



Technical Analysis

POINTS OF VIEW

24 January 2005

EAST-EUROPEAN LARGE CAPS

COMMENTS

Indices

All indices have potential to move higher this year, but medium-term tops are set or getting nearer. The Polish [Wig20](#) has turned down; the Czech [Px50](#) and the Hungarian [Bux](#) index remain in up trend but are currently well overbought and in need of a pullback. The Russian [Crtx](#) index reversed from the second target (1200) and may be in the process of finishing a huge head-and shoulders pattern.

Stocks

The best-looking outperformers versus the MSCI Eastern Europe Index on the monthly charts are: PKO Bank, Cez, Komerčni Banka, Philip Morris, Zentiva and OTP bank.

The best looking absolute charts are:

- in the Czech Republic: Cesky Telecom, Komerčni Banka, Philip Morris and Zentiva
- in Hungary: Gedeon Richter
- in Poland: Agora, Computerland, Bank Millenium, Polski Konzern, PKO Bank and Telekomunikacja Polski
- in Russia: Gazprom

Recommendation “Go with break” on the next page indicates initial support and resistance levels are quite important; a break of one of these levels announces (in 90% of the case) the next bigger move.

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EAST-EUROPEAN LARGE CAPS

<u>POLAND</u>		POLAND		<u>HUNGARY</u>	
STOCK	Current Rating	STOCK	Current Rating	STOCK	Current Rating
AGORA	Buy weakness	TELEKOM PO	Buy	MATAV	Go with break
BRE BANK	Sell strength	ZACHODNI	Go with break	MOL	Buy Weakness
COMPUTERL	Buy weakness			OTP BANK	Sell strength
KGHM P MIED	Sell			G RICHTER	Buy
MILLENIUM	Buy weakness	<u>CZECH REPUBLIC</u>		<u>RUSSIA</u>	
ORBIS	Go with break				
PEKAO	Buy weakness	CESKY TEL	Buy	GAZPROM	Buy Weakness
P KONC NAFT	Buy weakness	CEZ	Stay long w/st	NORILSK	Sell Strength
PROKOM SOF	Buy weakness	ERSTE BK	Go with break	LUKOIL	Go with break
PRZEMYSLO	Sell Strength	KOMERCNI	Buy	SURGUT	Go with break
PKO BANK	No recomm.	PHIL MORR	Buy weakness	TATNEFT	Sell strength
SOFTBANK	Go with break	ZENTIVA	Go with break	UES	Go with break

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WEEKLY CHART

Trend: UP
Major resistance: 2110/50
Initial resistance: 1900/25
Initial support: 1810/40 - 1750
Major support: 1600

This stock market remains in up trend as long as it stays above 1600, but recently it was overbought on daily, weekly and monthly charts.

The decline from the high is now entering initial support 1810/40 and short-term technicals are getting somewhat oversold, so we will likely see buyers coming in over the next days. Only weakness below 1750 would endanger the trend.

