Week 6

3rd February 2008

Summary

Currencies
+ Dollar Euro
+ Dollar Sterling
+ Dollar Yen
+ Sterling Euro

Stocks
+ CME S&P 500
+ Eurex EuroStoxx 50
+ Liffe FTSE 100
+ OSE Nikkei 225

Bonds
+ CBOT US Ten Year Notes
+ Eurex Ten Year Bund
+ TSE Ten Year JGB

Interest rates
+ CME Eurodollar
+ Liffe Euribor
+ Liffe Short Sterling

Commodities
+ Nymex WTI Oil
+ Comex Gold

Disclaimer

the technical trader's guide to major markets

Mark Sturdy

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summary

Summary

Currencies

+ Dollar Euro	Stay **SHORT** Euros beneath 1.3289 for a test of 1.2337.
+ Dollar Sterling	Stay **SHORT** Sterling beneath 1.4357
+ Dollar Yen	Stay SQUARE **SELL a break** beneath 87.20.
+ Sterling Euro	Stay SQUARE;

Stocks

+ CME S&P 500	Stay SQUARE (Mar 09); **SELL** a break of 797.
+ Eurex EuroStoxx 50	Stay SQUARE (Mar 09) **SELL** a break beneath 2115.
+ Liffe FTSE 100	Stay SQUARE (Mar 09) **SELL** a break beneath 3916.50
+ OSE Nikkei 225	Stay SQUARE (Mar 09) **SELL** a close 7380.

Bonds

+ CBOT US Ten Year Notes	Stay SQUARE
+ Eurex Ten Year Bund	Stay SQUARE ; **SELL** a break beneath 121.60 (Mar 09
+ TSE Ten Year JGB	Stay SQUARE; **SELL** a break below 138.59 (Mar 09)

Interest rates

+ CME Eurodollar	Stay SQUARE (Dec09)
+ Liffe Euribor	Go SQUARE (Dec 09)
+ Liffe Short Sterling	Stay SQUARE (Dec 09)

Commodities

+ Nymex WTI Oil	Stay SQUARE (March 09) **BUY** a break above $54.74.
+ Comex Gold	Stay **LONG** above $892 (April 09)

Currencies: Dollar Euro

CURRENCIES: There are few compelling structures in these dollar crosses. Cable is a continuing exception, poised near a long-term Sterling support which bodes badly for Sterling if it breaks.

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Dollar Euro monthly spot cash chart

The violence of the price action is trying to find fair value within a wide trading range 1.25-1.60.

Look closer.

More

Currencies: Dollar Euro

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Dollar Euro weekly spot cash chart

It's a trading range.

But the rejection of the upper levels of that range suggest a rejection of the 1.3812 Prior Pivotal High from 1995.

And that is <u>important</u>, if the market wanted to go higher it should have been good support...

Dollar Euro daily spot chart

This is clearer still. The pull-back to the supports at 1.3289 was strong enough to drive right through it.

And once though it, that level has acted as good overhead resistance to rallies.

The bear trend looks good enough to test the 1.2337 prior Low.

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Currencies: Dollar Euro

Dollar Euro daily spot cash chart

The precise resistance where the market failed on the rally is the horizontal from the low at 1.3316.

The push down through the short-term low at 1.2768 emphasises that the trend remains strong

Currencies: Dollar Sterling

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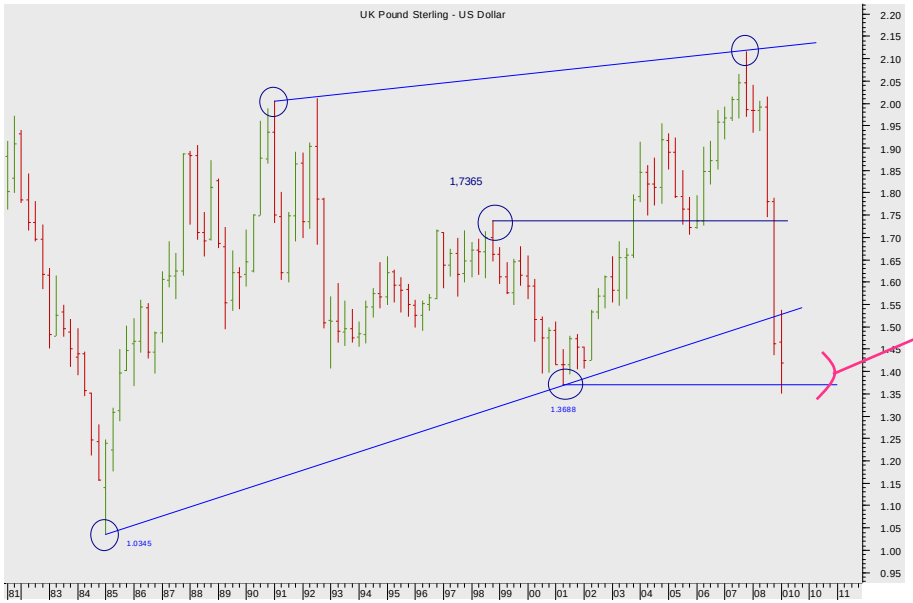

Dollar Sterling monthly spot cash chart

A break of the low at 1.3688 would establish a huge double Top…..suggesting further fast falls in Sterling still.

Watch carefully for a break of 1.3688.

Dollar Sterling weekly spot cash chart

The market has driven down to that level.

There is a good case for going square at current levels to await a clear break of the lows.

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SEVEN DAYS AHEAD

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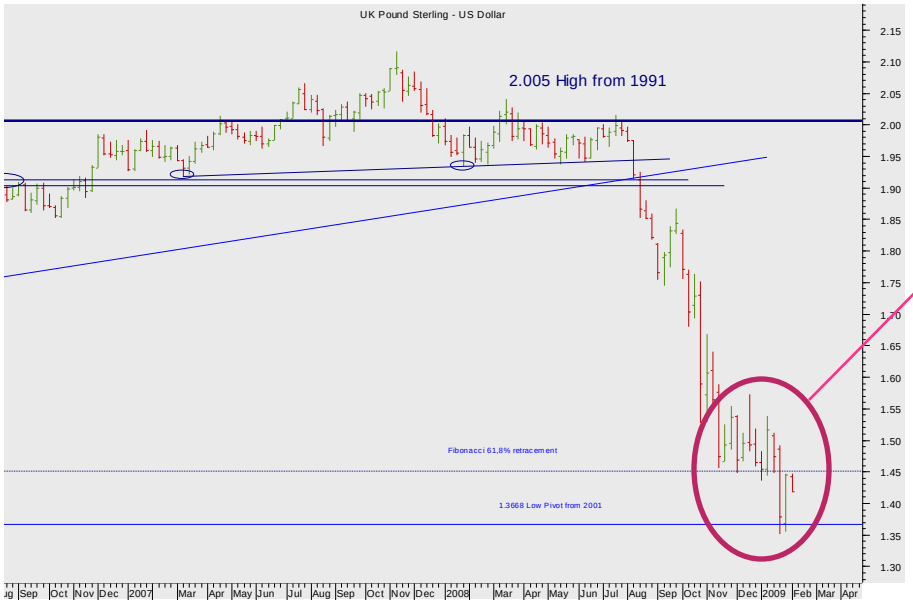
Currencies: Dollar Sterling



Dollar Sterling weekly spot cash chart

The market has broken down through the base of a well-defined congestion area and then bounced....

Dollar Sterling daily spot cash chart

The rally back off the long-term pivotal low was brisk and penetrative, but it seems to have petered out.

We are bears still here with stops above 1.4357.

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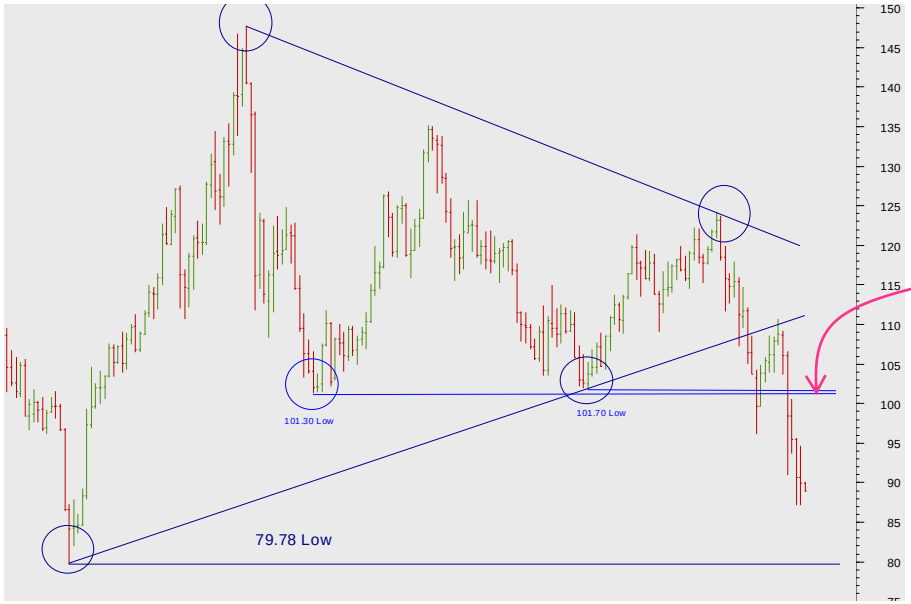

Dollar Yen monthly spot cash chart

The large continuation triangle has acted as a reversal pattern now the market has broken down through the lows 101.30-70.

