

Sell – Smith & Nephew (SN)

January 29, 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
870p	905p (34p/3.9% above)	805p (66p/7.6% below)	1.9x	5

Technical Observations - For

- Shares turned down within long-term rising channel
- 20-day MA been breached; Point & Figure chart reversal
- 200-day moving average support below target
- MACD slowed up at highs, Stochastics down from overbought
- Directional indicators close to bearish cross

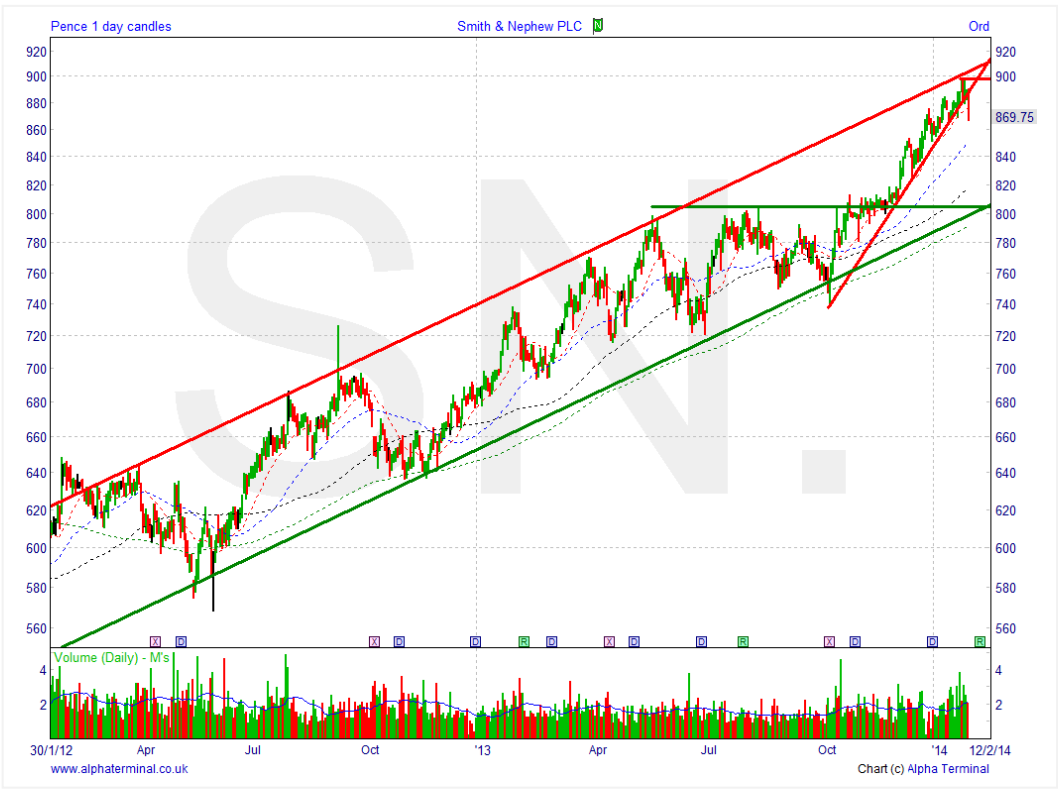
Technical Observations - Against

- Shares still outperforming FTSE100
- Long-term uptrend
- ADX (trend strength) still strong
- 100-day moving average could be supportive at 815p
- RSI & Momentum weren't extended overbought

News / Broker Comments / Important Dates / Observations **

UBS upgrades seeing significant upside - both in the near term, mostly as orthopedics benefits from a cyclical uptick - and, in the longer term, as a shift to wound management provides significant growth opportunities. Trades at discount to med-tech sector. Renewal of share buyback could be catalyst (27 Jan). Morgan Stanley says wounds healing and attractive pay given undemanding valuation and options for excess cash (div, buyback) Often considered defensive. **Event:** Q4 and FY results, 6 Feb

Latest Broker 12m Consensus: 9 x Buy, 11 x Hold, 3 x Sell (Source: Digital Look, Alpha Terminal, Bloomberg) (U = Upgrade / D = Downgrade)
27-Jan, UBS, Buy, TP 1000p (U); **24-Jan**, JP Morgan, Neutral, TP 791p; **23-Jan**, Deutsche, Hold, TP 650p; **22-Jan**, Goldman Sachs, Sell (D), TP 720p; **14-Jan**, Jefferies, Buy, TP 1000p (U); **12-Dec**, Numis, Add, TP 870p (D); **3-Dec**, Morgan Stanley, Overweight (U)



