



Market Commentary - April 2012



FTSE 100	5,746	S&P 500	1,403
Resistance	5,960	Gold	\$1,662
Support	5,600	GBP/EUR	1.2305
VIX	16.32%	GBP/USD	1.6258

Introduction:

Since the modestly positive call of our last market commentary the markets have been marking time with the FTSE 100 down just 21 points and the S&P 500 exactly flat, though the market did reach 5,600 at one stage. However, the VIX is up 5%, suggesting some nervousness is creeping in. The Euro and the Dollar have continued their downward trend against the pound and although precious metals have remained largely flat, their support levels have held firm.

Fundamentals:

Despite Bill Gross' prediction of a further round of QE in late April, this did not materialise. Since then, both the UK and Spain have fallen back into recession. Spain has also been downgraded two notches by S&P because of worsening deficit and growth problems. They are now struggling to obtain the required interest in their bond auctions. David Cameron said on Sunday that the region is "*nowhere near halfway though*" the debt crisis. On the positive side, according to Spanish newspaper El Pais, the EU is considering the creation of a EUR200bn investment fund across the eurozone, directed at infrastructure, renewable energy and technology projects.

Technical:

The FTSE 100 is currently trading in a trendless manner. With the ADX standing at just 16, the upper bollinger band of 5,855 is a natural resistance level and strong support lies at the lower bollinger band of 5,600 which is just 35 points higher than the 200 day moving average. Hovering around the 400 day moving average, the leading average's rangebound trend is also supported by the RSI reading of 51.



Market Commentary (cont)

Seasonality:

Year 2012

2012 is the Year of the Dragon in the Chinese Zodiac. The year of prosperity.

As Goes January...

So goes the rest of the year. This may be coincidental but back data shows that the indicator is 85% accurate in predicting the “up years” and 45% accurate in predicting the “down years”. As the market rose 1.96% in January, it cannot be ignored.

Four-Year U.S. Presidential Cycle

The stock market tends to bottom out during the second year of each new presidential term and then recover strongly in the final two years. This is due to each Administration ensuring that the economy is strong by re-election time. Unfortunately, the excessive stoking of the economic fires creates excesses, including over-priced stocks, leading to poor stock market returns in the first two years of the next term.

Market Outlook:

Over the long term (since 1962), the FTSE All-Share for has returned 7.2% per annum and that does not include the average 3.8% dividend yield earned on top. Considering inflation averaged 6.2% over the same period, it is vital that an investor invests in equities in order to preserve the purchasing power of their money. However, markets can be subject to swings in the interim and investors should be mindful of these with a view to protecting their capital.

Our current view on the stock market is neutral, expecting the equity markets to move within a 250 point range over the next month. However, as always, there are opportunities and below we highlight some of our favourite investments.

Recommended Investments:

Equities - Astrazeneca (7.2x p/e, 7% yield), Balfour Beatty (7.4x P/E, 5.5% yield), RSA (7.6x P/E, 9.2% yield), Tesco (9.3x, 4.8%), Vodafone (11x P/E, 7.9% yield) & ETFX DAXglobal Gold Mining ETF.





Commodities - ETFS Physical Silver. ETF that tracks the silver price (backed with allocated gold in a bank vault in HSBC). QE3 will only boost the silver price, where BNP Paribas has a \$42.75 Y/E target price.

Fixed Interest - iShares Emerging Markets Local Gov Bond ETF (6.7% GRY)



Market Commentary (cont)

Chart Legend:

	20 day moving average	(signifies the short-term direction of the security, prices tend to gyrate around their 20 day m/a)
	50 day moving average	(signifies the medium-term direction of the security)
	200 day moving average	(signifies the long-term direction of the security - whether it is in a bull or bear market)
	bollinger bands	(an indicator that measures 2 standard deviations away from the 20 day m/a)

Technical Analysis Guide:

RSI (relative strength index) - indicates whether a security is overbought (above 70) or oversold (below 30). Also when the RSI moves above 50 that is considered bullish (or vice versa).

ADX (average directional index) - indicates whether a security is in a trend (above 20) or not in a trend (below 20). For trending markets moving averages work best when considering lines of support/resistance. For non-trending markets Bollinger Bands work best (sell at upper band, buy at lower band).

Research Disclaimer

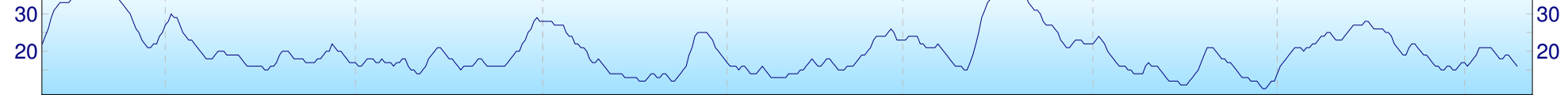
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14 ADX (Daily)



20 RSI (simple - Daily)

