



# The Technical Trader

Daily Technical Analysis from Bill McNamara

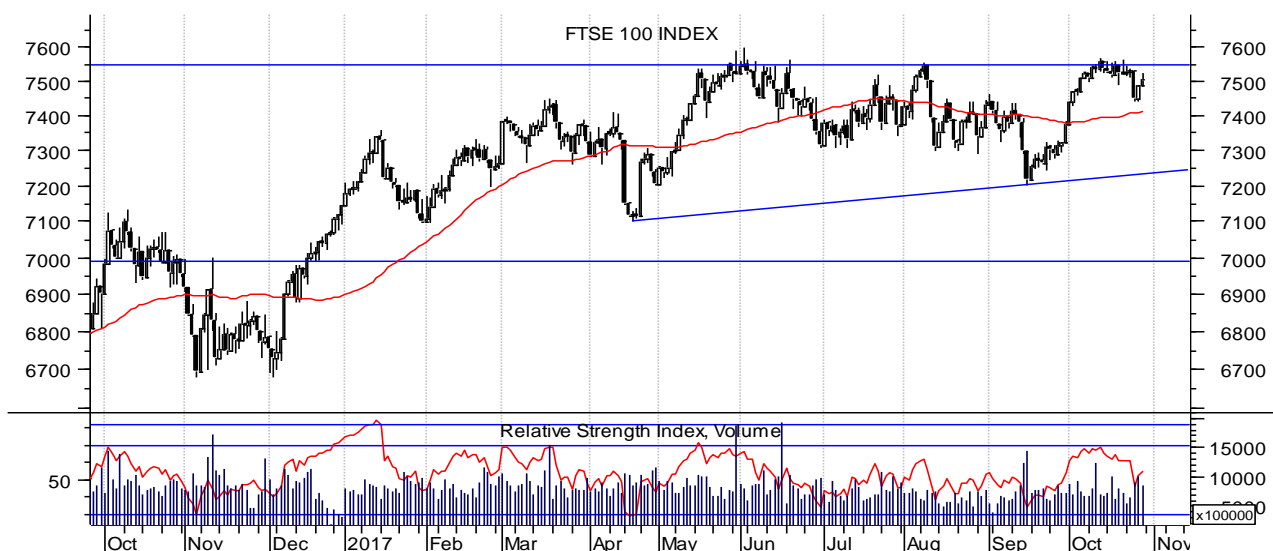
Prices as at 27 October 2017

Please read important disclaimers at the end of the document

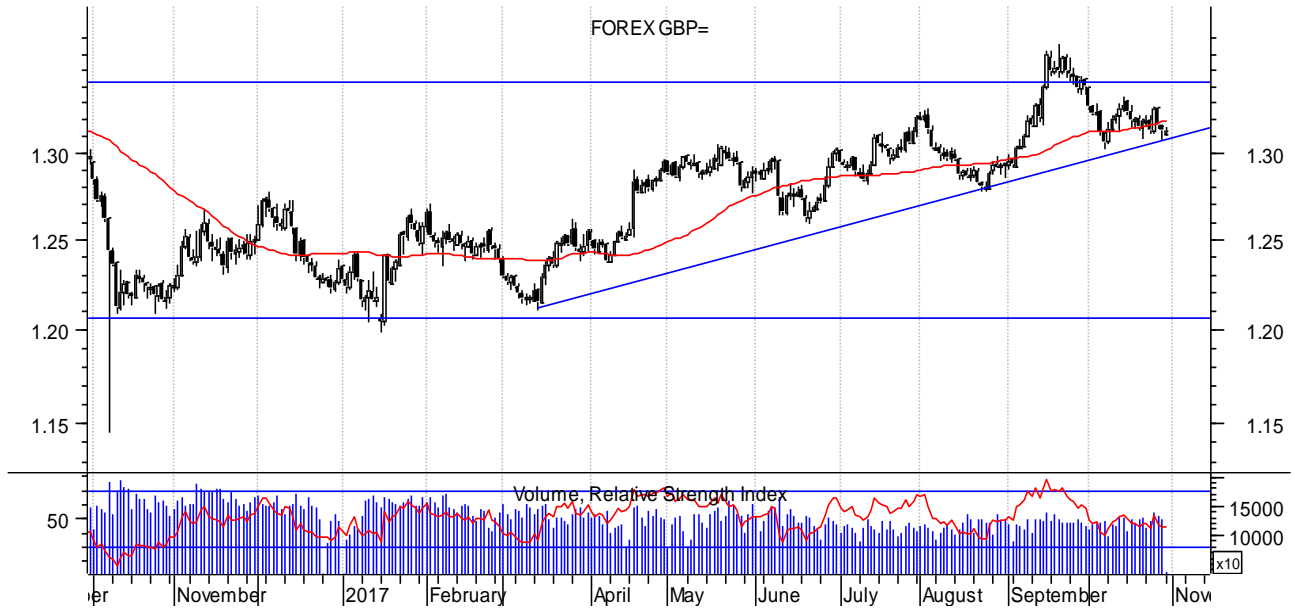
Last week in the UK market:

