

**The**

# **Week**

**Ahead**

A technical perspective for 17<sup>th</sup> – 23<sup>th</sup> June 2003



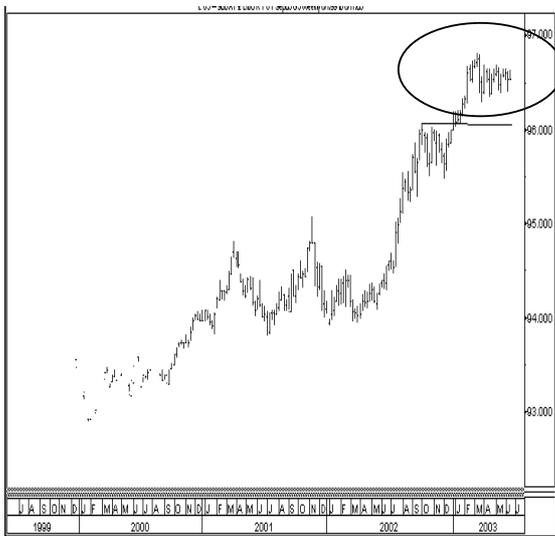
*The bear rally in stocks surges ahead.*

*Buy cable: massive move in the offing.*

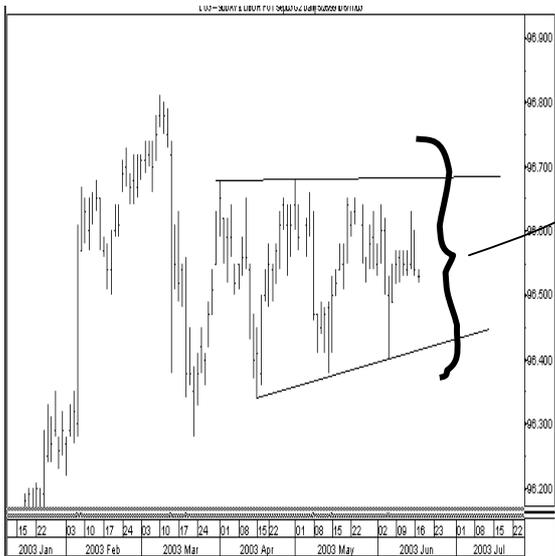
*Bonds still excite: especially Bunds.*

# Short Sterling

*Last week I talked about bull anxieties: those anxieties will not have diminished since then. The way the market has failed to launch an all-out assault on the old high in the further dates (having been thrust up fiercely by a perky continuation triangle) suggests some considerable underlying weakness.*

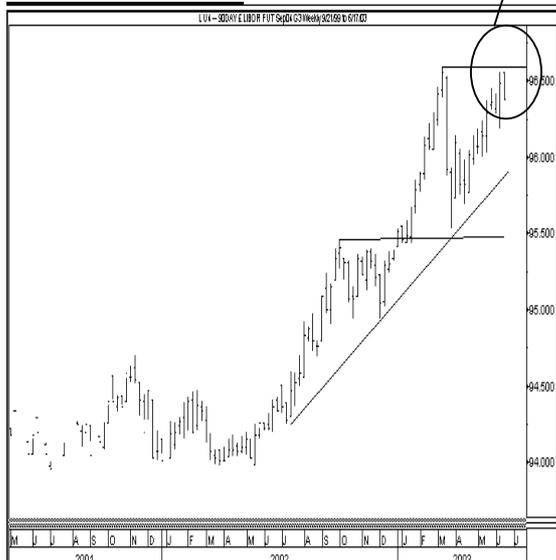


The September contract illustrates perfectly the consolidation that the market has run into over the last few months.



