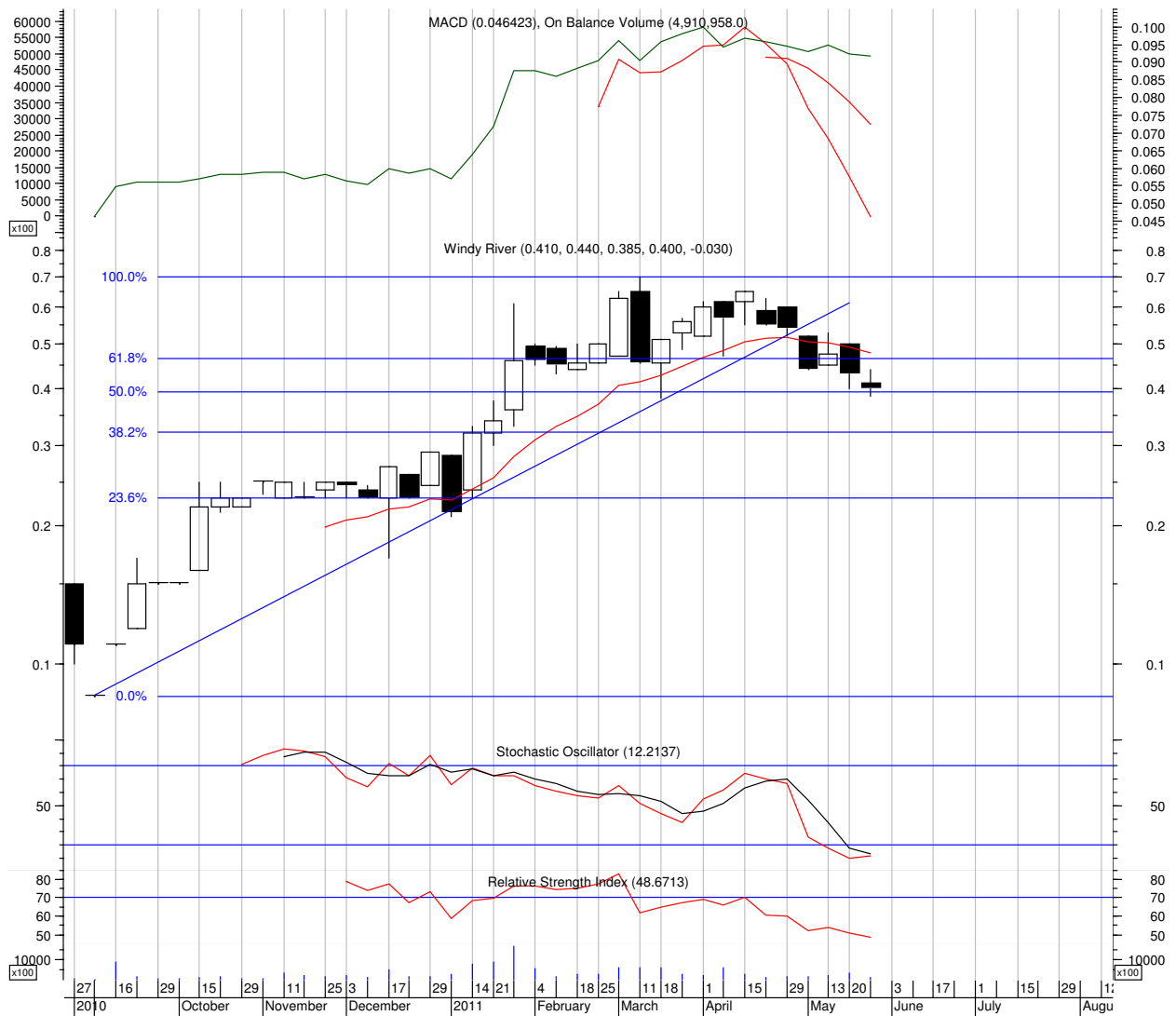
Peyto Energy: Another stellar chart where the trend is well-established and predictable, until it changes of course. No real negatives here. The STO is now in its over-bought sell area, where it can certainly remain for some time. We would never use this or any one indicator alone to determine our actions. OBV is still climbing strongly, but the MACD is somewhat weaker since its early-January peak. While the recent new price high was not matched by the MACD, as long as the trendline remains materially intact and all the MAs are trending up we see a strong likelihood that the old 2008 highs approaching \$22 will be challenged, and possibly breached to the upside given the price momentum. Be cautioned however that any failure of that area will likely be met with traders exiting their positions quickly, and that there is no significant support zone until the \$16 area, although \$18.50 would see some early buyers wishing to re-enter.

PAINTED PONY PPY.A-TSXV



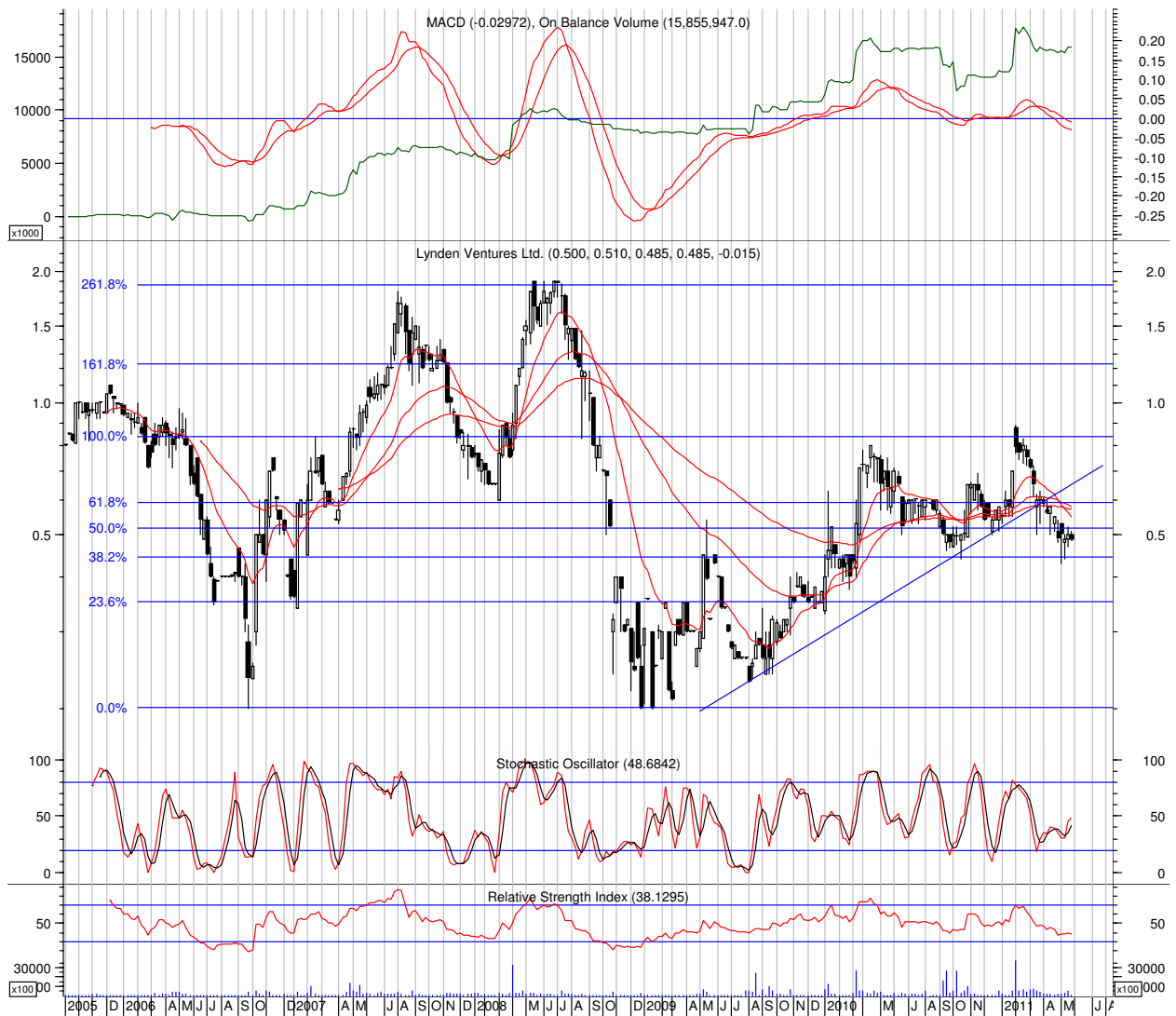
Painted Pony: There are several channels we can isolate here that help put risk and reward into perspective. Last week's long white candle represents a 20% move that falls just short of the recent double top high and closes right on the channel's upper boundary. MACD flashed a ST sell signal 6 weeks ago with both STO and RSI then falling down through their overbought (70-percent) level. This suggested that upward move was decelerating even as price was working higher – a warning rather than an outright sell signal. RSI is often used as a confirming indicator, while other indicators are better used to get the buy/sell signal. The RSI is a top swing-trader tool, but the trend-follower wants to wait out retracements and sideways range-trading situations until they resolve back to the trend. With this type of chart, given the wide-ranging channel, trend-followers either need to be able to weather severe price corrections, or simple buy right, on the lower bands, and go for the ride. In either case, taking the trade at this particular time is almost a no-brainer given the size of the move and where price now lies in relation to the previous high, the upper trendline boundary, the 161.8% Fib line, and (not shown here) the Bollinger Bands envelope (that measures the number standard deviations of price from the mean – in this case price is right on 2 SDs).