That level is massively powerful resistance.

Dollar Yen weekly spot cash chart

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The market's rally back was a selling opportunity.

Now study the failed rally through the diagonal resistance at 90.95 - a selling opportunity too?
We thought so – and thus it proved.
Again the market tried to rally back but failed to test the diagonal before falling back.

Look closer.

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Currencies: Dollar Yen

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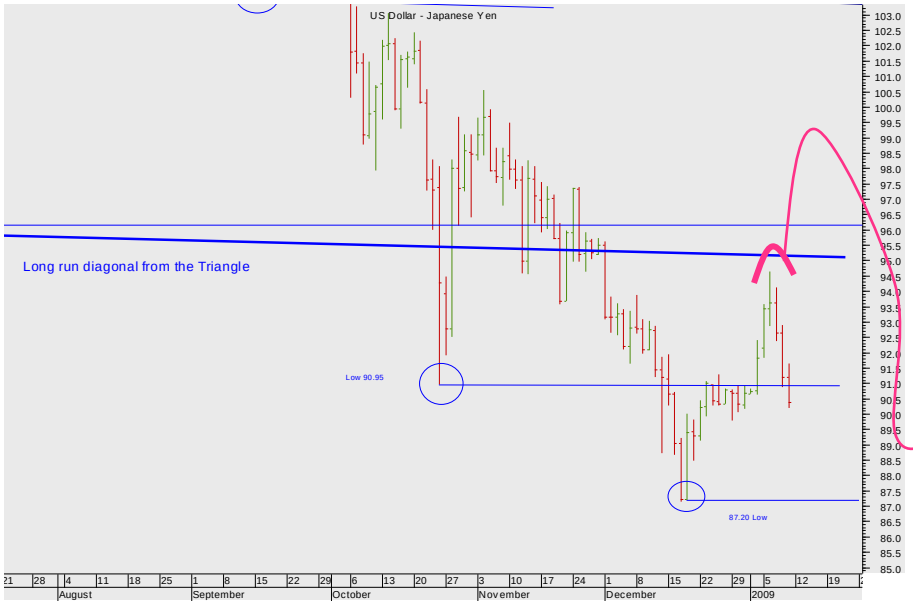

Dollar Yen daily spot cash chart

The driver for the bears was a bear rising wedge/Head and Shoulders Top

Here we see the failure of the short-covering rally through the 90.95 level halted short of the diagonal at 95.00.

The market looks very poor.

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Currencies: Sterling Euro

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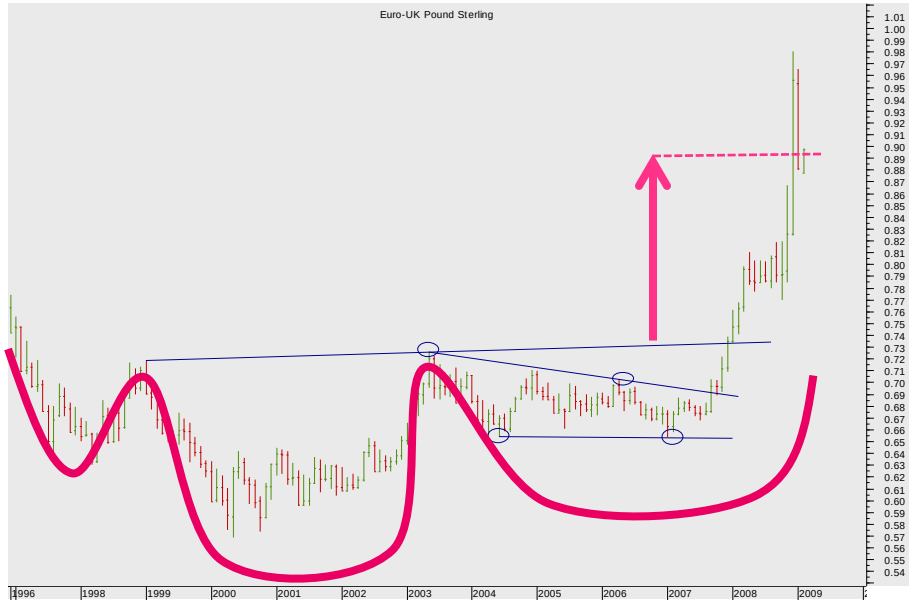
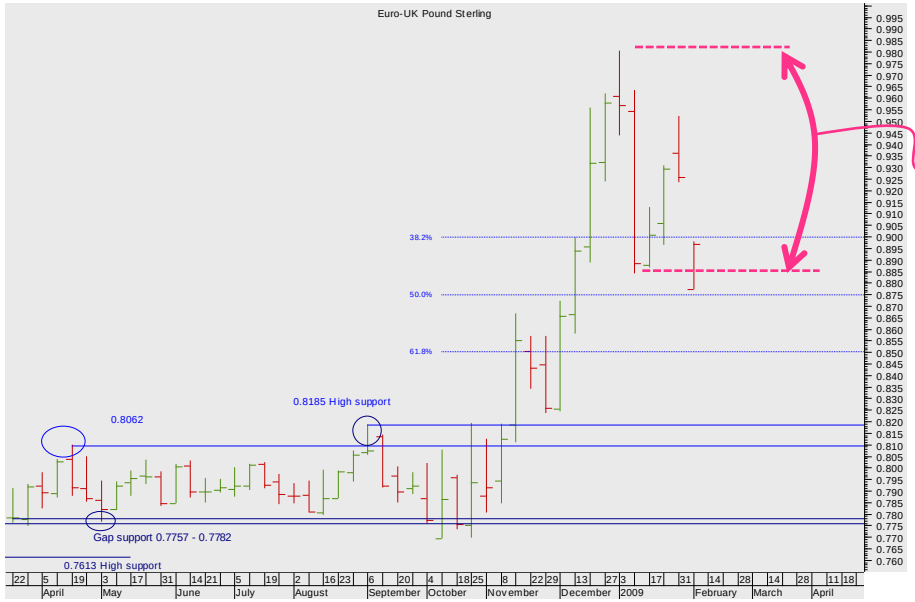


Sterling Euro monthly spot cash chart

We have long been buyers of the Euro because of this large and clear Head and Shoulders Bottom in place which suggested moves up as far as 0.90.

Which was achieved and dramatically exceeded.



Sterling Euro weekly spot cash chart

Now there's a trading range.

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Currencies: Sterling Euro

Sterling Euro daily spot cash chart

This has the makings of a possible bull falling wedge...

Stocks

STOCKS: These stocks look increasingly set to retest the succession of lows made recently and in so doing may possibly complete major bear patterns especially the S&P and the Nikkei.

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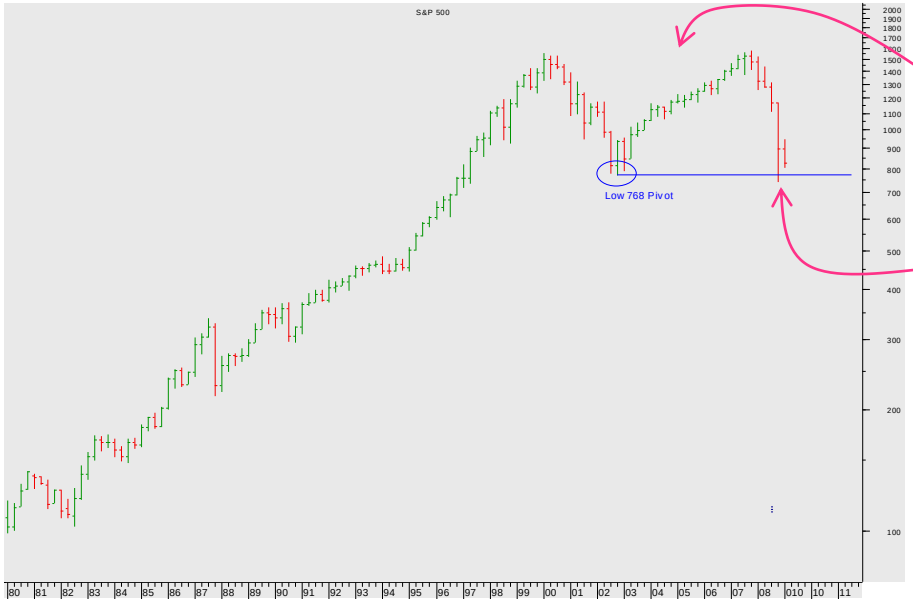
Stocks: CME S&P 500



CME S&P 500 quarterly cash chart

The double failure at 1553 and 1555 has been very negative for the market.

And obviously the potential for a Double Top (requiring a break of 768) is unmistakable.

We have traded through that level but not yet closed below it

Look closer.

More

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Stocks: CME S&P 500

CME S&P 500 monthly continuation chart

The initial bear energy for the moves of late derived from the successive H&S patterns. (check out the Necklines)

But the full move of the market from 1250 to 750 is well beyond the measured move from the H&S patterns.

CME S&P 500 daily Mar 09 chart

The structures within this consolidation are not clear from this level of analysis.