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WEEKLY CHART

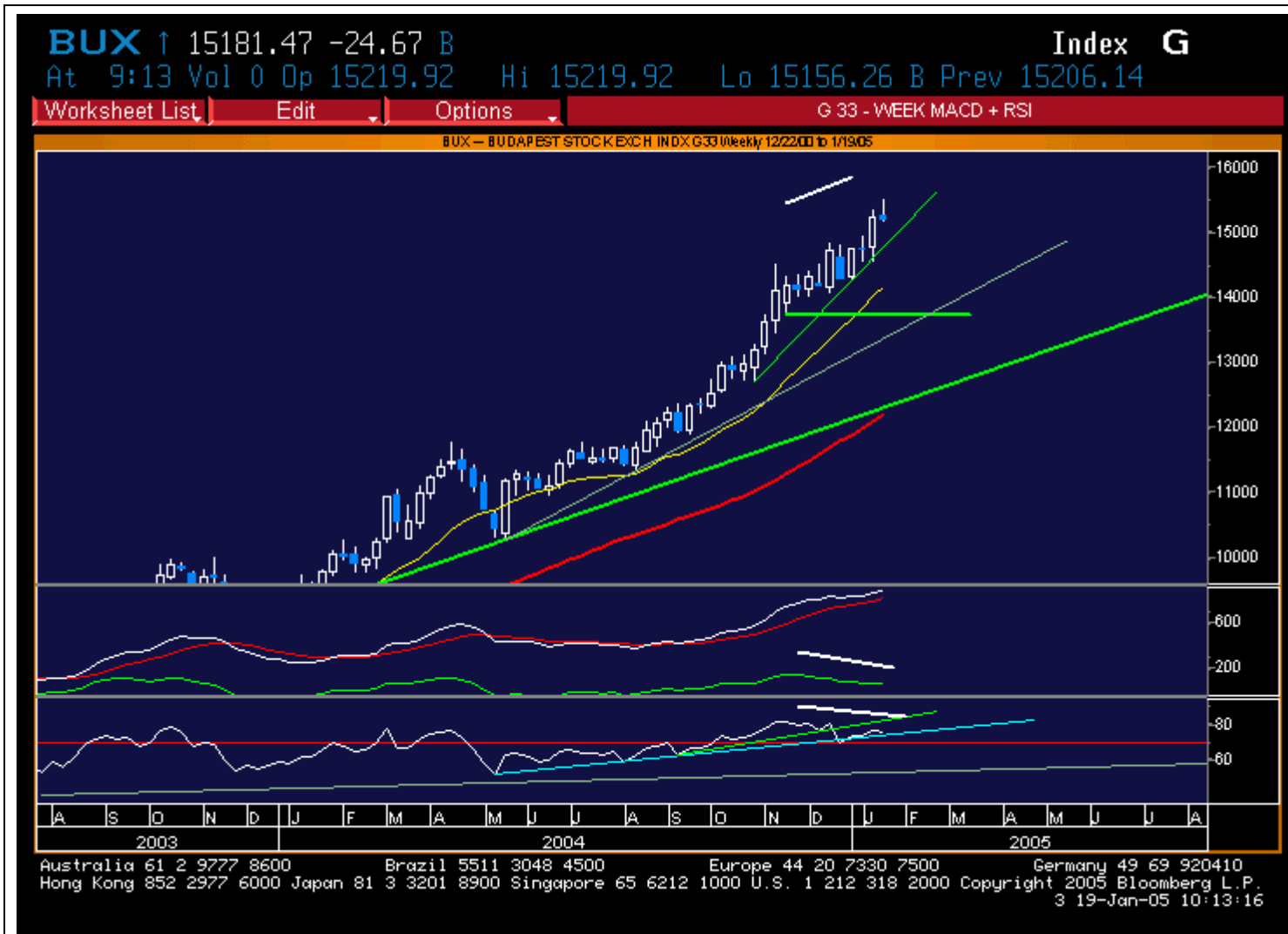
Trend: UP
Major resistance: 1110/30
Initial resistance: 1090/5
Initial support: 1040/50
Important support: 970
Major support: 875

The index broke above the all-time high (1002 – established in 1994) and is getting completely overbought (rsi 87 on monthly chart). Moreover, the weekly chart shows a negative divergence, so a top is getting closer.

The up trend is not finished though and will probably subdivide higher towards next resistances. The major resistance area will probably cause a reversal, so suggest taking profits there.

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WEEKLY CHART

Trend: UP
Major resistance: 17000/18100
Initial resistance: 15500/700
Initial support: 15000
Important support: 13450/750
Major support: 12700

The index is strongly overbought on monthly and weekly charts although it looks as if there is still a lot of rally potential over time. Not in a straight line of course. The 13500/700 area may see a reversal develop. Weekly and daily technical indicators start flashing warning signals and a larger pullback to initial support will most likely be seen over the next months. Keep an eye on support 15000.

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WEEKLY CHART

Trend: DOWN
Major resistance: 1068.69
Initial resistance: 1000/25
Initial support: 920
Important support: 860/70
Major support: 700/30

Unless the index can manage to break above major resistance **1068.69**, consider the trend to be down.

A possible head-and-shoulders pattern is visible on this chart with neckline located at **860/70**. If you see weakness develop below **920**, this pattern could well develop very rapidly. The difference between the top and the neckline is 560 points. A drop below the neckline suggests therefore weakness towards 300, or Armageddon.