WIND RIVER ENERGY WVR-TSXV



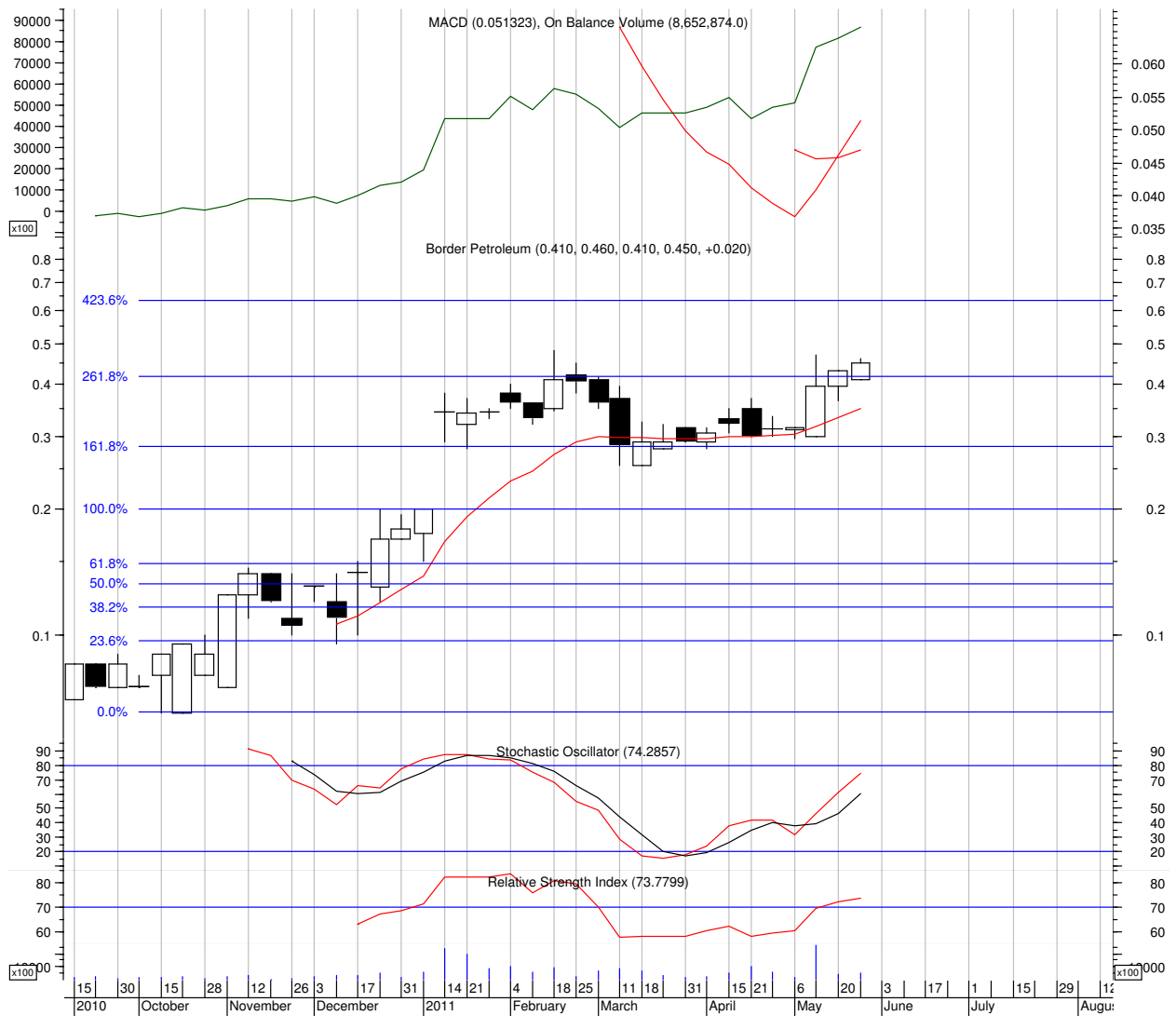
Wind River: Another case of little price history from which to draw upon, and a relatively illiquid security. The initial trend has now been broken. MACD is in freefall whereas STO is severely oversold and looks ready to turn up – a potential buy signal. RSI is still headed down but falls short of being oversold, but is at an all-time low. OBV is gently rolling over but not indicating any significant distribution. The only thing to say here is that the 50% retracement area at \$0.39 looks like a reasonable place to take a position, as it is often where declines find support. In this case it was already tested and successfully held back in early March. The 13-week MA is declining and will act as resistance until price can muster sufficient volume to get on top of it and the 61.8% Fib line. Next support is at \$0.32 with major support at \$0.23.

LYNDEN ENERGY LVL-TSXV



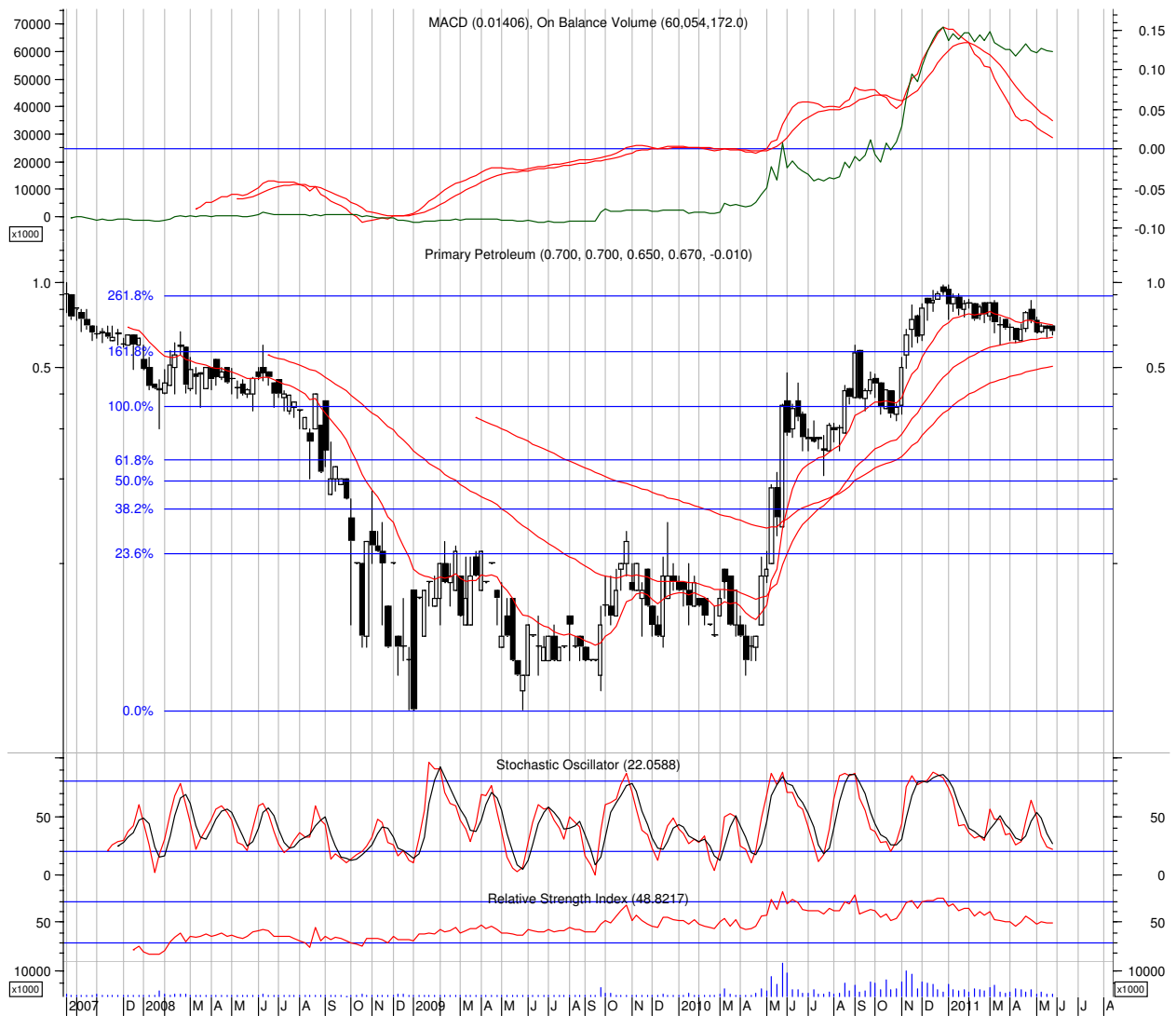
Lynden Ventures: Price has a history of volatility which offers traders some excuse for taking profits as they are presented. After the 2008 price collapse price worked higher from a \$0.20 base to \$0.89. That week's opening gap higher was with record volume and met by sellers. It was an effective double-top with price closing at \$0.79, compared to the April 2010 high of \$0.80. The bears have been in control ever since, no doubt with some bulls contributing as they throw in the towel. Well tested support on the 38.2% Fib at \$0.44 has held--see the long shadow of the candlesticks hammer bottom. Support needs to build before attempting to trade through the recent "death cross" of all the down trending MAs and the 61.8% Fib, all found in the \$0.55-.59 band. Any attempt to do so prematurely would look suspiciously like a head and shoulders formation, which would set up the \$0.44 level as the neckline from which any breach would see a stampede to the exits, and next support at the 23.6% Fib at \$0.35.

