

26th May 2011

Key Trades Bulletin

Buy S&P
Technical
Fundamental

Buy Gilts (1/2) Sep 11 @ 120.00



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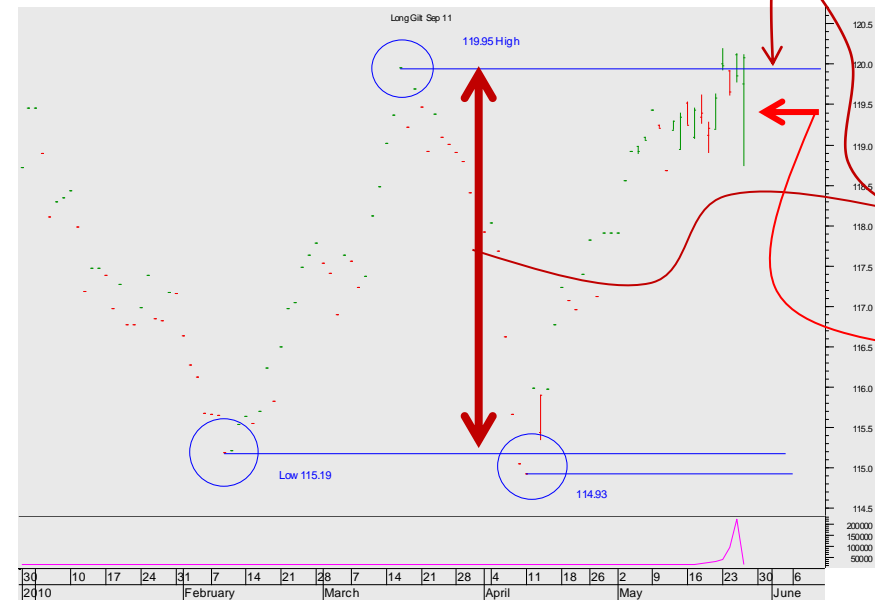
Buy Sep 11 Gilt (1/2) @ 120.00. Stop @ 119.49



Weekly Continuation bar chart

The market has completed a Head and Shoulders reversal – set to drive up to 122.52 at least.

The break back through the 38.2% Fib adds vigour to the rally.



Daily Sep 11 bar chart

The price action is especially strong: testing lower, recovering strongly and breaking the Trading range.

The bulls are in charge.

Stops at 119.49

Disclaimer

More



Buy Sep 11 Gilt (1/2) @ 120.00. Stop @119.49

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FUNDAMENTALS:

The gilt has today displayed spectacularly its underlying resilience, which is derived from several sources:

1. The growing fear in the markets that the Global economic recovery is at risk,
2. The governments fiscal retrenchment that is set to dramatically reduce borrowing and debt, and
3. The UK fiscal stance compares very favourably to most Euro zone economies and the US.

The only negative that speaks against the gilt is inflation, but the Bank of England expects it to moderate as one off external shocks wash out, which if they are right would be a positive for the Gilt.

And even if the recovery, both domestic and global does falter, inflation will correct lower and bond yields sink.

So we judge the Gilt could begin to stand out as a safe haven buy, and judge it can rally further.