

Buy – Direct Line (DLG)

February 7, 2013

Leveraged products involve a high level of risk and you can lose more than your original investment. They are not suitable for everyone so please ensure you understand the risks involved and if necessary please obtain investment advice from a financial adviser before investing. This report is not a personal recommendation and does not take into account your personal circumstances or appetite for risk.

Trade parameters:				
Current Price 216p	Stop Loss 5p (211p)	Limit/Target 235p	Reward vs. Risk 3.8x	CFD Margin 10%

Observations - For

- Uptrend since listing; defined channel, multiple touches
- MACD down near recent lows; ADX (trend strength) strong
- Shares trading above rising moving averages
- Some technicals supportive (RSI, DIs, Stochastics) of idea

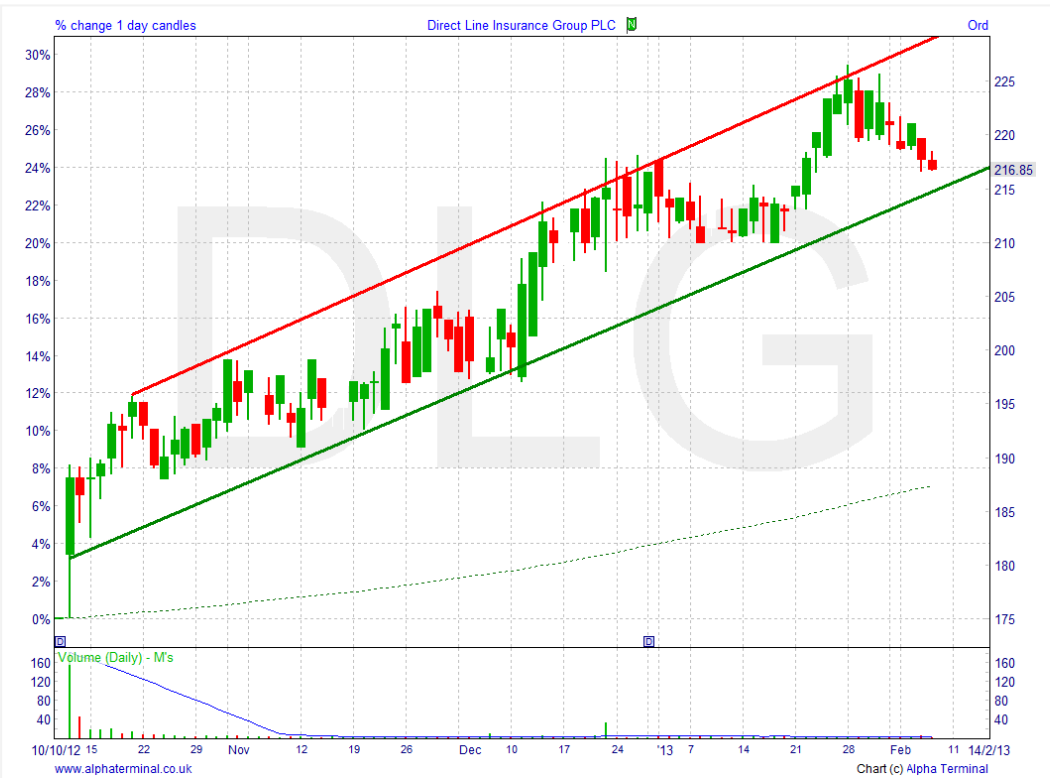
Observations - Against

- Technicals limited given lack of share price history
- Recent high in MACD lower than previous
- Momentum fallen back negative near previous lows
- Shares are already a consensus buy

News / Broker Comments / Important Dates / Observations **

Nomura upgrades to Neutral and ups target ahead of earnings. Does not expect major surprises but in-line performance will mean stock on track with restructuring which should help sentiment (5 Feb). Exane cuts to Neutral after outperformance since IPO, with limited upside to 222p target, but better positioned than peers given market price softening and strong customer retention (4 Feb). Canaccord starts at Buy on better loss ratio and cost reduction programme (28 Jan). **Next Event:** FY Results, 28 Feb 2013

Latest Broker 12m Consensus: 9 x Buy, 5 x Hold, 1 x Sell (Source: Digital Look, AlphaTerminal, Brokerforecasts.com) (U = Upgrade / D = Downgrade)
5-Feb, Nomura, Neutral (U); TOP 193p (U); **4-Feb**, Exane, Neutral (D), TP 222p; **28-Jan**, Canaccord, Buy, TP 240p; **22-Jan**, UBS, Buy, TP 225p; **7-Jan**, Investec, Buy, TP 237p (U); **4-Jan**, Numis, Buy; **14-Dec**, MS, Overweight, TP 236p; **10-Dec**, Deutsche, Hold, TP 220p



