

Daily Comment

Traders Bulletin

Daily Technical Analysis

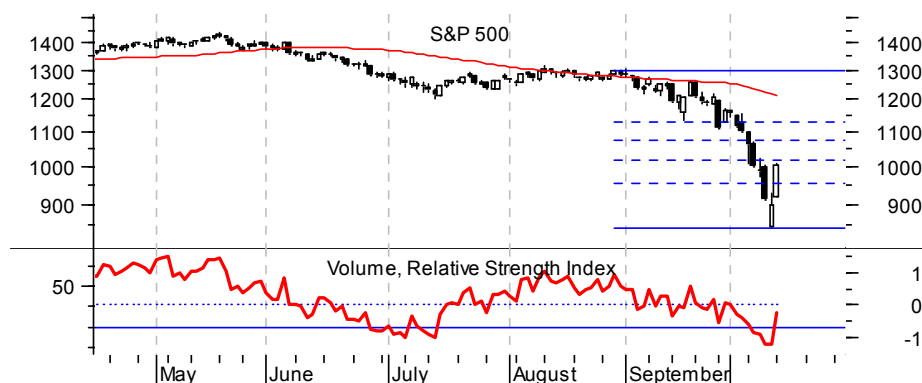
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S&P 500 (1003.35) started Monday's session with a strong gain and was up by around 5 or 6% for most of the session, but the rally went into overdrive late on as it became apparent that the government was preparing a \$250bn bailout of the banks (along the lines of the plan laid out by the British government yesterday morning) and on relief that Morgan Stanley would get its capital injection from Mitsubishi UFJ (its



(shares rose by 85% on the news). The 11.58% gain was apparently the best since 1929 (my charts don't go back that far) and a lot better than anything that has taken place over the last 40 years. Of course, the market had (as I noted yesterday) reached a historically oversold position and it is not difficult to argue that the conditions were right for a major bounce, although a move of more than 10% in a developed stock market is extraordinary nonetheless.

Such price action certainly goes a long way to supporting the proposition that the market has formed a bottom – what is not clear at this stage (and will not be for a while) is whether this is a lasting floor for the market or simply one for the short-term. At this stage we don't have to guess as the reversal in sentiment looks like it will drive prices quite a bit higher before the sellers return in any force, and a run back up to 1080 looks possible in the near term. Beyond that, we will have the judge the situation as it develops.

FTSE-100 (4256.9) staged the second largest rally in its 24-year history, gaining 324.84 points as investors responded positively to the Brown/Darling initiative, and to the news that European governments were implanting something similar. The gains were certainly impressive although it should be noted that volumes of 3.3bn shares were below the recent average and reflect traders' anxiety that the bottom could be temporary. That sentiment might be reversed today, however, and a close above 4560 or so will imply that this rally has legs.

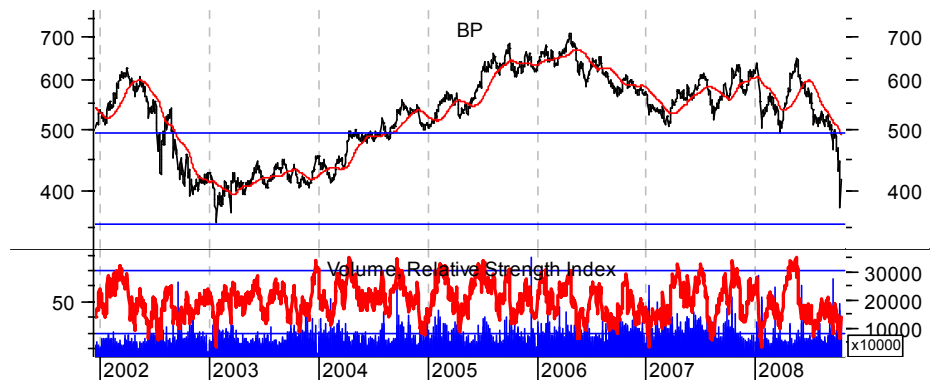


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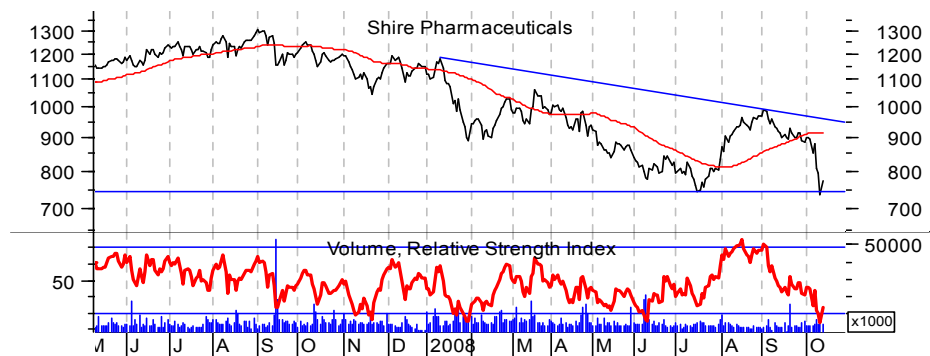
Nikkei 225 (9447.57) has closed out today's session 14.15% higher – that's a record gain for this index (unsurprisingly) and lifts it decisively off the lows that were hit on Friday (when it came to within just a few hundred points of the 2003 lows). Like other equity markets, Tokyo had become exceptionally oversold during the course of the recent rout and was due for a bounce, although a rally of this magnitude is something else. As with the FTSE and S&P, it seems highly likely that this will act as a springboard for further gains in the near term and it would not be surprising for the Nikkei to run up through 10000 before long, and possibly as high as 11000.



BP (BP: 418.25p) jumped by 42p on Monday – that's a huge move for this stock and shows clearly enough how oversold it had become. Even after that 11% rally the share price is still some 35% below where it was back in June (when it was tracking the oil price higher) and while it's true that the crude price has dropped by almost 50% since then it is also the case that the BP price is a lot lower than it was when the oil price even began to rally sharply. Also worth noting – at this level the prospective yield in this stock is over 8% and, going forward (as lots of companies start to slash their dividends) this looks like it is going to be worth having. Buy.



Shire Pharmaceuticals (SHP: 773.5p) is another stock that I think is worth a closer look at current levels. As the chart shows, the share price has fallen away dramatically from the short-term downtrend and dropped marginally through the July closing low in the process, although the intra-day low now looks like it has provided support. Further short-term upside now looks like a realistic expectation.



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