CHARLES STANLEY

Traders Bulletin

Daily Technical Analysis

28 May 2013

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Prices are as close 28 May 2013

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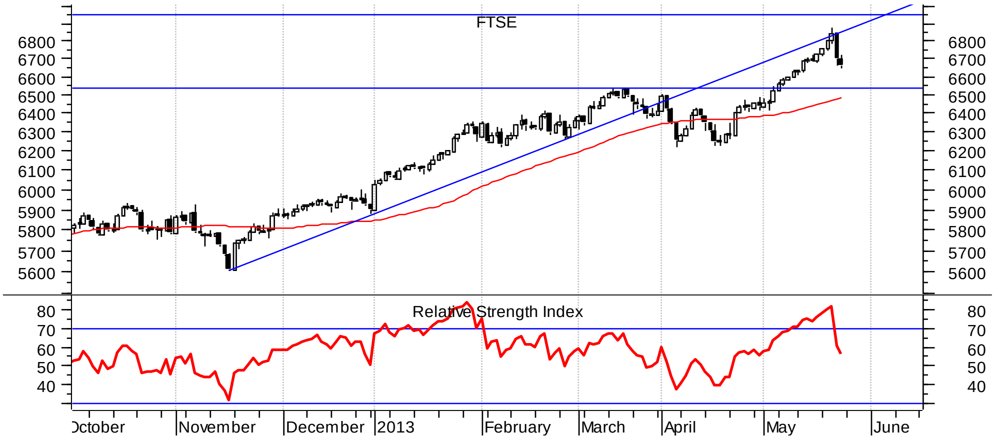
Equity Indices performance – Last Week

FTSE All Share	-1.15%
FTSE 100	-1.02%
FTSE Mid 250	-2.04%
FTSE Small Caps	-0.51%
S&P 500	-1.06%
Dow Jones Industrials	-0.33%
Nasdaq Composite	-1.14%
Euro Stoxx 50	-1.91%
Nikkei 225	-3.47%
Hang Seng	-2.01%

Last Week's Technical Highlights:

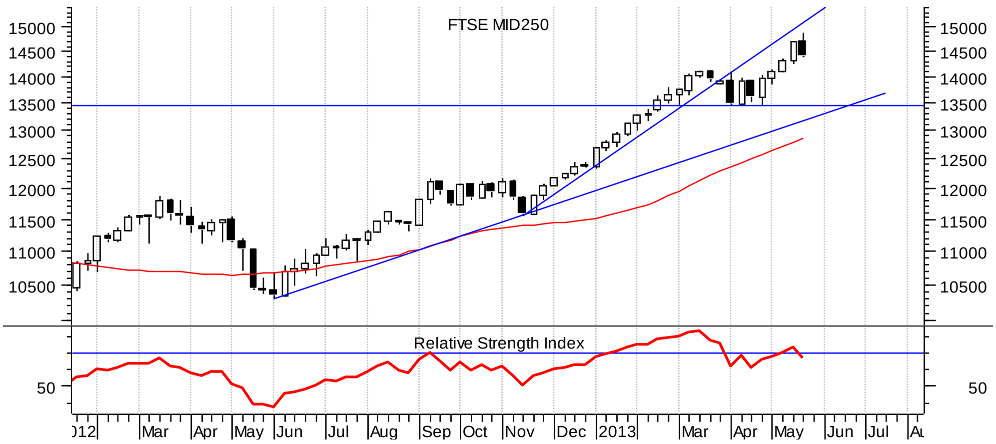
- ***Stocks off the top***
- ***Nikkei in reverse***
- ***Gold off the lows***
- ***Yen gaining ground***

FTSE-100 (6654.34) experienced its first significant reversal following four consecutive weeks of gains as investors reacted to the latest data from China (which was worse than anticipated) and Fed Chairman Ben Bernanke's testimony to Congress (in which he appeared to suggest that bond purchases could start to be 'tapered' before the end of the summer). The UK index slipped by just over 1% and while that hardly represents a major reversal the fact that it has risen so sharply of late – 9.5% in the space of just five weeks – clearly left it in a position where it had become vulnerable to a pull-back. Also worth noting is that at last week's peak, at 6840, it was less than 100 points below its December 1999 all-time high and it now appears that traders viewed last week's news-flow as representing a compelling argument for taking profits, especially ahead of the long weekend.