BORDER PETROLEUM BOR-TSXV



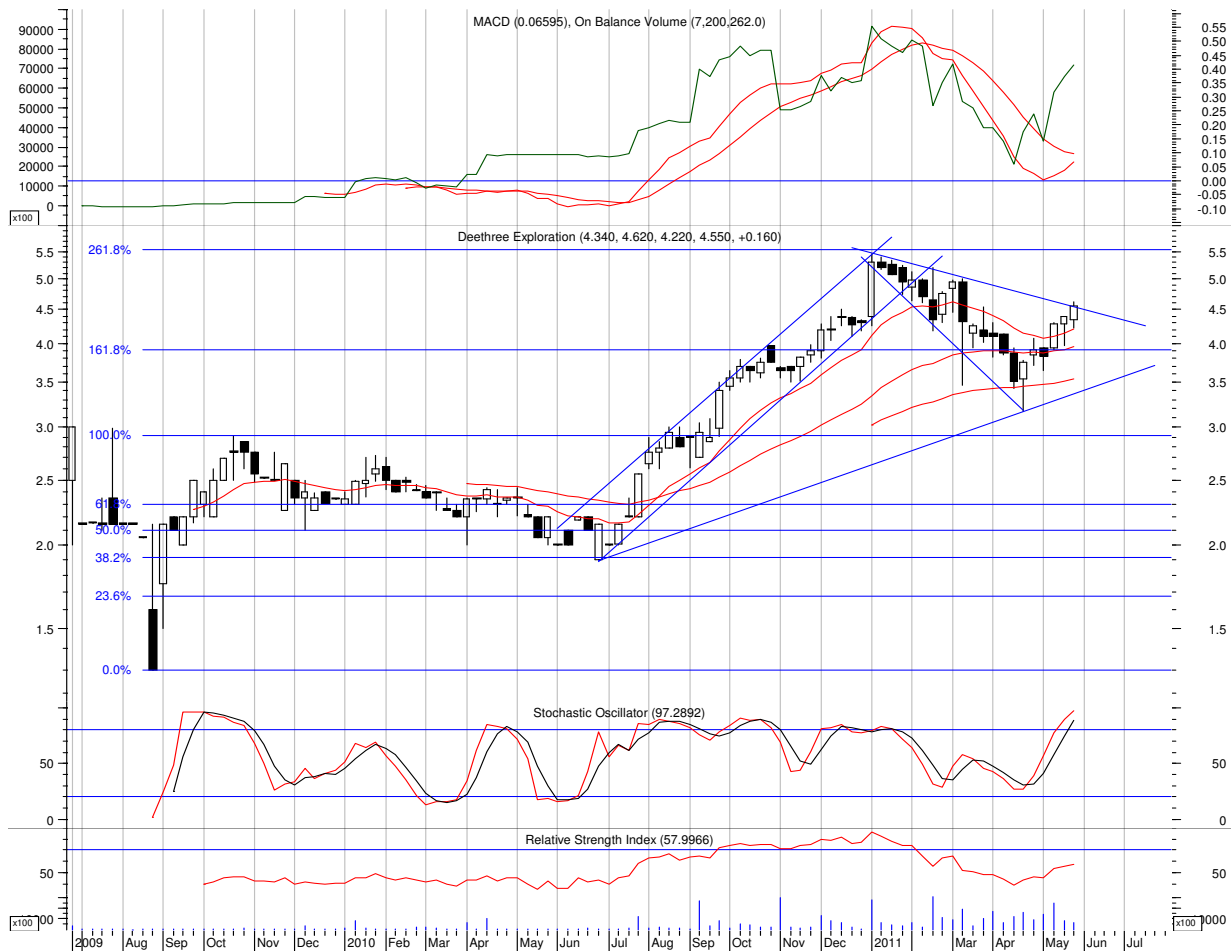
Border Petroleum: We have chosen to set our Fib high-low span to the December 2010 high, which nicely sets the Fib 161.8% and 261.8% extensions to fit the post-gap trading range. The use of Fibonacci is more an art than science, and while not perfect of course, greatly assists our decision making when there are few clues otherwise. Price currently looks to be working its way out of the Fib-bounded trading channel to test the February \$0.48 high. The last 2 weeks' closing prices were new highs on a weekly closing basis – very meaningful and suggestive of little in the way of overhead resistance remains. Volume often precedes price, and the May 13 week's record 2.6 million traded shares with a long white candle suggests conviction to this move, and no doubt cleared out most of the overhead. Next target is the 423.6% Fib line at \$0.64 where profit taking resistance will be likely be encountered.

