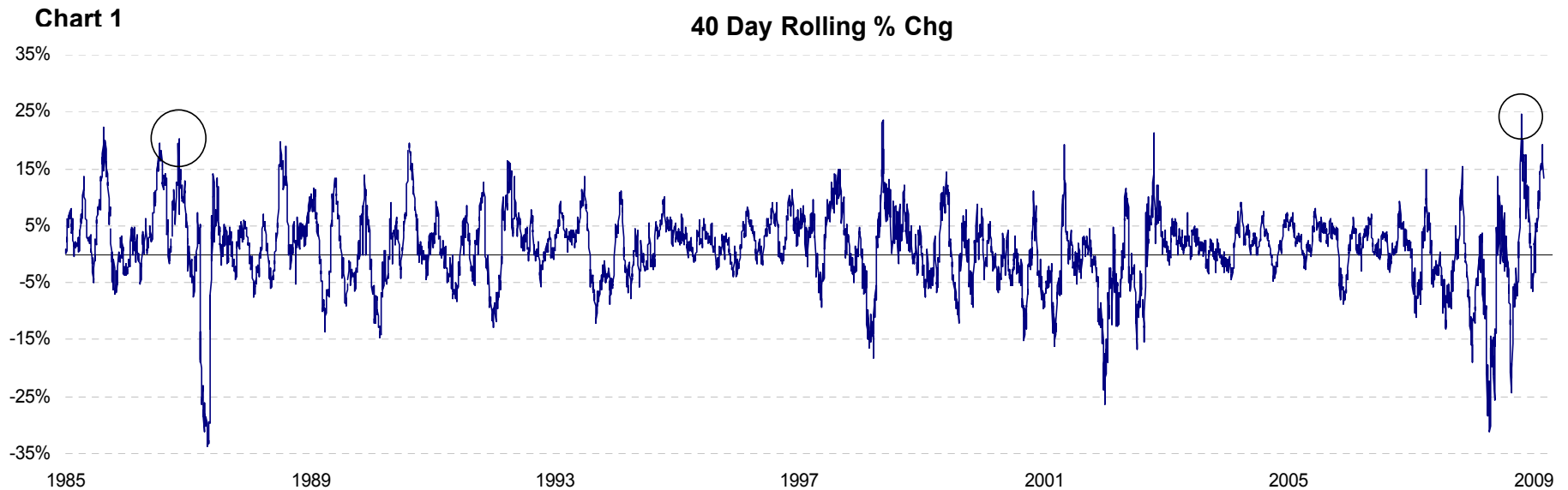




FTSE 100 Index – Strongest Market Rally Since 1984 and Similarities to 1987

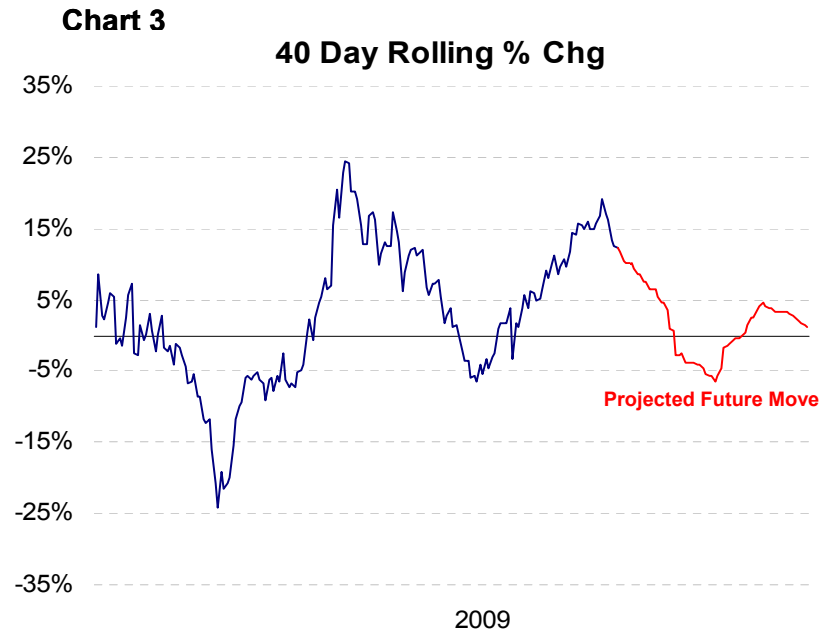
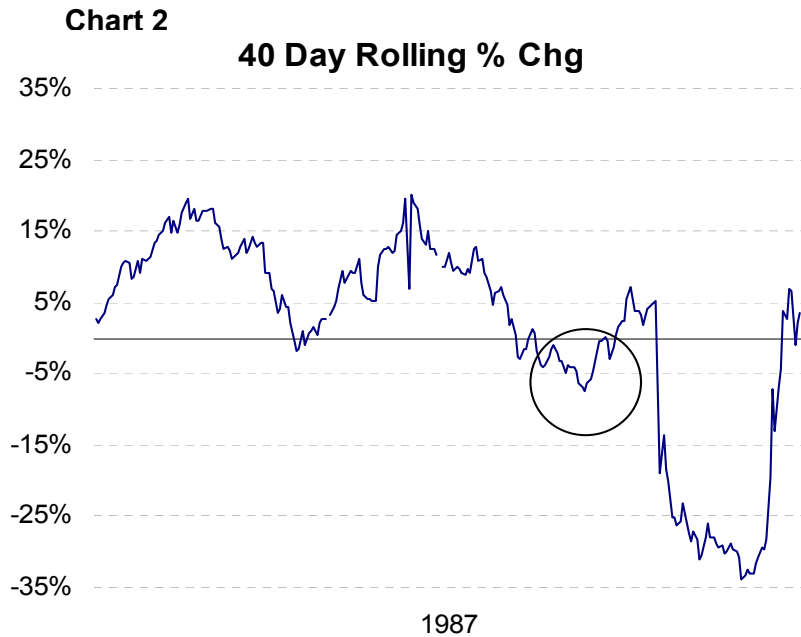
The 40 day rolling % change **Chart 1** shows the recent move to be the strongest rise on record +25% (see circle) since FTSE 100's inception in 1984. (40 days represents the average duration of the options we write.)