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SEVEN DAYS AHEAD

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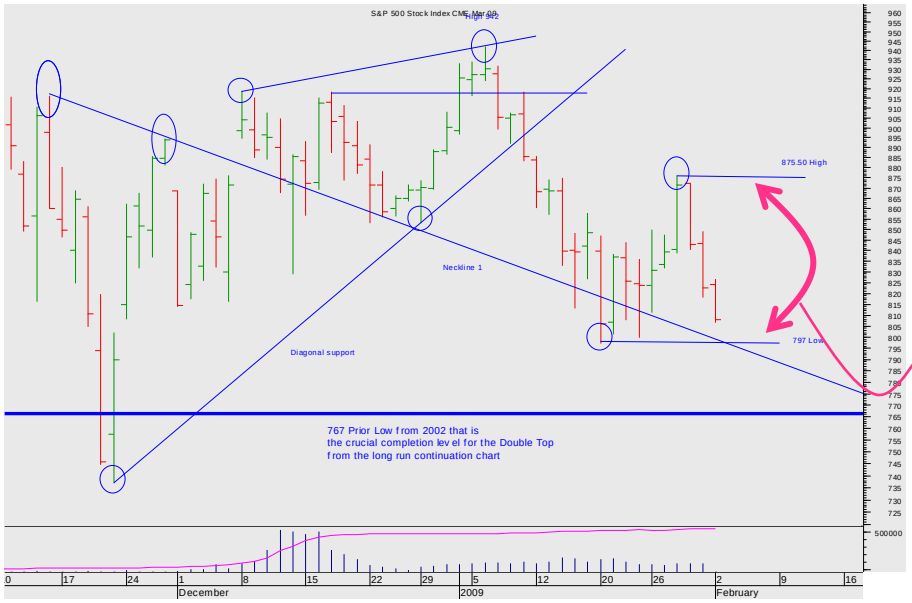
Stocks: CME S&P 500

CME S&P 500 daily Mar 09 chart

The Neckline from the small but important Head and Shoulders Reversal may be acting as some sort of support.

Note the coincidence of that Neckline with the horizontal Pivot from the low at 797.

A break of that combined levels would drive the market lower still.



CME S&P 500 daily Mar 09 chart

The collapse is very clear.

Trading range 797 – 875.50 is useful in the very short-tem.

Wait for a break.

Stocks: Eurex EuroStoxx 50

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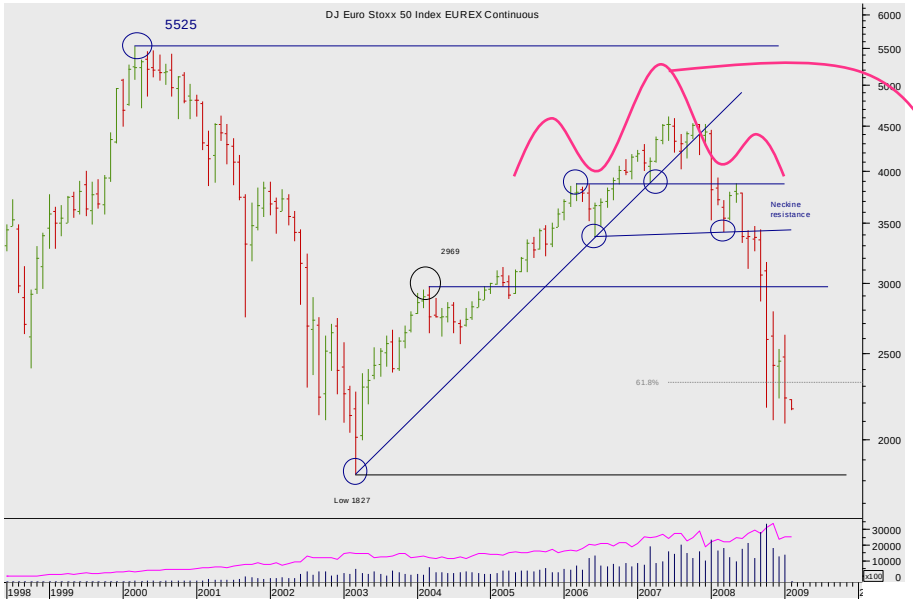

Eurex EuroStoxx 50 monthly continuation futures chart

The market formed a Head and Shoulders top which drove it on down…

Eurex EuroStoxx 50 weekly continuation futures chart

The collapse is very clear.

The minimum H&S target has been reached.

Since then the market has ranged.

Look closer.

More

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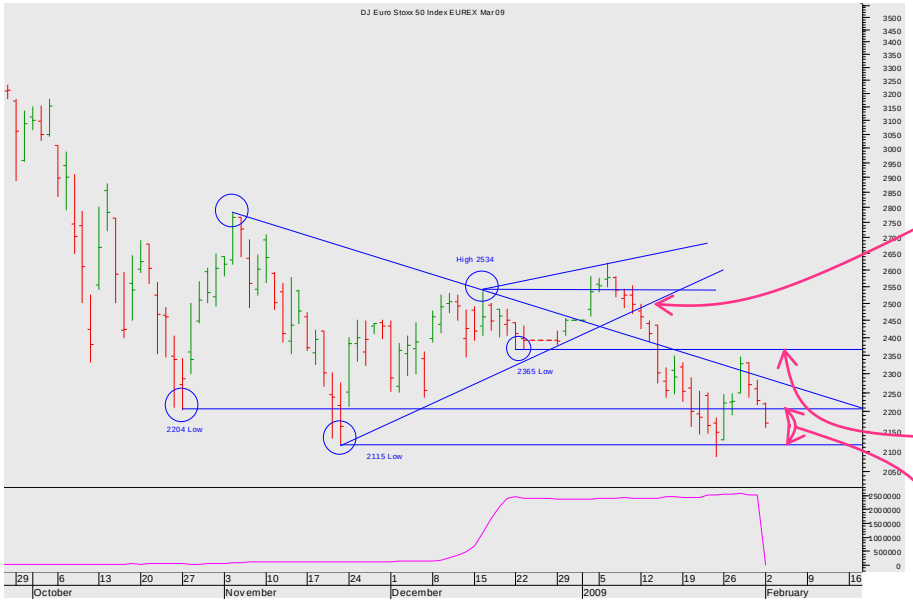

Eurex EuroStoxx 50 daily Mar 09 futures chart

Note the break of the rising diagonal trend support – which was also the completion of a bear rising wedge.

And the push down beneath 2345 established good overhead resistance which we saw in action when the market tried to rally back four days ago...

The result has been a re-test of the band of pivotal support from the two lows. This must hold for the market to stay intact.

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Stocks: Liffe FTSE 100

Liffe FTSE 100 monthly continuation futures chart

The pull back, the second from the 6995 level, gives rise to interest at the 3250 low….

If that broke, a powerfully bearish Double Top would have been created.

Liffe FTSE 100 weekly continuation futures chart

There were Head and Shoulders tops in place, whose lowest minimum target of about 4200 was achieved.

Now what?

More

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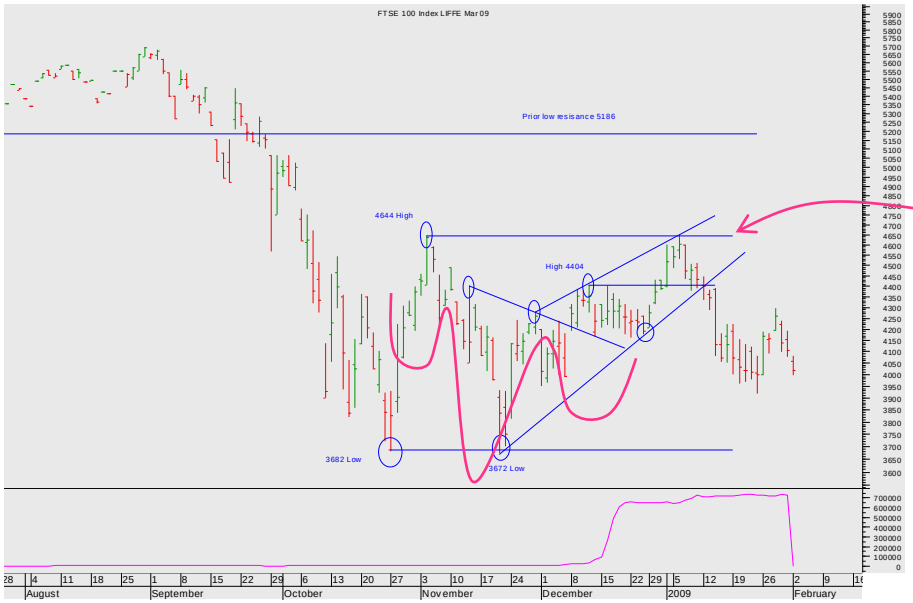

Liffe FTSE 100 daily Mar 09 futures chart

We have the possibility of a multiple bottom. But to complete the market needs to break up through 4644.

Clearly it has failed at the first attempt.