- *All Share and 100 index still in a tight range*
- *Sterling higher against the euro, lower vs. the dollar*
- *Oil & Gas stocks continue to rally*

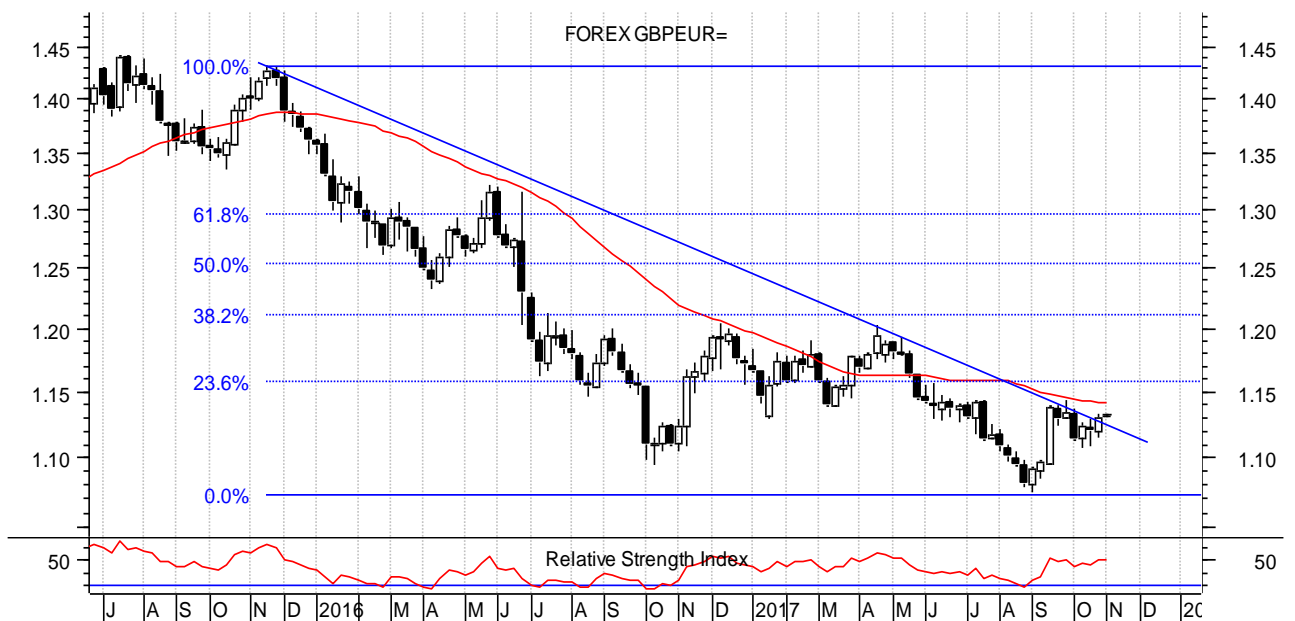
**FTSE-100 (7505.03)** ended a choppy week with a loss of 18 points (-0.24%) although market participants will probably be happy with that, considering that it fell as low as 7437 on Wednesday. The daily chart for the large-cap index reveals that it has been trading in a range since the spring, when it peaked at 7547.63, and although it recently pushed up to a new peak of 7556.25 there appears to be little appetite for taking it through that top at the moment. There are several reasons for this, not least of which is the fear that the Bank of England will – in spite of the uncertain economic outlook (which was thrown into stark relief last week with those dire retail sales numbers – feel obliged to make good on its promise to raise domestic interest rates and, at the very least, reverse last year's 25 basis-point cut. In the near-term, the 7440 level is now the one to watch and if that should give way the next area of possible support is back at the August low, at 7300 or so.



