

Sell – Melrose Industries (MRO)

October 9, 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:				
Opening Price	Stop Loss	Profit Limit	Reward vs. Risk	CFD Margin
291p	306p (15p/5.2% above)	250p (41p/14.1% below)	2.7x	15%

Technical Observations - For

- Shares broken back below key trendline
- Momentum indicators fallen hard, but shares not yet
- MACD only just gone negative, broken rising support
- Momentum indicators not yet oversold
- Outperformance of FTSE 100 topped out

Technical Observations - Against

- Stochastics already oversold
- Possible support at 267p (old level, and 20-day MA)
- Directional indicators unhelpful in this instance
- Stochastics already oversold
- MACD still shows rising lows

News / Broker Comments / Important Dates / Observations **

Citigroup cuts MRO on valuation and view that more defensive nature less likely to demand outperformance with somewhat improved wider sector outlook (12 Sept). UBS downgrades as stock reaches target price and trading at a stretched 10% premium to sector (5 Sept). Investec upgrades on robust H1 results beating expectations on all lines (29 Aug). If everyone's a buyer/holder, who's left to buy? If everyone's a buyer, who's left to Buy? **Next Event:** Prelim FY results, March 2014

Latest Broker 12m Consensus: 5 x Buy, 3 x Hold, 0 x Sell (Source: Digital Look, AlphaTerminal) (U = Upgrade / D = Downgrade)
8-Oct, Credit Suisse, Neutral, TP 275p; **8-Oct,** Investec, Buy (U), TP 318p (U); **17-Sept,** BoA-ML, Buy, TP 325p; **12-Sept,** Citigroup, Neutral (D), TP 305p (U); **5-Sept,** UBS, Neutral (D), TP 305p (U); **30-Aug,** RBC, Outperform, TP 325p (U); **29-Aug,** Liberum, Buy



Stock description

Melrose Industries PLC is an international engineering group with worldwide interests in the design, development and manufacture of specialist components for a wide range of markets, including aerospace, IT, telecommunications, consumer electronics, automotive, medical and consumer durables. (FTSE 100)

Graph: 2-year (daily)

Stock last used as Trade Idea;
7-Mar-2013

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

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



Share	1wk	1m	3m	1yr	2yr	3yr	4yr	5yr
Perf %	-3.93	-6.41	6.25	23.76	57.18	70.05	163.99	483.8

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