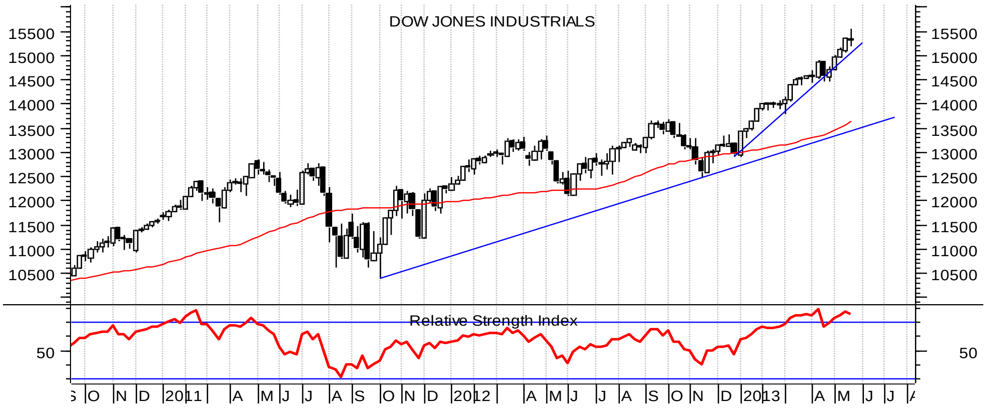


At the low on Friday, at 6640, the FTSE had retraced approximately 38.2% of the advance that began in mid-April and a bounce from this level will suggest that the pull-back has already run its course, especially if the move higher takes it straight back up through 6730. Any stalling here, however, will give the impression that traders are looking for lower prices before they jump back in, and that could lead to a drop back to around 6550 (i.e. a 50% retracement of the aforementioned rally).

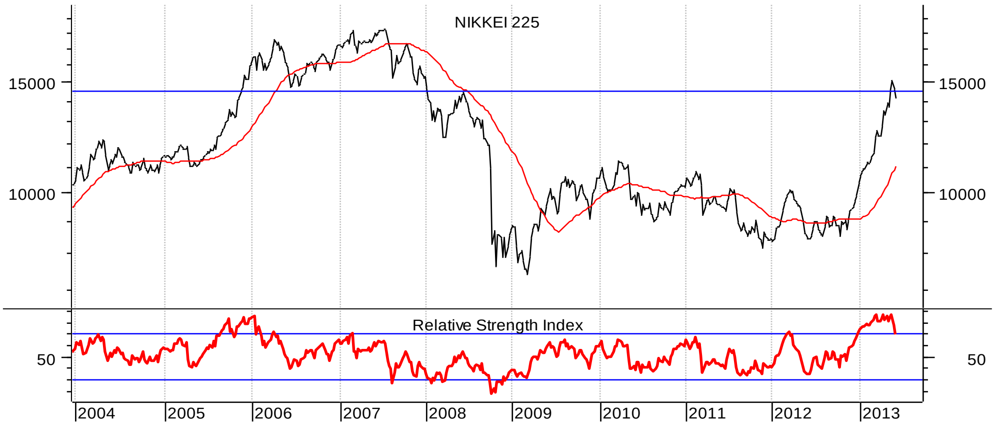
The ***FTSE Mid-250 (14393)*** also gave up a portion of its recent gains last week and its 2% decline was a reflection of the fact that its advance has been so robust, There is little in the chart to suggest that this marks a lasting top although a continuation of the pull-back through 14100 would look pretty negative.



Dow Jones Industrials (15303.10) remained remarkably resilient last week even as other global equity markets were exhibiting signs of exhaustion – over the course of the five days the index shed just 0.33% and, as the chart below illustrates, this means that the most recent leg of the uptrend (i.e. the one that began at the beginning of the year) remains undisturbed. As you might expect, this persistent strength has left the Dow looking somewhat stretched – its 14-week RSI has recently traded up to 77% - and a more significant pull-back remains a realistic expectation. However, as long as it holds above 15000 (and that trend-line) the bull case remains secure.



