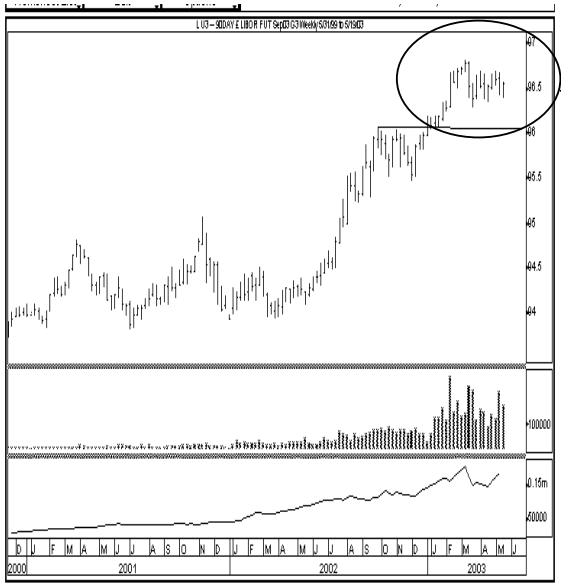
The Week Ahead

A perspective for 19th - 27th May 2003

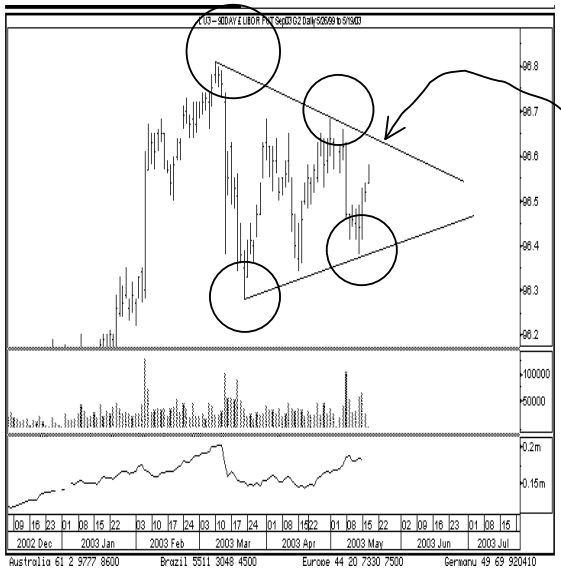
Short Sterling

The short sterling hasn't been that pleasing for the technicians, I explored the bear case in the near and far charts, and pointed out what the price action had to do to sustain the bears – - none of those endorsing moves took place. The market bounced, and the bears have been routed. There is good bull potential – particularly at the near end – but it has yet to be activated by the completion of a pattern. Watch carefully. The ball is in the bull court.



The long run week chart of the SEPTEMBER 2003 contract.

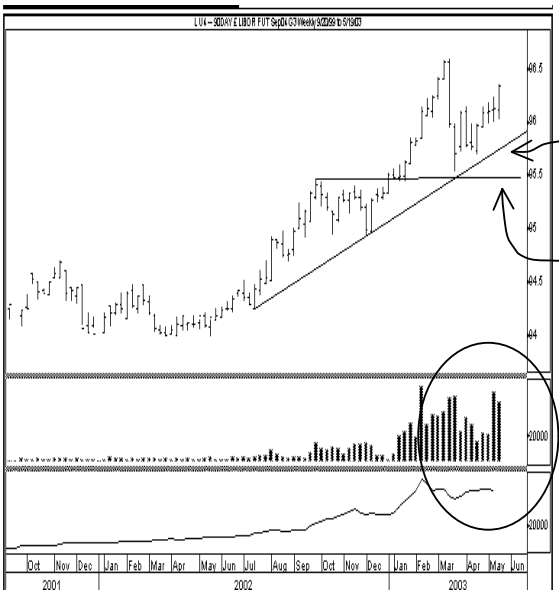
Still a sideways consolidation above the massive support at 96.00. Look closer.



Last week I pointed out that this <u>could</u> be a continuation triangle – a BEAR continuation triangle, but that would require a break down through the rising diagonal beneath the market – it didn't happen.

But in going as low as it did, the market has allowed me to draw a BULL continuation triangle – potentially – watch for a break of the falling diagonal currently at 96.64 or thereabouts.

The Further Out Month September 2004.

