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the technical analyst  
AWARDS 2011  
F I N A L I S T

# Multi-Asset Update:

UPDATE  
Technical  
Fundamental

## Watch the poised European Blue Chips

[Full performance of  
our Key Trades  
recommendations  
2006-15 here](#)

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## UPDATE Technical Fundamental

### Watch the poised European Blue Chips



#### Monthly chart

The market is poised in the first place at the resistance from the long-run falling diagonal from the highs established in 2000.

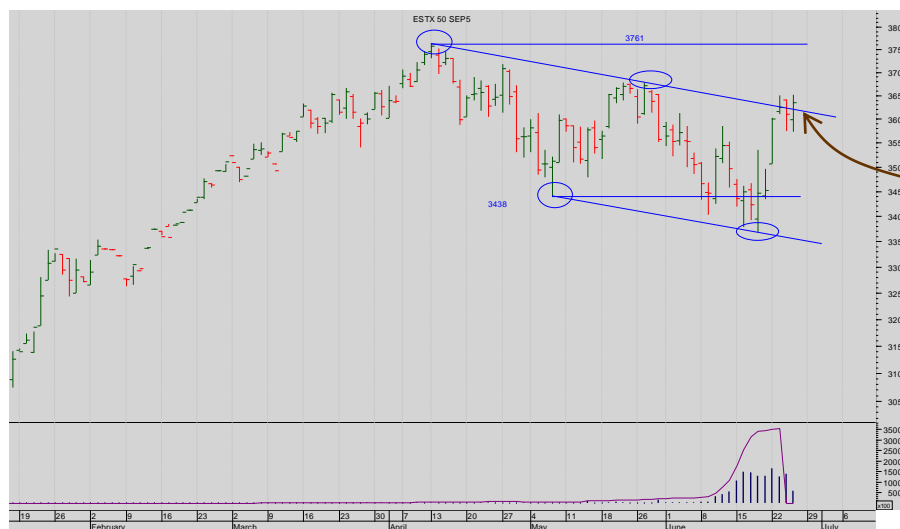
We have been stuck here for three months.

But a decisive break would complete a huge bull falling wedge, encouraging long-term buying from the bulls.

The bulls have been encouraged by the solid construction of the bull trend thus far from the lows of 2009.

See how the prior highs at 2975 have been powerful support in 2013, 2014 and 2015, ratcheting the market better...

#### Daily chart



Note that the bull falling wedge pattern reappears at the daily level of analysis.

But in this case the market is closer to completion – a close at current levels would achieve that.

Perhaps providing the catalyst for the bull wedge in the monthly chart to complete...

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More



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## FUNDAMENTALS:

As optimism over the ECB's QE program peaked in early April and anxiety emerged about a potential Greek exit from the Euro and default, the DJEUROSTOXX50 suffered a significant correction.

Although it is one of the smaller Euro zone economies, a Greek exit and default would still have been bad news with the impact felt beyond Greek borders. Especially since, once they were outside the Euro, Greek Banks would no longer enjoy the support and protection of the ECB and could have gone bust.

However, given the seriousness of the situation, equity markets were never in free-fall. This was probably because traders assumed that somehow a last minute deal would be brokered to:

1. Keep Greece in the Euro, and
2. Avoid a Greek default and potential bankruptcy.

The EU has a long history of agreeing last-minute deals. This time too, sentiment leans towards the EU achieving a deal as politics outweighs economics. The Euro zone was always a political construct since on pure economic grounds a large number of the countries using the Euro were never ready for the straightjacket of a one size fits all monetary and exchange rate policy.

But after weeks of prevarication, the Greek Government presented its creditors with a last minute proposal on Sunday, ahead of an important Euro zone summit. They hoped to offer just enough to live up to the promises made to their electorate when elected to power, while satisfying the demands of their creditors.



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## FUNDAMENTALS: CONTINUED

The impact of this was seen most clearly in equity markets: first in Asia and then in Europe as markets opened there. Clearly the message is a Greek deal is bullish for stocks.

But is a failure to agree terms Bearish for stocks?

In the Short and medium term, yes. If Greece fails to offer what her creditors want then no more rescue money will be paid, and an IMF loan repayment would be missed and Greece declared in default, a Euro zone exit would result.

The follow-on from that would be bankruptcy since Greece would be unable to raise funds in the market and neither would her Banks. Clearly a serious conclusion given the interwoven relationships in global markets.

Today the news is that the Greeks are still not offering enough and her creditors are likely to issue an ultimatum. The market has paused, but not sold off on that news. Traders still expect a compromise to be found, but we judge the position remains too close to call.

Our instinct is that politics will prevail over economics and a deal will be done, if only to keep the integrity of the Euro, since when launched it was meant to be forever with no going back to national currencies. Clearly if Greece is forced out then the question arises: who is next?

What then for the DJ EUROSTOXX? We judge the market's recent price action has shown itself to be fundamentally bullish and if a deal is done this market looks set to rally. Hard.



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#### SEVEN DAYS AHEAD

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