**Sterling/Dollar (\$1.3127)** – the pound eased lower vs. the greenback for a second week in a row and, as the daily candlestick chart reveals, this leaves it the low end of its recent range and, from a technical perspective, the salient point is clearly that it is now testing support in the form of an uptrend that has been in place since March. While it is tempting to see this as a case of the UK currency losing ground in reaction to the ongoing uncertainties surrounding Brexit (and the damage this is doing to consumer and business confidence) it is worth noting that it comes at a time when the dollar has been gaining ground against most leading currencies – the trade-weighted Dollar Index rose by 1.3% last week, which was its strongest performance this year. The overall impression is that critical support still stands at \$1.30 and if that gives way the next downside target is likely to be the August low, at 1.28 or so.

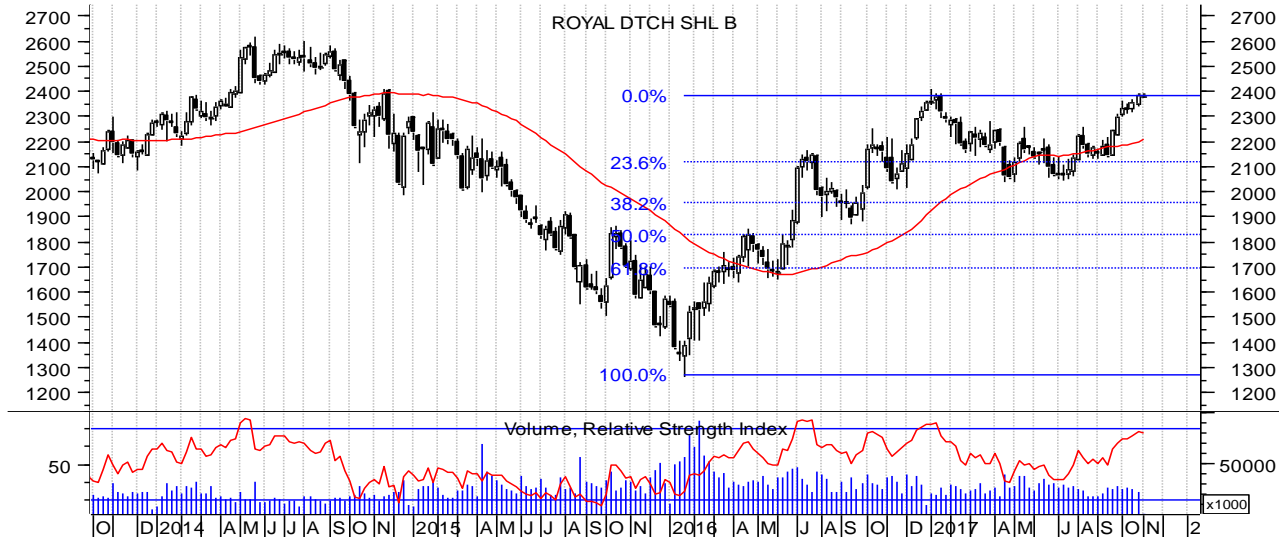


**Sterling/Euro (€1.13)** – the latest price action in this pair shows that sterling has been gaining ground against the single currency although, again, this probably has more to do with what is going on with the euro (and probably does not really reflect a vote of confidence in the UK economic outlook). At current levels the pound is testing resistance in the form of a downtrend that began around a year ago a close above 1.14 would signal that this trend-line has been broken and that a push back up to 1.18 has become possible.