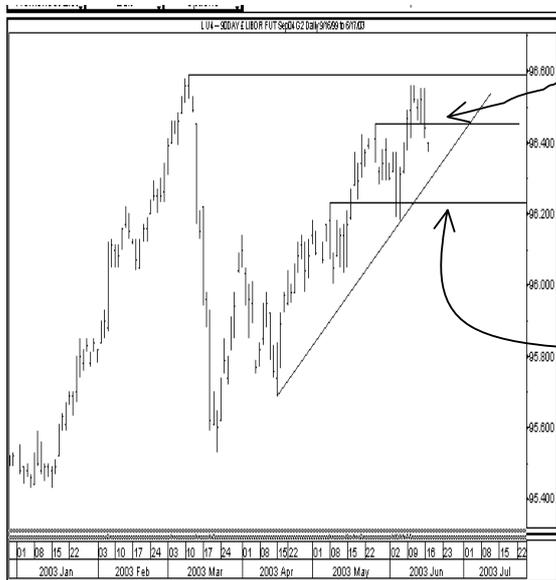
The detail of the consolidation brings no clarity. Wait for a break of the extremities.....Perhaps the further dates are useful...

## The further dates: September 2004



The market's bull run has been sustained, but bulls will want to see a break through at the prior high at 96.59.....

Key reversal

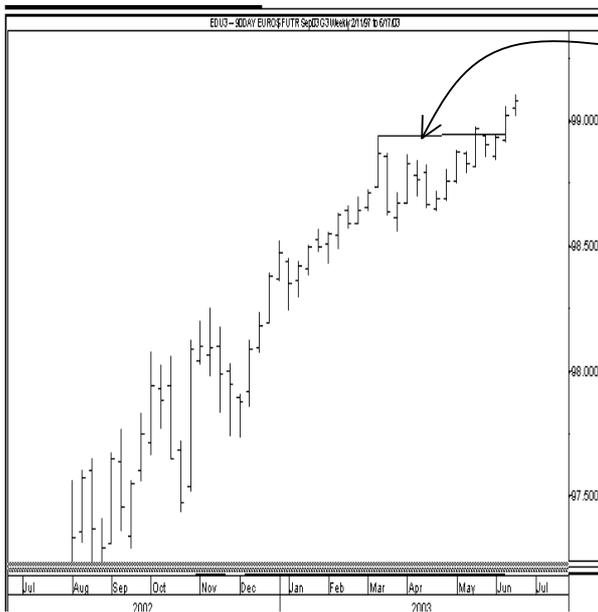


The detail of the approach to the old high.

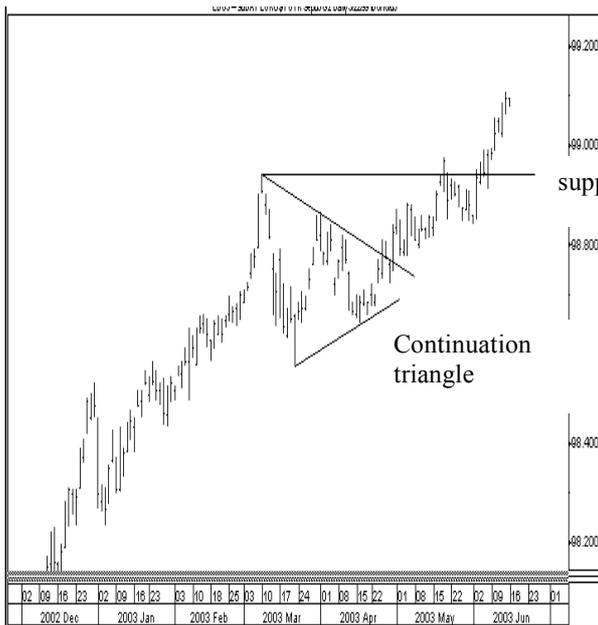
I think this is rather disappointing. The old high has not been fully tested...and the price action of yesterday was almost a key reversal (higher high, lower low, ending on a low) – also breaking down through a support from a prior high at 96.45... this suggests the market will test lower – so concentrate on the rising diagonal trend line support at 96.29 (today) first and then I think, more importantly, the horizontal support at 96.23 – note that the market has bounced aggressively from there before.