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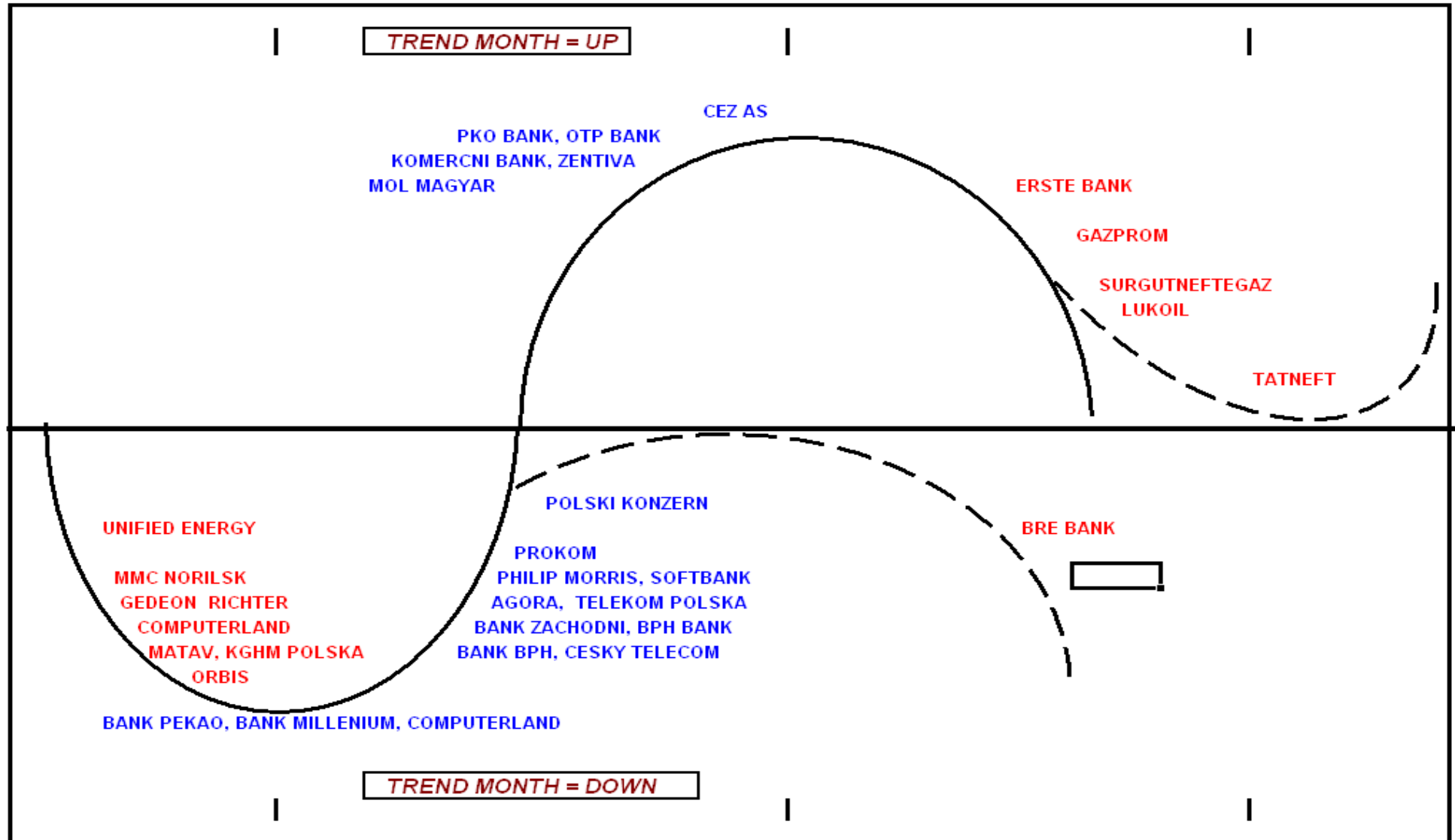
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ALFABETICAL OVERVIEW OF AUTOMATED TECHNICAL ANALYSIS SYSTEM