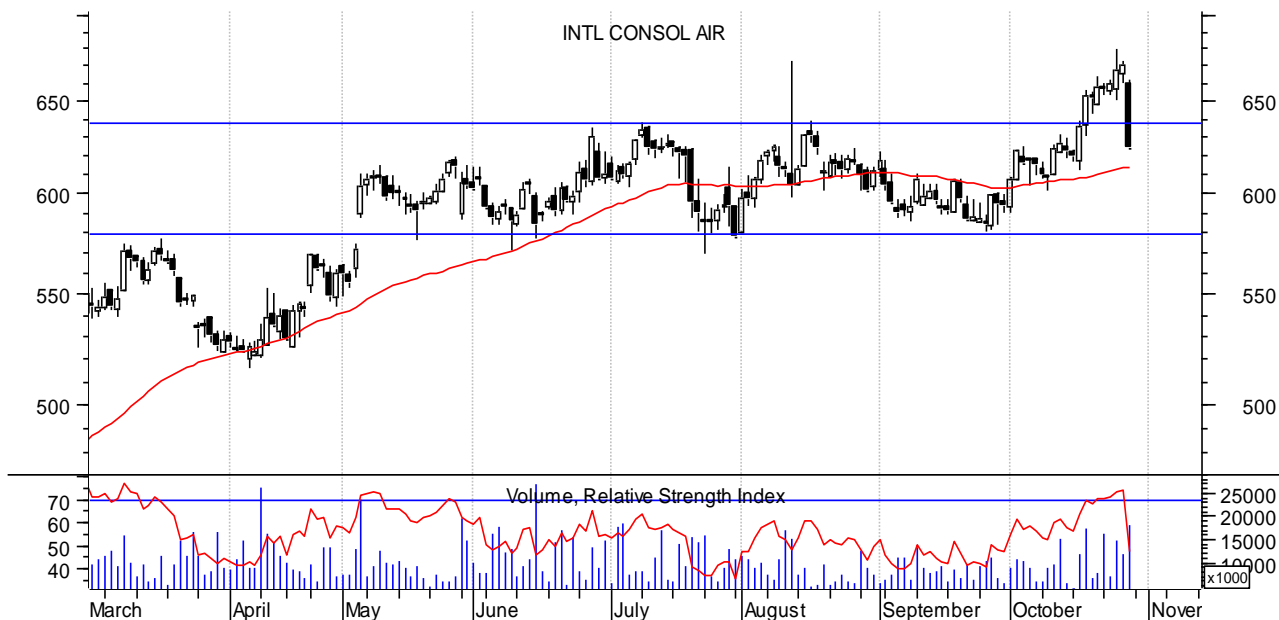


## Major Movers in the UK Equity Market

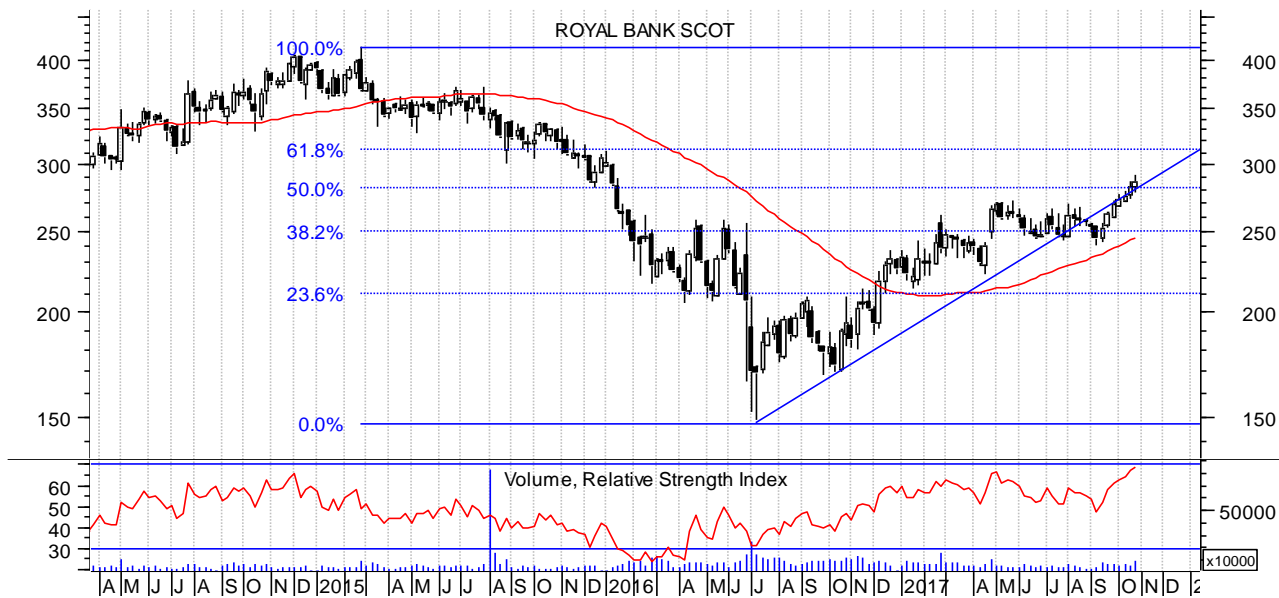
**Royal Dutch Shell (RDSb: 2386p)** – the oil giant gained ground last week (which means that it has risen in five of the last six weeks) as it responds to the ongoing recovery in the oil price – now back above \$60 – and, lately, to the news that it (as part of a consortium) it won two of the four blocks that were being auctioned off in Brazil’s coveted salt oil region. The chart shows that the share price has pushed back to levels where it testing resistance in the form of the major peak that was recorded back in January, i.e. at 2377p, and although a break does look possible at this stage we’re probably going to need to see a close above 2400p – backed up to rising volumes - to confirm that a new move to the upside is underway.



**International Consolidated Airlines Group (ICAG: 623.5p)** traded up to a new closing high of 670p last Thursday but the share price came under significant pressure the next day as the group reported results that showed that Q3 profits came in at €1bln (which was in line with expectations), as operating profits increased by 2.1%. The 6.9% slump on the share price looks like a reaction to a slowdown in revenue trends and, whatever the reason, the inference is that investors were happy to take profits after such a strong move higher. Further near-term weakness now looks possible; key support is at 580p or so.



Royal Bank of Scotland (RBS: 286p) is worth a closer look following its latest strong price action. The weekly chart shows that the stock has risen for seven weeks in a row (over the course of which it has gained a hefty 17%) and sentiment was not hurt at all by last week's figures, which contained few surprises. The caveat to the ongoing bull case at this stage is, unsurprisingly, the fact that this strength has left RBS looking relatively overbought, on both weekly and daily charts: at 70% the 14-week RSI is close to five-year highs, and while it is encouraging that the move continues to be driven by robust volumes the overall impression is that there could be a reaction before too long (although such a move is unlikely to be too severe).



