

Sell – Babcock International (BAB)

January 24, 2014

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:				
Opening Price	Stop Loss	Profit Limit	Reward vs. Risk	CFD Margin
1405p	1455p (50p/3.6% above)	1250p (155p/11.0% below)	3.1x	10%

Technical Observations - For

- 4yr uptrend, 2yr rising channel
- MACD topped out at prior highs
- Directional indicators converging bearishly
- RSI already turned down – negative divergence with price
- Momentum falling; Stochastics suggests oversold

Technical Observations - Against

- Shares in long-term uptrend
- Directional indicators not yet made bearish cross
- Momentum indicators not yet gone negative
- Point & Figure not yet showing reversal
- 100-day moving average supportive since late 2011

News / Broker Comments / Important Dates / Observations **

BAB buys Context Information Security for £28m (17 Dec). BAB confirms JV talks with Avincis (25 Nov). Goldman Adds to conviction Buy list and ups target to 1750p (8 Nov) BAB says H1 results should be in-line with consensus (27 Sept). Shares moved up after H1 results, with margin expansion but lower order book. Shares failed before rising trendline. Benefits from infrastructure spending and investment, often from governments. If everyone's a buyer, who's left to buy? **Event:** Interim statement, 11 Feb

Latest Broker 12m Consensus: 6 x Buy, 5 x Hold, 1 x Sell (Source: Digital Look, Alpha Terminal, Bloomberg) (U = Upgrade / D = Downgrade)
20-Jan, Seymour Pierce, Buy, TP 1600p (U); **17-Dec**, Jefferies, Buy, TP 1600p; **25-Nov**, Panmure, Hold (D), TP 1350p; **25-Nov**, Numis, Hold (D), TP 1417p; **25-Nov**, Liberum, Sell, TP 1200p; **25-Nov**, Investec, Hold (D), TP 1300p (U); **14-Nov**, Berenberg, Buy, TP 1540p



Stock description

Babcock International Group plc offers support services to public sector institutions. The Company offers facilities management, training, and support services to defense, rail transportation, marine, and other public sector organizations. Babcock serves customers in Europe, Africa, and North America. (FTSE 100)

Graph: 2-year (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: 1-year (daily) - ADX and Directional Indicators, MACD & Volume



Moving averages on price:
Green: 200-period, Black: 100-period, Red: 50-period, Red: 20-period

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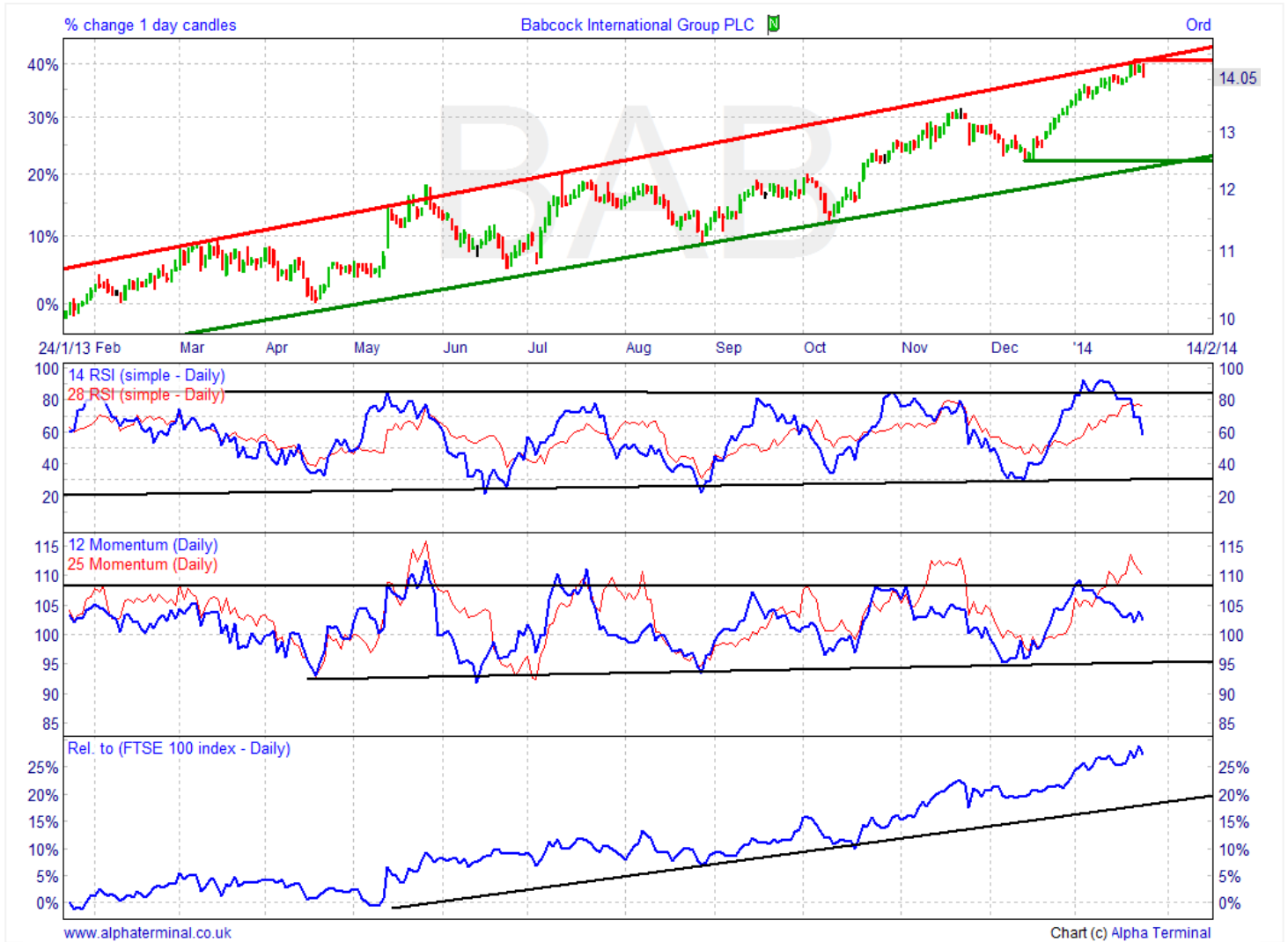
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Graph: 1-year (daily) - RSI, Momentum and Performance relative to FTSE 100



Share	1wk	1m	3m	1yr	2yr	3yr	4yr	5yr
Perf %	0.93	6.28	12.58	38.83	91.42	143.5	150.67	179.6

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