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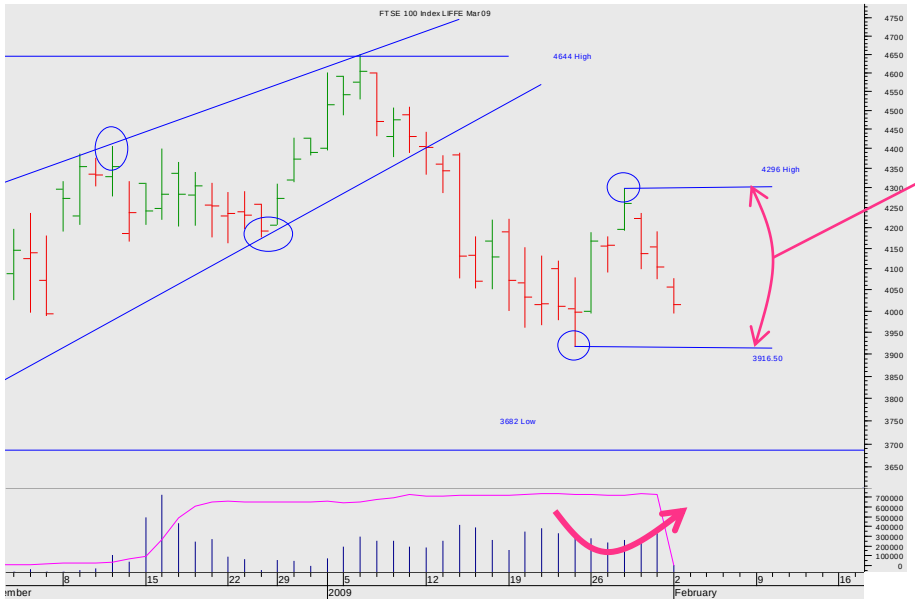

Liffe FTSE 100 daily Mar 09 futures chart

The tight consolidation of the last few days is hard to read.

But there are bear indicators:

Within the range volume has clearly fallen on the rally and increased on the sell off of the last few days.

Stand back and for a break.

Stocks: OSE Nikkei 225

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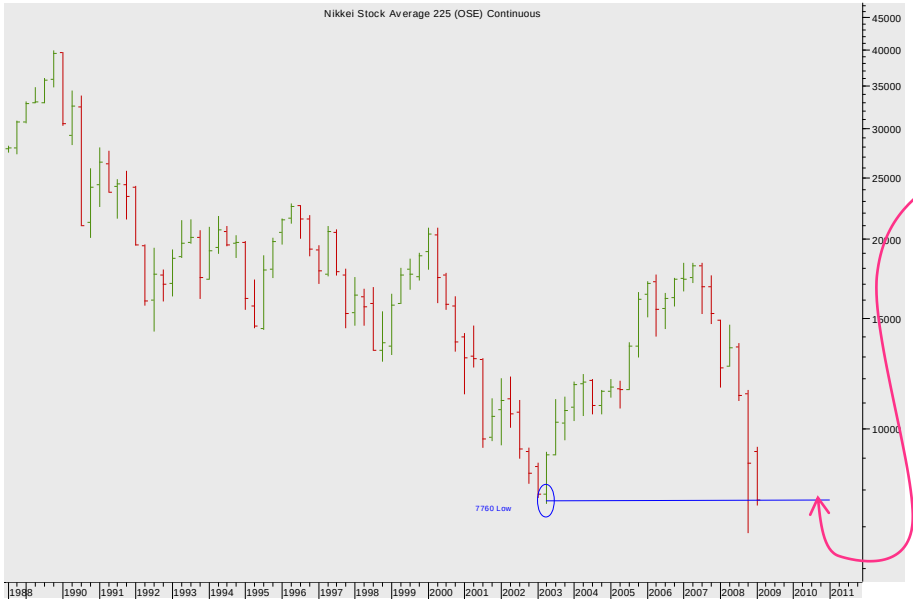
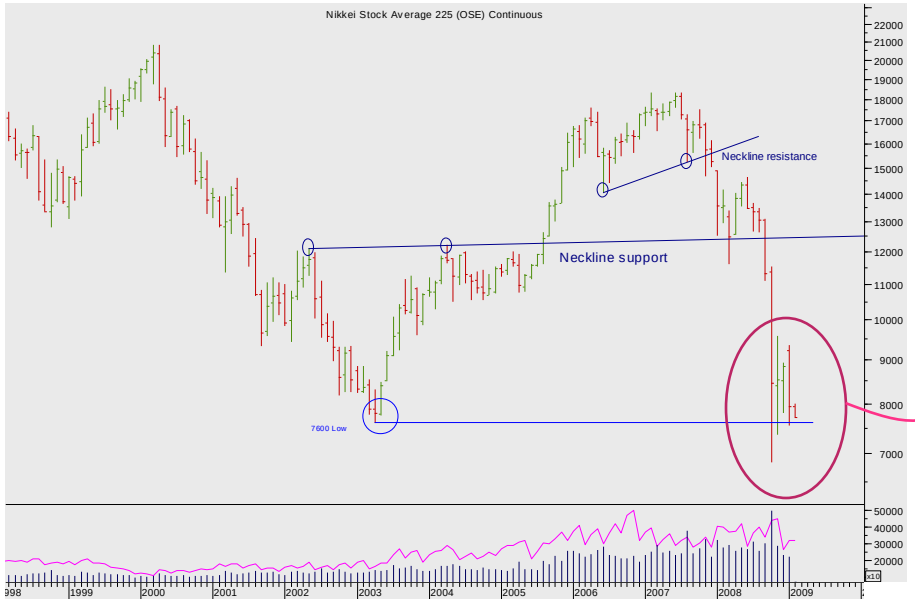


OSE Nikkei 225 monthly continuation futures chart

The market has found support at the 7600 low.



OSE Nikkei 225 daily March 09 futures chart

The multiple tests of the support have failed so far.

Look closer.

More

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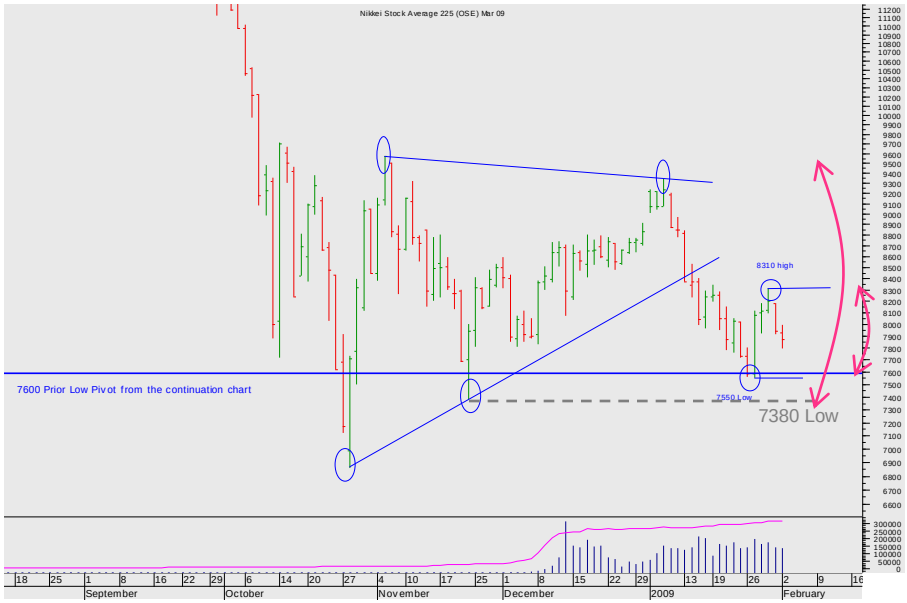

OSE Nikkei 225 weekly Mar 09 futures chart

The market is in a wide range 7380- 9570 and a narrow 7550-8310 range.

But note the consequences of a breakdown through the 7380 - a Double Top?

The completion of that would surely signal the collapse back down through the 7600 long term pivot.

A double signal lies in the offing beneath the market.

Bonds

BONDS: We thought the Bund was the critical market to watch last week – and though little happened it remains the tell tale. Now the Yen bonds too have reached a critical juncture. Watch closely these two markets.

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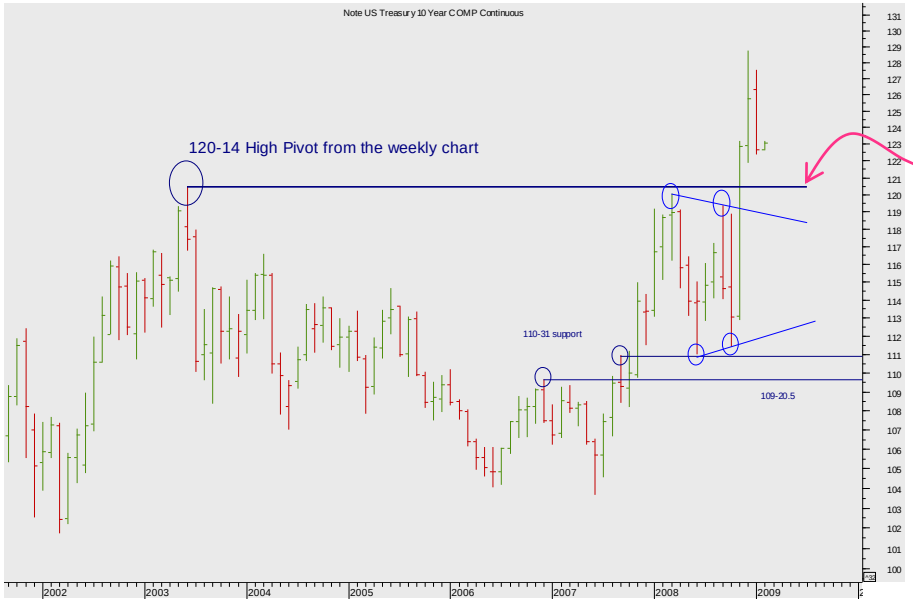

CBOT Ten Year Notes monthly futures continuation chart

The market has broken through the all-time-Highs of 120-14.

