

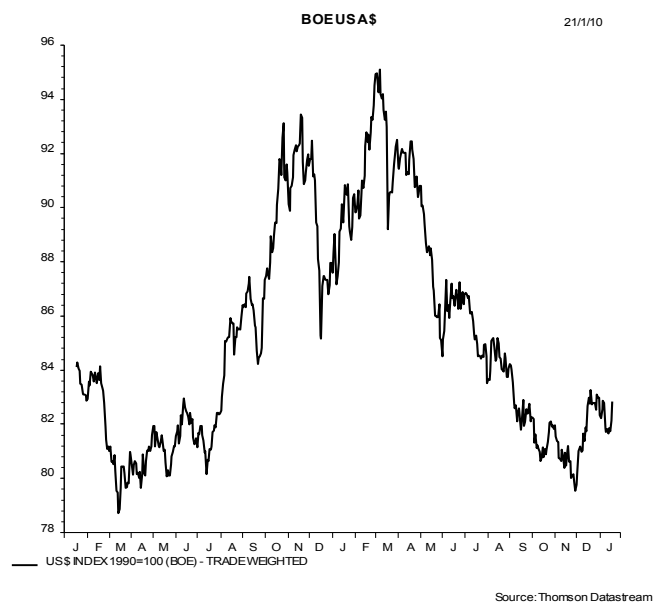
Mercantalyst



Merchant John East Securities

Thursday 21 January 2010

Focus very much continues on the American \$,
yesterday's strength shown below:

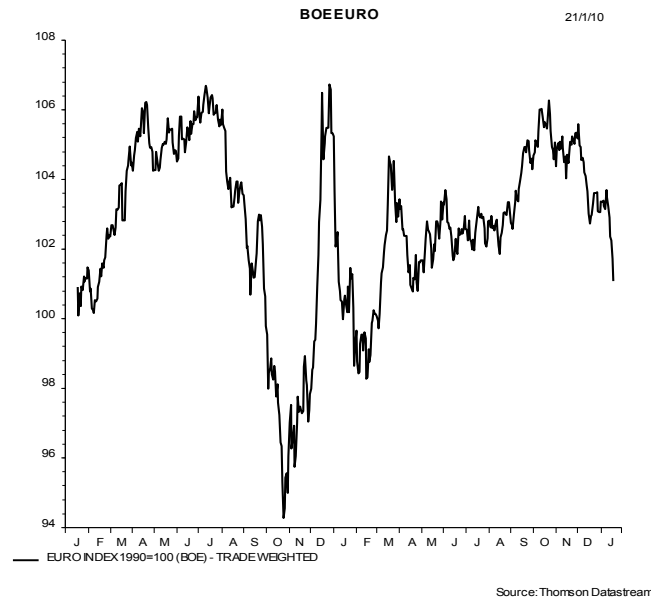


Bank of England \$ index.

Good recent action, certainly, but not a breakout.



And note that a little below 60% of that index is represented by the
currency below:



Bank of England € index.

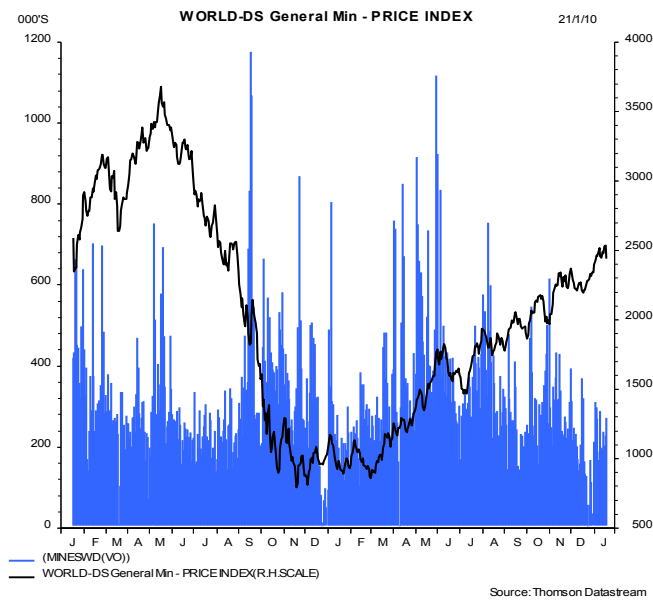
Which of late has been very much affected by investor awareness
that we may have to re - learn how to spell the
word "drachma" (or possibly "new drachma").

