



the technical analyst

AWARDS 2011

F I N A L I S T

## SUMMARY

## POSITIONS

BUY UK GILTS (NEW)



# Key Trade Round Up 31st August 2011

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# Summary

## SUMMARY

## POSITIONS

BUY UK GILTS (NEW)

**Buy Dec Gilts (1/2 Pos) today @126.88. Stop @ 124.61. Take Profit 136**

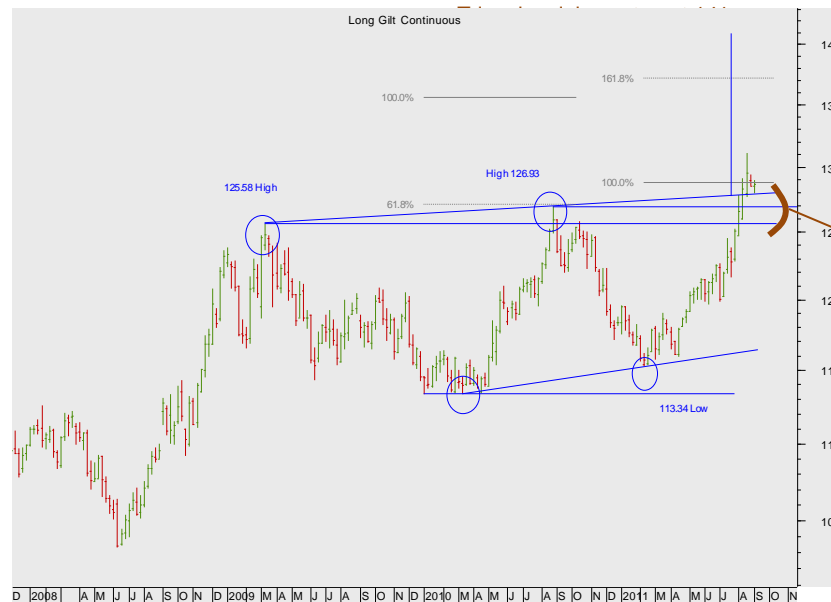


## (1) TECHNICAL :Buy Dec Gilts (1/2 Pos) @126.88. Stop @ 124.61. Take Profit 133

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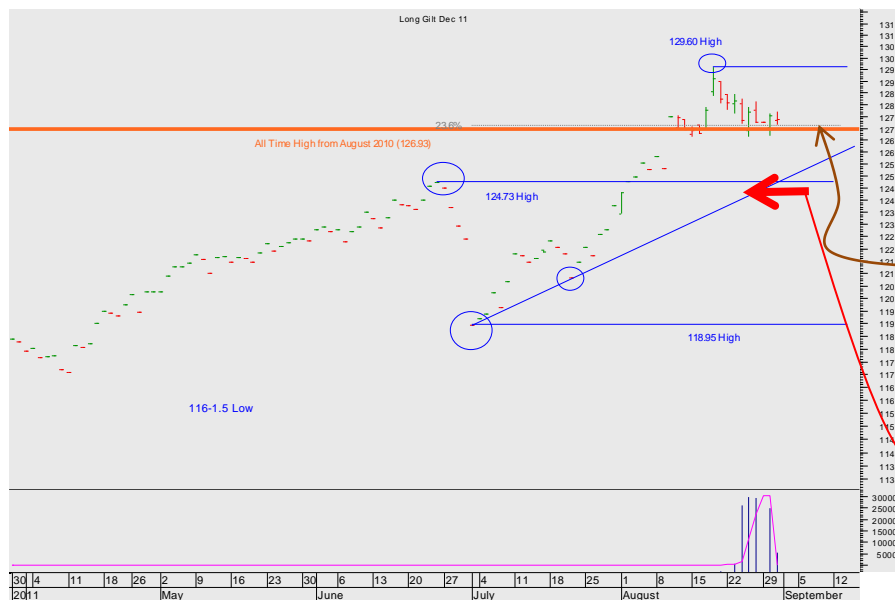
+ BUY UK GILTS (NEW)



### Weekly Gilt Chart Continuation:

The market has a continuation Triangle, that targets 141 as a minimum move.

On the recent pull back the upper triangle diagonal and the band of Prior High supports at 125.58/93 have been good and solid in the medium-term charts.



### Daily DEC11 Gilt Chart :

In the Dec 11 chart (as opposed to the continuation chart) shows the market finding support at the Prior High support at 126.93.

Note that, in addition, that level is a Fibonacci support.

Short-term support lies beneath at 124.73

We are buyers here with Stops beneath the short-term support say 124.61

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More



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+ BUY UK GILTS (NEW)

(2) FUNDAMENTAL : Buy Dec Gilts (1/2 Pos) @126.88 Stop @ 124.61. Take Profit 136

Bonds generally have corrected over recent days as equity markets stage a short-covering rally, driven by:

- Expectations that the Fed will opt for a 3<sup>rd</sup> round of QE after the FOMC minutes released yesterday showed policy makers discussing various unorthodox methods of easing,
- The ECB President Trichet announced the ECB is reviewing its assessment of inflationary pressures, and
- The Bank of England is expected to resort to a new round of QE if the economy weakens further.

So midst the general bullishness of government bond markets the Gilt stands out as a particularly strong market. The UK Government is determined to see through its deficit/spending reduction program and recent UK government borrowing data shows they are on target.

At the same time, UK growth is grinding to a standstill. **A recession may yet prove unavoidable.**

The Gilt stands to benefit in three ways:

1. Spending cuts are bullish for Gilts because of reduced borrowing,
2. Weaker growth means the Bank of England will restart QE which is essentially a Gilt buying program and is bullish for Gilts, and
3. Weaker growth would drive inflation lower, also bullish for gilts.

In summary, while we judge most Government Bond markets to be bullish, due to fear of recession in the US or Sovereign debt/Banking crisis in the Euro zone, **neither the US or the Euro zone is positioned as uniquely as the UK and that makes the Gilt stand out as a strong buy.**



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BUY UK GILTS (NEW)

### SEVEN DAYS AHEAD

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