Look closer.

More

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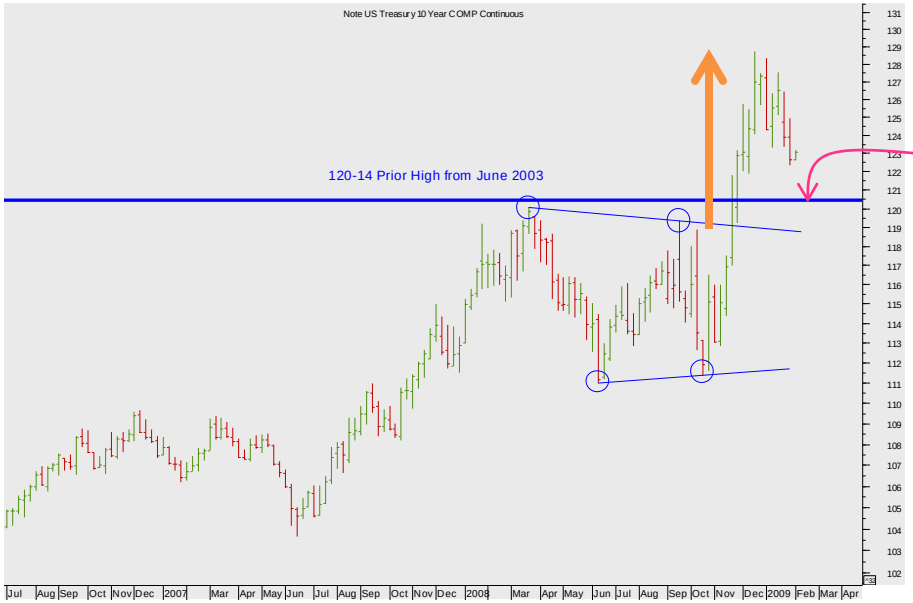
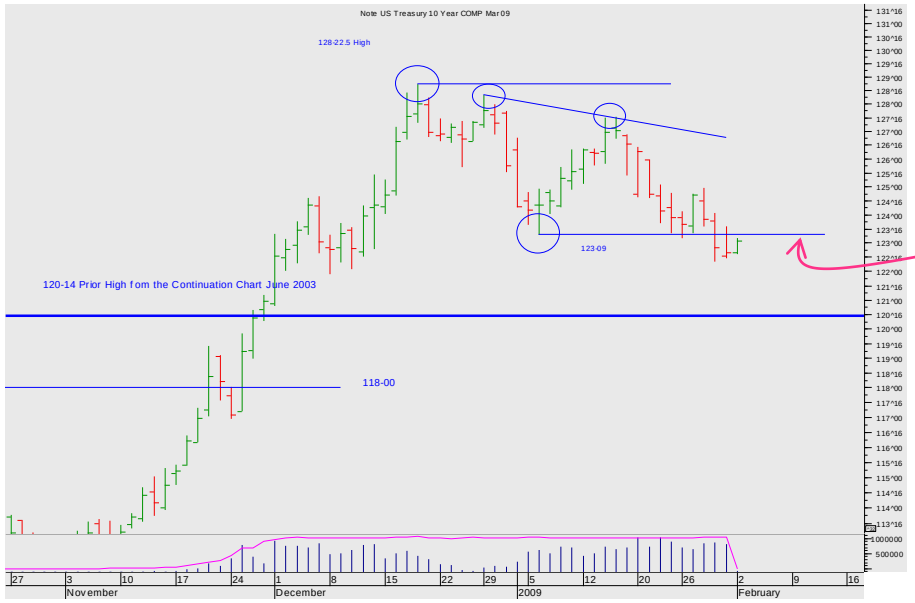


CBOT Ten Year Notes weekly futures continuation chart

The market has driven up through the vitally critical Prior High of 120-14.

And in so doing completed a triangle large continuation – whose measured move is up to 127 or so. Which we have achieved.

So the pause and pull-back are not surprising.



CBOT Ten Year Notes daily Mar 09 futures chart

The break of 123-09 is important signalling further fast declines by establishing good overhead resistance at that level.

Expect a test of 120-14.

Bonds: Eurex Ten Year Bund

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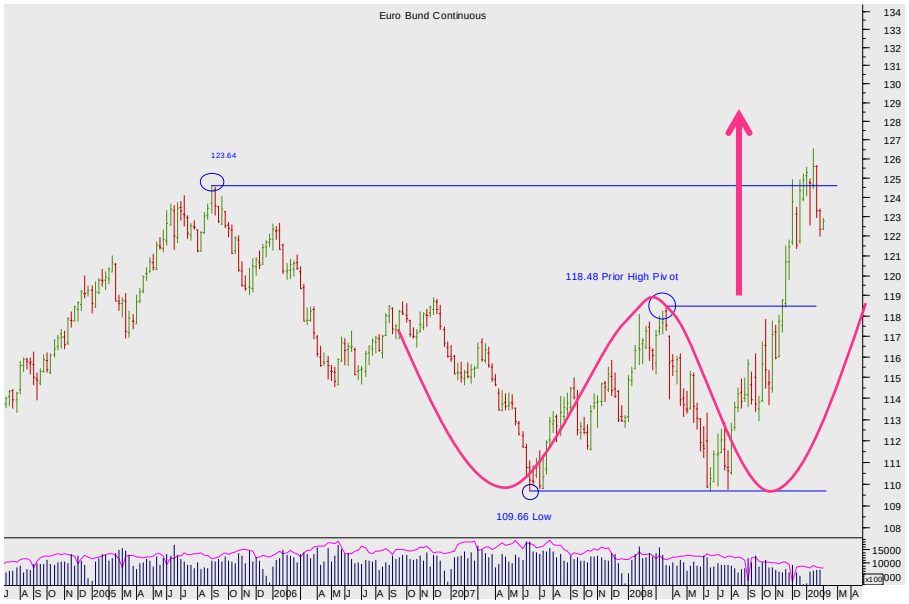
+ CBOT US Ten Year Notes
+ Eurex Ten Year Bund
+ TSE Ten Year JGB

Interest rates
+ CME Eurodollar
+ Liffe Euribor
+ Liffe Short Sterling

Commodities
+ Nymex WTI Oil
+ Comex Gold



Eurex Ten Year Bund quarterly futures continuation chart

Yes, the Double Bounce at 109.66 was a powerful influence…. and has yet to achieve the minimum target of around 128.

In the meantime, we have paused at the all-time–high.

Eurex Ten Year Bund Monthly cont. futures Chart

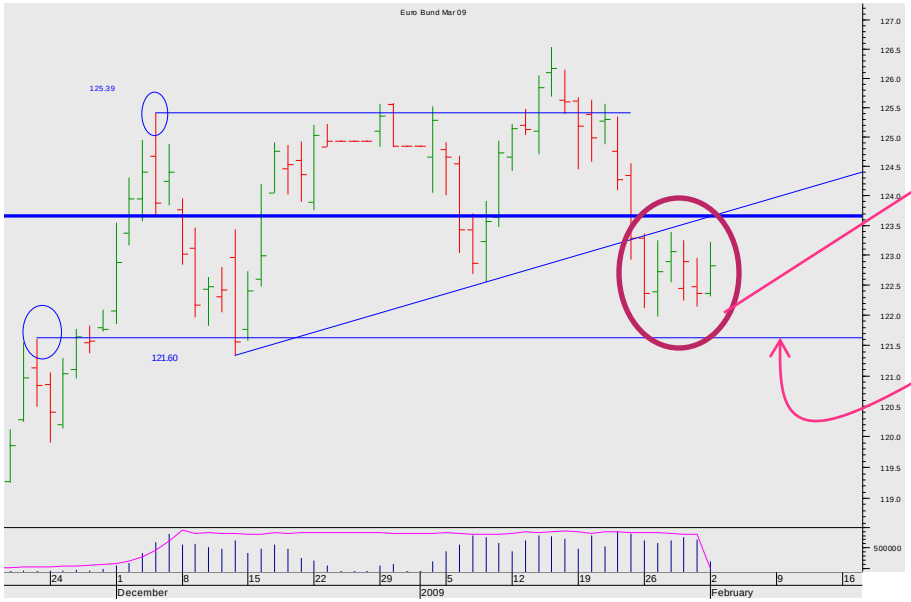
This market looks under pressure.

The triple failure at the 123.64 Prior High is close to completing a Triple Top....

Look closer.

More

Bonds: Eurex Ten Year Bund



Eurex Ten Year Bund weekly Mar 09 futures chart

This pause in tantalising for the bears, cautious traders will want to wait for a break down through the 121.90 support.