PRIMARY PETROLEUM PIE-TSXV



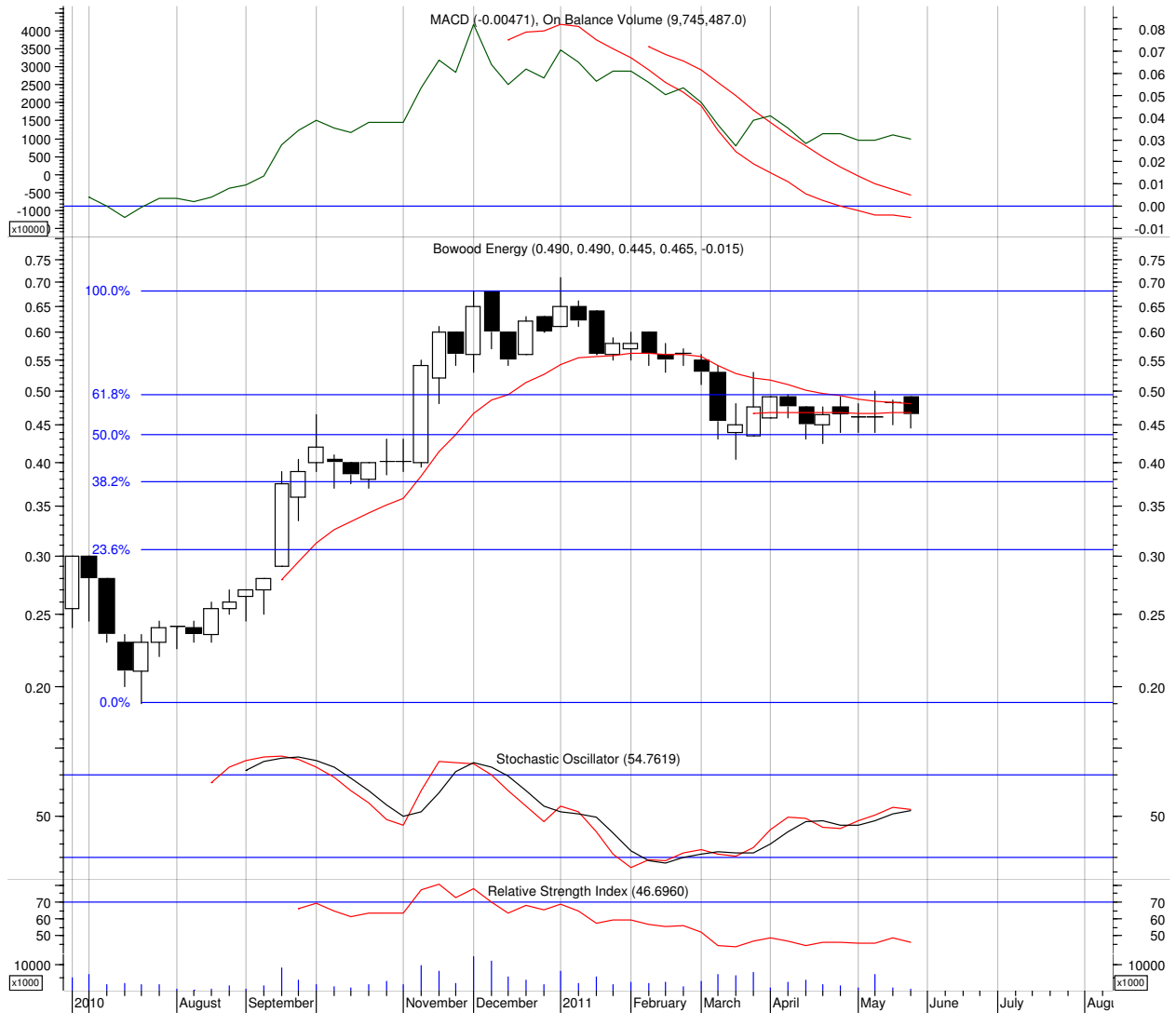
Primary Petroleum: Late December saw price finally get back up to the former high set at the \$1.00 area in 2007. This was met by immediate selling pressure, maybe not surprising given the 2008 and 2009 double-bottom lows at \$0.03. The recent correction found support on the rising 40-week MA now at \$0.645, with ST pressure coming from the declining 13-week MA, now at \$0.705. Key support sits at \$0.56, the 161.8% Fib line. Keep in mind that the chart is using a semi-log scale which is particularly useful when the price range being plotted covers a large range of values, in order to bring out features in the data that would not easily be seen if both variables had been plotted linearly. A simple example is a chart whose vertical axis increments are labeled 1, 10, 100, 1000, instead of 1, 2, 3, 4. Each unit increase on the logarithmic scale thus represents an exponential increase in the underlying quantity for the given base.

DEETHREE EXPLORATION DTX-TSX



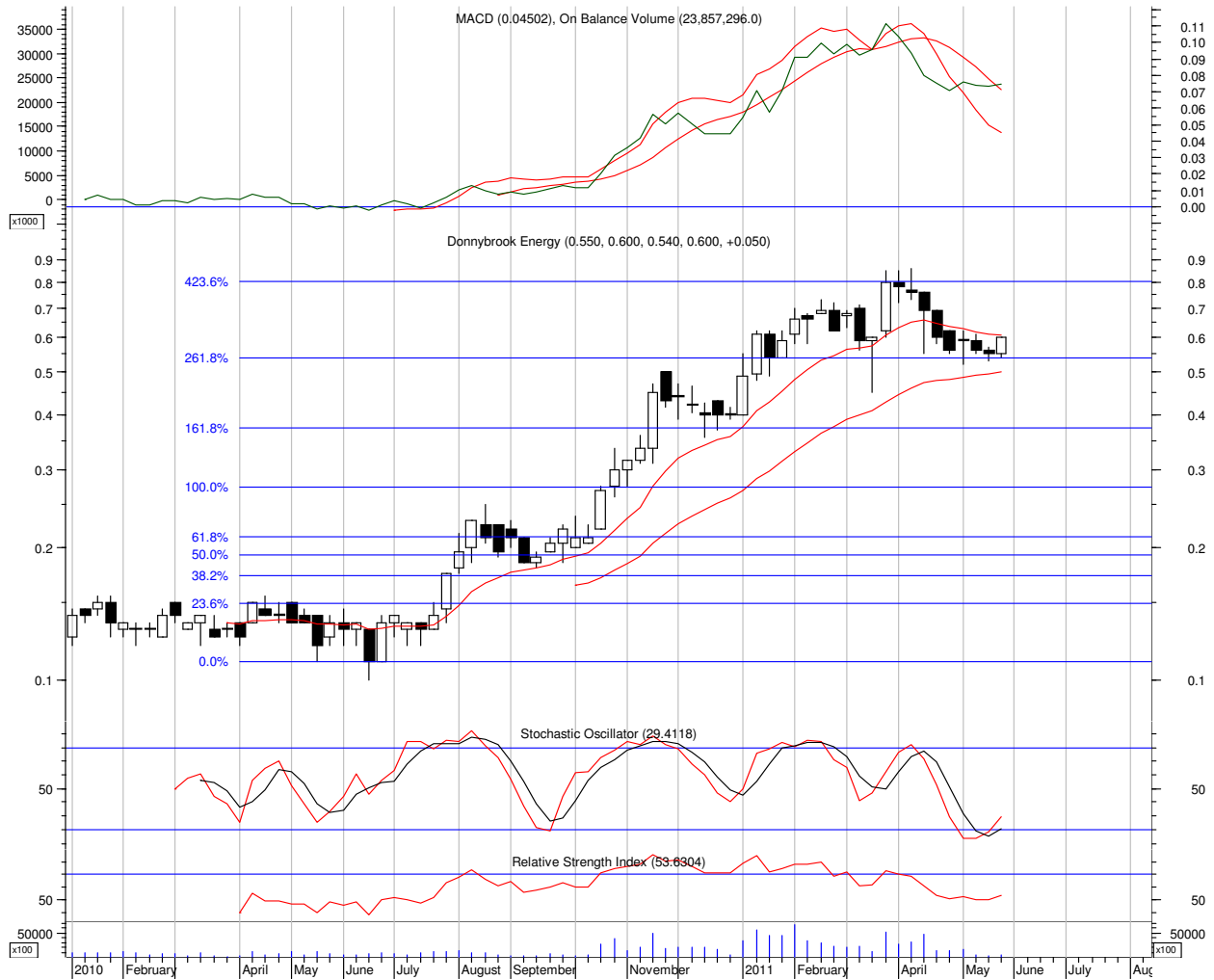
DeeThree Exploration : A broadening top pattern has formed since the early-January record high, reflecting a battle between the bulls and bears to gain control of the stock. This is a relatively rare formation that typically occurs after the bulls have been charging and driving the stock price appreciably higher. Also known as a Megaphone Top, bears are exerting increasing influence on the stock and causing it to set a series of lower lows. Increasing volatility creates a sense of uncertainty, leading to profit-taking, and deters bulls from making any further commitments. Alone this is considered a bearish signal. Volume usually peaks along with prices. It is usual to see trading volumes increase or remain high during the formation of this pattern, which is clear to see in this case. An eventual breakout and reversal can be difficult to identify at the time of its occurrence because volume does not appear unusual. Having laid out the negative interpretation, we note that price is currently at the upper downtrend line and may be poised to work out of the pattern to the upside. Positives to consider include the RSI in the neutral zone between over-bought and over-sold, a MACD just turning up off the zero line, an OBV climbing sharply (strong accumulation), and the MA's rising in unison under price (acting as support). The STO however is at a record overbought condition, although this on its own does not give a sell signal. The next week may tell the tale, with a breakout to the upside suggesting a run at the old \$5.45 high, or a breakdown setting up a test of the \$3.95 Fib support area.

