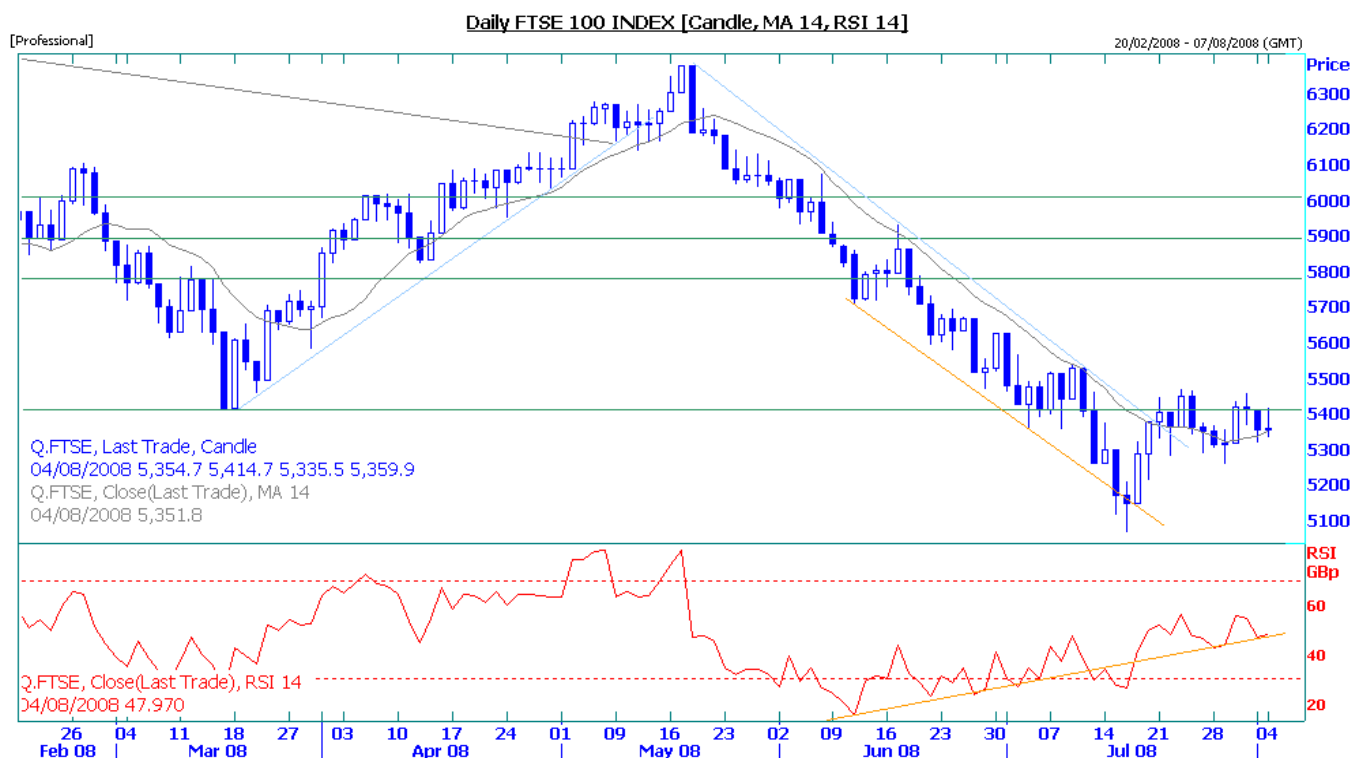


CFD FTSE 100 Outlook, August 4, 2008

FTSE 100 (Candle, Daily)