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STOCKS	RELATIVE vs				ABSOLUTE			
	MSCI EASTERN EUROPE							
AGORA SA	OUTP	52	OUTP ENDING	58	BUY	52	BUY WEAKNESS	52
BRE BANK SA	UNDERP	48	BACK IN DOWNTREND	34	SELL STRENGTH	45	SELL	31
COMPUTERLAND	OUTP	45	BUY	62	BUY	47	BUY	62
KGHM POLSKA MIEDZ S.A.	UNDERP	35	STRONG DOWN	35	SELL	64	SELL	35
BANK MILLENNIUM SA	OUTP	48	ACCUMULATE	54	BUY	45	BUY WEAKNESS	46
ORBIS SA	OUTP	40	FURTHER ST UNDERP	34	BUY WEAKNESS	44	SELL	34
BANK PEKAO SA	OUTP	50	FURTHER ST UNDERP	41	BUY	46	SELL STRENGTH	44
POLSKI KONCERN NAFTOY	UNDERP	48	UNDP ENDING	52	SELL STRENGTH	97	BUY WEAKNESS	45
PROKOM SOFTWARE SA	UNDERP	37	CLOSE SHORT	50	BUY WEAKNESS	32	BUY WEAKNESS	42
BANK BPH	UNDERP	0	BACK IN DOWNTREND	55	BUY	57	SELL STRENGTH	47
PKO BANK	OUTP	55	DETERIORATING	43	BUY	52	HOLD	48
SOFTBANK SA	OUTP	47	DETERIORATING	45	BUY	54	SELL STRENGTH	33
TELEKOMUNIKACJA POLSKI	OUTP	53	IMPROVING	51	BUY	47	BUY WEAKNESS	36
BANK ZACHODNI WBK S.A.	OUTP	52	OUTP ENDING	49	BUY	52	SELL STRENGTH	39
CESKY TELECOM AS	OUTP	55	BACK IN UPTREND	69	BUY	56	BUY WEAKNESS	66
CEZ AS	OUTP	74	DETERIORATING	57	OVERBOUGHT	83	SELL STRENGTH	58
ERSTE BANK DER OESTER	UNDERP	45	SELL	41	SELL STRENGTH	57	HOLD	37
KOMERCNI BANKA AS	OUTP	55	BACK IN UPTREND	59	BUY	58	BUY	65
PHILIP MORRIS CR AS	OUTP	52	BACK IN UPTREND	62	BUY	39	BUY WEAKNESS	76
ZENTIVA	OUTP	62	OUTP ENDING	62	OVERBOUGHT	75	SELL STRENGTH	62
MATAV RT	OUTP	48	OUTP ENDING	53	BUY WEAKNESS	50	SELL STRENGTH	52
MOL MAGYAR OLAJ- ES GA	UNDERP	57	UNDP ENDING	56	OVERBOUGHT	82	SELL STRENGTH	51
OTP BANK RT	OUTP	64	STRONG UP	65	SELL STRENGTH	62	BUY	67
GEDEON RICHTER RT	OUTP	51	BUY	63	BUY	61	BUY	60
OADO GAZPROM-SPON ADR	UNDERP	44	BACK IN DOWNTREND ?	42	BUY WEAKNESS	35	BUY WEAKNESS	41
JSC MMC NORILSK NICKEL	UNDERP	38	IMPROVING	53	BUY WEAKNESS	29	SELL	37
LUKOIL-SPON ADR	UNDERP	43	BACK IN DOWNTREND ?	50	SELL STRENGTH	69	BUY WEAKNESS	48
SURGUTNEFTEGAZ-SP ADR	UNDERP	47	CLOSE SHORT	51	SELL STRENGTH	61	BUY WEAKNESS	47
UNIFIED ENERGY SYS-REG	UNDERP	42	SELL	42	SELL STRENGTH	52	BUY WEAKNESS	47
UNIFIED ENERGY SYS-REG	UNDERP	42	SELL	40	SELL	57	BUY WEAKNESS	44



AGORA (Media)



Trend: UP **- OUTPERFORMER**
RECOMMENDATION: BUY WEAKNESS with stop 52
 Initial support: 53/54.20 Initial resistance: 57/60
 Major support: 45.90 Major resistance: 68

Commentary: the current pullback is probably corrective, but should find support in the 53/54.20 area to see renewed test of 57/60 resistance.

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BRE BANK



Trend: NEUTRAL **- UNDERPERFORMER**
RECOMMENDATION: SELL STRENGTH
 Initial support: 103 /104.50 Initial resistance: 114
 Major support: 81/92.50 Major resistance: 120/4

Commentary: the price did not get above 120 and fell towards initial support. With technicals breaking down, drop below this area could cause a 15/20-point move.

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COMPUTERLAND

KGHM POLSKA MIEDZ (Copper, Silver mines)



Trend: UP **- OUTPERFORMER**
RECOMMENDATION: BUY WEAKNESS with stop 105
Initial support: 105 *Initial resistance: 111/13*
Major support: 95/99 *Major resistance: 121.50/124*

Commentary: the stock bounced from major support and may be ready to resume the rally from the 2003 low. Strength above 119 is bullish. Initial support must hold now or S-H-S looms.

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Trend: DOWN **- UNDERPERFORMER**
RECOMMENDATION: SELL
Initial support: 25.40 *Initial resistance: 29.25/80*
Major support: 20.80 *Major resistance: 33.80*

Commentary: sharp reversal from the high suggests a medium-term top. Retest of broken trend line failed. Look for test of 25.40 May 2004 low before any bounce.

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BANK MILLENIUM

ORBIS (Hotels, restaurant svcs)



Trend: NEUTRAL - OUTPERFORMER?
RECOMMENDATION: BUY WEAKNESS with stop 3.05
Initial support: 3.10 Initial resistance: 3.50
Major support: 2.72 Major resistance: 3.80:4.00

Commentary: sideways consolidation continues. Only break out of 2.5/3.5 range will change this. It looks as if we may test the upper end over the next couple of months.

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Trend: DOWN - UNDERPERFORMER – ending?
RECOMMENDATION: GO WITH BREAK
Initial support: 20/21.50 Initial resistance: 25
Major support: 15 Major resistance: 31.50

Commentary: in wide trading range with parameters 20 and 25. Break out of this range will tell you the next 5-6 point move. Indicative parameters are 21 and 24.

