

## FTSE Short Term Forecast

Friday 10 August 2018



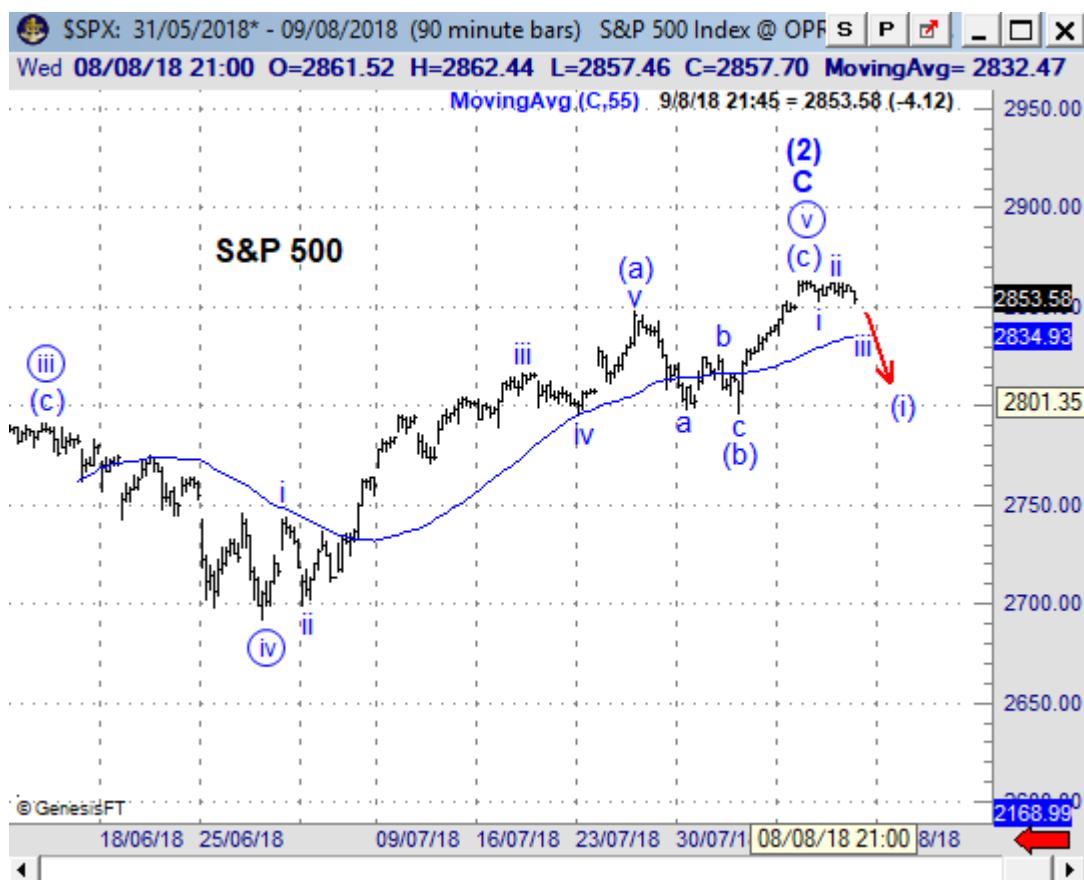
FTSE short term forecast: <b>Down</b>	BTI: <b>Bearish</b>
<b>a decline to 7550</b>	34-day BTI: <b>Neutral</b>
Selling area: <b>7730 or higher</b>	13-day BTI: <b>Neutral</b>
Model portfolio exposure: <b>80% short</b>	Top 20 Differential: <b>Neutral</b>
All levels are on the FTSE 100 cash	Wave count: <b>Bearish</b>
	U.S. markets: <b>Bearish</b>

The BTI turned down on 1 July and is still declining. Sentiment is bearish and as long as it is bearish the odds of a decline in the FTSE are high. The index may show strength at the moment but this is because the pound is making new lows. If you look at the S&P the rally near the all-time high is running out of steam, and of course any piece of good news on Brexit will rally the pound sharply. These two scenarios are highly probable. The weakness of GBP/USD has been partly driven by the rally in the US dollar. For some reason the dollar is rallying. Even the weaker than expected US PPI published yesterday failed to stop the dollar rally. The new high means the dollar is trading at levels last seen in July last year. This rally is a clear impulse wave, the consolidation of the last few months was the fourth wave, the current rally is the fifth wave. This means the dollar will peak and reverse, and GBP/USD will rally.

Today we have more news that could move GBP/USD. We have UK GDP and industrial production at 9.30 and at 1.30pm we have US CPI. GBP/USD will rally if UK GDP is strong and US CPI is weak. The FTSE is lagging the S&P, I believe the FTSE is leading the way, the UK index is struggling above 7700 for a good reason, the high beta stocks (FAANG stocks) you find in the S&P are not part of the FTSE. These internet stocks have given a boost to the S&P, the rally in the US has been driven by internet companies. The FAANG stocks will lead the decline when they turn down.

Today GBP/USD is down again but the FTSE is not rallying, it would appear the rally ended at 7790. The pattern is not clear, I have labelled it wave X but it could be something else. Right now we need to follow the short term trend and whether it is wave X or something else, a decline is still the high probability scenario. If the rally is wave X the next move is wave Y down, this move will be in three waves [a,b,c (circle)]. An initial target is 7550.

S&P 500



The S&P appears to have turned down after reaching 2863.5, this level is the top of wave (2). If this is the correct wave count the decline that follows will be large because it is wave (3). This decline will take the S&P to the 2300 area by the end of the year and we are right at the start of it. The first wave in the sequence will be in five waves [i,ii,iii,iv,v], this move is underway. An initial target is 2810.

## 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 down from 1.7% to 1.5%. The Differential is pulling back in line with the FTSE, a top is in place.

Epic	Name	Sector	Wave	Differential	Status
AZN	Astrazeneca	Pharmaceuticals	up	15.4%	Oversold
BARC	Barclays	Banks	up	2.5%	Trending
BLT	BHP Billiton	Mining	up	5.8%	Trending
BP	BP	Oil & Gas	down	-1.6%	Trending
BATS	Br American Tobacco	Tobacco	up	8.3%	Oversold
BT	BT Group	Telecoms	down	-3.5%	Trending
DGE	Diageo	Beverages	down	-3.8%	Trending
GSK	Glaxosmithkline	Pharmaceuticals	down	-0.2%	Trending
GLEN	Glencore	Mining	up	5.0%	Trending
HSBA	HSBC	Banks	down	-1.1%	Trending
IMB	Imperial Brands	Tobacco	up	3.8%	Trending
LLOY	Lloyds Banking	Banks	up	-0.2%	Trending
NG	National Grid	Utilities	down	-9.2%	Oversold
PRU	Prudential	Insurance	up	4.1%	Trending
RB	Reckitt Benckiser	Household Goods	up	8.0%	Oversold
RIO	Rio Tinto	Mining	down	-9.2%	Oversold
RBS	Royal Bank of Scotland	Banks	up	3.4%	Trending
RDSB	Royal Dutch Shell	Oil & Gas	down	-5.8%	Trending
SHP	Shire	Pharmaceuticals	up	3.8%	Trending
VOD	Vodafone	Telecoms	up	4.8%	Trending
Average				1.5%	

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