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+ Dollar Sterling
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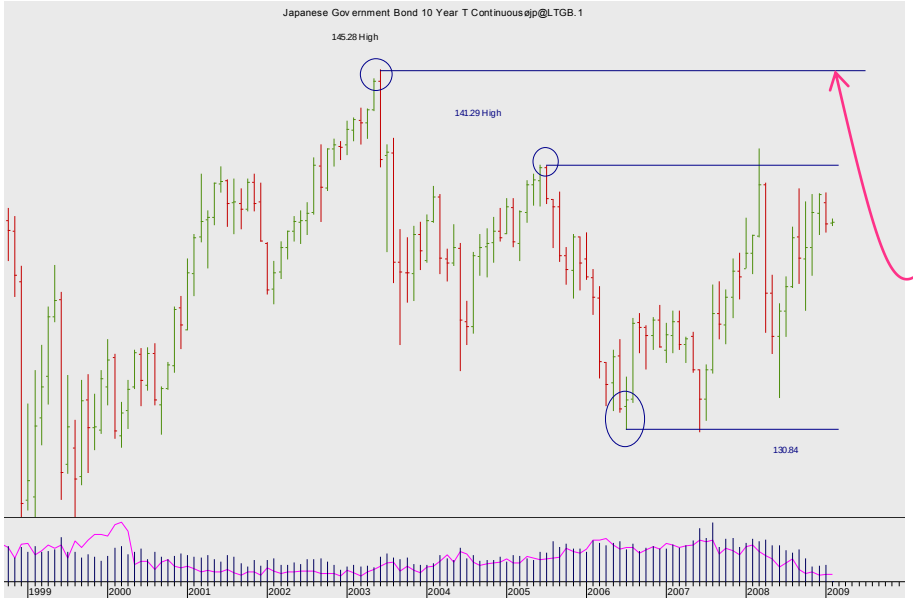
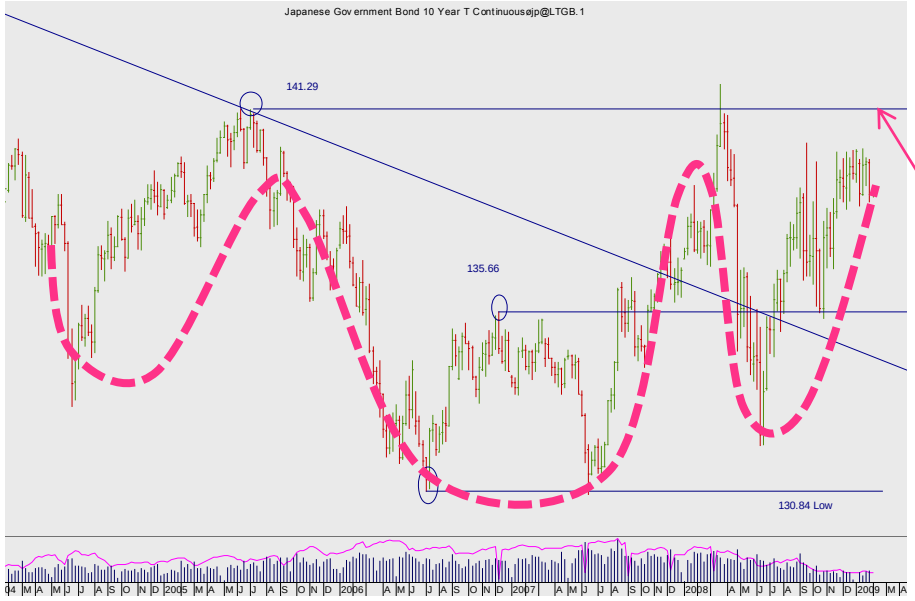


TSE Ten Year JGB monthly futures continuation chart

The market has yet to break up through the prior Highs.

C.f. the other bonds markets.

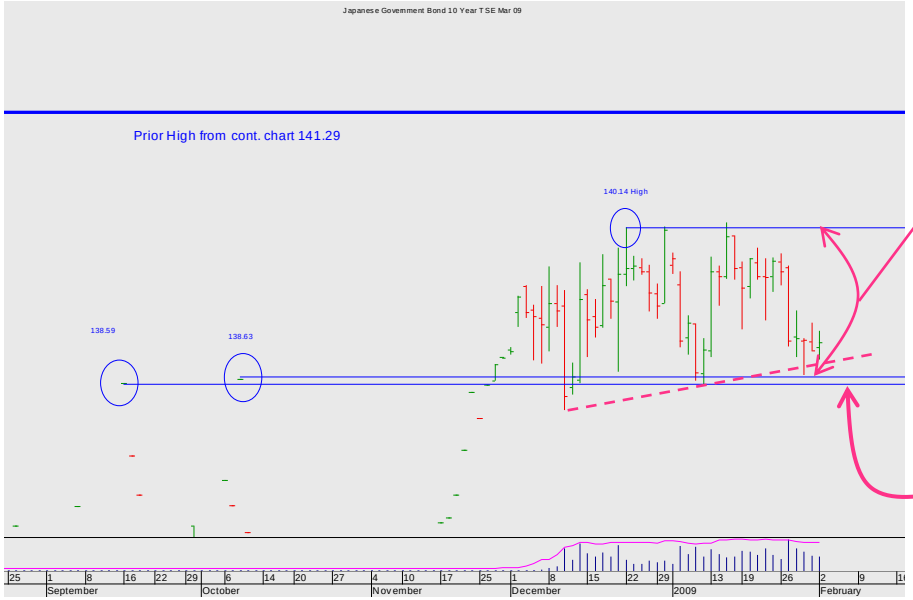


TSE Ten Year JGB weekly futures continuation chart

The possibility of a complex Head and Shoulders Bottom is remains….watch for a break through the 141.29 High.

More

Bonds: TSE Ten Year JGB



TSE Ten Year JGB daily Mar 09 futures chart

But before the critical breakout of the 141.29 level the market has to demonstrate an ability to get out of the short-term trading range.

Is there a possibility of a Continuation Head and Shoulders within that range?

Wait for the break down through the Neckline which is nearly coincident with the important support from the highs at 138.59-63.

Stand clear.

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Interest rates

SHORT INTEREST RATE FUTURES: The short ends lack compelling structures. Nonetheless, there are interesting developments, not least the hesitation of the Euribor at its all-time-highs. This and other evidence tends to intimate weakness to come – across the board.

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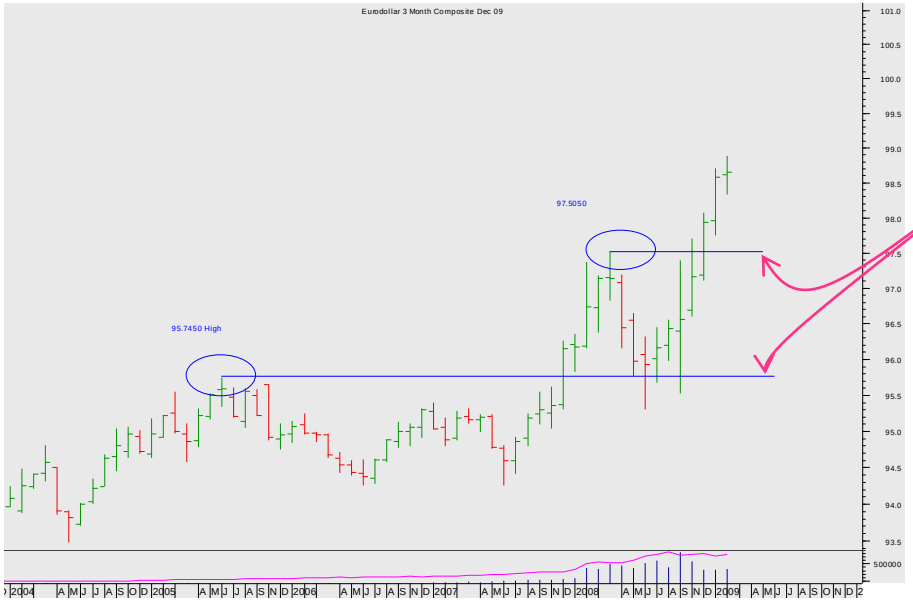
Interest rates: CME Eurodollar rates



CME Eurodollar rates Dec 09 monthly futures chart

The market has driven up through the all-time high having bounced off the 95.7450 support.

Look closer.