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BANK PEKAO

POLSKI KONCERN NAFTOWY ORLEN (Oil prod)



Trend: UP **- UNDERPERFORMER – ending?**
RECOMMENDATION: BUY WEAKNESS with stop 122
Initial support: 123 *Initial resistance: 137*
Major support: 113 *Major resistance: 153*

Trend: UP **- OUTPERFORMER**
RECOMMENDATION: BUY WEAKNESS with stop 32
Initial support: 34.80 *Initial resistance: 37.50*
Major support: 32/32.60 *Major resistance: 39/40*

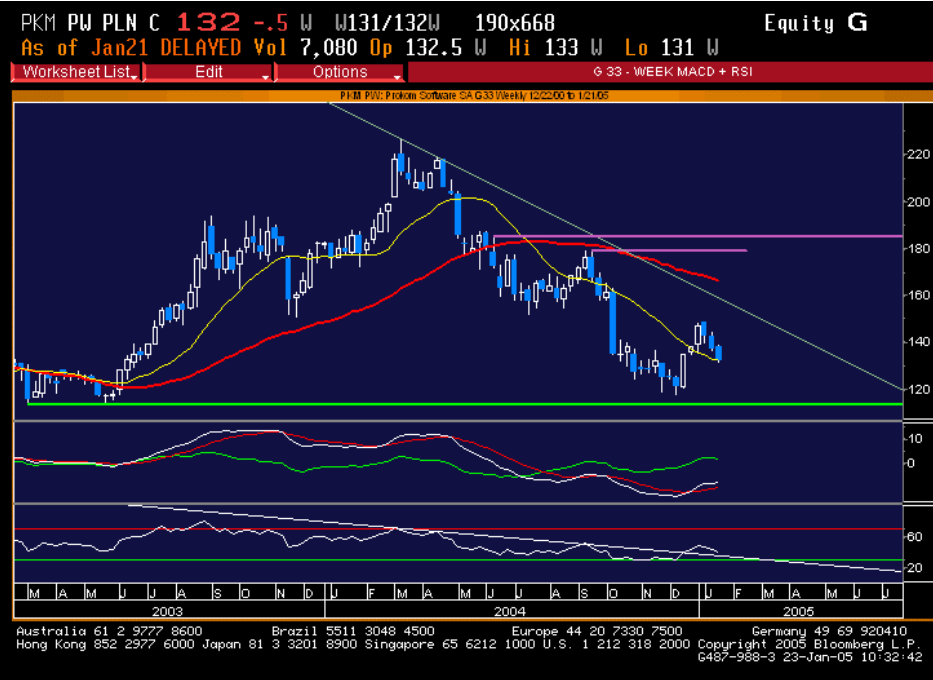
Commentary: was not able to break the previous high yet. Up trend remains in force, but must hold above 123 or a larger decline will unfold (possible S-H-S looms – see yellow line).

Commentary: Strength above 37.5 would see resumption of trend. But another dip towards 32.60 remains possible as well.