# Eurodollar

*I said last week presciently that a close above the old high at 98.94 would lead to renew buying enthusiasm. Sure enough! And there's plenty more to come. Buy with your ears pinned back.*

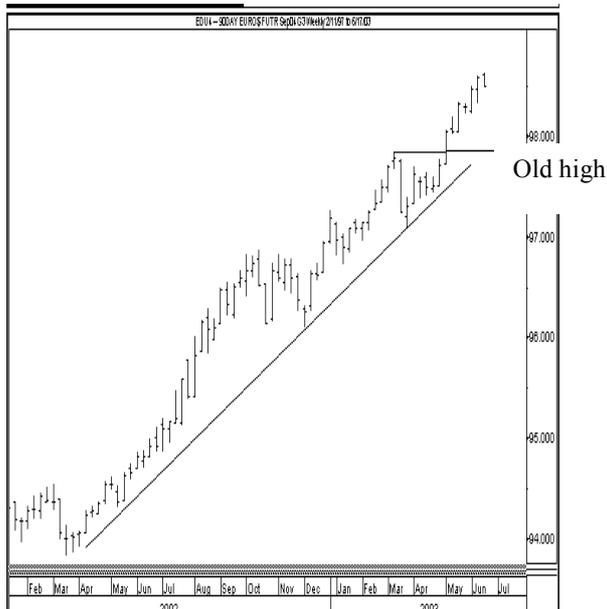


The long bull market has regained its momentum with a breakthrough the old highs at 98.94.

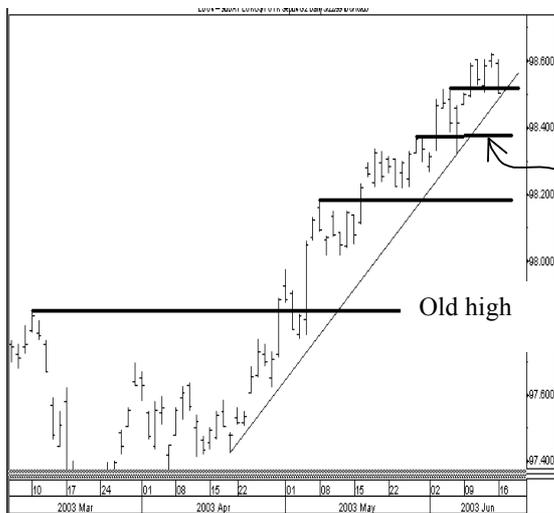


The detail suggests a clearly formed bull continuation triangle whose completion began the assault on the old highs. That horizontal at 98.94 is now the critical support on any pull-back.

## The further out months: September 2004



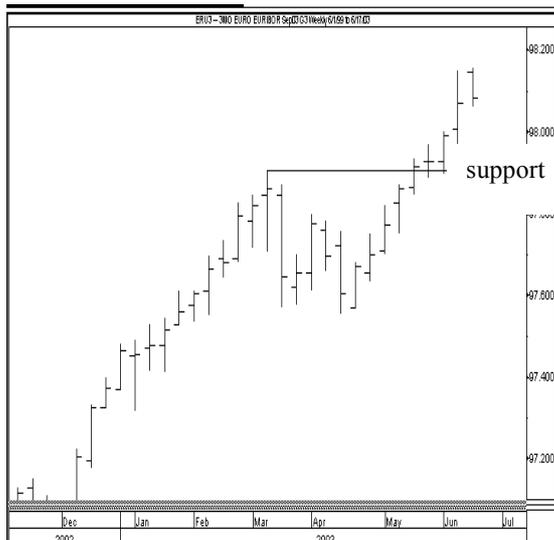
The bull rally.