To say nothing of the mooted issue by the Greek Treasury, to a no doubt accommodative
Greek populace, of the Greek equivalent of the American W.W.2 "Liberty Bonds" - all
to help stave off the worst effects of a crisis helped into being
by that same Treasury - not perhaps the easiest of sells
to a populace many of which are already out rioting on the streets of Athens.



The individual \$ parities, \$ / Yen, \$ / £ etc. give us no useful technical information to assess the sustainability or otherwise of this phase of \$ strength.

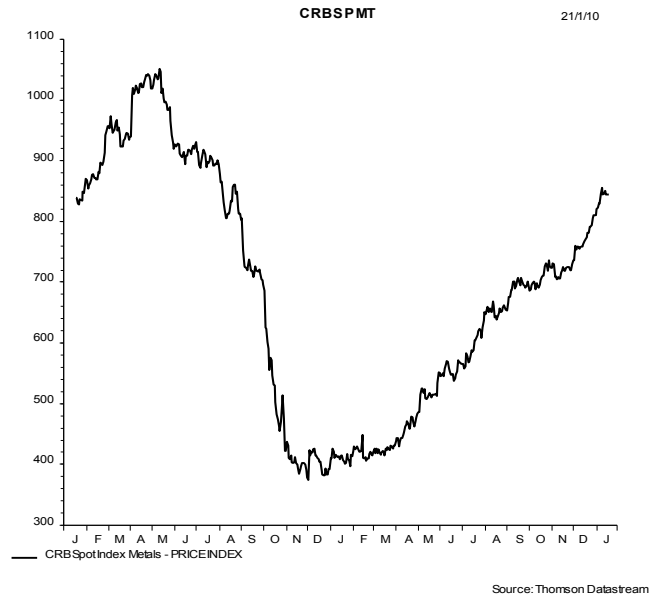
And this recent strength has had very limited impact on the global Mines sector, making new recovery price highs as recently as Tuesday of this week, the sector shown below:



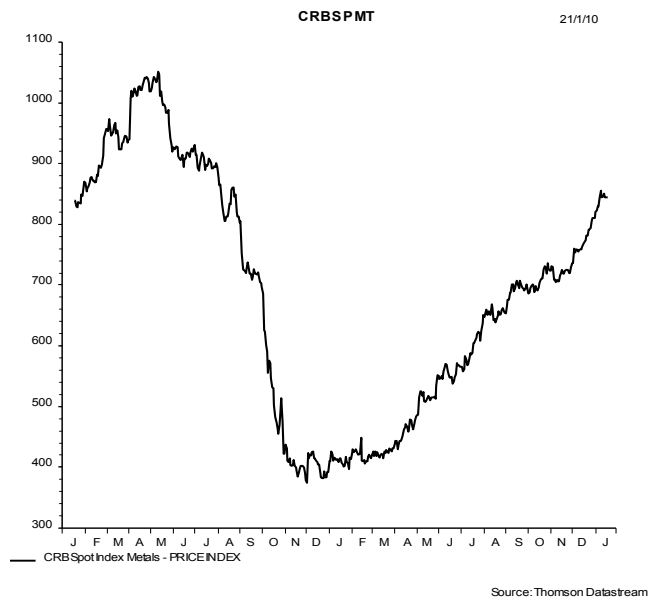
(and note unexceptional volume behind yesterday's fall).



And minimal impact on the physical metals and foodstuffs:



Physical Metals



Foodstuffs.



Equally minimal in the other themes of Emerging Markets, as shown below:



The extent of the very recent weakness in all the above is very much within the main uptrends developed over the last year or so.