Stock description

Smith & Nephew plc develops and markets advanced medical devices. The Group is involved in orthopedics, endoscopy, and advanced wound management. (FTSE 100)

Graph: 2-year (daily)

Stock last used as Trade Idea;
12-Jan-12

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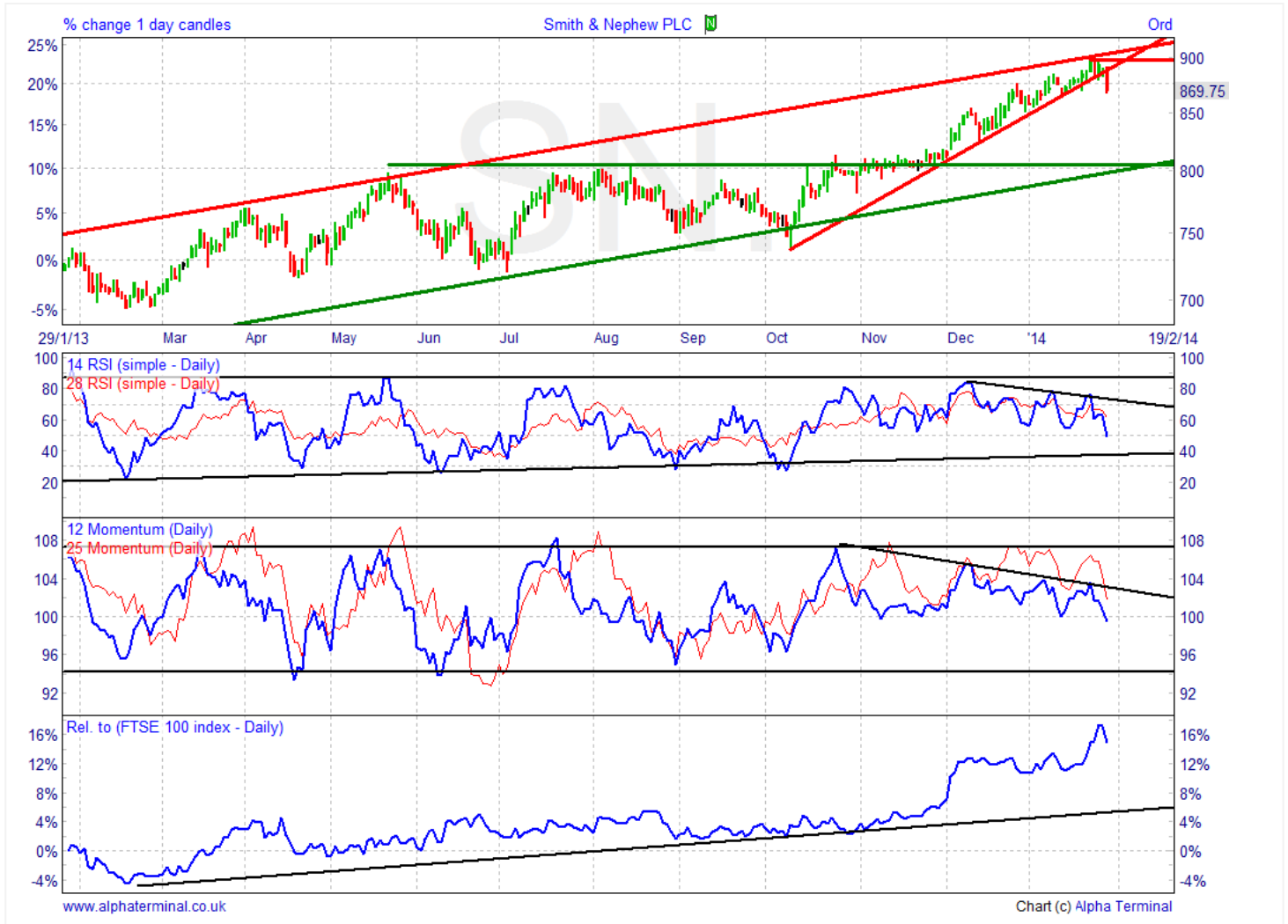
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Graph: 1-year (daily) - RSI, Momentum and Performance relative to FTSE 100



Share	1wk	1m	3m	1yr	2yr	3yr	4yr	5yr
Perf %	-1.33	1.37	9.13	18.49	42	23.11	36.86	68.56

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