Readings over +15% are rare: there have been only 12 in 25 years. The current situation is particularly interesting because the 25% reading has been quickly followed by a move to zero followed by another reading of greater than 15%. This has only happened once before: in 1987.



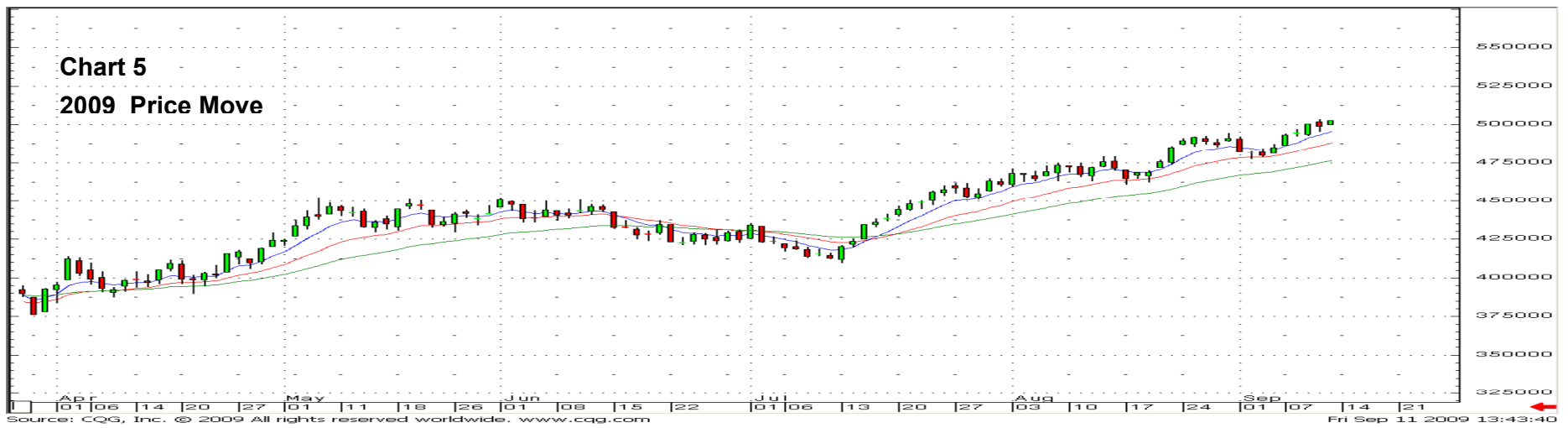


Charts 2 and 3 show a 'zoomed-in' view of these two occasions. If the rolling % change were to retrace back to -7% as it did in 1987 (see circle) and follow a similar move (see red line – projected future move) we could expect FTSE to fall to approximately 4700 by November expiry (from 5100 currently).





Charts 4 and 5 compare the **daily price performance** of 1987 versus 2009 to date. The price moves are quite similar. At this stage in 1987 the market had one final burst up into the July expiry. In 2009 the September expiry was equally strong at 5170.





The July 1987 expiry marked the high for the index for that year and thereafter the market initially fell back to trend before a secondary rally and then the crash. **Chart 6.**



A similar scenario happened in March/April 1998, which recorded one of the highest positive readings on the Rolling % Change chart. The market squeezed higher into March expiry and then consolidated for 4 months before retracing the entire rally, entering the LTCM bear market of August to October 1998, a fall of 25% from high to low.



Conclusion. After such a strong rally the chances of a continued upward move in the very short term are diminishing and FTSE is likely to consolidate for a few months. All of which should help the Oxeye strategies recover after a difficult few months.



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