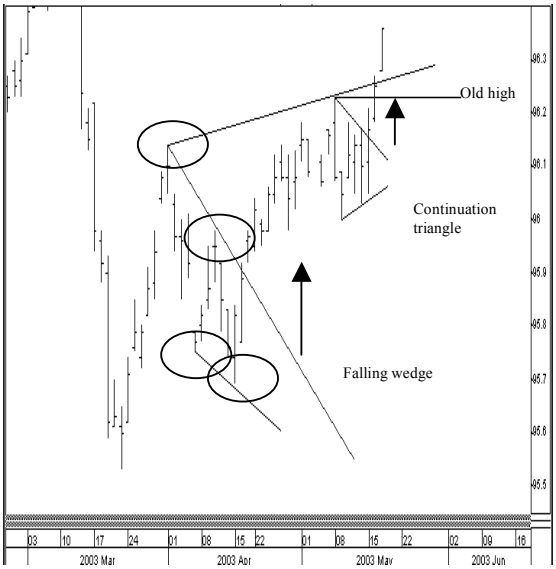


I pointed out last week that the market has yet to go through the trendline support beneath the market and had bounced powerfully from the support at 95.50….

Note too the massive high and rising open interest in the push better… the market looks good.

The market has pushed better and <u>destroyed</u> any lingering anxiety that there might be a rising bear wedge in the making. All bearishness is lost.

Is there a bull pattern?



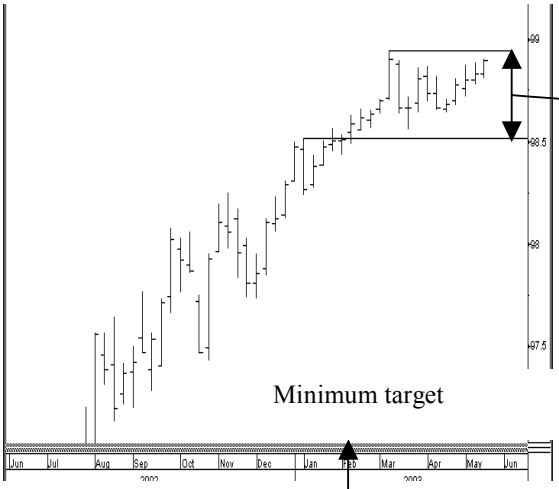
This representation clarifies the bull case:

A succession of bull patterns – the falling wedge, the continuation triangle, the burst through the old high, the burst through the push through the rising diagonal … lordy lordy!

Expect an attack on the old high at 95.59.

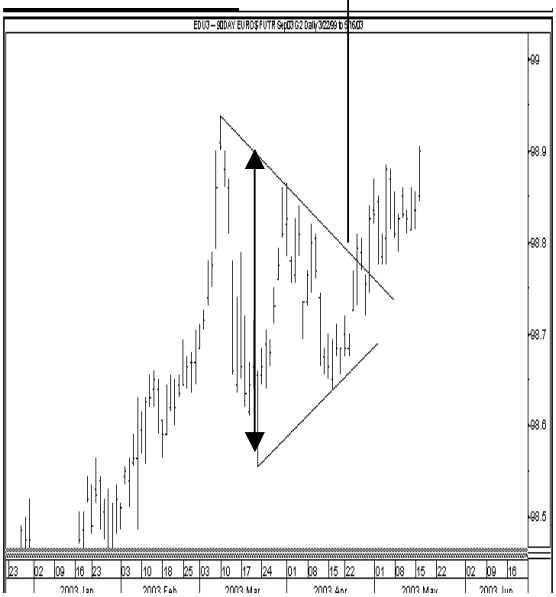
The Eurodollar(September)

I said last week that the market both long and short looks very good. Sure enough it pushed ahead strongly. And remains well set. There is no indication, especially in the long end, of a tired market.



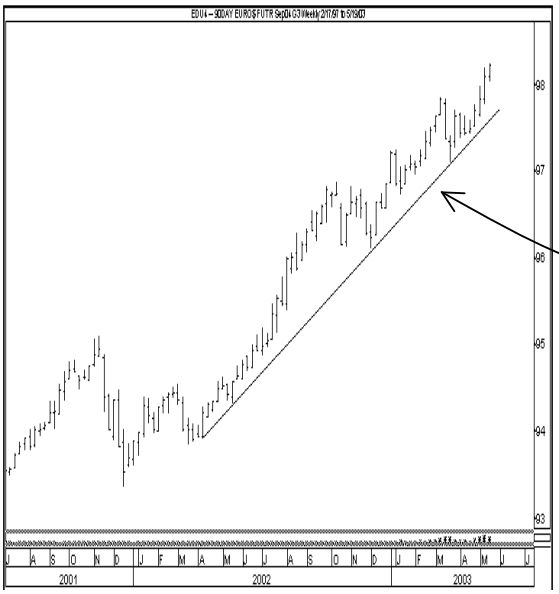
The market is moving to the top of the recent trading range established over the last three months.

