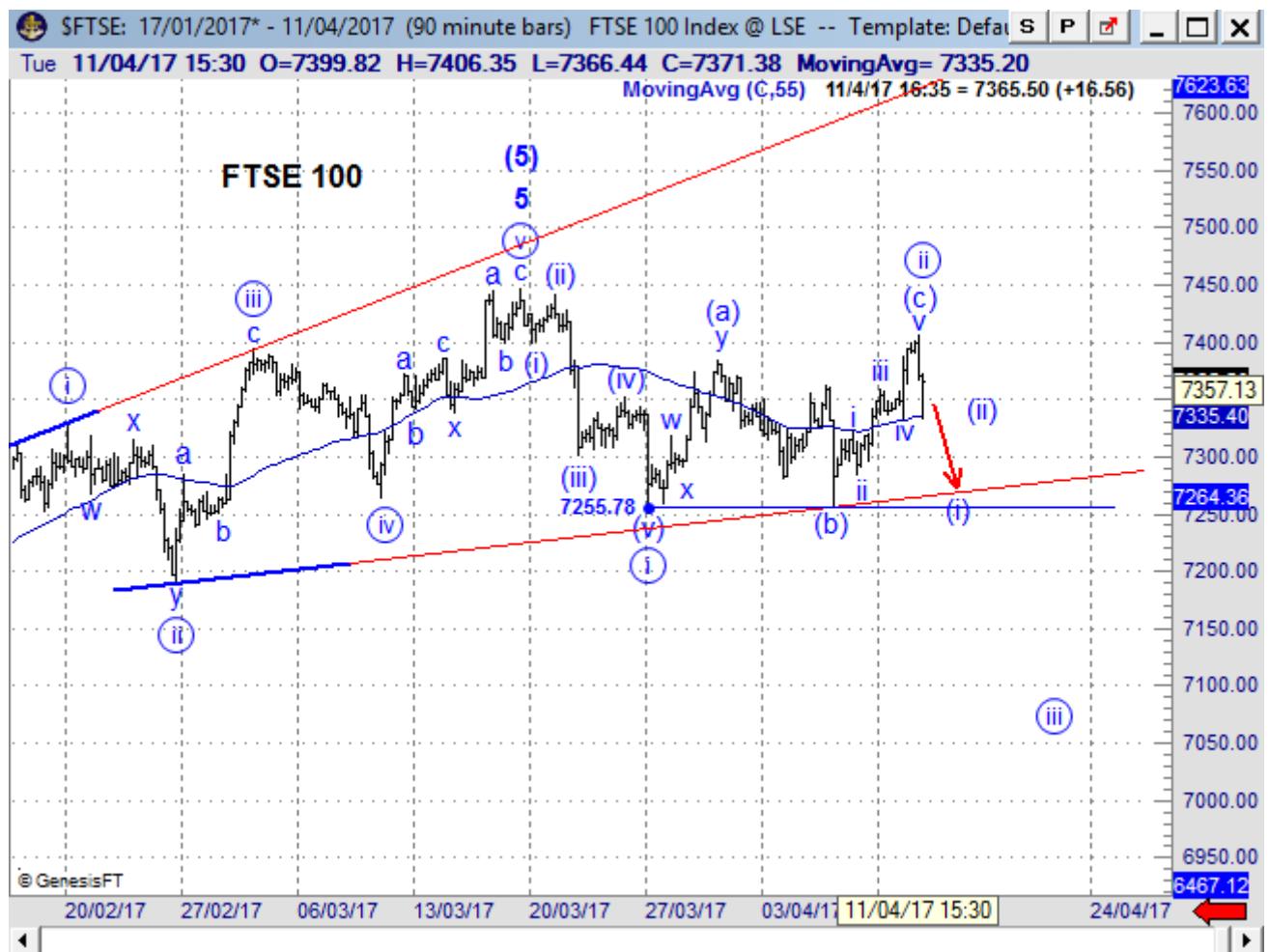


FTSE Short Term Forecast

Wednesday 12 April 2017



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|--|-------------------------------------|
| FTSE short term forecast: Down | BTI: Bullish |
| a decline to 7250 | 34-day BTI: Neutral |
| Selling area: 7340 or higher | 13-day BTI: Neutral |
| Model portfolio exposure: 40% short | Top 20 Differential: Neutral |
| All levels are for the FTSE 100 cash | Wave count: Bearish |
| | U.S. markets: Bearish |

