

Sell – British American Tobacco (BATS)

February 6, 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	Stop Loss	Limit/Target	Reward vs. Risk	CFD Margin
3306p	69p away (3375p)	3125p	2.6x	5%

Technical Observations - For

- Shares back at top of shallow rising channel – correction?
- MACD slowed up; Momentum turned down
- RSI turned down at overbought; Stochastics overbought
- ADX (trend strength) turned back up
- Negative directional indicator turned up from extreme low

Technical Observations - Against

- Shares in long-term rising trend
- Support possible from major MA's (incl. 200-day) around 3200p
- 4.0% dividend yield can be supportive
- Shares are a consensus buy
- MACD not yet fallen below signal line

News / Broker Comments / Important Dates / Observations **

SocGen cuts EU Tobacco to underweight (31 Jan). Russia's parliament passes anti-smoking bill (25 Jan). Jefferies touts BATS' strong pricing power, cash generation, dividends and share buybacks (8 Jan). Deutsche ups BATS to Buy from Hold, TP 3300p from 3200p with tobacco valuations attractive again after poor 2012 (7 Jan). EU proposes tougher tobacco rules (19 Dec). Citi says details of EU tobacco directive suggest crackdown (17 Dec). **Next Event:** FY Prelim results, 28 Feb; Ex-div, early March

Latest Broker 12m Consensus: 14 x Buy, 8 x Hold, 0 x Sell (Source: Digital Look & AlphaTerminal) (U = Upgrade / D = Downgrade)
4-Feb, Citigroup, Buy, TP 3785p; **25-Jan**, Nomura, Buy, TP 3880p; **24-Jan**, UBS, Buy, TP 3550p; **18-Jan**, Credit Suisse, Outperform, TP 3380p; **10-Jan**, Goldman Sachs, Buy, TP 4340p (U); **8-Jan**, Jefferies, Buy, TP 3600p (D); **7-Jan**, Deutsche, Buy, TP 3300p (U)



Stock description

British American Tobacco PLC is the holding company for a group of companies that manufacture, market and sell cigarettes and other tobacco products, including cigars and roll-your-own tobacco. (FTSE100)

Graph: 1-year (daily)

Stock last used as Trade Idea;
30-Aug-2012

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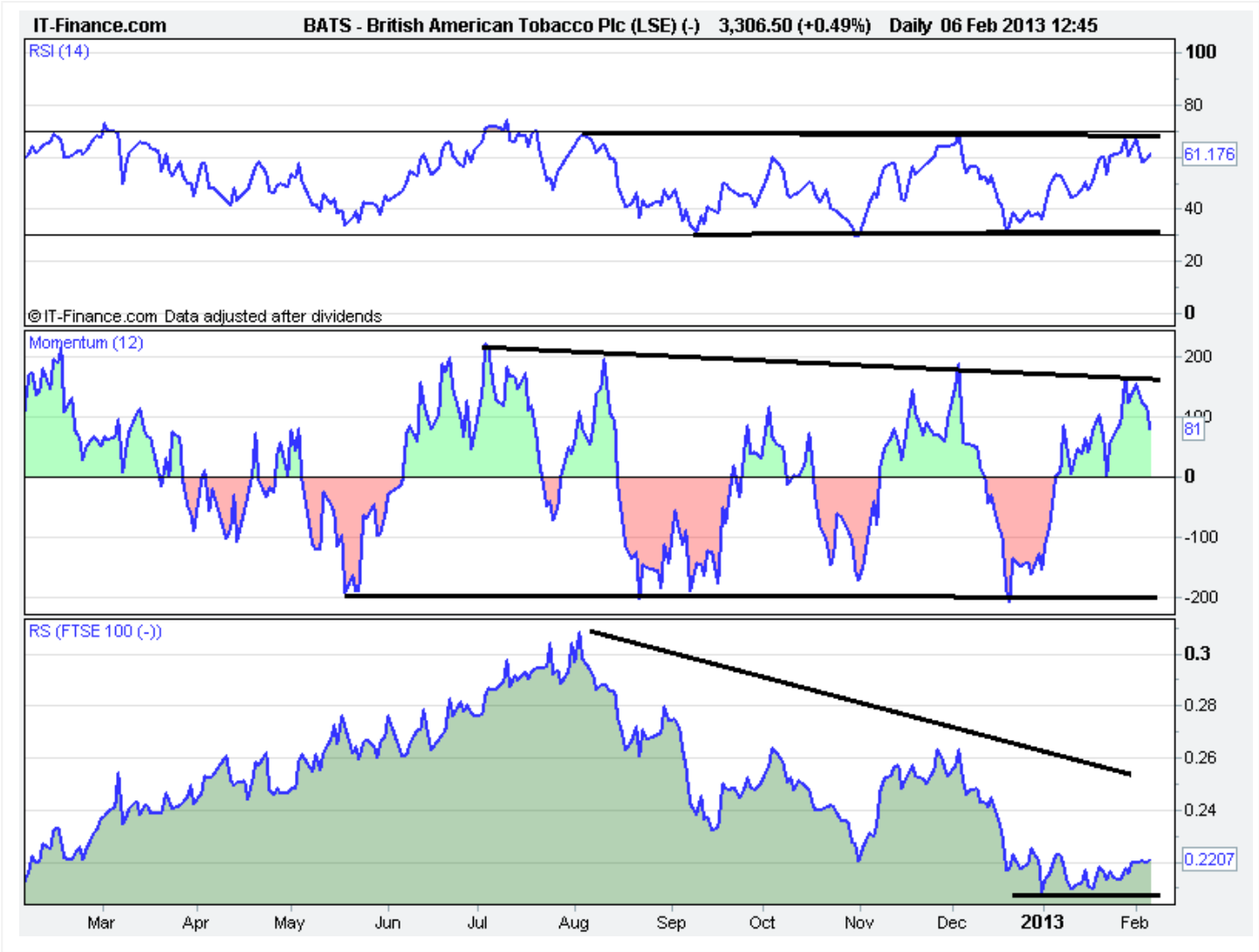
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Graph: 1-year (daily) - RSI, Momentum and Performance relative to FTSE 100



Share	1wk	1m	6m	1yr	2yr	3yr	4yr	5yr
Perf %	-0.05	3.59	-2.37	6.7	35.96	57.51	79.24	82.21

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