

# CHARLES STANLEY

## Traders Bulletin

Daily Technical Analysis

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**JP Morgan (JPM.N: \$47.16)** is worth a closer look this morning following the publication of its Q3 figures yesterday which showed that the banking giant had earned \$3.6bn in the period, which was quite a way ahead of analysts' expectations. The consensus on the Street is that JP Morgan is faring better than most in the current economic environment, although part of the reason for the Dow crossing through the 10,000 level for the first time in more than a year is that other investment banks reporting this week – Morgan Stanley, Goldman Sachs

Prices are as close 14 October 2009

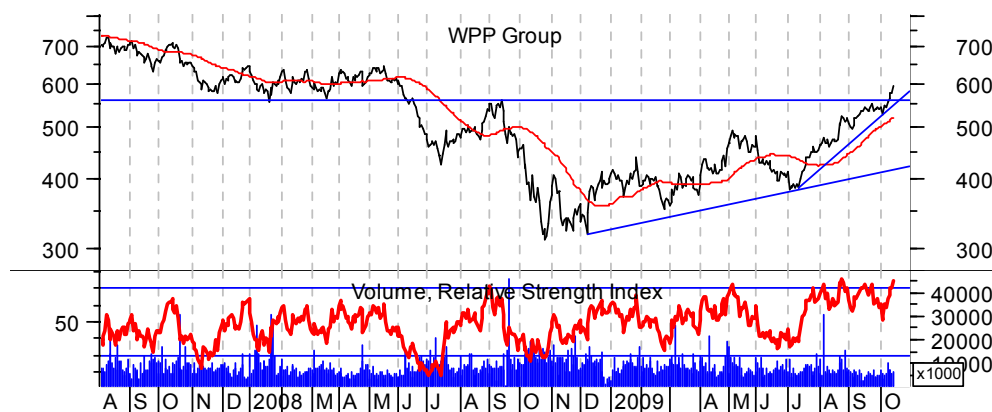
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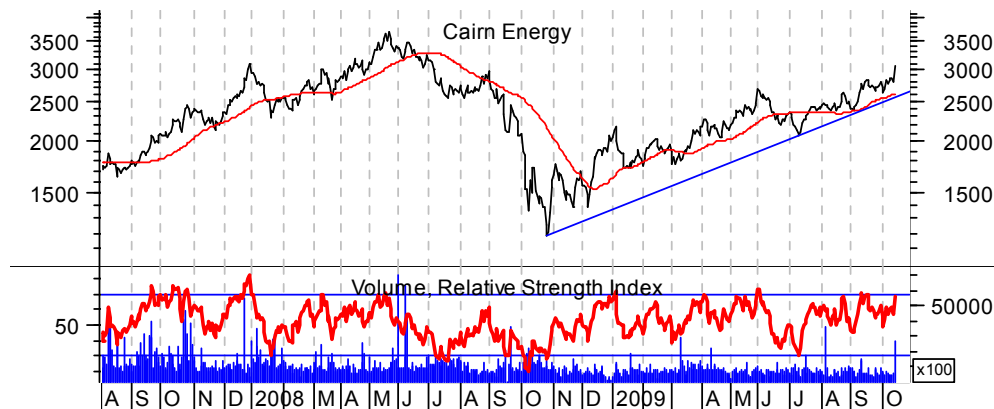
moved higher in sympathy. The technical picture reveals that the stock has rallied dramatically this year (and even that is an understatement) – in the dark days of early March JPM was changing hands for less than \$16 but, as of yesterday's close, it is back to levels last seen just over a year ago. This is not altogether surprising – similar price action is apparent in some of the UK banks, such as Barclays, HSBC and Standard Chartered – although you might be surprised to learn that the share price is within striking distance of the multi-year highs that were reached in April of last year, at \$52.73. More than half of JPM's profits came from its investment banking division (and most of that came from bond trading), and it's worth noting that its more traditional credit card business posted a loss of \$700m (which is expected to get even worse going forward). Bottom line – this stock appears to be up with events and the road ahead for 'normal' retail banks (i.e. those without strong fixed-income divisions) looks like it's going to remain tough for quite a while.

**Rio Tinto (RIO: 2998p)** was in demand yesterday on the back of a bullish third quarter operations review – the shares gapped higher at the open and ended the session 150p points in the black (on rising volumes). This leaves the shares at a new 52-week high and although they are starting to look slightly overbought there is very little in the current technical picture to suggest that this rally cannot continue in the near term. Hold for now.

