

DJ TECHNICALLY SPEAKING: You May Not Be Able To Bank On It -

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By Karen Talley

NEW YORK (Dow Jones)--Banking stocks had a very robust run last week - culminating with their benchmark index closing at an all-time high on Friday - but technical analysts are mixed when it comes to the group's prospects from here. Their sentiment follows the sector chalking up gains on bullish comments that saw titans like Citigroup (C), J.P. Morgan Chase (JPM) and Bank America (BAC) post significant advances. That momentum pushed the Philadelphia Stock Exchange Keefe, Bruyette Woods Bank Index (BKX) to a peak of 112.80 on Friday.

The advances came as Federal Reserve Chairman Ben Bernanke spoke about a potential pause in interest rate increases, a practically sure-fire way to lift the interest-rate sensitive financial group. But the group has subsequently pulled back after Bernanke reportedly said investors misconstrued his comments as meaning rate hikes were coming to an end.

And that's the way it's been for some time, with the BKX doing a lot of meandering, moving up on hopes that hikes are coming to an end and dropping when those hopes are dashed.

John Roque, technical analyst at Natexis Bleichroeder, still sees potential in the group. "Given the way banks have been behaving recently, I'm going to give them the benefit of the doubt," Roque said. "They have to prove that they can't do it right here. And right now it looks like they're okay."

And given that financial stocks carry the biggest weighting on the Standard & Poor's 500 Index, at nearly 22%, "If there can be follow-through that would be an encouraging sign for the overall market," Roque said.

For Citigroup (C), now at \$49.65, getting back above \$50 last week was pretty impressive because it had to go through some big resistance to get there, said Marc Pado, U.S market strategist at Cantor Fitzgerald. "I think it will get to the \$53 area, struggle, and mark time until the Fed is done raising rates, which is the uncertainty that is challenging all of these stocks."

Still, Citigroup has put in an impressive performance of late. The stock was stuck in a range of resistance between \$48.50 and \$49.75, which was a short-term top formation that was created between November of 2005 and January of 2006. In other words it was locked in that tight range during that period.

Moving above that range put the stock at a two-year high and, with another burst, positions it to challenge its April 2004 high of \$52.88, its best level since February 2001.

"The chart does look very encouraging, because we've moved through that \$48.50 and \$49.75," Pado said.

But there is a caveat. "I wouldn't consider the base of the last two years sufficient to support the stock to, say, \$60," he said.

The reason is not technical, though, it's interest rate-related.

J.P. Morgan (JPM), at \$45.46, on Friday closed at \$45.38, surpassing the high that it hit in March 2004, which was \$43.84.

The significance of Friday's move was that it breached a key resistance level of \$43.84 which puts the stock solidly in an upward trend in the short-term. The next price objective would be \$50, Pado said.

But, he added: "I'd probably be selling into that strength, because until we pull back and prove rates have stopped going up it's going to be hard to make higher highs."

Support, if shares start falling back, is at \$42. "It would make me nervous if we broke there because that level was it's last higher low," Pado noted.

Banc of America (BAC), at \$49.41, may pause for a bit after its impressive move last week, but then move higher, with \$50 a key level to move through, said Michael Saul, technical analyst at Trendfund.com.

The stock just broke out of a multi-month base, in which it was doing little, on very high volume, the highest since July of 2005.

"Right here it looks like it will go into a pause pattern, where it could retrace a bit of last week's dynamic move," Saul said. "From there it could pull back, or just go sideways for a while."

That's because last week the stock experienced "a wide range move," in which the individual sessions had big moves from low to high. That kind of track is usually followed by small ranges or consolidation, as the previous move is digested, Saul said.

Support for Banc of America rests at \$48. If it moves below that level, the stock has a good chance of testing \$47.25, a level that came last Wednesday and was accompanied by a little spike of volume.

Wells Fargo (WFC), at \$67.19, broke out of a tighter base, or range, than Banc of America last week, and showed considerable strength by rising 5.6% over the five sessions.

After a pause, or consolidation, the stock looks like it could head higher and test the \$75 mark, Saul said. "That is the next key resistance level, and the momentum break out of the range from last week suggests that higher prices are coming."

Support, should the stock slip, lies at \$67.14 and \$65.50. (Karen Talley covers the large-cap stock market for Dow Jones Newswires and also authors the Abreast of the Market Column for The Wall Street Journal.)

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