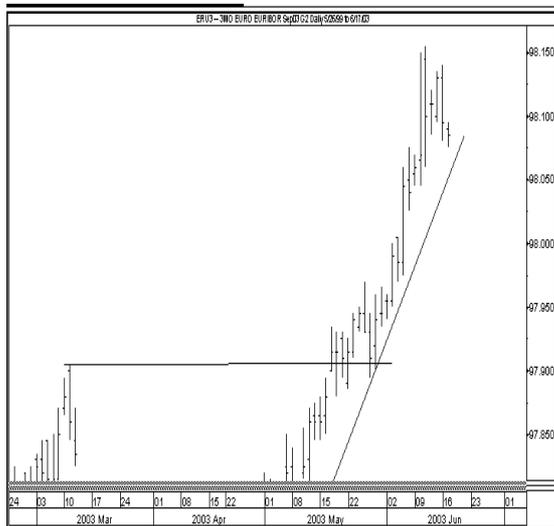
The detail of the bull market – see how the price action is ratcheted up by the succession of horizontal supports from prior highs...., if the market doesn't bounce from this current area (where there is a combined support from the diagonal and the horizontal) it might very well push down to test the next level at 98.37.

## The Euribor.

*The reassuring patterns I talked about - has maintained the market but not really thrust it a great deal better since last we looked. It went better and then drifted. The target of the double bottom is fast approaching at 98.24...but there is nothing yet to suggest that the Bull Run is weakening.*

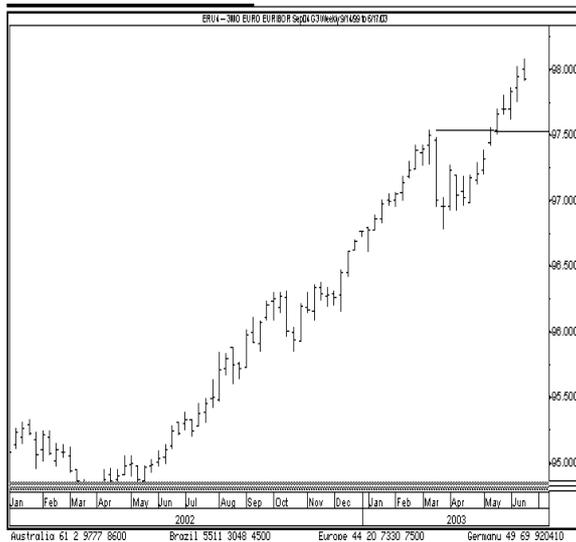


The bull market has set off again...

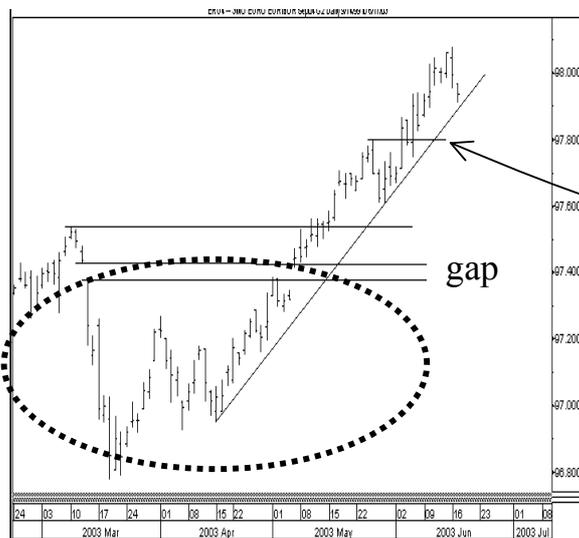


The price action is steep and bullish ... the pause and sideways consolidation over the last few days may anticipate a fiercer pull-back....

## The further out months: Sept 2004



The bull market in the weekly chart.



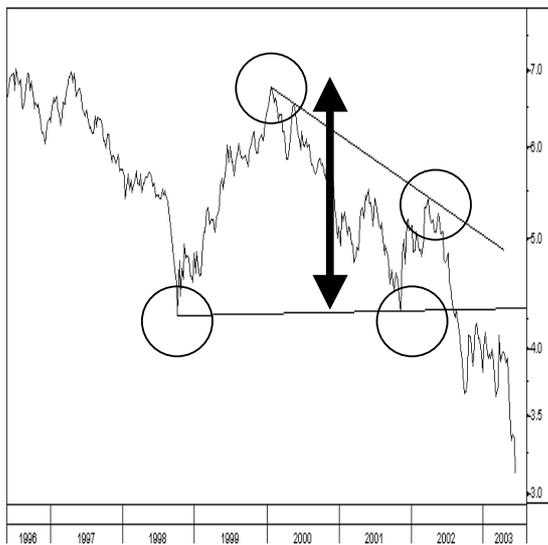
I saw the island as a major bull factor and so it has proved to be. Disregard the importance of the rising diagonal Trendline as support – concentrate instead on the horizontal support beneath the market at 97.80.

