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Red Rock Resources / Regency Mines: The Unlikely Lads

By Zak Mir — Saturday 18 May 2013

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To be perfectly honest until this week it seemed more likely that high profile Sasanach Nigel Farage would be given the freedom of the city of Edinburgh, than either Red Rock (**RRR**) or Regency Mines (**RGM**) a buy recommendation on a technical basis.

Taking Red Rock first, and looking at the daily chart of the past year and more, it can be seen how we have been treated to a slow slide to the downside, with the main bearish factors here being the way that even on intraday rallies the stock was unable to get anywhere near the black 200 day moving average currently at 1.17p.

Indeed, it can be seen how any strength above the blue 50 day moving average currently 0.63p was a cue to go short. Perhaps the final blow over the past year and a half is the way that intermediate rallies for the shares found resistance at or below previous support. For instance in February the peak was just below 1.5p and that compared to the former June 2012 low of 1.5p.

This kind of price action is only seen in the more bearish of situations. However, over the past few weeks we have seen some constructive action here, largely within the RSI window where the lower April lows towards 0.4p were not met with a lower RSI reading. We are also helped by the way that so far in May support has come in above the 0.38p low of last month. While some traders may wish to wait upon an end of day close back above the former initial 0.5p April floor as a momentum signal there is enough here for aggressive traders go along and target towards the top of the October price channel top at 0.8p.

In many ways it can be said that Regency mines is further down the line in terms of bullishness than Red
Rock currently. Indeed we would expect to see Red Rock to display the kind price action we are seeing here over the next few days. The bull pattern at Regency is that of a rebound off the floor and August price channel currently falling towards 0.3p, with a message being that while there is no end of day close back below this level we would expect to see an intermediate rally.

The favoured destination especially while the 20 day moving average holds at 0.33p would be a return towards the former August – February support zone at 0.7p. This also ties in with the present level of the 200 day moving average around the 0.75p mark. The timeframe on such a move would be the next 4 to 6 weeks at the earliest.