



17th February 2011

FTSE 100 stock recommendation

Buy HSBC
Technical
Fundamental

Buy HSBC



Research by Mark Ridgway & Mark Sturdy
Seven Days Ahead
+44 (0) 7849 922573

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Buy HSBC@ 730.9 (close 17th). Stop @ 695

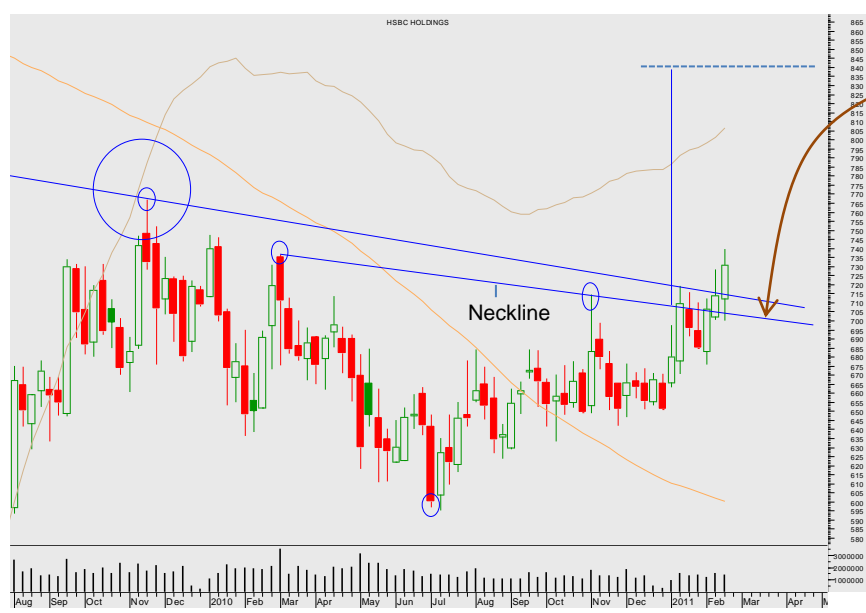
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WEEKLY Chart
The market has smashed the long term WELL ESTABLISHED trendline, having broken out of a bull parallel Flag.

Look closer.

WEEKLY Bar chart



Note well the completed Head and Shoulders reversal on the break up through the Neckline at 700 or so.

This surely has been the catalyst for the clear and unambiguous penetration of the long-term downtrend resistance.

Good support, of course, at the Neckline.

Minimum target of the H&S pattern?
About 840.





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DAILY Bar chart

The detail of the smashing of the long-term downtrend shows a well-structured bull market,

Supported by the Neckline

The hesitation before breaking up clearly through the band of Pivotal Prior Highs at 714-19

And thence up through the downtrend.

Stops @ 695



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FUNDAMENTALS:

- HSBC has come through the global financial crisis in a very strong position and is now in a position to expand into new regions and offer new services.
- HSBC is **particularly well -placed in Asia** which is an area where there is very strong growth in financial services sector. It continues to benefit from its strong presence in Hong Kong.
- With the **diversification** HSBC has in both terms of geography and service is providing the bank with strong support.
- With the overall global economic environment improving the financial sector is likely to continue to grow. **HSBC will have a strong competitive advantage** given how clients are focusing on dealing with strong banking partners. An example of this is Ireland where HSBC has huge growth in its corporate business following the problems facing Irish banks currently.
- The **very steep yield curve is a positive factor** as well given that banks tend to borrow short and lend long.

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Risk Disclaimer

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124 REGENTS PARK ROAD LONDON NW18XL

TEL +44 (0) 7849 922573 E-MAIL msturdy@sevendaysahead.com,

WEB SITE: SEVENDAYS Ahead.COM

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