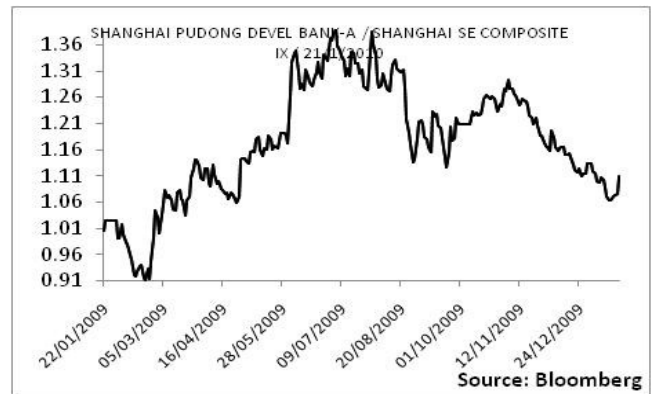
Although we do remain concerned about Chinese equities,
overnight strength minimal in the context of recent weakness.

**And the technical appearance of the Chinese
financial - relateds continues to be of concern.**

The charts below are of the two largest Chinese Banks,
accounting for 7% and 4% of the total equity market,
(the third largest accounts for 1.4%)



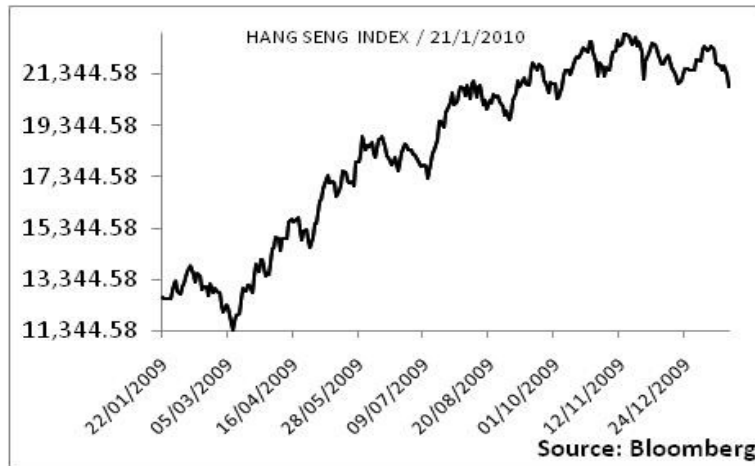
Industrial & Commercial Bank of China - 7%



Bank of China Ltd - 4%.



And the cautious comments made of late re. Hong Kong equities remain in focus, overnight weakness adding weight to recent comments.

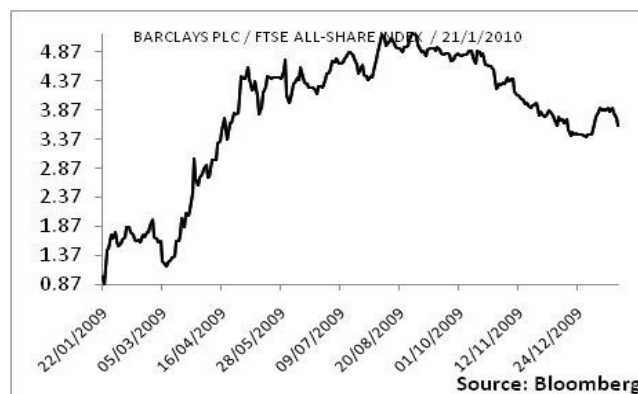


Hang Seng Index.

Elsewhere, the themes of weakness in prospect in the financial - / industrial - / consumer confidence - relateds find expression in some aspects of yesterday's sessions.

Hence, new lows / weak action in the following, and in no particular order,

but certainly a clear message:



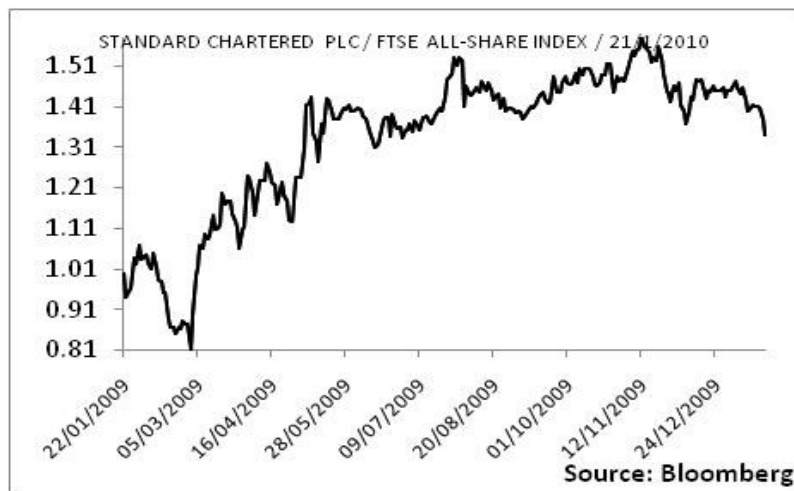
Barclays



Financial - relateds:



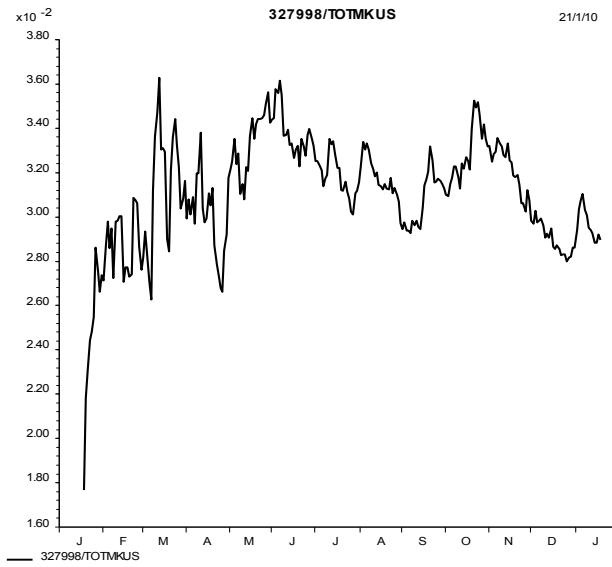
HSBC



Standard Chartered

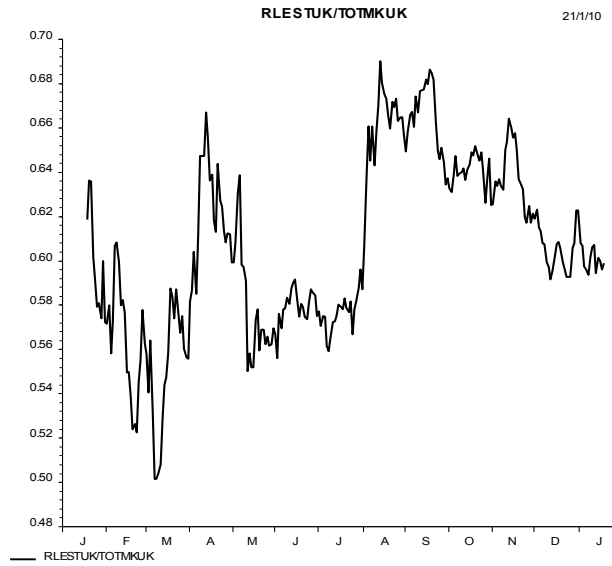


3i Group (typical of this group, Icap, Man Group etc.)



Source: Thomson Datastream

Morgan Stanley



Source: Thomson Datastream

U.K. Real Estate.

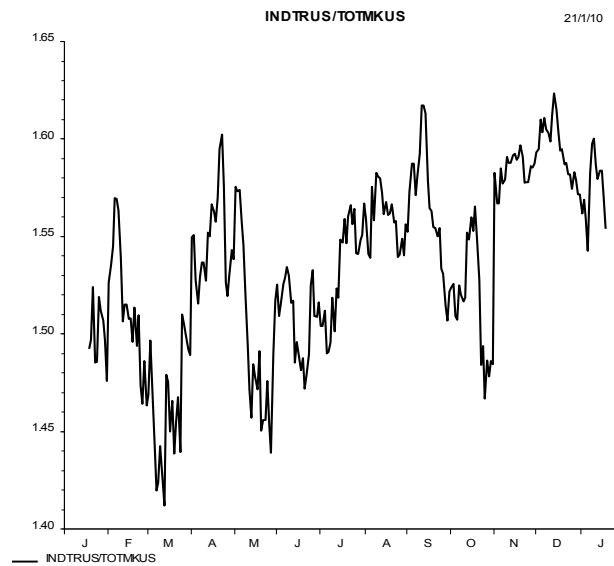


Industrial - related:



Source: Thomson Datastream

D.J. Transport.