Let's look closer.

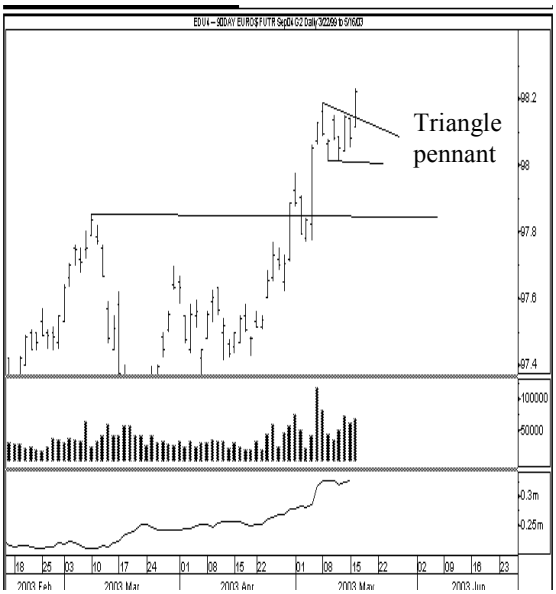


On closer inspection we see that there's a continuation triangle which broke last week, and as I suggested that it would, continues to push the market better…to the MINUMUM target of 99.13.

The further months: June 2004



The rising trendline support – unlikely to be tested. **It's a bull market.**



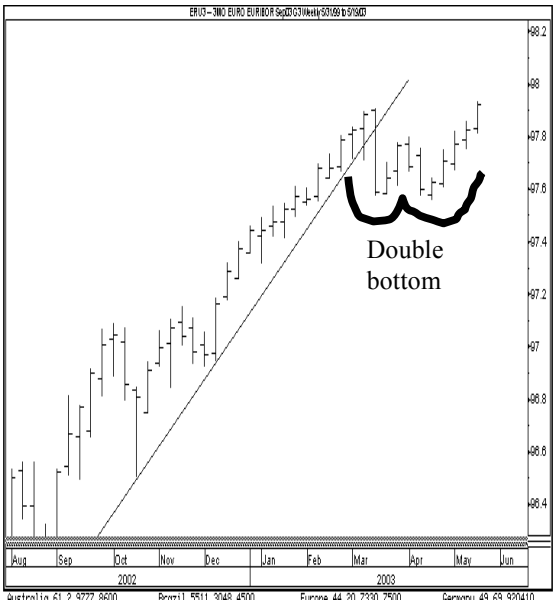
The market is ratcheting better, and a small pennant has been completed.

Expect further and faster bull moves.

Euribor.

The market in the Euribor looks the most well-established of al the short ends. Solid pattern have been completed.

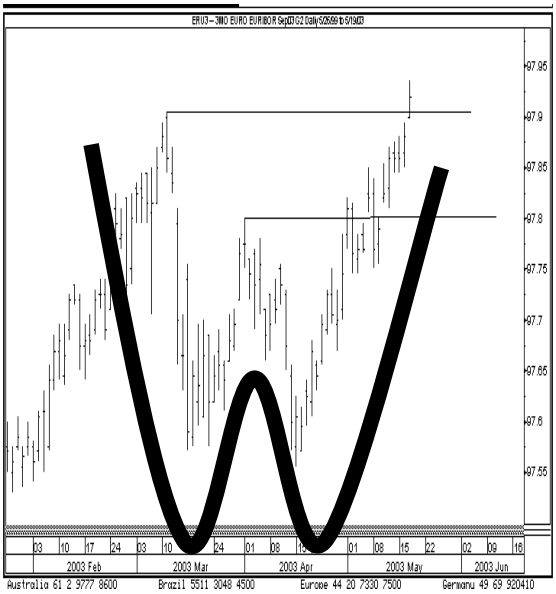
These will drive the market a good deal better yet.



The market tried to lurch worse and failed.

In that failure lies the seeds of the ensuing bull move – a small double bottom.