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PROKOM SOFTWARE

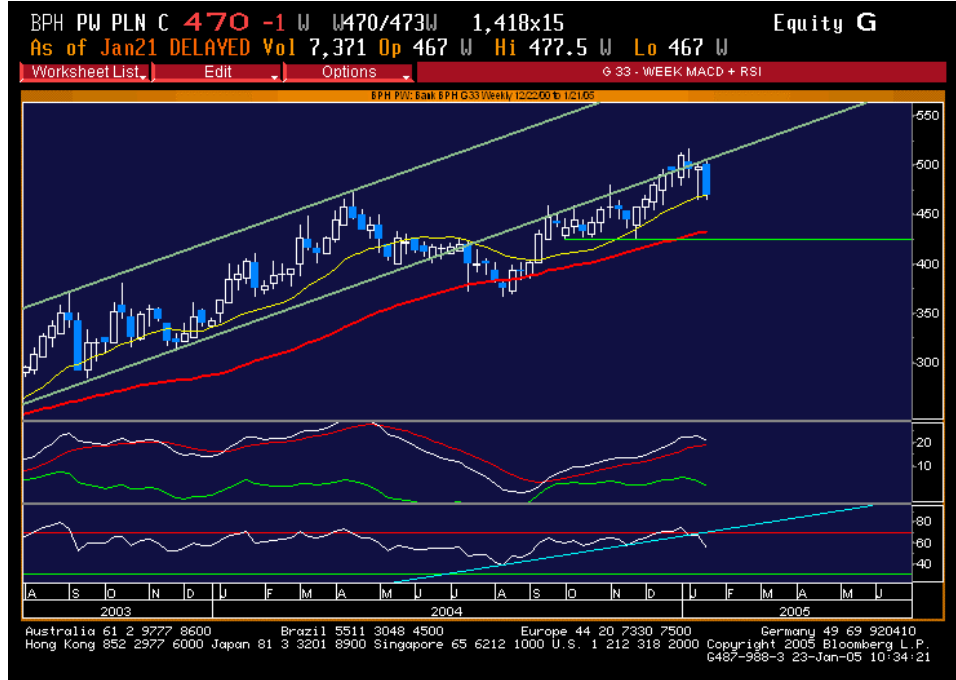


Trend: DOWN - correction - UNDERPERFORMER
RECOMMENDATION: BUY WEAKNESS wit stop 128
Initial support: 129/32 *Initial resistance: 132*
Major support: 117 *Major resistance: 155/8*

Commentary: the stock may have set a bottom at 117. It is currently in neutral territory, but there is a good chance it will start a second leg up towards the 155/58 area.

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BANK PRZEMYSLOWO-HANDLOWY PBK

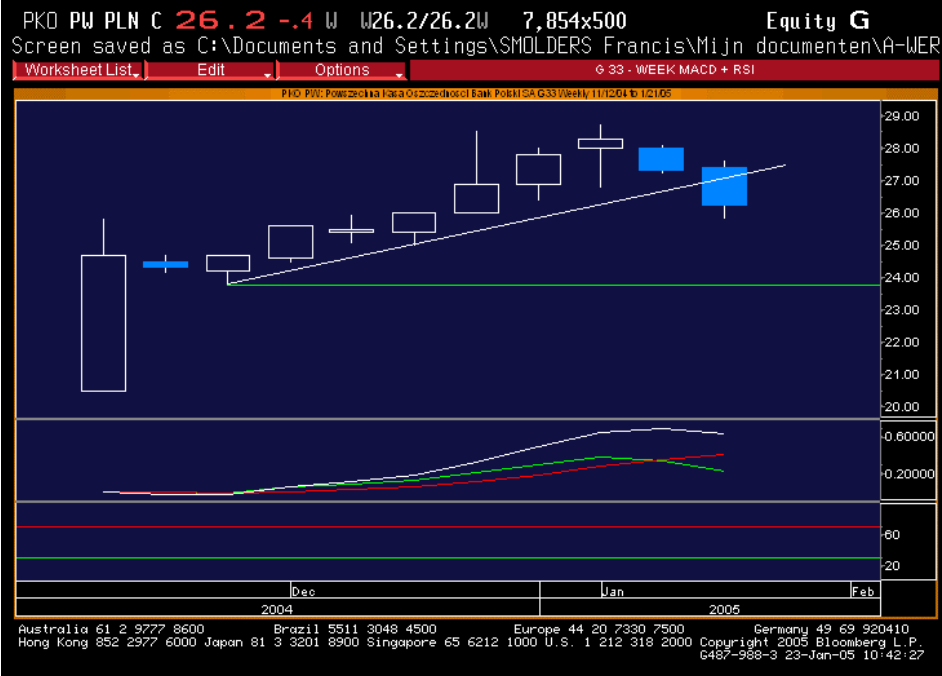


Trend: UP – getting toppish - UNDERPERFORMER
RECOMMENDATION: SELL STRENGTH
Initial support: 425 - 460 *Initial resistance: 480/90*
Major support: 385/95 *Major resistance: 550*

Commentary: set a new the all-time high (517) but is turning down. Watch 460. Weakness below points to an important top and subsequent weakness towards 425 or even major support.

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PKO BANK



Trend:

RECOMMENDATION:

Initial support: 25.80

Major support: 23.20

Initial resistance: 28.00

Major resistance: 28.70/29.20

Commentary: very little to work with as trading only started a couple of months ago. Short-term is looks as if we may to see some downward pressure. No recommendation yet.

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SOFTBANK



Trend: UP – turning down? **- OUTPERFORMER – ending?**

RECOMMENDATION: GO WITH BREAK

Initial support: 24.70

Major support: 17.20/5

Initial resistance: 27.40/28.50

Major resistance: 30.00 - 33.70

Commentary: in no-mans land at the moment. Trend is still up, but has to regain initial resistance quickly. If it happens, this could be very bullish. Break below initial support is bearish.

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TELEKOMUNIKACJA POLSKA

TPS PW PLN C **18.5** **-.05** W W18.5/18.5W 23.9Kx250 Equity G
 As of Jan21 DELAYED Vol 808,442 Op 18.45 W Hi 18.6 W Lo 18.4 W



Trend: UP

- OUTPERFORMER

RECOMMENDATION: BUY

Initial support: 17.30/18.00

Initial resistance: 20.00

Major support: 16.30

Major resistance: 21.50/70

Commentary: on it's way to major resistance. Initial support should hold or something else is happening.