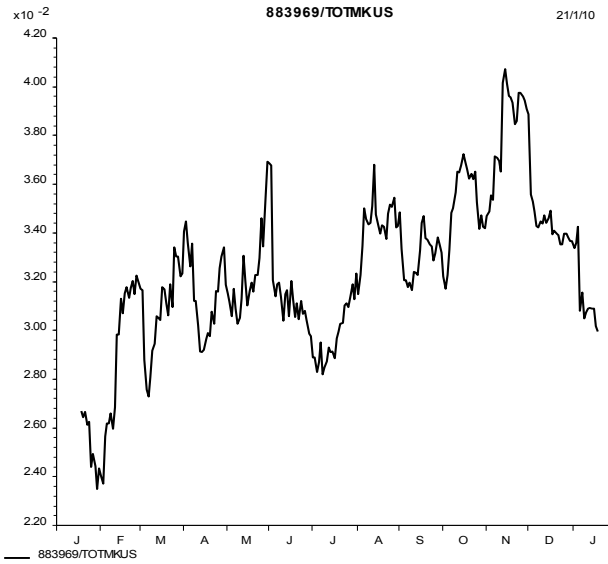
Source: Thomson Datastream

Industrial Transport.



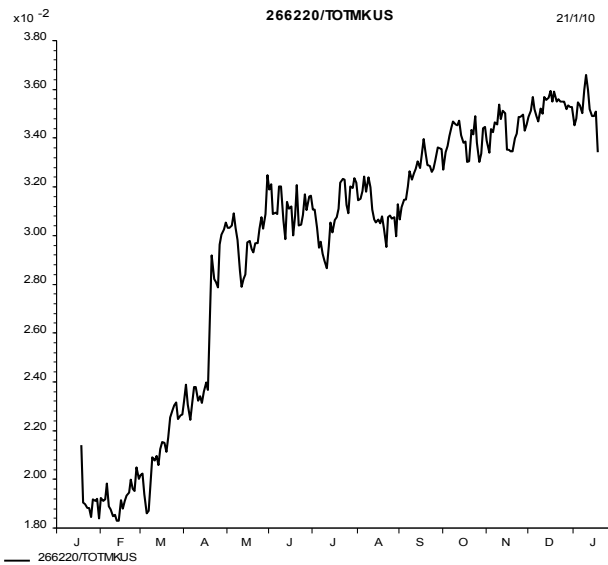
Consumer confidence - related.

Endless, but a few examples below, the theme of the last two / three months gaining further momentum:



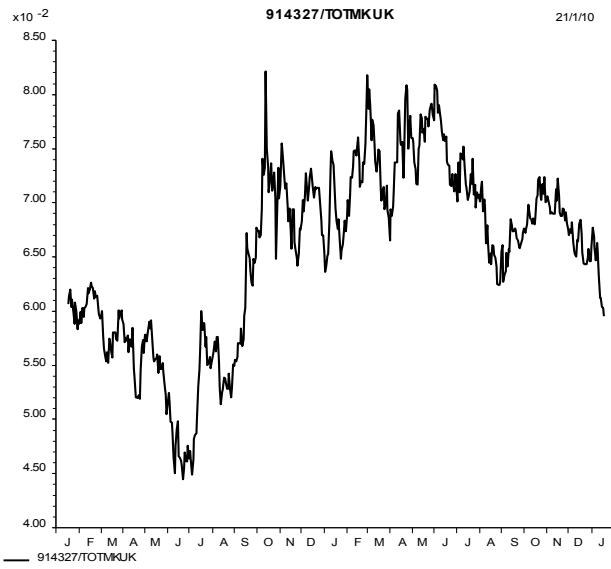
Source: Thomson Datastream

Abercrombie & Fitch



Source: Thomson Datastream

Coach.