More

Interest rates: CME Eurodollar rates

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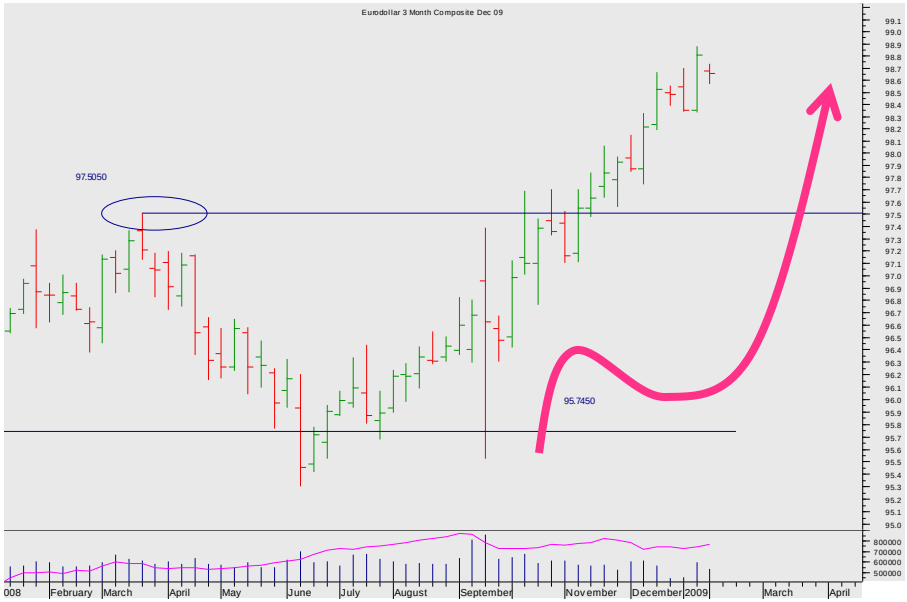
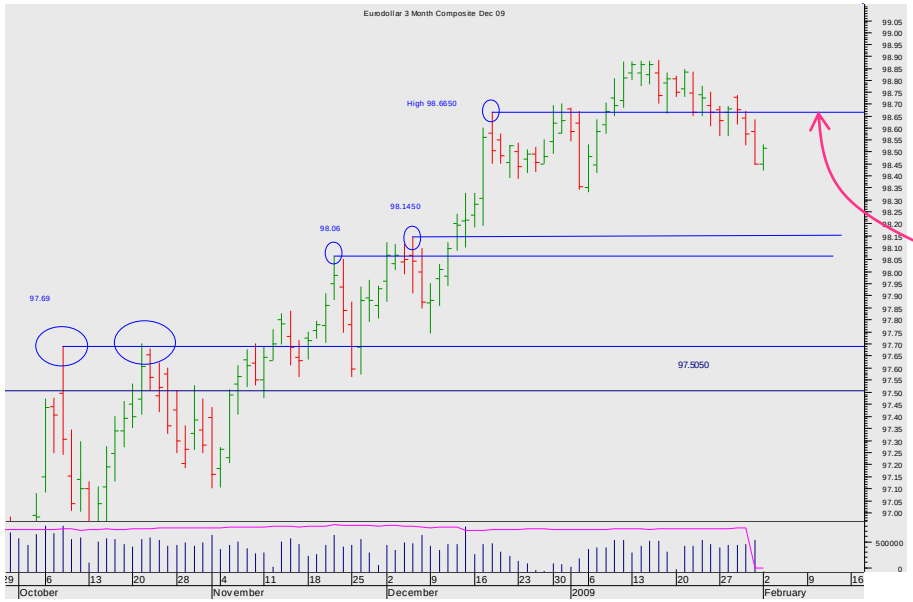


CME Eurodollar rates weekly Dec 09 futures chart

The detail of the break.

It looks unambiguously good – a featureless bull trend.



CME Eurodollar rates daily Dec 09 futures chart

But in the short-term the break up through the near highs has failed to sustain any sort of momentum.

Short-term that level 98.6650 will be resistance above the market.

Go square.

More

Interest rates: Liffe Euribor rates

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Liffe Euribor rates weekly futures chart futures chart

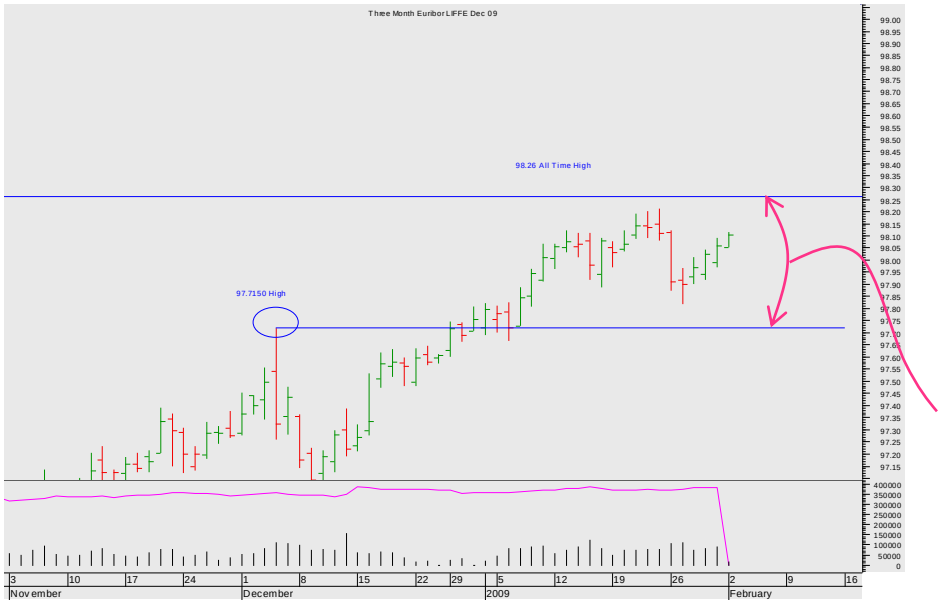
We are very close to the all-time High

Liffe Euribor rates Dec 09 weekly futures chart

And these Highs beneath the market at 96.65 and 96.92 will be powerfully solid support.

More

Interest rates: Liffe Euribor rates



Liffe Euribor rates daily futures chart

But the market has already shown itself to be struggling at these highs.

Its a range and the implications of breaking either way are profound.

Wait for the break.

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Interest rates: Liffe Sterling rates

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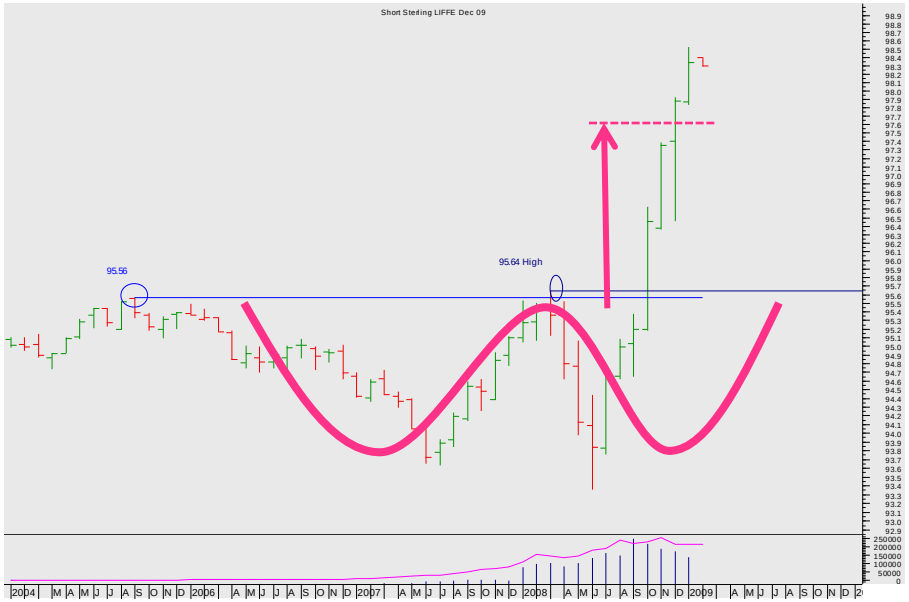


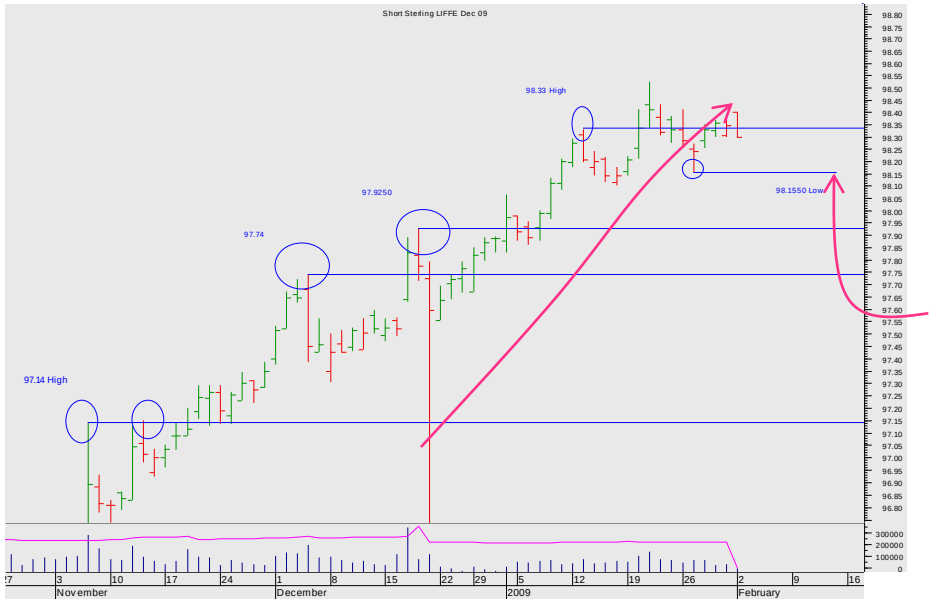
Liffe Sterling rates Dec 09 monthly futures chart

That is a large Double Bottom that suggested a final move to 97.50.

We're beyond there.

Expect a loss of bull momentum and vulnerability to set-backs.