BOWOOD ENERGY BWD-TSX



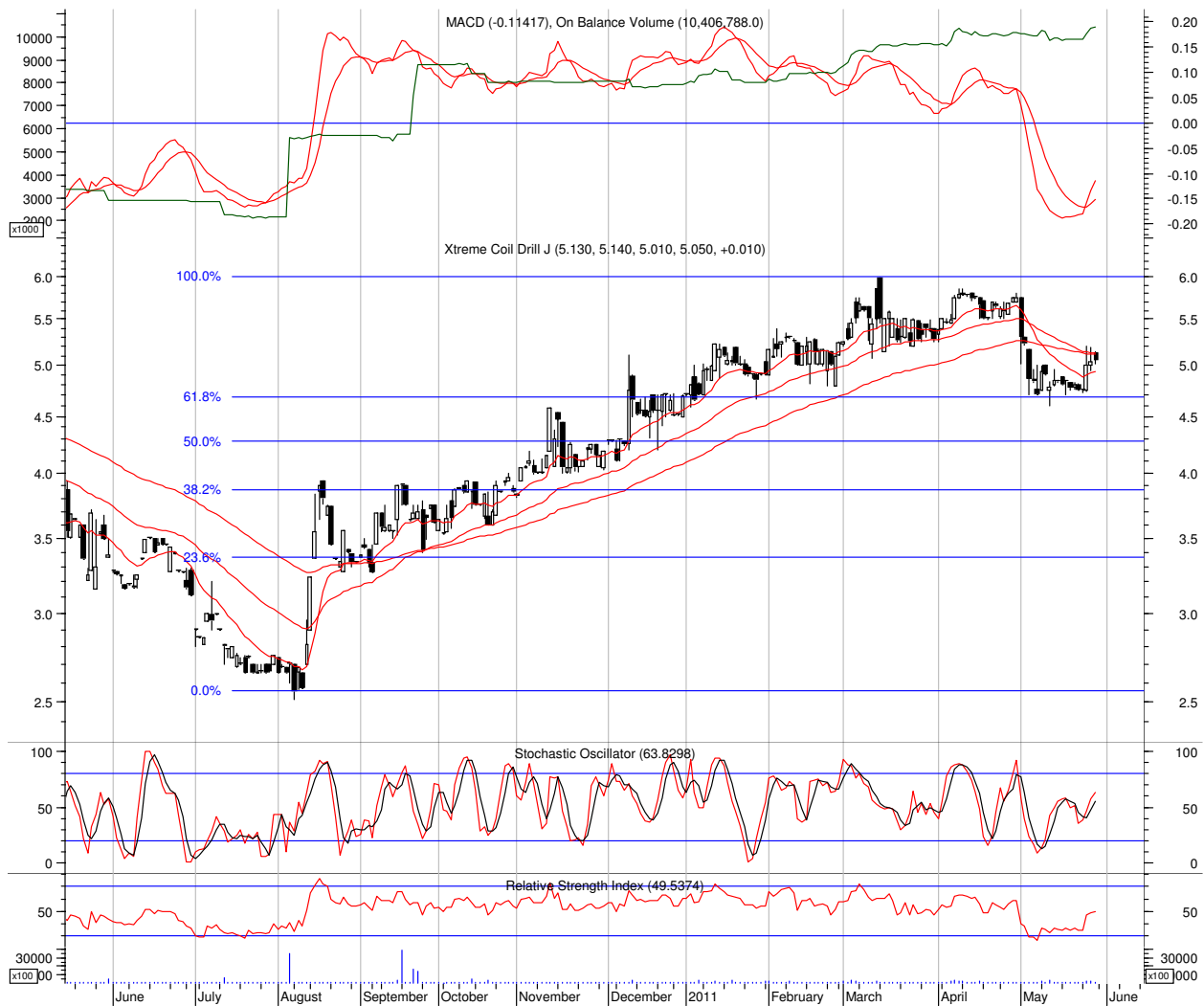
Bowood Energy: A nice clean chart with little in the way of history to cloud up its prospects. Price underwent a near text-book 50% pullback from the December high to find solid support at \$0.43. A pattern of steady accumulation is now overcoming the bearish sentiment, and starting to lift price through the 13-week MA as the 40-week MA starts to kick in with rising support. All indicators are in sync with the price action, with the MACD about to turn up, and a positively divergent STO supporting a move higher. Any price reversal here, though unlikely, would find additional support at the 38.2% Fib at \$0.375.

DONNYBROOK ENERGY DEI-TSXV



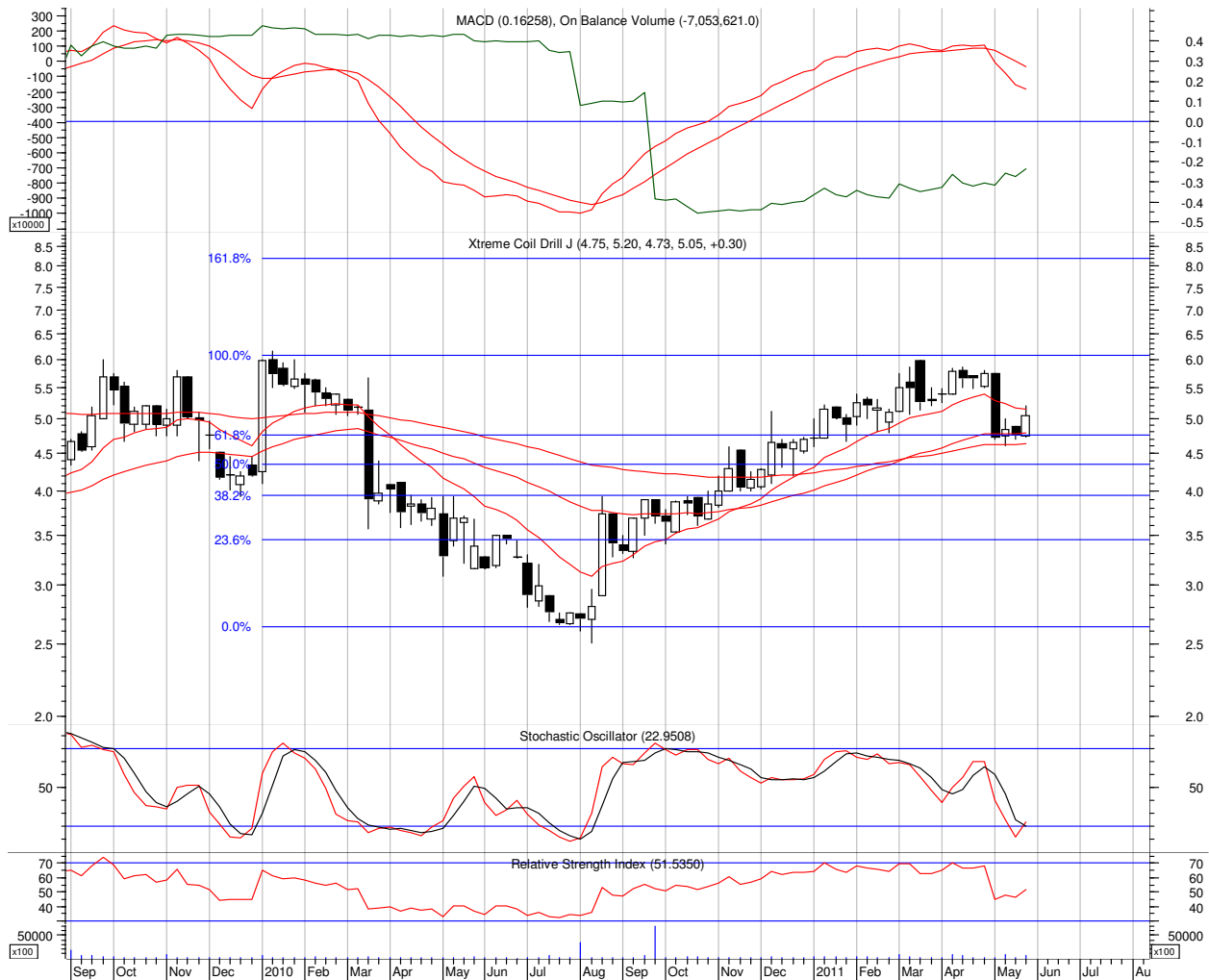
Donnybrook Energy: Price is undergoing the deepest correction since commencing its eight-month run to a new high of \$0.86, with a pullback to the 61.8% Fib line (when setting the 100% line to the top of the range. The chart displayed shows that line as 261.8% in order to clearly show the lower pre-breakout Fib lines). The STO shows recovery from a deeply oversold condition – a buy signal. It has flaws, but STO has proven to be a very effective trading tool when used skillfully. Keep in mind that stocks can stay overbought and oversold for long periods of time, and continue to move in the 'wrong' direction the entire time. This is why we want to wait for the indicator to move back above the 'oversold' threshold to signal a new purchase, which is the case here. Generally the STO is best used in conjunction with other trading indicators. In this case the MACD crossed down in mid April – a sell signal, and continues in freefall, so is of little use for timing at this point. The RSI is flat and starting to turn higher from an intermediate, neutral position, which is positively supporting a bullish outlook. OBV is also flat, suggesting the net distribution has turned to a more balanced period of supply and demand.