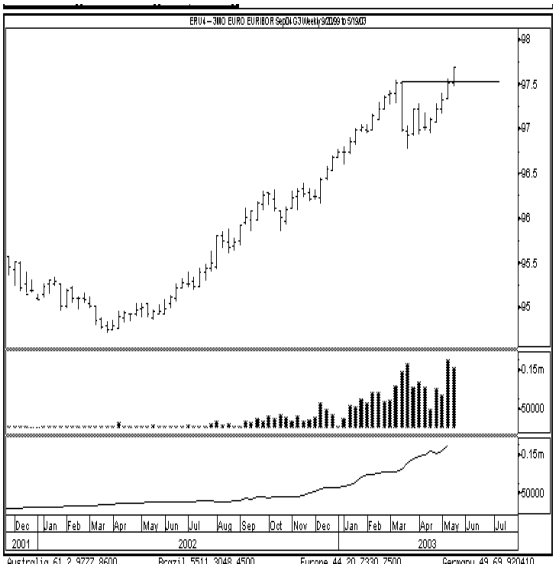
Look closer.



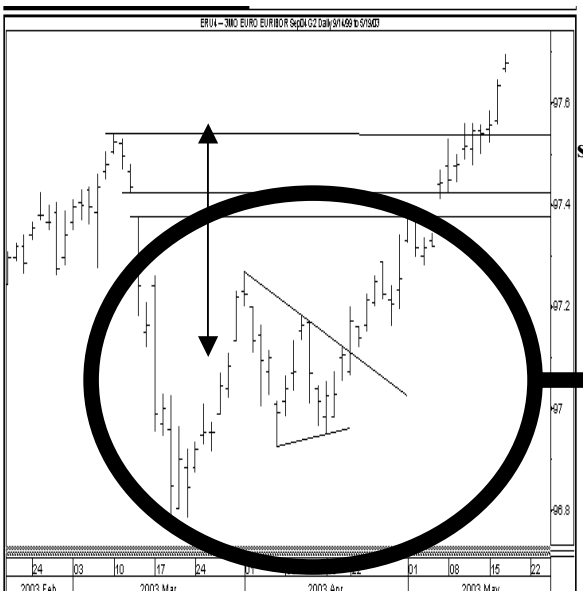
The double bottom driving the market better, surpassing the old high.

The final target: **98.04.**

The further out months September 2004



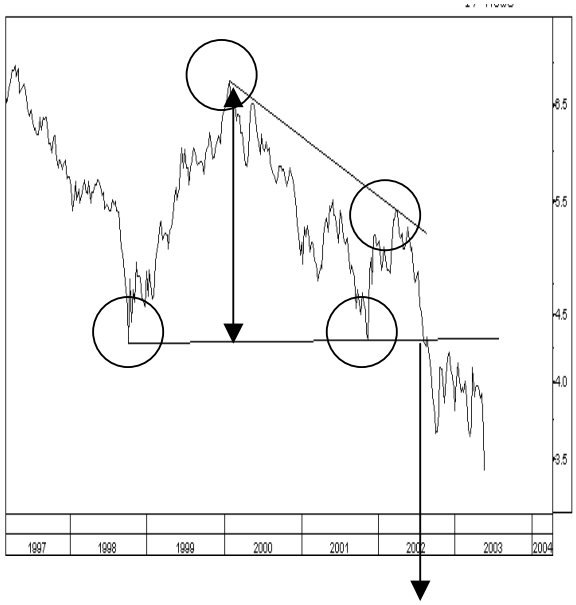
The market has pushed up through the old high.
That is good, since that level will now act as excellent support.



The push through the old high has been emphatic, powered, I contend, by the massive island reverse beneath the market. Thos gaps are important support as is the previous high at 97.54.

The US Treasury Bond

In August of last year I was first bullish of the Bond market. It has taken nine months to come to fruition. But there's a good deal more to come. Ride the tide of bond bullishness LONG TERM MEDIUM TERM AND SHORT TERM.
Geronimo!



2.76%

I have been arguing that Bond yields are going lower for the last NINE months- it hasn't always been easy!

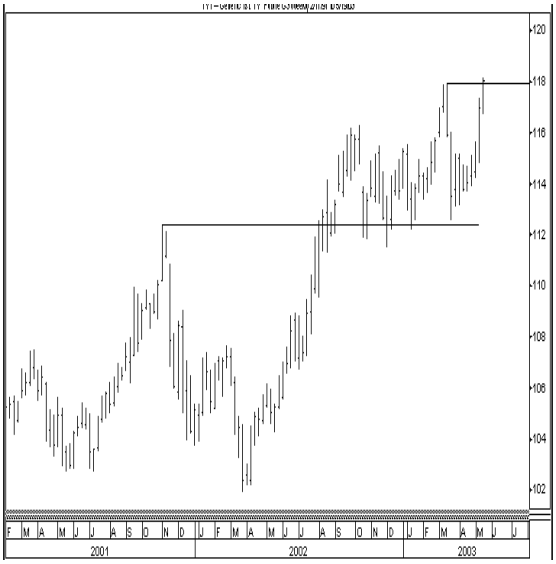
My reasoning arose from the massive continuation triangle above the market – clearly seen in the chart.