Go with the trend with stops beneath 97.9250



Liffe Sterling rates daily Dec 09 futures chart

The market has slowed and failed to hold above the recent high at 98.33, but though doubts are entering the market, bears need a break down through the low at 98.1550 before getting excited.

More

Commodities

COMMODITIES: We still like Gold , though remain anxious that it sustains the trend up through the recent high. Oil has traded sideways for seven weeks, all the while resting on major long-term support.

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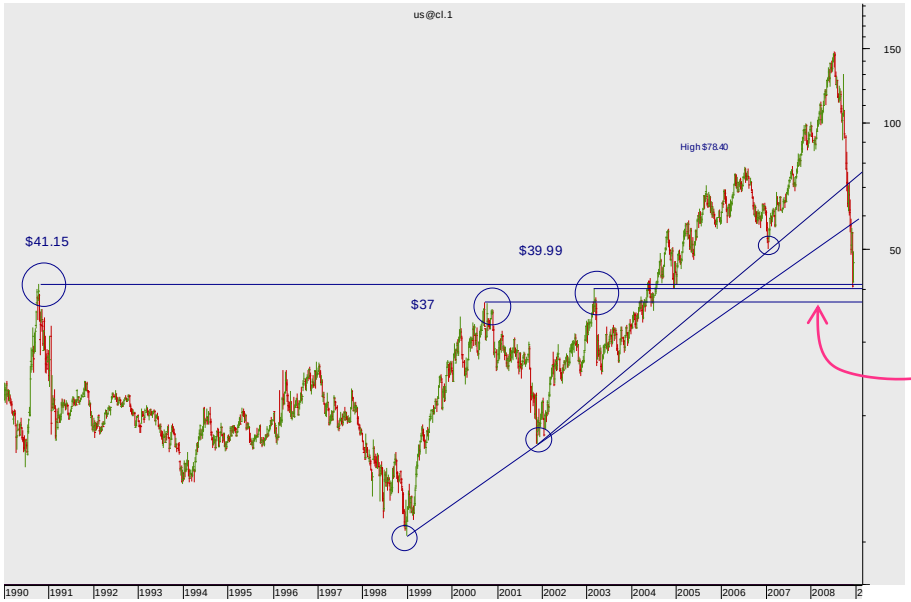

Nymex WTI Oil monthly futures continuation chart

The market is testing the prior Lows.

More

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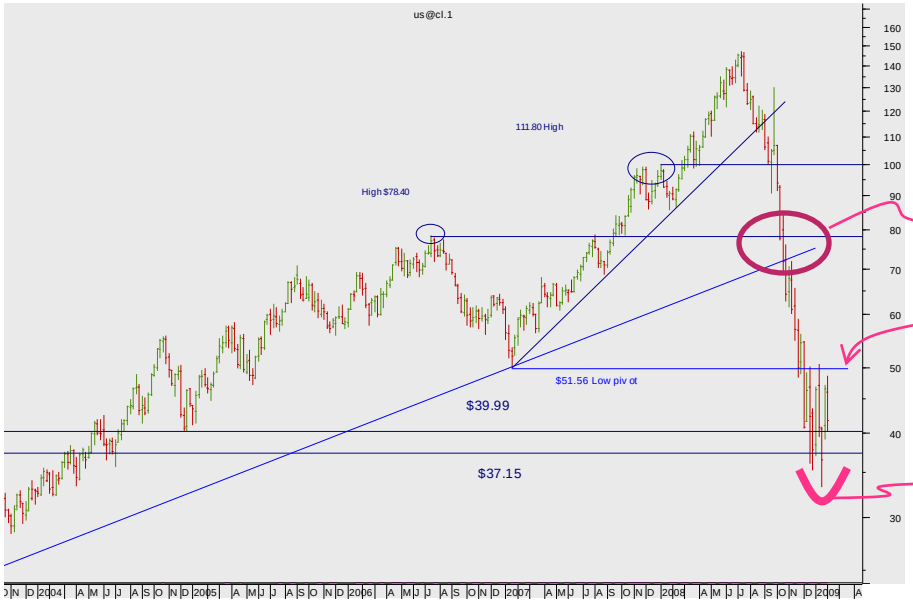

Nymex WTI Oil weekly continuation futures chart

This breakdown is spectacular. The diagonal support at $71.93 and the Pivotal High $78.40 were both broken ...

And the break of the Pivotal low at $51.56 added to the bearishness (by establishing overhead resistance)

Now we have driven down to the $40 supports in the continuation chart.... So the major move has happened.

Nymex WTI Oil weekly Mar 09 futures chart

The market has bounced off the horizontal support

But failed to sustain the rally through the first resistance so far at $50.49

More of a reversal pattern will need to be developed.

So watch the near High at $54.74….

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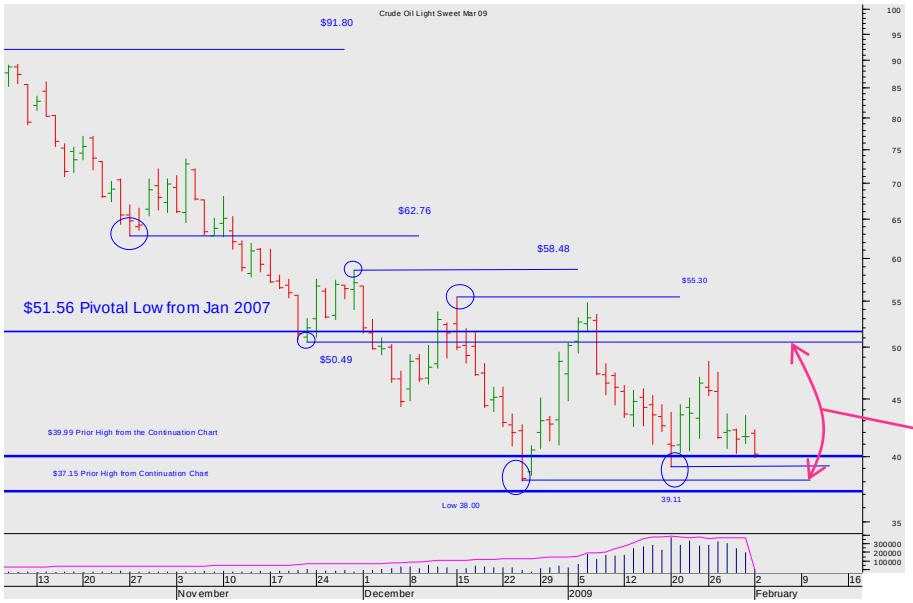
Commodities: Nymex WTI Oil



Nymex WTI Oil daily Mar 09 futures chart

If the bounce off the support can be sustained, watch for that break of the $54.74-$55.30 band on the upside.

<u>But the close re-approach of the long term supports and recent lows is a tantalising prospect.</u>

Stay Square and watch the range.

Commodities: Comex Gold

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Comex Gold quarterly futures continuation chart

The massive Continuation Triangle drove the market up and through the all-time Highs.

Yet it has been unable to sustain those levels.

Comex Gold monthly continuation futures chart

Once back through that $873 High, the first support was $732 but that has held so far .

Now with the recent rally, a bull Head and Shoulders may have completed.

Look closer.

More

Commodities: Comex Gold

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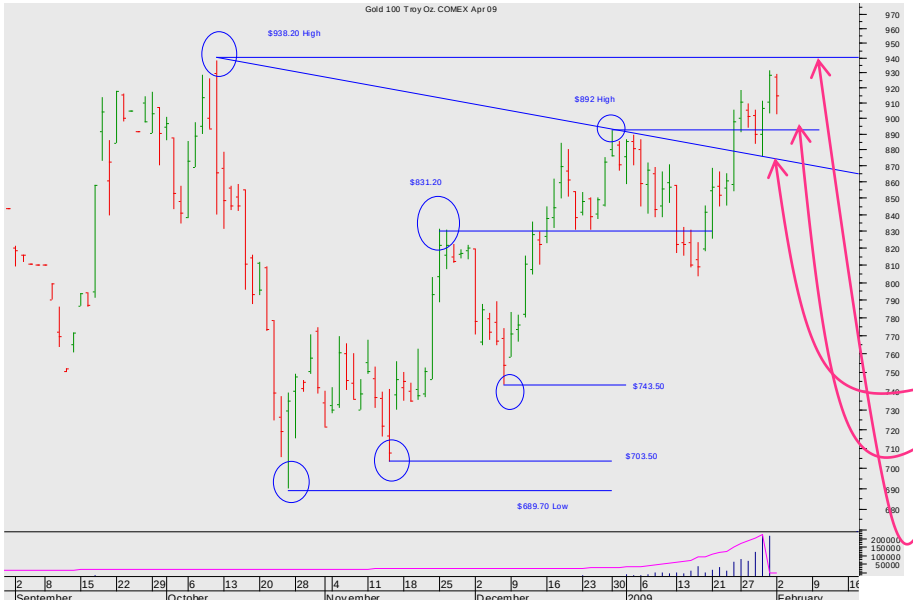

Comex Gold daily April 09 futures chart

That H&S pattern in the continuation chart is not so apparent in the April 09 chart.

Yet there is a useful diagonal support that the market has clearly bounced off, and the push through the $893 High adds bull momentum.

Bulls now need the stimulus of a push up through the Prior High at $938.20.

It looks very good.

More

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