

# Trade Booster

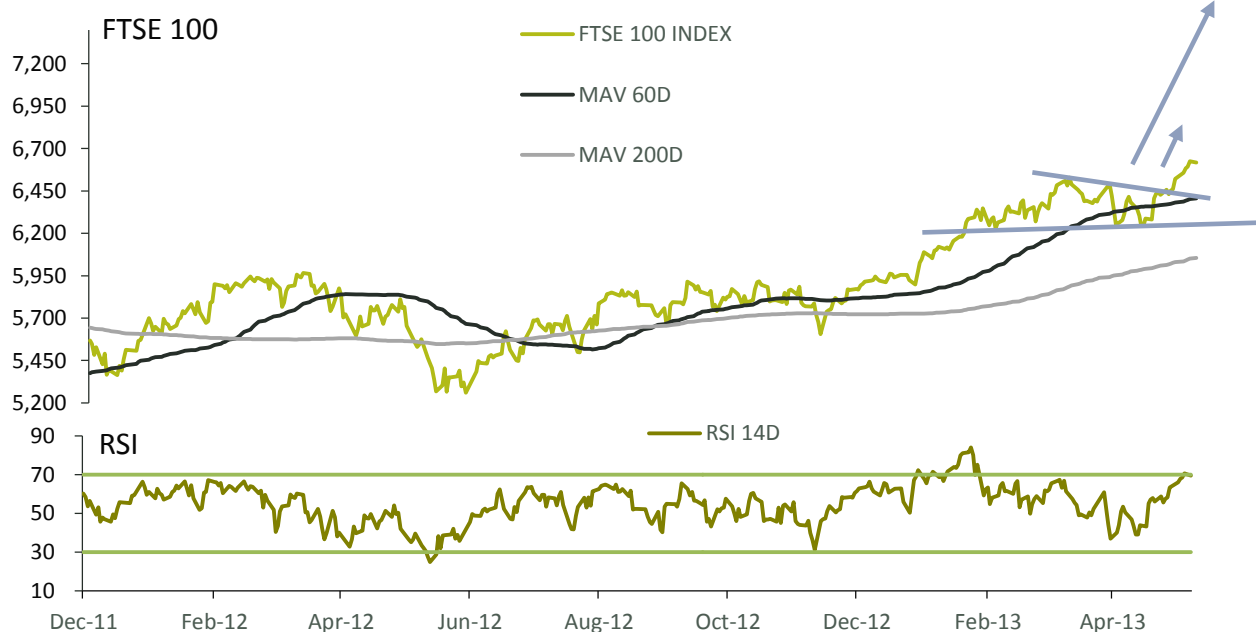
15 May 2013

FTSE 100 Bull Flag Breakout

## Summary

- The FTSE 100 rally above trendline resistance at 6450 targets 6750 (near the 13 July 2007 high of 6754.10) on the conservative Minimum Extension Measure\*.
- Chart support is at 6533 ahead of 6400
- Investors who believe that the FTSE 100 will continue to rally could buy the Boost FTSE 100 3x Leverage Daily ETP (3UKL)

Short (6750+) and long-term (7300+) targets



The FTSE 100 has rallied over 6% from the mid-April lows and has triggered a Bull Flag Pattern\* (see the appendix for definition). The rally above trendline resistance at 6450 targets 6750+ on a Simple Bull Flag Measure\*. Support is at 6533 (congestive highs\* from March 2013) ahead of 6400 (where multiple daily high/lows and a falling trendline cluster to offer support).

The FTSE 100 continues to rally in May with the break above 6450 confirming a Bull Flag Pattern. These are continuation patterns and the minimum target is just above 6750 (near 6754.10, the 13 July 2007 high). This is derived by extending the difference of 6533 (top of the flag pattern) and 6220/6200 (bottom of the flag) from the bull flag breakout line (6450). Long-term bulls would be looking at the Flag Pole\* which starts from the November 2012 low near 5605.59, targeting a

potential rally above 7300 further out. The near-term focus will be on pullbacks in order to gauge the strength of the bull flag breakout. Chart support is at 6533 (March 2013 congestive highs) ahead of 6400 (falling trendline – former resistance which is now offering support). If the latter gives way, then the bull flag breakout will be negated, and the FTSE 100 could drift back to the support area at 6220/6200. Of note is that very long-term trendline resistance from the 1999 all-time peak (6950) to the 2007 high (6754) is under pressure at 6630+. Sustained gains above this area will add to the bullish sentiment already building from the bull flag breakout, leaving the FTSE 100 to challenge 6750 and higher. Investors who believe that the FTSE 100 will continue to rally may buy the Boost FTSE 100 3x Leverage Daily ETP (3UKL).

## \* Appendix: Technical Analysis Definitions

Flag Pole - The Flag Pole in technical analysis is part of a 'continuation pattern' and can be either part of a 'bear flag or pennant' (prices are descending) or a 'bull flag or pennant' (prices are ascending). The Flag Pole is usually derived from the start of the rally (bullish) or sell off (bearish) to a price level where market activity seems to 'pause'. This will usually see the uptrend or downtrend in prices consolidate for some time – with prices either ranging in a triangle or rectangle pattern (flag) or wedge (pennant). The price difference between the start of the rally and the highest price reached during the 'pause' in the rally is the length of the Flag Pole in a 'bull flag or pennant'. The price difference between the start of the sell off and the lowest price reached during the 'pause' in the bear trend is the length of the 'bear flag or pennant'.

Bull Flag Pattern – This is a continuation pattern and is one of the most important technical analysis chart patterns. A Bull Flag Pattern has three components. The initial price rally which forms the bull flag pole is the first. The pause in prices after the initial bull trend forms the actual 'flag' or 'pennant' and is the second. The price breakout in the direction of the original price trend move (higher in the case of a bull flag) is the third component. This breakout is usually seen as another rally which turns above triangle or flat channel resistance (the breakout) and then extends to higher prices. The Bull Flag Pattern has two targets. The first is the height of the actual 'flag' or 'pennant' extended from the breakout point (the difference between the high price of the consolidative pattern and the low price within the consolidative pattern added to the breakout point). The second target is the actual bull flag pole measure extended from the breakout point. The first target would be regarded as the minimum extension measure, while the actual flag pole measure is the medium or long-term extension measure.

Congestive highs/lows – An area of chart support or resistance, which is observed as a cluster of highs or lows in the same price region. These can vary in importance depending on the time frame – weekly congestive high/lows are more important than daily congestive high/lows and intraday high/lows.

Minimum Extension Measure – The minimum price target in technical analysis derived from a pattern breakout. These can be continual patterns (like a flag) or a reversal pattern (like a head and shoulders pattern). The Minimum Extension Measure is the initial price objective or near-term target that is usually seen as the 'conservative' price objective, with other price extension measures seen as medium or long-term price objectives.

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