The target for the triangle is 2.76%

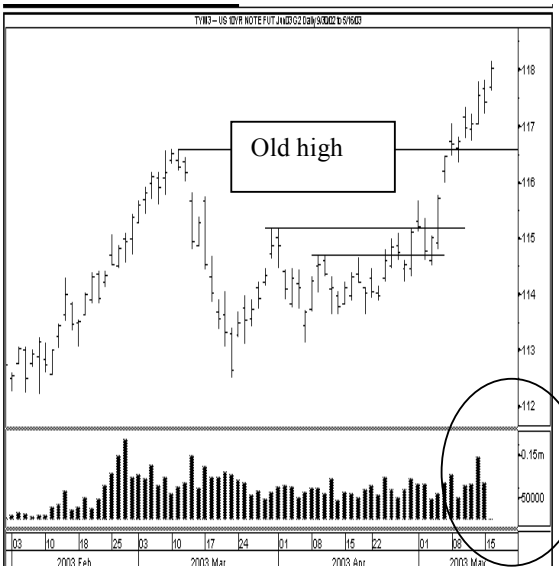
Now the market has pushed lower beneath the lowest yield levels of the last nine months – these levels, now above the market will be massive overhead resistance.

3.01%

This is a clear and unambiguous break down of a continuation triangle. The target of the large triangle is 3.01%



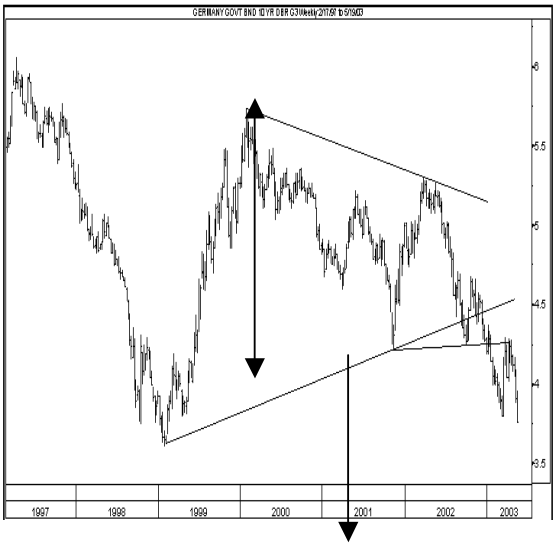
The push and close through the 118-00 level is a major break through for a market that has been trading sideways for the last nine months.



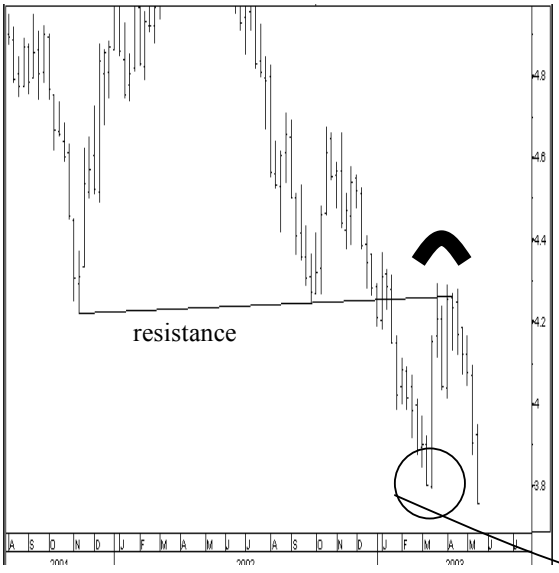
In the futures the market's breakthrough of the old high at 116-19 has led to a fierce push better…with good accompanying volume.

The German Bund

The German bunds are fearfully bullish too. Short term, instead of a triangle thrusting them better they have a double bottom pushing them – a rather more bullish pattern. They are set for further fast moves.