## The US Treasury Bond.

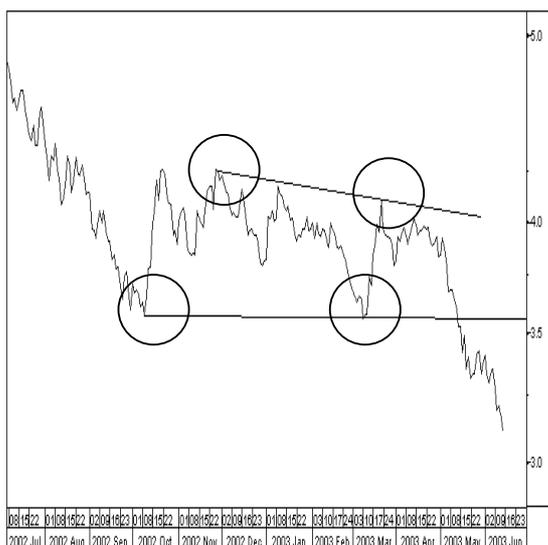
*I've been bullish of the bond market since my bulletin of 6<sup>th</sup> August 2002 when I said:*

*“this is the big story: the breaking of the long term lows in the yield chart and the completion thereby of 1) massive overhead resistance and 2) of a continuation triangle suggesting a minimum yield target of 2%”*

*Then the futures market was at the point of pushing up through 112.00. I subsequently amended the yield target to 2.75%. This is well on the way to fruition. Stay long.*



The massive continuation triangle driving yields lower – I've suggested 2.76% for the MINIMUM bull move – WE'RE NOT THAT FAR AWAY.



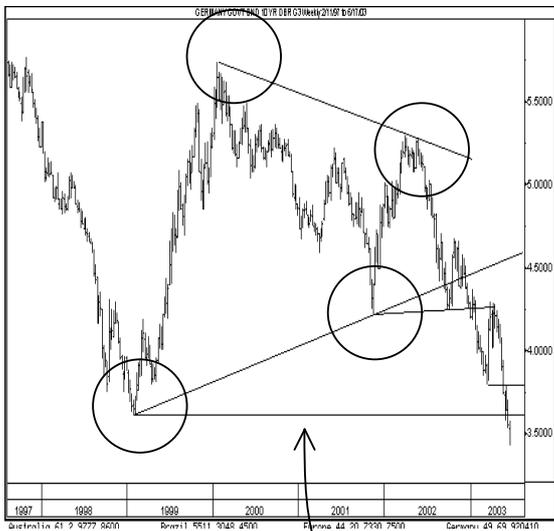
The continuation triangle in the day chart driving the market lower – to a minimum target of 3% - that too is being fast approached ...



# The German Bund.

*This has long been a favourite bull market of mine with the T bond. But a technical difference here excites me even more than the US bond: the existence of an old low at 3.609% established in early 1999. Once the bulls push this market through that, it will act as massive overhead resistance, driven yields still lower and lower.*

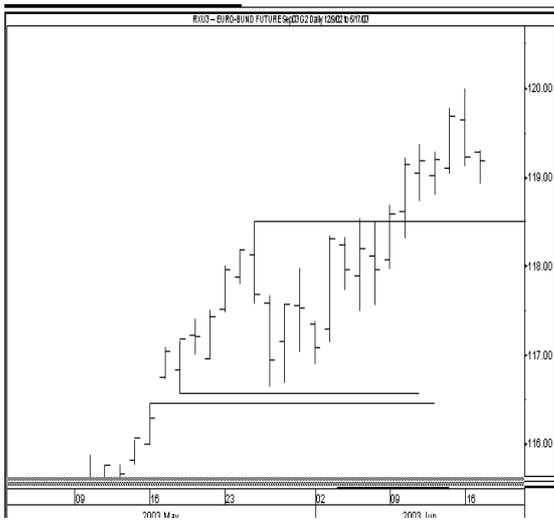
*The price action of the last week saw that level decisively broken. Bulls should add on even at these levels.*



The big triangle driving the German yields down down deeper and down.

