

Boost ETP DAX Trade Idea

06 February 2013

Has the DAX Rally Stalled?

- The DAX fell by over 2.4% on Monday to 7638.23, putting strong support at the 7635/7600 area in the spotlight. While the choppy rally since the 2011 lows argues for further gains, the scope of the fall on Monday argues for further corrective losses as the last leg of the rally from 16 November 2012 has been steep
- From a pairs or long/short point of view, the FTSE 100 has outperformed the DAX since the start of 2013 (by almost 6 percentage points) and this may continue. Germany faces unique challenges in 2013 which may temper the rally in the DAX from the 05 June 2012 lows, while the UK's FTSE is benefitting from currency moves and the different mix of shares in the index
- If both indices fall a pairs trade would reduce the potential gains on the outright bear play, but the long/short strategy would offer a partial hedge in case the DAX does trend higher again
- On Tuesday, Monday's equity losses reversed slightly: Boost ShortDAX® 3x Daily ETP (3DES) fell by 1.05% while Boost FTSE 100 3x Leverage Daily ETP (3UKL) rose by 1.71%

Index	Index Value			% Move		
	(A) 31/12/2012	(B) 01/02/2013	(C) 05/02/2013	from A to B	from A to C	from B to C
DAX	7612.39	7833.39	7664.66	2.90%	0.69%	-2.15%
FTSE 100	4144.87	4464.59	4419.23	7.71%	6.62%	-1.02%

Source: Bloomberg® as of 6 Feb 2013. FTSE 100 values and returns represent the FTSE 100 Net Dividend TR index.

The 2.4% tumble in the DAX to approach strong chart support at 7635/7600 on Monday is leaving investors with a strong trading opportunity from a chart point of view. Bulls can look for a bounce off support to try and regain 7800 for 7871 (28 January 2013 peak), while bears may be looking for a turn below key support which will leave losses to 7400/7340 (congestive area and trend line support lines). While the choppy rally since the 2011 lows argues for further gains, the scope of the fall on Monday argues for further corrective losses as the last leg of the rally from 16 November 2012 has been steep. A fall to 7340 would be a tumble of over 4% from current levels (7665) and there is a risk of seeing 6986 (250-day moving average) approached on a sustained turn lower. Selling into upticks on Wednesday should attract, with short term resistance at 7765/7800 important to hold for very short term bear views. From a pairs or long/short point of view, the FTSE 100 has outperformed the DAX since the start of 2013 by almost 6 percentage points and this may continue. If both indices fall a pairs trade would reduce the potential gains on the outright bear play, but the long/short strategy would offer a partial hedge in case the DAX does trend higher again.

DAX Short Term Daily Chart with 250-day Moving Average



Research sourced from Redtower Asset Management. Data courtesy of Bloomberg® and Reuters©

Possible Trades

If you think equities are likely to fall, you can go short by purchasing a 3x Short ETP such as:

- Boost ShortDAX® 3x Daily ETP (3DES)
- Boost Short FTSE 100 3x Daily ETP (3UKS)

Or if you think DAX will fall but want to hedge your market risk in case DAX rises:

- Buy Boost ShortDAX® 3x Daily ETP (3DES) & Buy Boost Leverage FTSE 100 3x Daily ETP (3UKL)

Contact Information

If you would like further information about Boost ETP's product range or any of the content within this fact sheet, please contact us:

☎ +44 (0)20 3515 0050 ✉ info@boostetp.com 🌐 www.boostetp.com

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