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BANK ZACHODNI WBK

BZW PW PLN C **91.4** **-.6** W W91.4/91.8W 109x650 Equity G
 As of Jan21 DELAYED Vol 791 Op 91.2 W Hi 92.9 W Lo 91.2 W



Trend: UP

- OUTPERFORMER

RECOMMENDATION: GO WITH BREAK

Initial support: 89.50

Initial resistance: 95 – 97.50

Major support: 87.00

Major resistance: 100 - 112

Commentary: looks like a correction in an up trend, but has to regain 95 to become bullish. Key support is 87.00. Weakness below this level is quite bearish.

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CESKY TELECOM

CEZ (Electricity producer)



Trend: UP - **OUTPERFORMER**
RECOMMENDATION: BUY
Initial support: 370/80 *Initial resistance: 400.50*
Major support: 285/300 *Major resistance: 420 - 480*

Commentary: broke above strong resistance. Good-looking stock with potential to make it all the way to 480 over the next months, the 38.2% retracement level of the 2000-2001 decline.

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Trend: UP - **OUTPERFORMER – slowly ending**
RECOMMENDATION: STAY LONG with stop/reverse 339
Initial support: 339 *Initial resistance: 362*
Major support: 310 *Major resistance: 380/5*

Commentary: strong up trend but rsi on monthly chart now at 92! Negative divergence on this chart. Still, up trend can extend towards 385 before we get a larger pullback –watch 339

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ERSTE BANK

RBAG CP CZK C **1130** +11 S P1128/1131P Equity G
 As of Jan21 DELAYED Vol 109,987 Op 1109.5 S Hi 1135 K Lo 1100 S Fix 1118



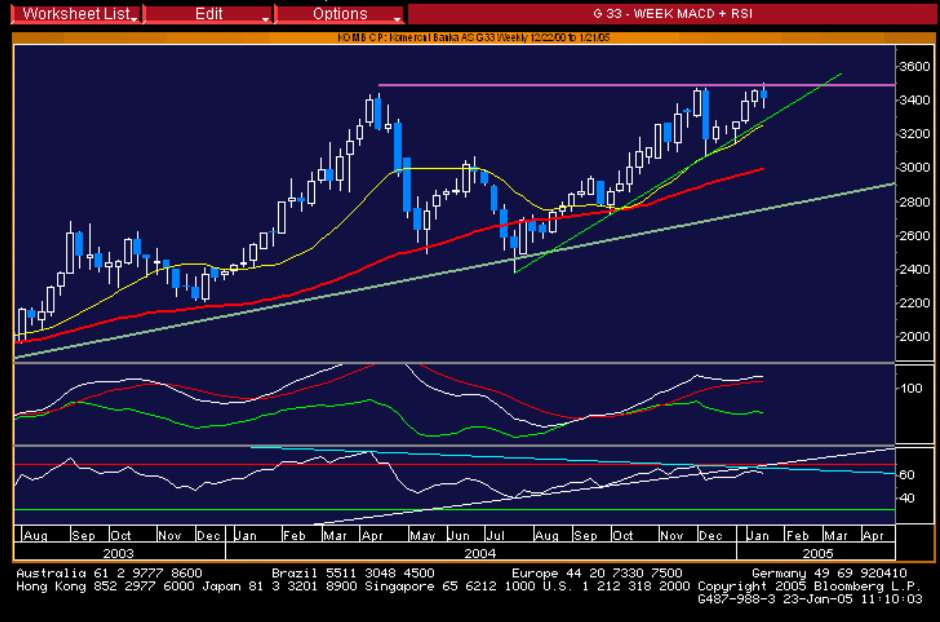
Trend: UP - UNDERPERFORMER
RECOMMENDATION: GO WITH BREAK
 Initial support: 1080/1100 Initial resistance: 1189
 Major support: 940/50 - 1055 Major resistance: 1200

Commentary: the stock pulled back from the highs and is testing key support area 1080/1100. Break below is bearish. With renewed strength above 1189 the up trend resumes.

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KOMERCNI BANKA

KOMB CP CZK C **3406** +18 S P3395/3415P 1,000x1,000 Equity G
 As of Jan21 DELAYED Vol 31,022 Op 3349 S Hi 3444 K Lo 3349 S



Trend: UP - OUTPERFORMER
RECOMMENDATION: BUY with stop 3280
 Initial support: 3280 Initial resistance: 3505
 Major support: 3065 Major resistance: 3600

Commentary: while testing the all-time high, there is an apparent loss of momentum on this weekly chart. However, as long as above initial support, the trend can extend to 3600

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PHILIP MORRIS



Trend: UP - OUTPERFORMER
RECOMMENDATION: BUY WEAKNESS with stop 16500
Initial support: 16550/800 Initial resistance: 18200/500
Major support: 15250 Major resistance: 20888 ATH

Commentary: the price reached important resistance and is pulling back towards initial support. Only weakness below this area would weaken the trend significantly.

