



23rd February 2011

FTSE 100 stock recommendation

Buy BG Group

Buy BG Group
Technical
Fundamental



Research by Mark Ridgway & Mark Sturdy

Seven Days Ahead

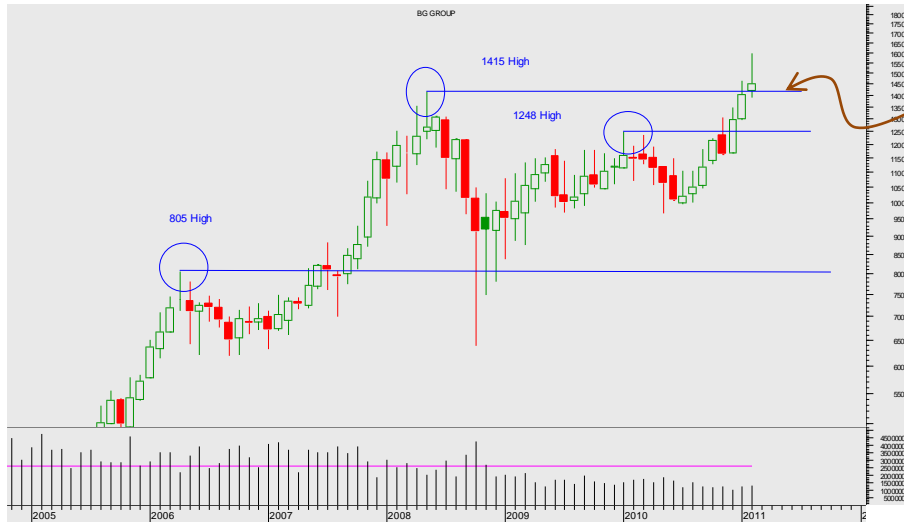
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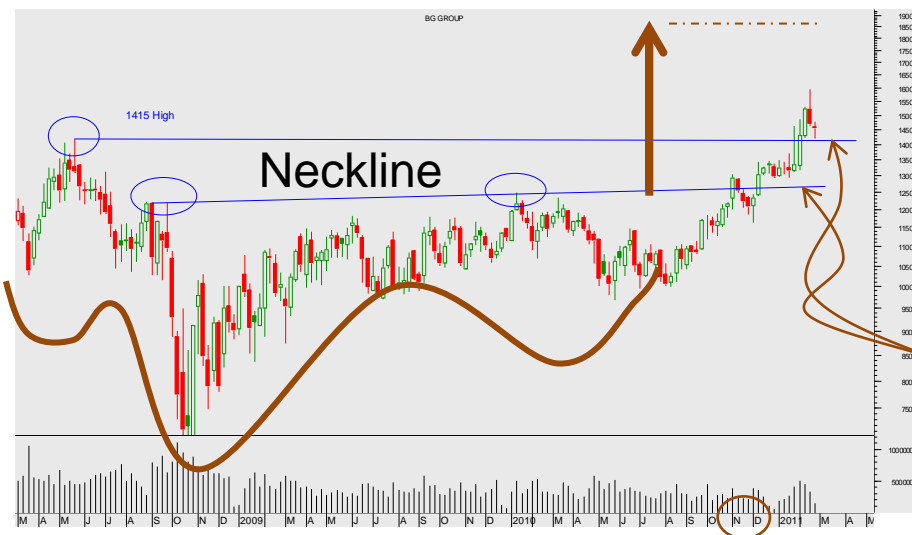


Buy BG Group @ 1452.50 (close 23rd). Stop @ 1285

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MONTHLY Chart
The market has pushed up through the Pivotal Prior High from May 2008....



WEEKLY Bar chart
And the week chart reveals that the underpinning pattern, is a clear Head and Shoulders Continuation pattern that competed in Dec 2010. The minimum move implied by that pattern?
Around 1800.
Support is clear at 1415, and at the Neckline beneath around 1272.





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DAILY Chart

The market has pulled back in the last few days, but there is support at the Prior Highs of 1370 and 1302...

1285 is clearly a long stop, but we think the potential gains warrant it.



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FUNDAMENTALS:

- This stock is a great to get exposure on commodity and more specifically energy markets which are currently soaring.
- There are two fundamental reasons why energy markets are doing so well:
 1. The global economy is growing which is increasing the demand for supplies of energy for industry.
 2. The current geopolitical tensions in the Middle East and North Africa are causing worries that there could be a threat to supply from one of the worlds largest sources.
- With fixed costs relatively stable for BG any increase in the price of the underlying commodities will lead to a direct increase in its margins.
- With inflation starting to become more of a global theme this will add to the potential outperformance of BG. Typically as inflation starts increasing the sector in equity markets which most benefits is the sector and companies most exposed to commodities hence a strong outlook for BG.
- On 8th February BG released results well ahead of analyst expectations and estimates for future earnings have been revised upwards.

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Risk Disclaimer

SEVEN DAYS AHEAD

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