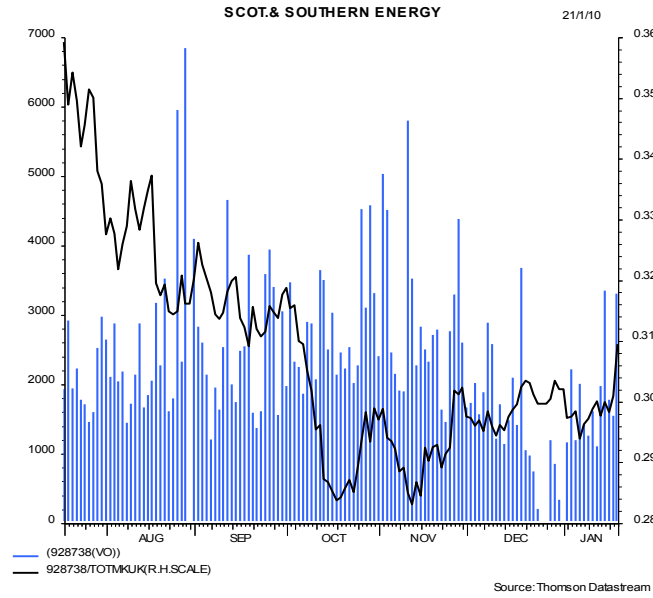


Source: Thomson Datastream

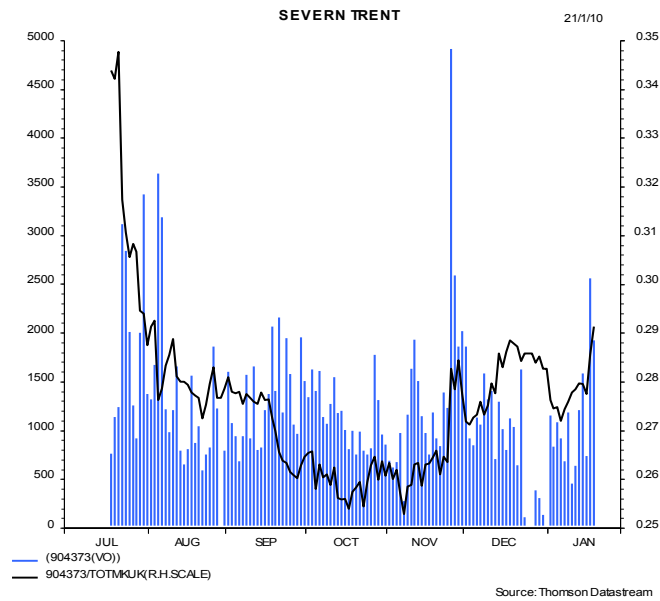
N. Brown



At the other end of the performance spectrum,
we would highlight attractive action in the two stocks below:



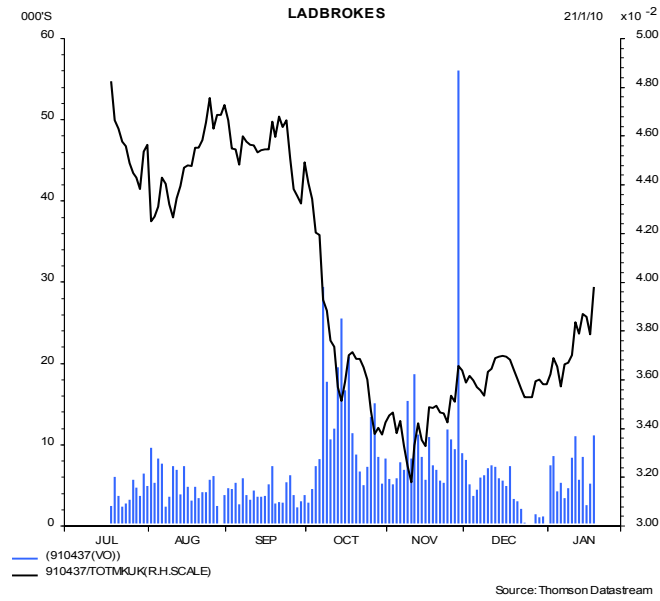
Scottish and Southern Energy.



Severn Trent.



And, finally, this one looks very interesting:



Ladbrokes.



Richard Crossley +44 207 375 9063
mobile +44 7712 668 128
richard.crossley@merchantsecurities.co.uk
mercantalyst@merchantsecurities.co.uk

John Coulson +44 207 375 9030
john.coulson@merchantsecurities.co.uk

Richard Bayley +44 207 375 9031
richard.bayley@merchantsecurities.co.uk

Dealing Desk
STX 77331
Chris Coleman +44 207 375 9021
Steve Asfour +44 207 375 9020





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