Stock description

Direct Line Insurance Group PLC provides personal and commercial insurance and services. The Company offers a range of insurance products including automobile, home, travel, pet, property, and accident insurance. Direct Line Insurance serves private customers and business clients online and by phone throughout the United Kingdom, Germany, and Italy. (FTSE250)

Graph: 4-month (daily)

Stock last used as Trade Idea; N/A

**Source: DowJones Newswires, Reuters News or Company Press releases, Bloomberg.com

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Graph: 2-year (daily) - MACD, ADX and Directional Indicators



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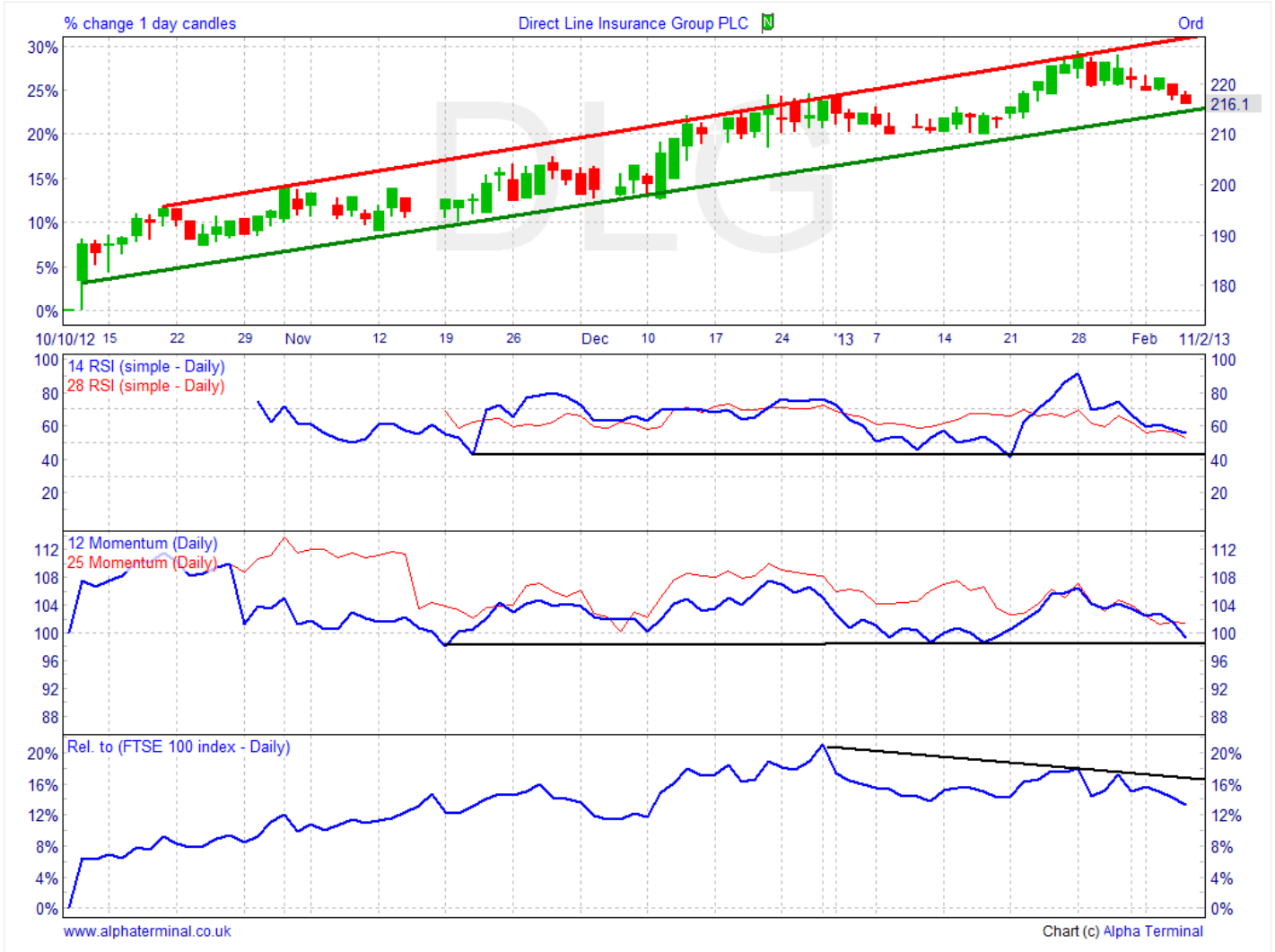
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Graph: 2-year (daily) - RSI, Performance relative to FTSE 100



Share Perf %	1wk	1m	3m	1yr	2yr	3yr	4yr	5yr
-1.93	2.34	11.42	n/a	n/a	n/a	n/a	n/a	n/a

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