XTREME COIL DRILLING XDC-TSX



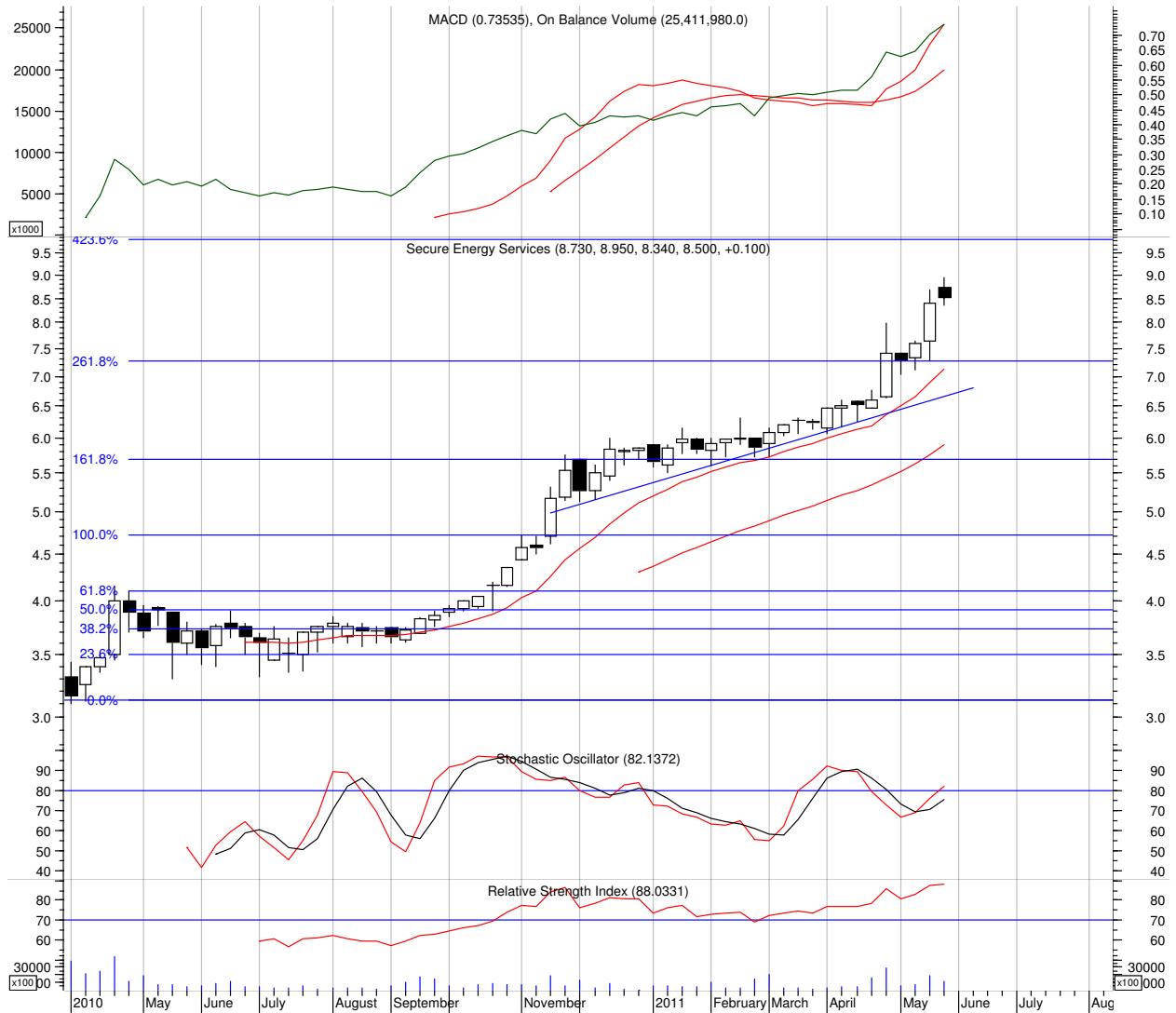
Xtreme Coil Drilling: The trend is your friend, until broken. This is another nice example of how useful those Fib lines are to help find support and resistance areas. We are using a daily chart in this case to better capture the minutiae of the last months trading. The 61.8% line (technically the 38.2% retracement when one sets the 0% line at the top) at \$4.70 offers a solid line of defense against the bears. The waning strength of the bulls became increasingly apparent since January 2011 as MACD set a series of lower highs and lower lows, even as price set a series of new highs. The rising MAs continuously acted as support during the eight month bull-run, and are now offering some resistance to the bull's counter rally. The positives include the OBV which shows no sign of distribution, a bullish crossover of the MACD which is turning up and has crossed above the signal line, the faster 13-day MA which has already been crossed and is under price, helping add some initial support to the rally attempt, and both STO and RSI are coming off extreme oversold levels. The crossing of the 40-day MA down through the 80-day

MA does intensify the short term resistance, but keep in mind this is a daily chart. We really need to take a peek at the longer term to get a feel of what to expect, unless we were traders with a shorter term horizon. So let's quickly do that ...



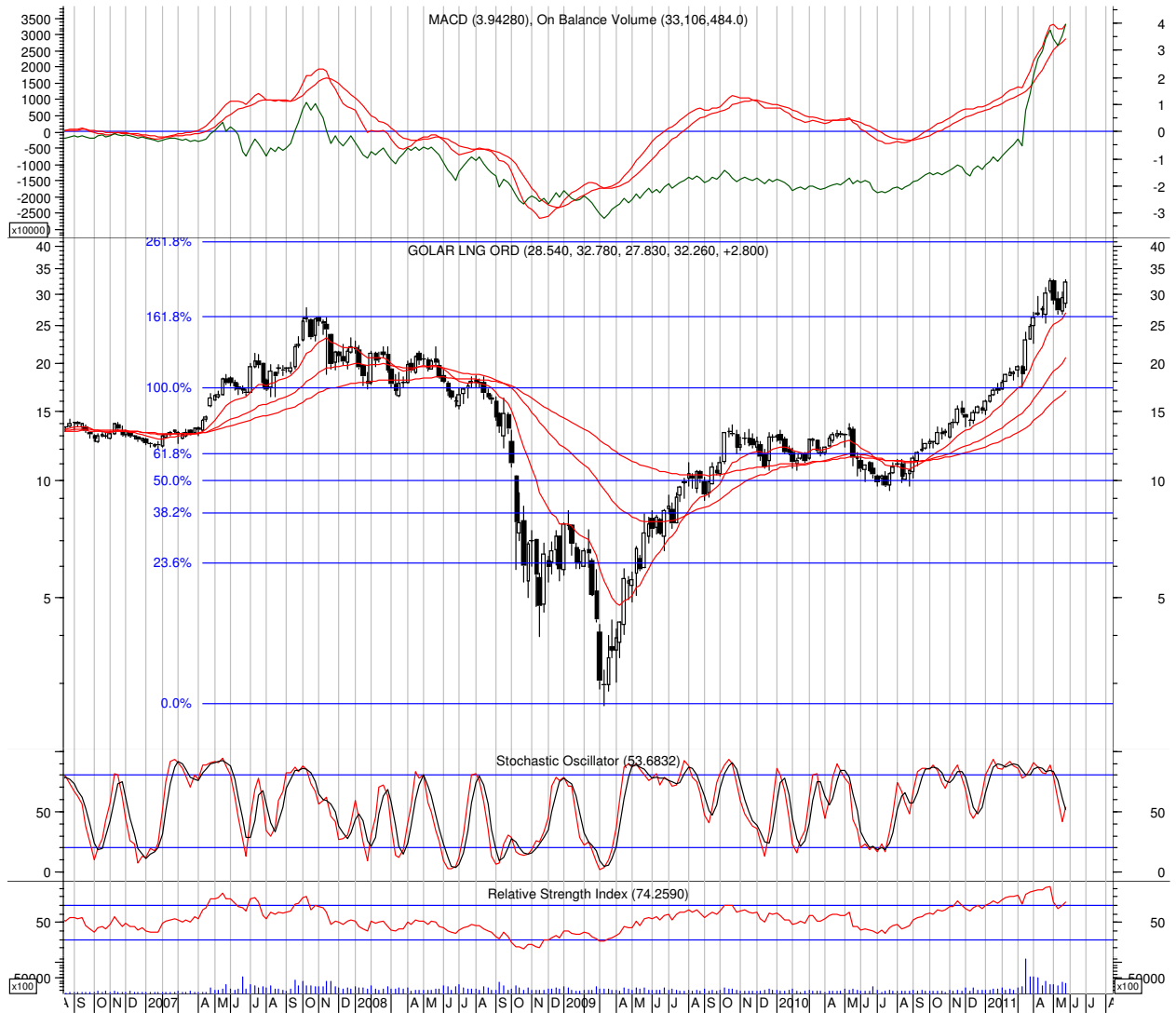
Back to our more familiar weekly perspective, and the picture becomes clearer. We see that it was the 13-week MA that acted as the trending support line, which slowly accelerated away from the 40 and 80-week MAs. After a bullish cross of the 40 over the 80-week MA last March, the 40 has become the first line of defense in this correction, backed up by the nearby 80-week just below. STO is in oversold territory but has already turned up through the 20 line, and the RSI is still effectively in the top half of its chart – typical in a strong bull market. OBV continues to trend up nicely. Of course the Fib line is at the same point as on the daily chart and shows strong support. One can only conclude that while the bulls were given a shakeout, the bears are unlikely to capitalize on their initial success. A price move through the 13-week MA will take little effort and will quickly turn the tide away from fear.