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ZENTIVA



Trend: UP - OUTPERFORMER
RECOMMENDATION: GO WITH BREAK
Initial support: 740/45 Initial resistance: 806
Major support: 665/70 Major resistance: 850

Commentary: overbought on the longer-term charts. The 740/5 area is key support for further strength above 806. Unexpected weakness below this range is more bearish.

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MATAV MAGYAR TAVKOSLESI (Telecom svcs)

MOL MAGYAR OLY- ES GAZIPARI (Oil&Gas)



Trend: SIDEWAYS - UNDERPERFORMER
RECOMMENDATION: GO WITH BREAK
 Initial support: 820 Initial resistance: 925
 Major support: 785 Major resistance: 966

Trend: UP - OUTPERFORMER
RECOMMENDATION: BUY weakness with stop 11000
 Initial support: 11060/280 Initial resistance: 12850
 Major support: 9000 Major resistance: 13500/14000

Commentary: the price remains in a sideways consolidation; we need to see a break out of the 820/925 range before getting involved.

Commentary: overbought for quite a while (rsi month 81), but oil prices underpin. There is a good chance we will another move up in the direction of 14000 before a top comes in.

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OTP BANK



Trend: UP - OUTPERFORMER
RECOMMENDATION: SELL STRENGTH
 Initial support: 5800 Initial resistance: 6150
 Major support: 5130 Major resistance: 6400

Commentary: monthly rsi at 92(!) and negative divergence of price with technical indicators on this chart tell us this trend is unsustainable. As long as above 5800 trend can extend.

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GEDEON RICHTER



Trend: UP - OUTPERFORMER
RECOMMENDATION: BUY
 Initial support: 21200/22000 Initial resistance: 25600/26000
 Major support: 22500 Major resistance: 27450

Commentary: bounced from key support (green line). Break above 24200 is a long-term positive. Test of 25600/26000 initial resistance looks on.

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GAZPROM



Trend: UP - **UNDERPERFORMER – ending?**
RECOMMENDATION: BUY WEAKNESS with stop 31.00
Initial support: 31.40 *Initial resistance: 37*
Major support: 26.10 - 30 *Major resistance: 50/55*

Commentary: the price remains in an up sloping trend channel and is trying to bottom after a four months consolidation. Above 37 is bullish. Watch 31 carefully (white line) for S-H-S.

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MMC NORILSK NICKEL



Trend: DOWN - **UNDERPERFORMER**
RECOMMENDATION: SELL STRENGTH
Initial support: 49 *Initial resistance: 55.50*
Major support: 40/41 *Major resistance: 60*

Commentary: the rally of the last month seems to be corrective; weakness below 49 suggests test of monthly trend line support in the 40/41 area.

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LUKOIL



Trend: SIDEWAYS - UNDERPERFORMER
RECOMMENDATION: GO WITH BREAK
Initial support: 120.5 Initial resistance: 121.50
Major support: 95/100 Major resistance: 133.25 - 160

Commentary: the strong rally from the low eases downside pressure, but the stock is not out of the danger zone yet. Watch 109 and 121.50; break here sees a 10-15 point move.

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SURGUTNEFTEGAZ



Trend: UP - UNDERPERFORMER
RECOMMENDATION: GO WITH BREAK
Initial support: 33 Initial resistance: 38
Major support: 29.50 Major resistance: 42 - 45/50

Commentary: looks the same as Lukoil. So watch parameters 33 and 38 for the next bigger move.

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TATNEFT

UNIFIED ENERGY SYSTEM



Trend: SIDEWAYS **- UNDERPERFORMER**
RECOMMENDATION: SELL STRENGTH
Initial support: 27.18 *Initial resistance: 30*
Major support: 21 *Major resistance: 32.30*

Commentary: stock is correcting the recent decline and should resume the downtrend soon. Only strength above 30 eases downside pressure.

Trend: SIDEWAYS **- UNDERPERFORMER**
RECOMMENDATION: GO WITH BREAK
Initial support: 25.50 *Initial resistance: 30.20*
Major support: 18 - 21 *Major resistance: 43/46*

Commentary: stock is hovering above strong trend line support, but technicals suggest breakdown. Would wait for confirmation (25.50). Above 30.20 eases downside pressure.

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