



16th February 2011

FTSE 100 stock recommendation

Sell Reckit
Technical
Fundamental

Sell Reckit



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Sell Reckit @ 3283 (close 16th). Stop @ 3475

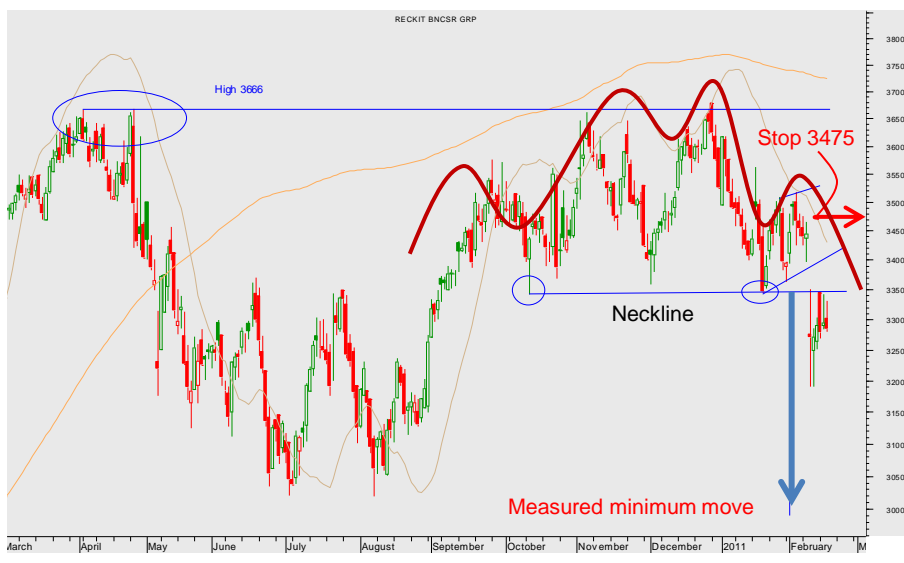
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WEEKLY Chart
The market has had multiple failures around the 3666 level.

The most recent pull-back from that level has breached the long run bull trend line support – and the Fibonacci 50% support coincident with that diagonal.

Medium term support lies at the Prior High pivot at 3045...(again, there is a coincident Fib support there)



DAILY Bar chart

This reveals the short-term bear catalyst that looks to be driving the market worse.

The Autumn of 2010 created a complex Head and Shoulders Top that completed on the breakdown through the Neckline at 3350.

The market has retraced to that level but should struggle to go better, especially given the resistance from the completion gap.

The minimum move from the Top looks to be the Prior Low (and major support in the week chart) 3045.

Stops @ 3475





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FUNDAMENTALS:

- There are clear headwinds underway for not only Reckitt Benckiser but for the whole sector as a whole. There is a re-rating currently under way for the sector with already a number of investment houses downgrading the sector to underperformance.
- The main reason for the headwinds is the fact that Reckitt and a number of other companies in this sector have disappointed investors over the past week with weaker-than-expected results.
- In many ways Reckitt's weaker performance is due to past successes. With equity analysts seeming to believe that Reckitt can produce continual record breaking results. This has also led to increased competition in this sector especially from the big US companies such as P&G.
- While this is a truly global industry Reckitt has failed as yet to significantly break outside Europe which it is now very reliant on, while many of its competitors have broken successfully into faster-growing developing markets.
- A further headwind, not only for Reckitt but for the whole sector, is soaring input prices they are currently facing and their inability to pass them on to final consumers. This is threatening their margins.
- While the global economic environment has improved, it is still somewhat on knife-edge and any fall in consumer confidence, especially in Europe, could further undermine Reckitt's performance.

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Risk Disclaimer

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