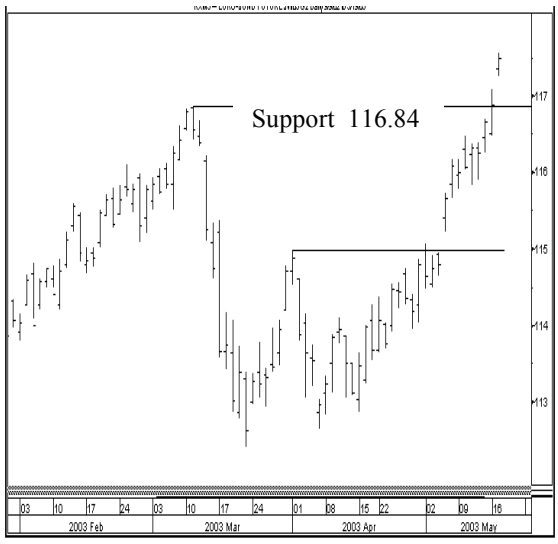


The dramatic big picture: as I have been arguing for months **the large continuation triangle is driving the market lower**.



The failed retracement to the overhead resistance.

Also, note the breakdown through the previous lows….. the level 3.97% will act as good overhead resistance…



I have described how the double bottom has driven the market better, and now through the old high, which will act as good support on any attempted pull-back…. The gaps are powerful bull indicators, note the classic succession of:

BREAKAWAY GAP

CONTINUATION GAP

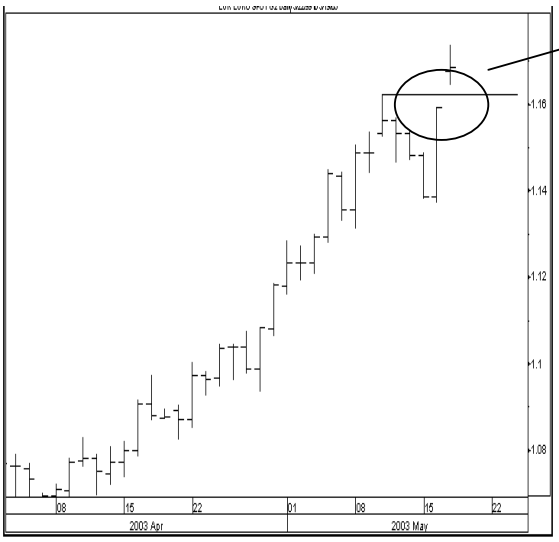
Expect a third gap: the exhaustion gap, which will signal that last third of the bull run….

CURRENCIES

The dollar looks weak, and defying any attempt to strengthen – the breakaway gap through the old highs Dollar Euro exemplify this. But the dollar looks weakest in a purely technical sense, against the Dollar Sterling - a minimum move 1.68.

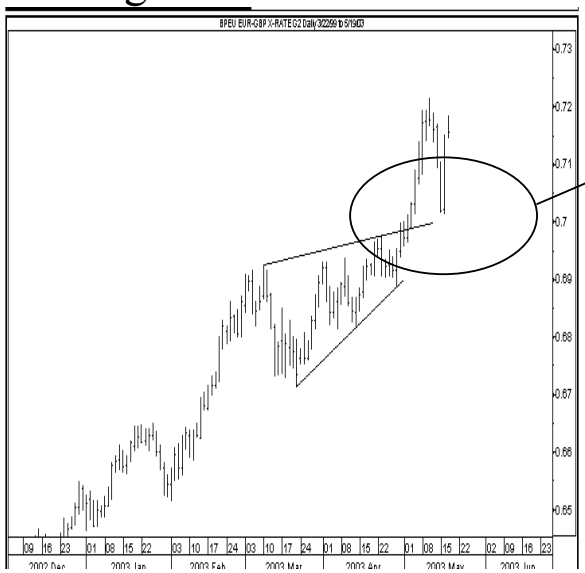
Dollar Euro

I've been clear, haven't I, about the important role that the continuation triangle has played in the development of the bull market…



The market stumbled last week, but recovered and forced its way back through the old high…. Gapping above, a breakaway gap that will act as good support…

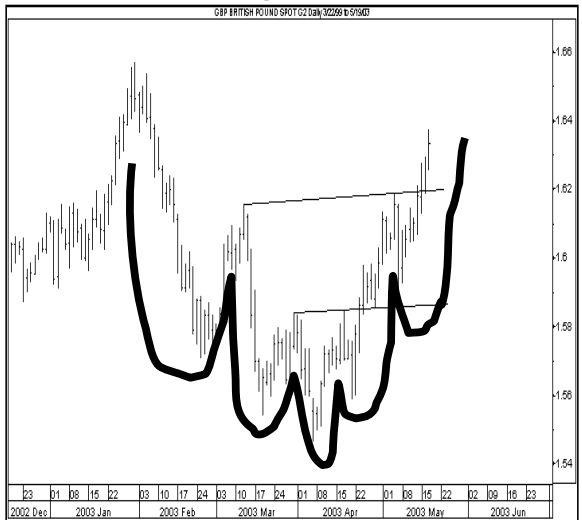
Sterling Euro



The pull-back found support exactly where you'd expect it to – the top of the triangle..and bounced fast….the target of the triangle has been achieved, now watch the price action.