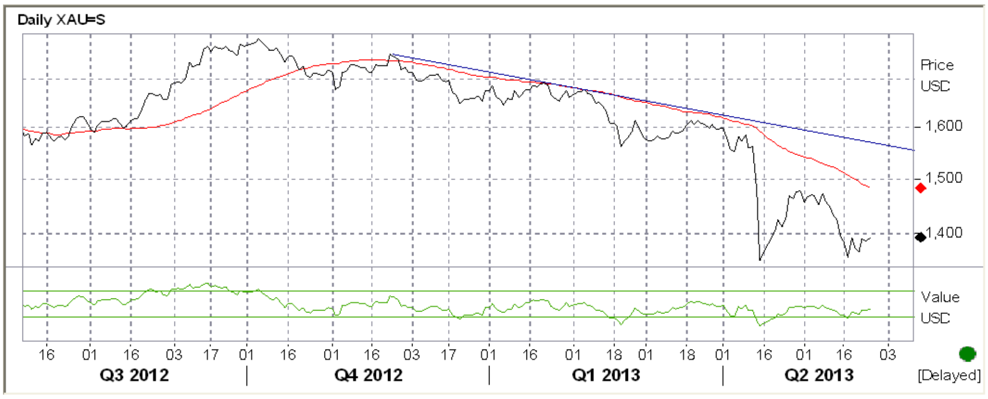
Nikkei 225 (14311.98) had its worst single session since March 2011 (following the tsunami) last week in reaction to a sudden strengthening of the yen relative to the dollar (see page 4) and a spike in JGB yields. The upshot of these events was to raise questions about the BoJ's ability to achieve its aims and this has led to even further volatility in the Tokyo index (which dropped by a further 3.6% at the beginning of the week, only to recover somewhat last night). The magnitude of the rise since November (since when it has put on more than 60%) probably means that further volatility has become likely in the near term



Euro Stoxx 50 (2795) also had a tough week, shedding 1.91% and the chart shows that the slip from the highs coincides with a test of resistance in the form of a trendline that has beem in place for just over a year (which now represents the upper end of a rising channel of sorts). Encouragingly, last week's trading low – at 2752 – did not involve a breach of the previous highs and, in fact, it looks like they provided support during the sell-off. The next area of possible resistance is at 2875 or so.

Commodities

Gold ($1394.28) – the last few sessions has seen gold re-examining the lows that formed last month, when it posted a closing low of $1352.75 – and the good news for bulls of the yellow metal is that, so far, it appears to be holding. What is also apparent from the chart, however, is that the bounce has been pretty insipid so far and lacks real conviction – in fact, it is still early to suggest that a lasting bottom is in place (and the price is still a long way from the intermediate highs that were reached just a few weeks ago, at $1474 or so). Short-term, the chart is pointing towards a bit more upside but the overall picture remains fairly negative.

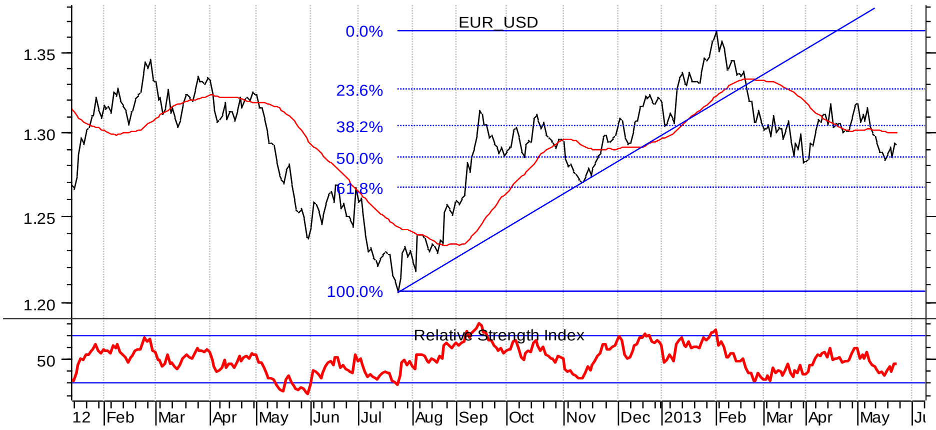


Copper ($7299) has been somewhat more robust than gold and, as the chart shows, it has managed to hold on to most of its recent gains (and the break above the short-term downtrend). Having posted a closing peak of $7475, however, the price reacted to the Chinese survey data and immediately lost ground; consequently, what we need to see now is evidence that it is able to hold above the recent closing low, at $7200 or so as that will, at the very least, indicate that the trading range is still holding. (A break below that level will, however, strongly suggest that the rally is coming to an end).