Note the repeated bull emphasis: all attempts at returning to higher yields have been repulsed, and finally last week the market pushed through the old low yield of 3.609%

I see that as a major breakthrough : that level should now act as a **massive resistance to higher yields.**

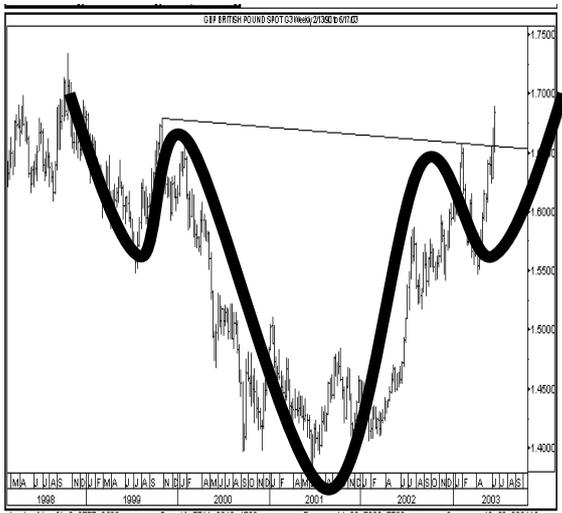


The critical support level is 118.50.

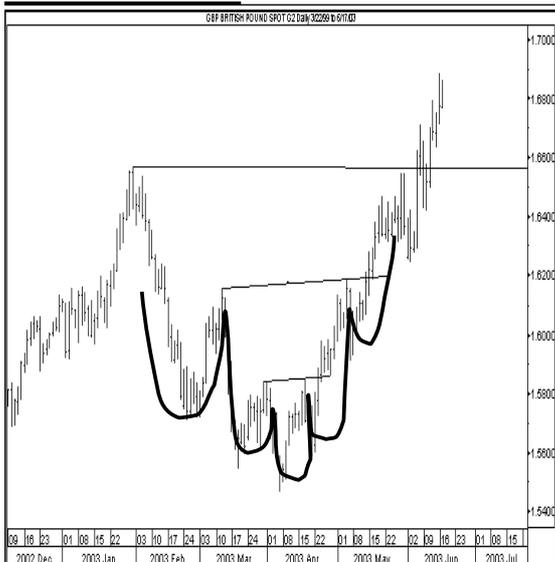
# CURRENCIES.

*The Cable is the star technical performer here. The massive continuation the massive head and shoulders pattern that I have spotted for the first time today is extraordinarily large, making the small H&S patterns seem paltry by comparison. It is well formed. Trade it!*

## The Cable

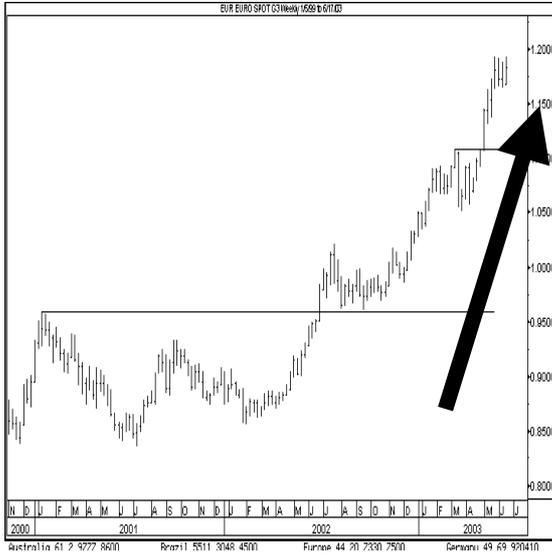


The market seems to have completed a massive head and shoulders continuation pattern (mirroring the one at the very bottom of the market around 1.40) – THIRTY BIG FIGURES!  
**1.9556.**