I favour the upside.

Dollar Sterling.

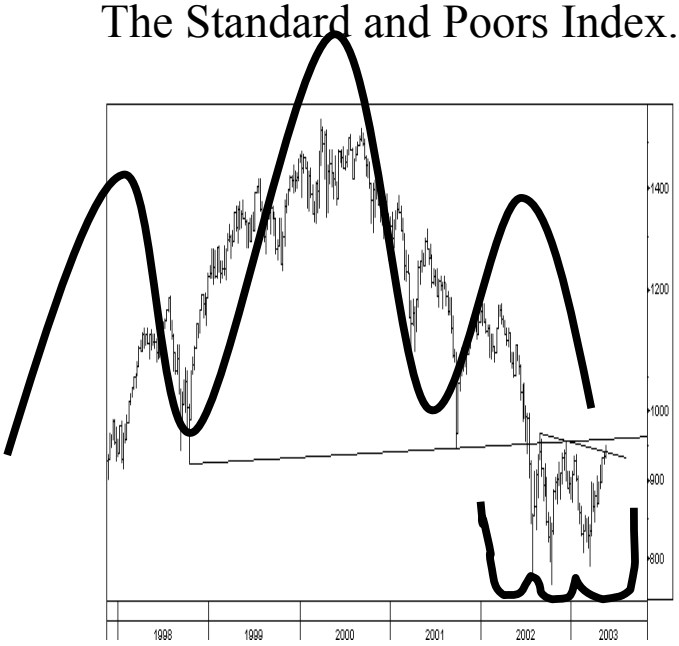


Dollar weakening is looking to continue: these nested H&S patterns are driving the market better….to 1.6883.

Equities

Is this a bear market rally everyone wonders? Look where the Japanese and French market have turned. Balking at massive overhead resistance. The relative robustness of the US markets will not sustain them.

The Standard and Poors Index.



This is the technical conundrum.
The massive Head and Shoulder formation driving the market down, and the smaller H&S bottom driving the market better.

Both have completed.

Which is the true driving force?

They both are.

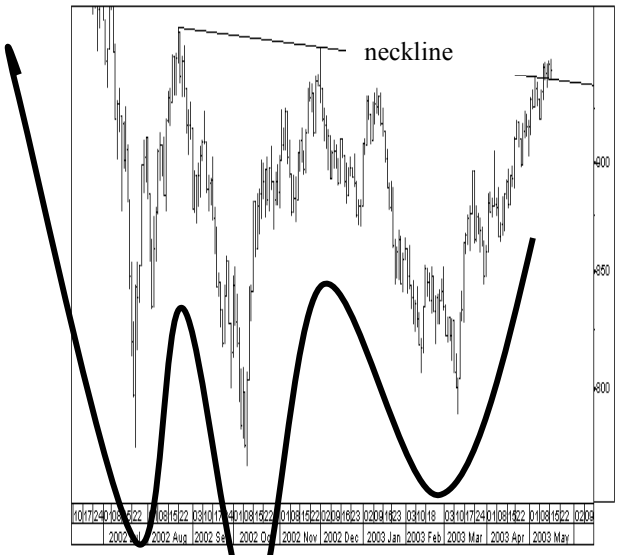
How then can they be reconciled?

The fourth dimension will reconcile them

TIME

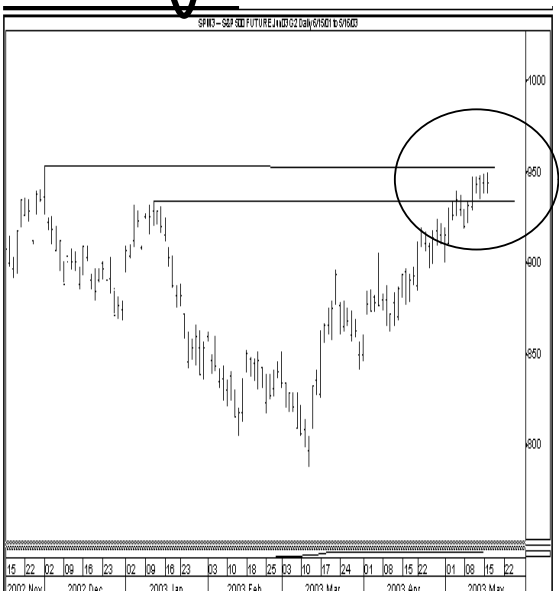
The smaller force will drive the market better, towards, its target of 1130, that could be achieved!