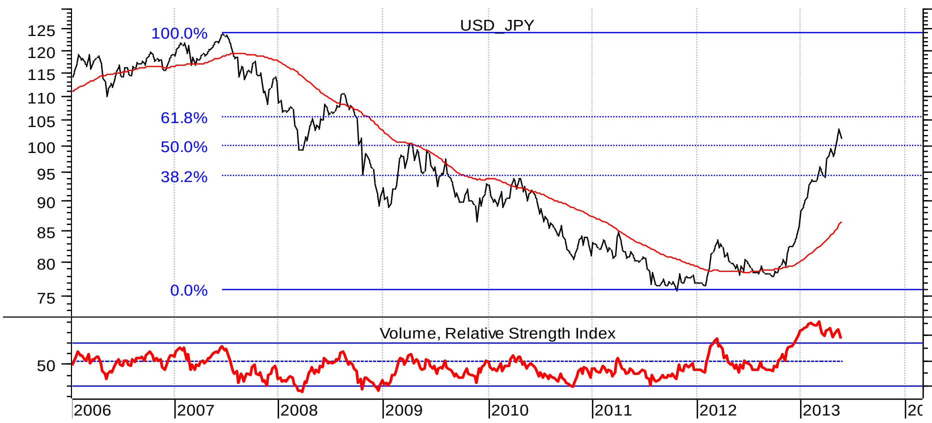
Silver ($22.63) got a mention a week ago as its latest price action had dragged it down to a two and a half year low, so it's worth noting that it has found some buying support over the last few sessions. It is still too early to tell whether this is going to translate into a meaningful bounce and, to that end, traders will need to keep an eye on the $23 level, a breach of which will imply that previous intermediate peaks are not acting as resistance. In the meantime, further caution is still warranted.

Currencies

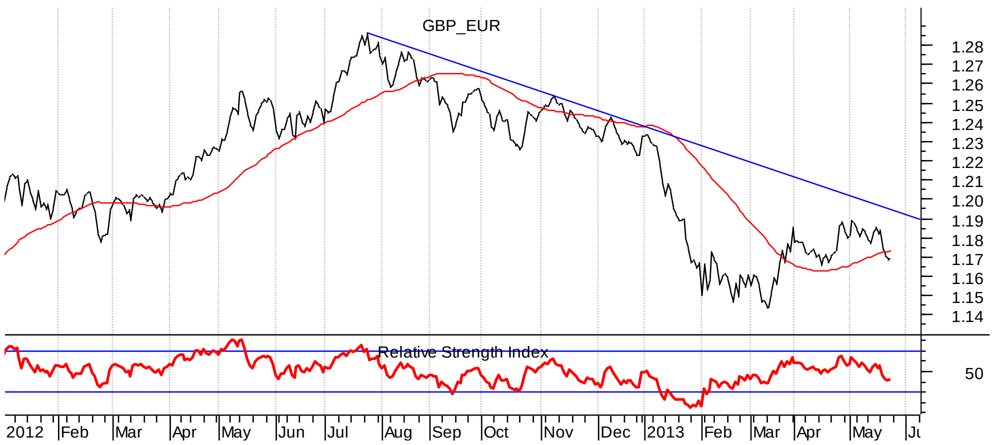
Euro/Dollar ($1.2928) – the drop down to 1.2863 took the single currency back to test the intermediate lows that were reached at the end of March (when it dropped to 1.2817) so the subsequent push back above 1.29 does give the impression that a measure of support has been encountered. A quick glance at the chart suggests that a double-bottom might be taking shape, although it is still too early to assert with confidence that the euro is out of the woods. That said, however, a close above 1.305 would look promising – in the meantime, the overall impression is that a short-term range has taken shape.



Dollar/Yen (¥101.04) – the latest price action for this pair reveals that a short-term top has developed at just above the 103 level (a minor double-top has formed up there) and this has been followed by a sudden drop back to around 101. This reversal has caused some consternation in Tokyo and there is now some anxiety that a drop back through 100 will be seen as failure by the BoJ (which would, unsurprisingly, bring out the sellers in significant numbers). The 50-day MA acted as support in early March and a test of that moving average could see a drop back to 98.6 or so.



Sterling/Euro (€1.1695) - the UK currency is clearly struggling to make any headway against the euro of last and, as the chart shows, it has lately dropped back below its 50-day MA. Further weakness now looks possible and support is at 1.166 or so.



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