



3rd February 2011

FTSE 100 stock recommendation

Tullow Oil

Buy Tullow Oil
Technical
Fundamental



Research by Mark Ridgway & Mark Sturdy

Seven Days Ahead

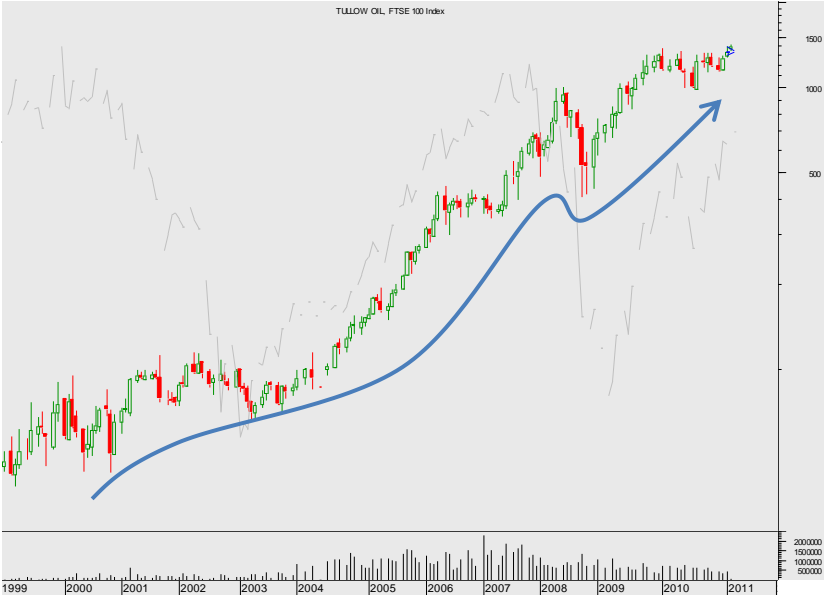
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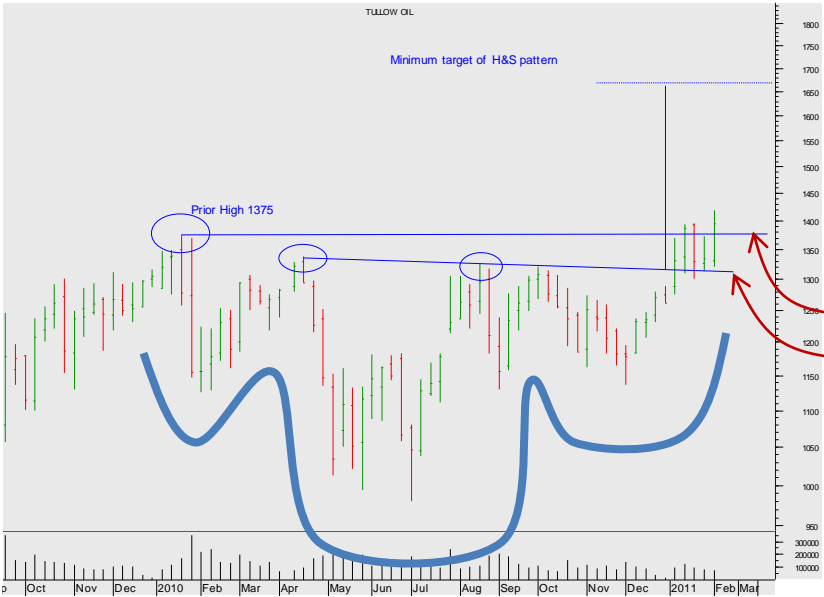
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Buy Tullow Oil @1395 (closing 2nd Feb) . Stop @ 1297..



MONTHLY continuation Chart

Note well the extraordinary outperformance of Tullow relative to the index (in grey) since 2000.



WEEKLY chart

The market has just completed a Head and Shoulders continuation pattern then, soon afterwards, it breached the Prior High Pivot at 1375 – establishing additional support beneath the market there as well as the Neckline at 1313.

The minimum target of the H&S pattern is up as far as 1670 or so.





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DAILY Chart

In greater detail the market has needed the completion of a small but clear continuation triangle to drive up through the Prior High at 1309.

The impetus of the triangle (minimum target 1455) **should lead to good short-term buying in line with the medium-term forces from the H&S pattern.**

Stops @ 1297.

More



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FUNDAMENTALS:

- Fundamentals for Tullow remain strong based on the current uptrend in the oil price.

- With tensions growing in the Middle East this has potentially a two fold benefit for Tullow:

1. The oil price remains well-supported
2. Tullow concentrates its operations in Africa, Europe and South Asia and with tensions in the Middle East demand for oil from other areas may well increase.

- Furthermore Tullow continues to seek new exploration opportunities and has recently been chosen to carry out exploration work in Kenya.

- The company has also recently reported successes in exploration projects in Ghana and Uganda. Africa remains a major focus for the company.

- Tullow is still in a very strong growth phase as a company and therefore typical ratios such as P/E and dividend yield growth are not very appropriate. However, the company does have a clear strategy of being a leader in the area of exploration for oil and gas particularly in Africa. This strategy is already showing good successes and the outlook remains solid overall from a fundamental point of view

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Risk Disclaimer

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