But I doubt it. The small feller will push better, maybe up to the neckline at 958 – any maybe even penetrate it, but gradually the major pattern will exert it overwhelming force and resume the bear market.



The detailed Head and Shoulders formation and the breakthrough.

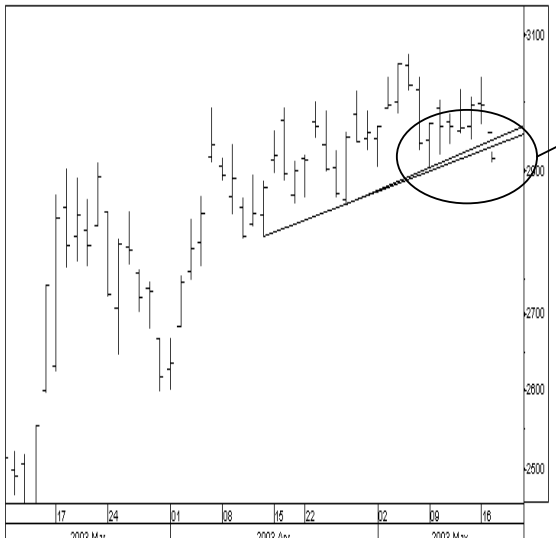
The uncommitted might note that the market has not demonstrated a breakthrough, a completion in its price action….



Bulls will want to see the market push through the previous high in no uncertain fashion to encourage them…. They won't feel hot yet!

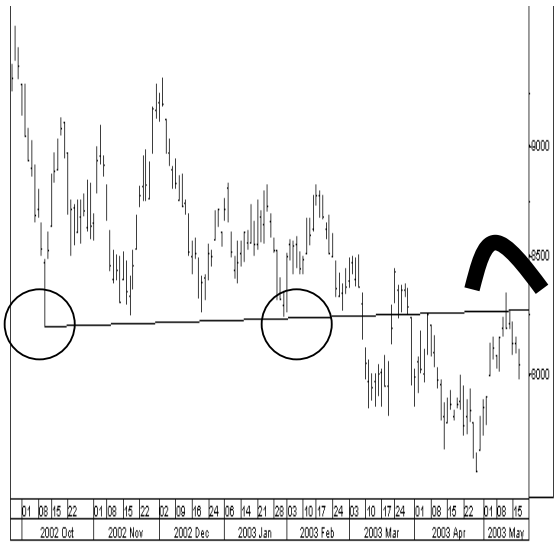
The French CAC

The medium term evidence of a failed bull move is quite compelling….



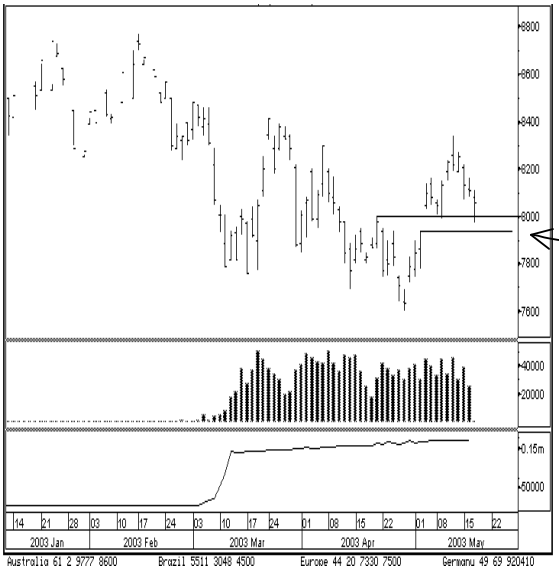
The detail suggests a bearishness of failed diagonals, but no small top formation which would have added some vim to the down move…. But those diagonals will act as go resistance now… the bear evidence, though not compelling, is accumulating.

The Nikkei



The clear failure of the market to break back through the major overhead resistance has revitalised the bears…

N.B. the gap beneath the market and watch carefully to see how the market reacts to it.



Watch the way the market trades around the gap support beneath the market at **7939-7999**