Land Securities (LAND: 955p) is one of several property stocks to come under pressure recently (which looks like a reaction to the prospect of higher interest rates – and the government's handling of the Brexit negotiations is also having a deleterious impact on sentiment). Although it closed marginally higher on Friday the share price fell by 2% over the course of the week and, as the chart reveals, that leaves it at levels that were last seen eleven months ago. Indeed, the December 2016 low, at 940p, now looks like the next downside target.



**Disclaimer:** Any advice or signal generated by **The Technical Trader** is provided for information and educational purposes only. Past performance is no guarantee of future result and, in some cases, you can lose all of your original investment. You must decide your own suitability to trade. Future trading results can never be guaranteed. This newsletter is a commentary on the market and does not constitute an offer to buy or sell futures, options or commodity interests. The Technical Trader is not registered as an investment adviser with the FCA, SEC or any other regulatory body. The information on the website or in associated publications should not be construed as investment / trading advice and is not meant to be a solicitation or recommendation to buy, sell, or hold any securities mentioned.

Recommendations are given in good faith but without legal responsibility and are subject to change without notice. The information does not constitute advice or a personal recommendation or take into account the particular investment objectives, financial situations or needs of individual clients. You are recommended to seek advice concerning suitability from your investment advisor. Investors should be aware that past performance is not necessarily a guide to the future and that the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested.