

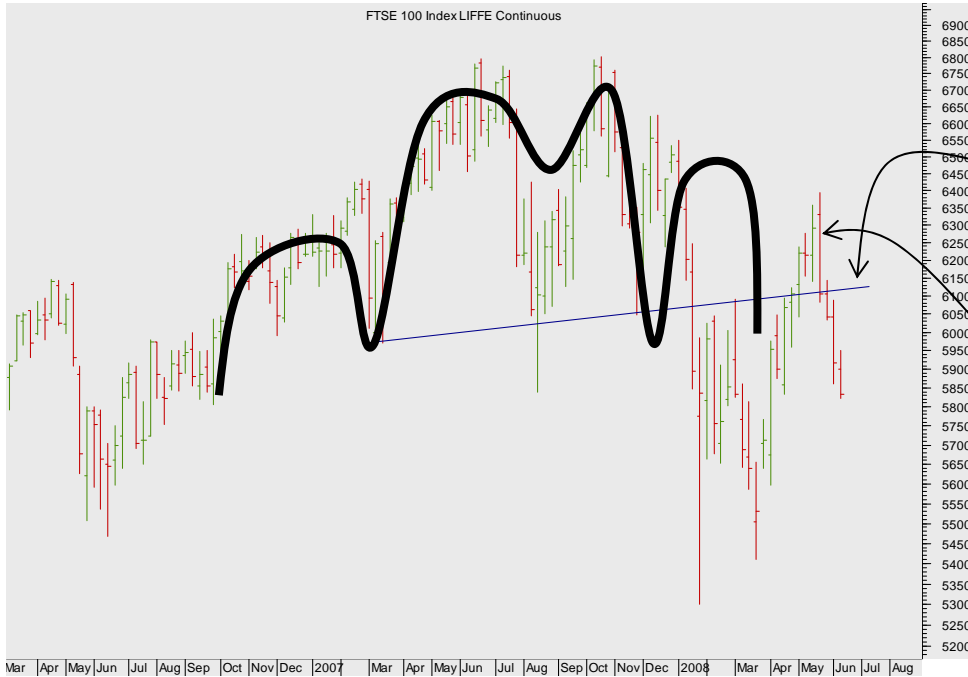


Key Trade Bulletin 10th June 2008

FTSE

SELL JUN 2008 FTSE today @ 5867. Stop at 6000

The Technical Trader's View:



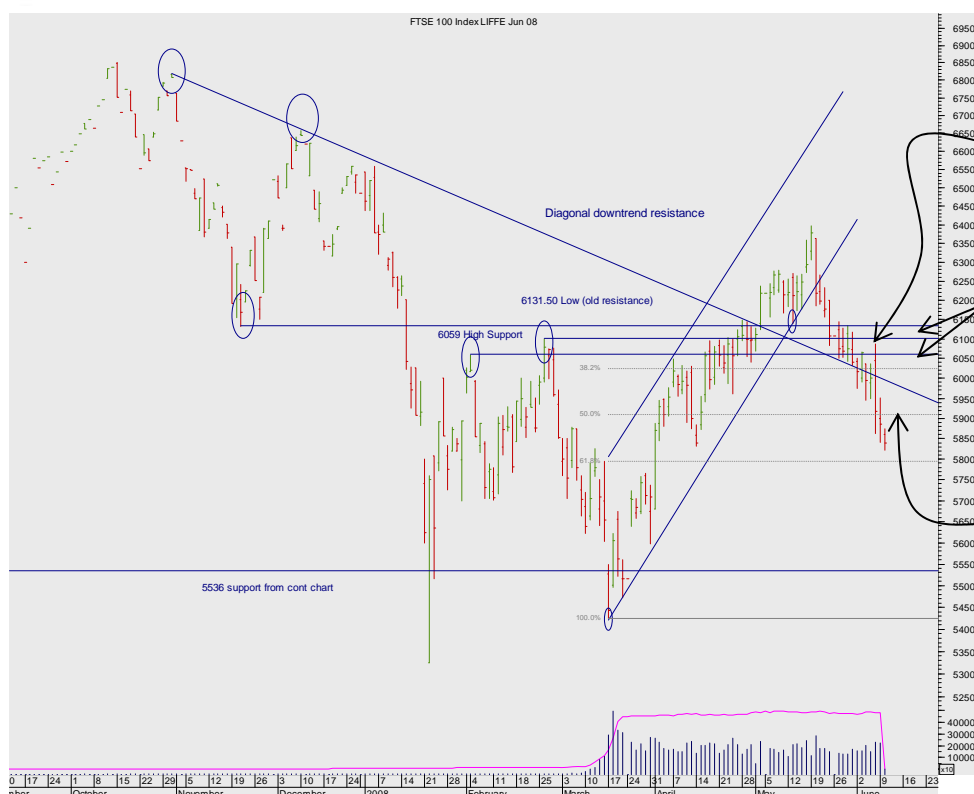
JUN 08 Weekly Bar chart

The market has failed dramatically to get back through the resistance of the old neckline.

And that failure was crowned by a weekly Key Reversal.

Apart from the Key Reversal there is no clear Top formation in place.

But a retest of the lows looks likely.



JUN 08 Daily Bar chart

The market's failure to enjoy the rally of two days ago was marked.

The day chart emphasises the failure of the Prior High supports at 6131 and 6059.

And the breakdown through the 50% retracement level yesterday.

It could be argued that we are a little late on the trade.

But we are looking for it to go further.

The Macro Trader's view:

We are bearish of this market as the threat of higher inflation has now moved squarely centre stage, forcing Central Bankers to brief over the threat from inflation driven relentlessly higher by oil and food prices, evidence of which was provided by yesterday's UK PPI report, with traders now paying less attention to the threat of economic weakness, even though additional evidence of this emerged over the last two weeks, as both the Nationwide and Halifax released reports showing prices dropping by in-excess of 2.0% monthly and 4.0% annually.

Moreover the PMI Services report also turned negative last week. Until now wider weakness had been forecast but hadn't materialised, now the only missing piece in the gig saw is retail sales, if that too collapses, then the picture will be complete.

Until quite recently we had argued that rising oil prices was a source of strength for the FTSE, helping to compensate for the weakness of the domestic economy, but as the price of oil hits levels which will surely cause wide spread global economic disruption this has now become a source of bearishness.

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In short we judge the outlook for the UK and FTSE, is negative:

- Weakening growth, and
- Rising inflation,

Spells stagflation and policy makers have no ready solution since the cause of higher inflation isn't domestic and we recommend going short.

Mark Sturdy

John Lewis

Seven Days Ahead