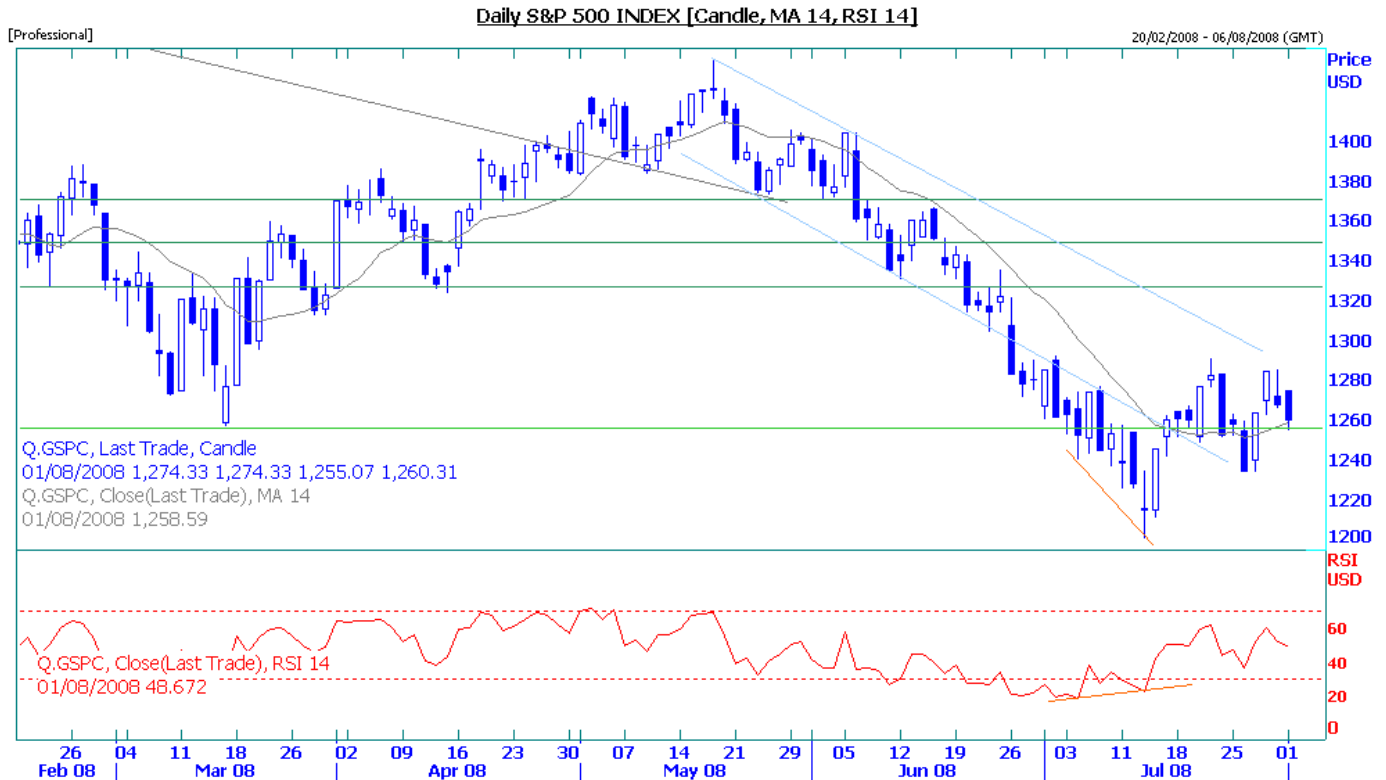
Last week we felt that the underlying medium term outlook was looking more positive, so felt as a result there could be some short term buying on any short term weakness ahead leaving a fairly neutral outlook overall. So the moves seen last week have been largely in line.

We have spent some time in recent weeks highlighting how the markets covered do now have room for more medium term legs higher. The indices have done much of what you would expect before such a move but rather frustratingly they appear to be failing at just the last hurdle. The FTSE graph shows how the index has continued to find resistance from the long term Fibonacci retracement level, lower green line. Had the FTSE managed to post fresh short term higher highs on this move we would be more confident that the buyers looked set for a more sustainable move higher, but the graph above clearly shows how a fresh high was not posted, so the index has not yet created a new short term uptrend.

This could look to be a fairly minor point, but it is interesting to note how the S&P and the Dow have both failed to post similar new short term highs, so while we were correct in seeing buyers appearing at these lower levels, so far they have failed to create enough momentum to post new short term bull trends.

The S&P 500 is looking the more likely to post such a move first as it has already broken back above its comparable long term retracement level, but equally it certainly does not look immune to another retest of the July lows. So going forward the indices look set for choppy trading within the last couple of weeks highs and lows. On the S&P we can see the short term sellers emerging around 1280 and short term buyers at 1240, the more difficult question is on the more medium term momentum. We have been talking about a more medium term leg higher for the past few weeks so still feel this is the more likely outcome, after the capitulation feel to the selling in the lows in late July. But traders will need to closely monitor the recent short term lows, 1234 on the S&P 500, as well as keep an eye on the RSI bullish trend, orange line on graphs, as moves under here would allow the green shoots of optimism to quickly wilt. Leaving a cautious outlook overall as volatile times are still seen in the short term ahead, with the medium term more bullish arguments still just having the edge.

S&P 500 (Candle, Daily)



Dow (Candle, Daily)