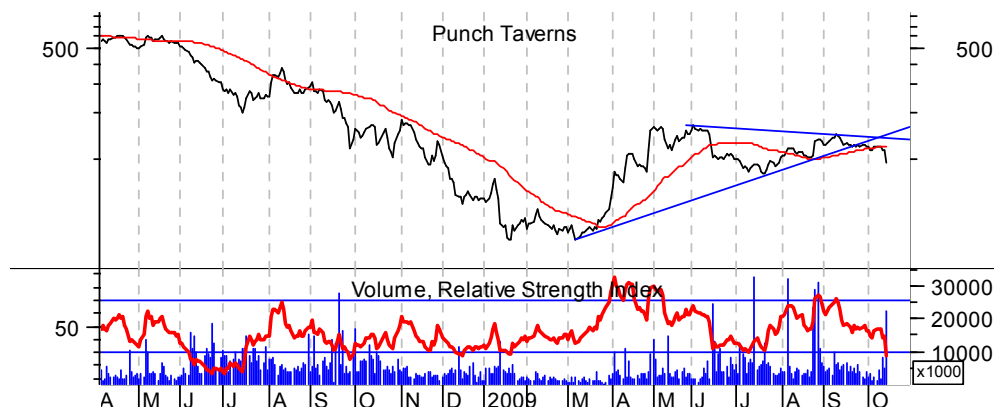
**WPP (WPP: 593.5p)** has been a very strong market recently and over the last eight sessions the share price has advanced by 12.8% (and mostly on fairly strong volumes). This price action has lifted the stock to a sixteen-month high and while there is little evidence to suggest that the rally is coming to an end it should be noted that most technical indicators have reached levels where they are starting to look overbought and that should be interpreted as a reason to treat WPP with some caution at this stage.



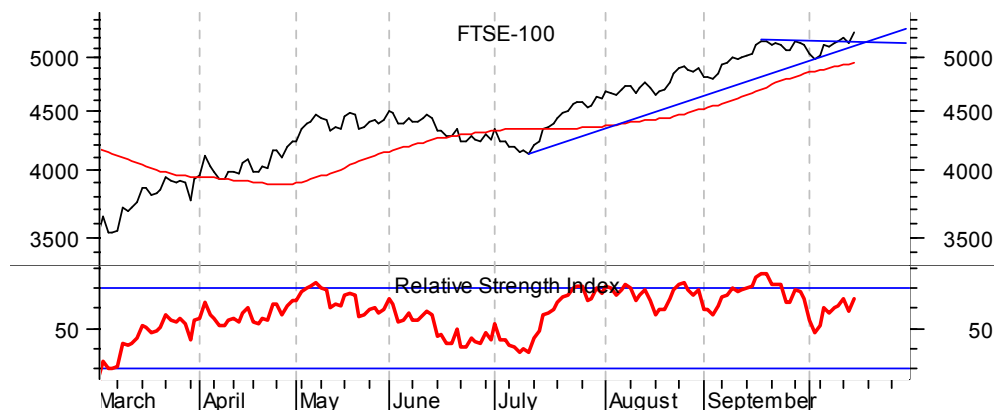
**Cairn Energy (CNE: 3050p)** led the rally in the oil stocks as Nymex crude traded up through \$75 per barrel and on the news that the company's India unit had secured loans worth \$1.6bn to fund its project in Rajasthan. The shares ended the session 242p (8.6%) higher and, as the chart below demonstrates, this advance has taken them through the top of their recent congestion band and to levels not seen since July 2008. This moves leaves them looking relatively overbought but further gains still look possible. Hold for now.



**Punch Taverns (PUB: 97p)** came under pressure after reporting a 39% fall in full-year pre-tax profit and a £663 write-down in the value of its property estate. Both of these figures were somewhat worse than anticipated and the shares shed 19.25p as a result – although this leaves them in the midst a range that has been in place since the summer it now looks like we might see a slide to the low end of that range, at around 82p. Reduce.



**FTSE-100 (5256.1)** added over 100 points yesterday and that price action looks like ample confirmation that the 5175 resistance area has been successfully negotiated. The good news for the bulls is that the recent minor pull-back took the momentum oscillators back to levels where they weren't looking quite so overbought, which makes this a good starting point for a new move to the upside. At this level my 5500 target for the leading index is starting to look somewhat less fanciful and, at the same time, the 1125-40 upside target for the S&P 500 is also looking a lot more achievable (yesterday's closing level – 1092). Many analysts are suggesting that equity markets are becoming detached from where they ought to be on a valuation basis – that could well be true, but that will not stop the rally: prices don't grind to a halt because they are at the precise PE where they ought to be.



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