SECURE ENERGY SERVICES SES-TSX

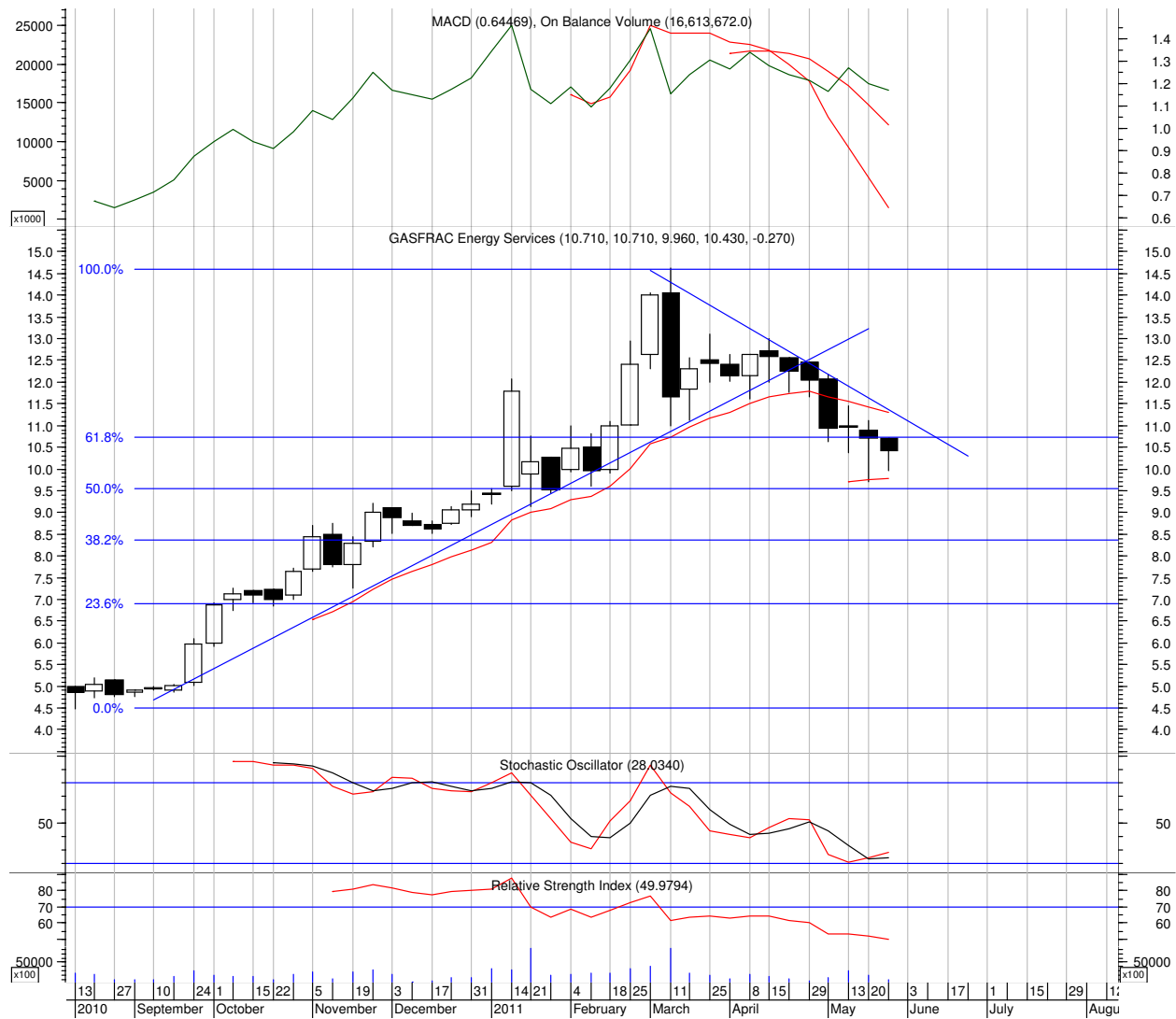


Secure Energy Services: This chart clearly exhibits why one should never rely on an over-bought / oversold oscillator as a sole indicator for trading purposes. The STO and RSI spent much of the last year in severely overbought territory as price continued to rise relentlessly to monthly new highs. Likewise the MACD gave a shallow false sell signal in early March which was just before price appreciation when into overdrive, accelerating off the trendline. Next resistance may be found at the projected 423.6% Fib area at \$9.85.