The BTI turned up on 7 April and is still rising. On Monday the FTSE struggled to go up but yesterday sentiment changed, we saw a strong FTSE. Even the strong rally in GBP/USD failed to derail the FTSE rally. The FTSE broke above the resistance line and rallied to 7406.4. I must admit I was puzzled by this rally because GBP/USD was strong and the S&P was declining at the time. When the FTSE is strong for no apparent reason, there is reason and it may become apparent today or tomorrow. In this situation and despite the bearish wave count, you don't want to be too heavily short. Gold is climbing as tensions in the Korean peninsula rise. North Korea warned of a nuclear attack on the US at any sign of aggression. At the moment a probability of a war between the US and North Korea is still low, the more likely scenario is diplomacy will win. The FTSE was strong probably because the pattern was not a triangle but an upward zigzag [(a),(b),(c)] inside wave ii (circle).

A second wave retraces a large portion of the first wave, at 7406 the FTSE has retraced more than 62% of wave i (circle) and the pattern is a clear zigzag [(a),(b),(c)]. Furthermore wave (c) is in five waves [i,ii,iii,iv,v] which is a textbook pattern. So chances are the high at 7406.4 is the top of wave ii (circle) and I don't expect the FTSE to break above that level. The sharp reversal we saw in the afternoon is the start of wave (i) inside wave iii (circle). It's not clear if wave (i) is complete, I would expect a longer wave (i) and I think we are still in wave (i), the target is 7265. After that move the FTSE will rebound to complete wave (ii) near 7350, then it should go down again to complete wave (iii). An initial target is 7100.

S&P 500



The S&P declined at the open but the decline failed to extend, the index spent most of the session bouncing back. I was expecting a larger decline because that move is wave (iii), and because wave (iv) cannot overlap wave (i), wave (iii) should have ended lower to avoid the overlap. Now wave (iv) has overlapped wave (i) unless the bounce is wave a inside wave (iv) which is now the likely scenario. In this case the S&P will move sideways today to complete a small triangle inside wave (iv). This should be followed by a decline to 2320 for wave (v) inside wave a (circle).

What is the BTI (Bullish Trend Indicator)?

The BTI is a sentiment indicator used to assess the mood of investors. When the daily change in the BTI is down sentiment is bearish. When the daily change in the BTI is up sentiment is bullish. The BTI is used to assess the near term direction of the market and confirms the Elliott wave count.

Top 20 Differential

The Differential moved up from -0.5% to -0.4%. The differential is still in the middle of the range, the FTSE is not near a bottom.

| Epic | Name | Sector | Wave | Differential | Status |
|---------|--------------------------|-----------------|------|--------------|------------|
| ABF | Associated British Foods | Food Producers | down | -1.7% | Trending |
| AZN | Astrazeneca | Pharmaceuticals | down | -5.6% | Trending |
| BARC | Barclays | Banks | down | -7.9% | Trending |
| BLT | BHP Billiton | Mining | up | 9.1% | Overbought |
| BP | BP | Oil & Gas | up | 4.5% | Trending |
| BATS | Br American Tobacco | Tobacco | up | 5.9% | Trending |
| BT | BT Group | Telecoms | down | -9.5% | Oversold |
| DGE | Diageo | Beverages | down | -0.3% | Trending |
| GSK | Glaxosmithkline | Pharmaceuticals | down | -2.2% | Trending |
| HSBA | HSBC | Banks | up | 1.3% | Trending |
| LLOY | Lloyds Banking | Banks | down | -8.8% | Oversold |
| NG | National Grid | Utilities | up | 6.2% | Trending |
| PRU | Prudential | Insurance | up | 0.2% | Trending |
| RB | Reckitt Benckiser | Household Goods | up | 1.0% | Trending |
| RIO | Rio Tinto | Mining | up | 3.5% | Trending |
| RBS | Royal Bank of Scotland | Banks | down | -2.2% | Trending |
| RDSB | Royal Dutch Shell | Oil & Gas | up | 1.7% | Trending |
| ULVR | Unilever | Food Producers | up | 1.9% | Trending |
| VOD | Vodafone | Telecoms | down | -4.2% | Trending |
| Average | | | | -0.4% | |

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