GOLAR LNG GLNG-NASD

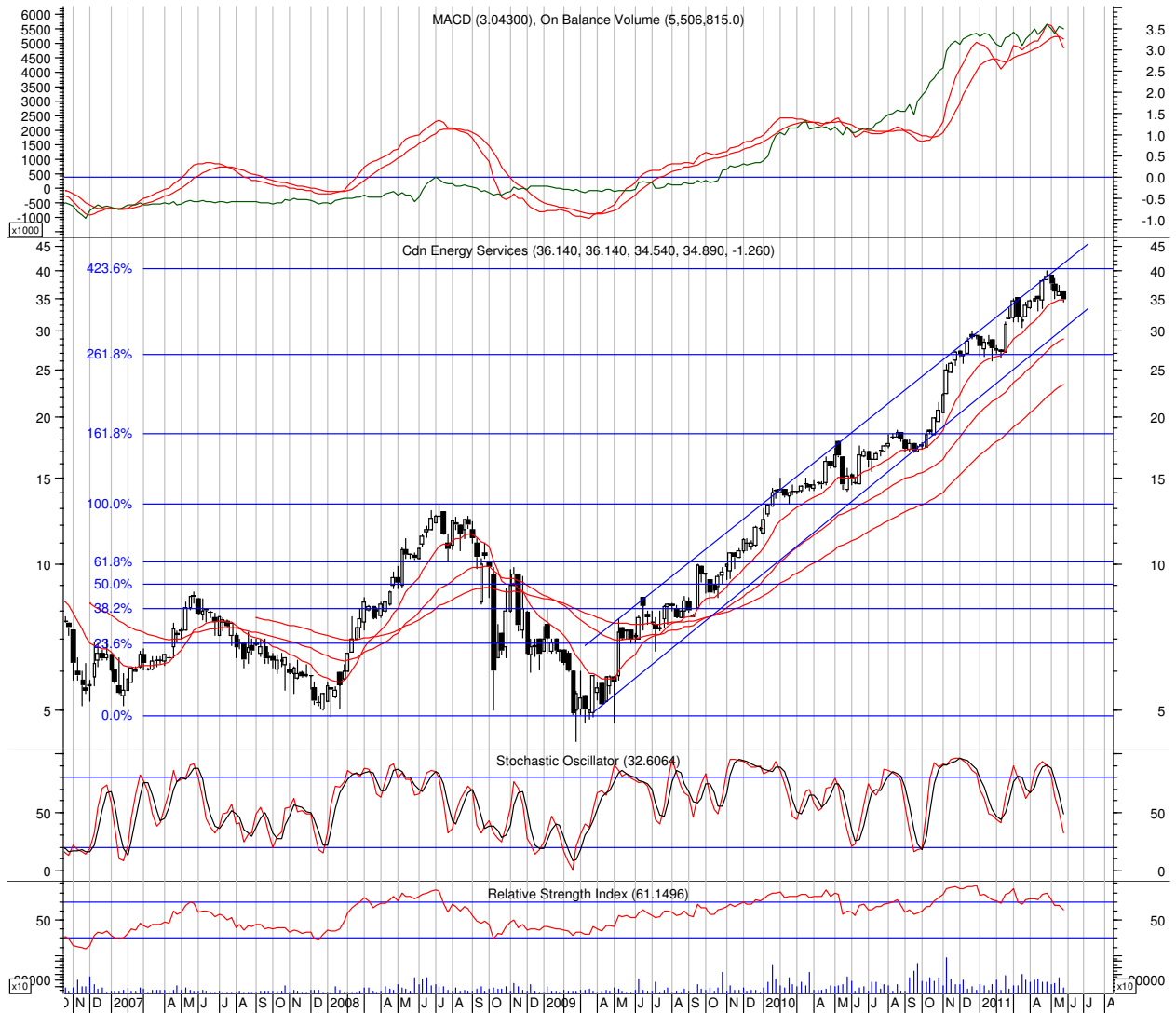


Golar LNG: With a recent spike in volume to all time new highs, we note that price accelerated once it had achieved a full recovery back into the pre-crash trading range of \$17.50-26.00. With no one in a loss position looking to get out even, price was clear to move higher unimpeded by market memory. The old high resistance area now becomes support, and was quickly tested over the last 3 weeks before resuming higher on steady volume. Next material resistance is projected at the Fib 261.8% area, at around \$40.



GasFrac Energy Services: What started as a steady and reliable uptrend that lasted 6 months saw a MACD sell signal given mid-April that has yet to run its course. Likely to test the \$9.50 50% retracement area, the STO is close to being oversold, but starting a small bounce off the 20% trigger line as this week's slightly higher low over the prior week signals a bit of potential support setting in. Note the 40-week MA is starting to be plotted as trading commenced about 42 weeks ago, and is immediately acting as support with the recent price low stopping exactly on that MA at the \$9.70 level. A move through the downtrend line will signal a possible new rally and that the bottom is in. We are very close to the key 50% retracement area at \$9.50, and not actually challenging that line of support and commencing a rally from above the area would signal a particularly strong technical situation for further gains. But first, we need to overcome the downward trendline and declining 13-week MA, failing which next support will be more aggressively tested.

CANADIAN ENERGY SERVICES CEU-TSX



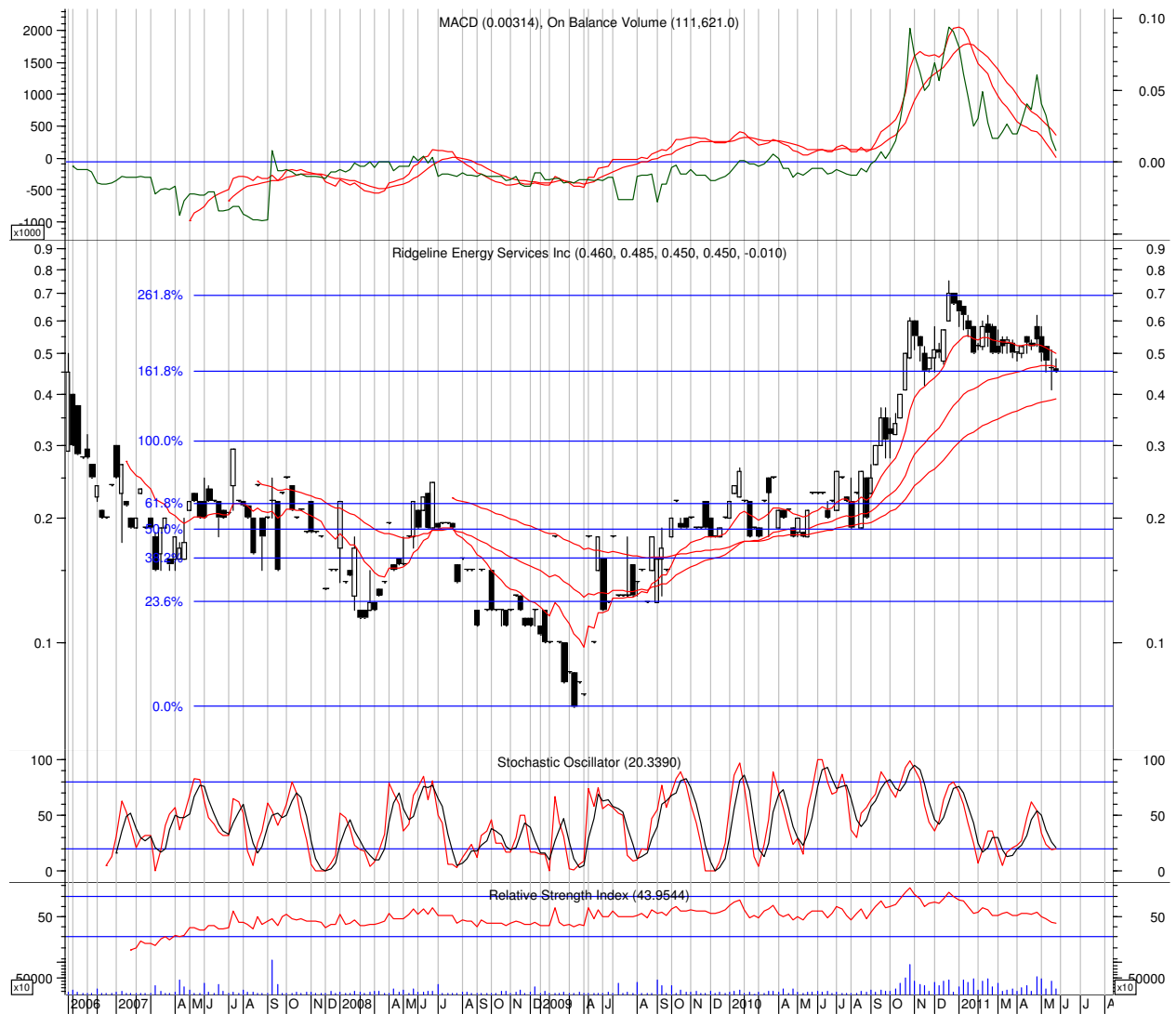
Canadian Energy Services: This chart shows a remarkably steady uptrending channel that reliably trades off its 13-week MA. The old 2008 price high of \$13.20 was retested in January 2010 and the immediate breakout to new highs signaled significant underlying strength. There is no indication that the trend is coming to an end other than the break below the overbought line of the RSI and some toppiness on the MACD, albeit minor at this point. The next Fib resistance area sits at the \$40 area, which is also a natural “big fat number” that often becomes a popular target for retail investors. Meanwhile, the trend remains your friend.

WAVEFRONT TECHNOLOGY WEE-TSXV



Wavefront Technology: The price is base-building after a big run last year. The MACD sell signal of January 2010 gave plenty of warning at the time with price around the \$2.50 area. The next buy signal was only generated in October at the \$1.06 area, although somewhat premature unless one took quick profits 2 weeks later as price rallied to the old 61.8% Fib area at around \$1.60. Price shows signs of life with a rounding bottom formation being hammered out. The 40 and 80-week MAs are still trending down and offer resistance starting at around the 38.2% Fib line at \$1.15 to the \$1.30 area. The downtrend price band will cross the price trading range around mid-July, and will also offer a band of selling pressure that price will need to work through.

RIDGELINE ENVIRONMENTAL RLE-TSXV



Ridgeline Environmental: A picture of weakening price action and some acceleration to the downside warrants close observation. Critical support sits at the 161.8% Fib line at \$0.45, now being tested. MACD has been negatively divergent since its sell signal of late January, and OBV shows a recent reversal to plunge towards year-ago levels. Next support is about \$0.30--a decline of 33% from current levels – not a fate you would wish to be a part of. Liquidity is also a factor; a quick exit by anyone with size could accelerate any price drop. The 80-week MA just under \$0.40 will offer some support, which means some buying interest will be found there should the 161.8% Fib area support break and the 13 and 40-week MA's now turning down prove to be too much pressure.