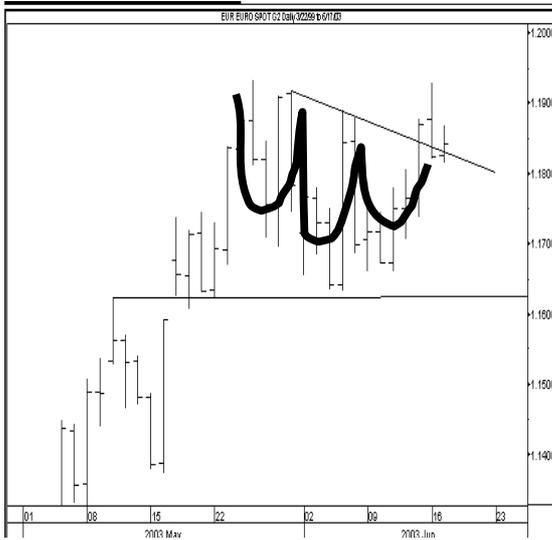
The day chart is bullish too: the small nesting of head and shoulders pattern at the bottom of the chart have successively driven the market better short term: then the recent push through the old high will establish great support beneath the market.  
The target for the larger of the two H&S patterns is **1.7274 MINIMUM.**

# Dollar Euro

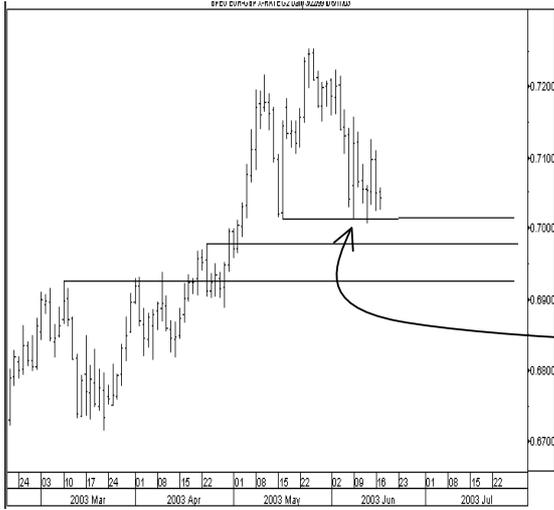


The massive waking of the dollar.

ge



Is that a small H&S pattern that has just completed? By golly! Perhaps wait for a push through the highs around 1.19....



The market may push lower if the level 0.7013 is broken down though...

## EQUITIES.

**SHORT TERM BULL, LONG TERM BEAR.** *Is that so complicated? Not if you're a trader. That special breed of men understands the myriad time frames that must be addressed when fully describing the character of a market.*

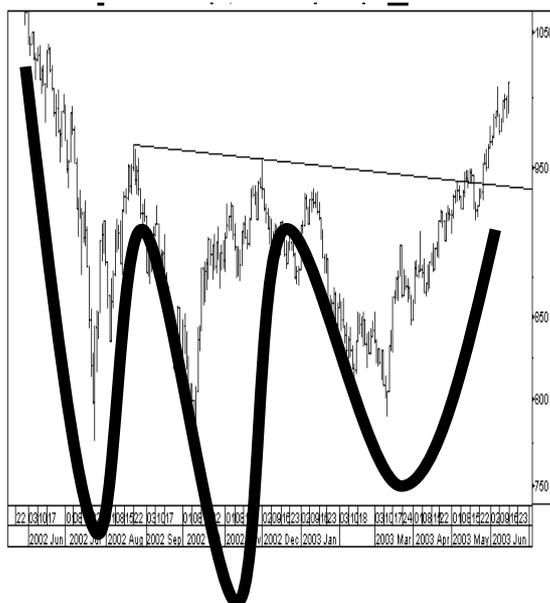
*Others may struggle.*

*The bulls have it at the moment. The markets want to go further still.*

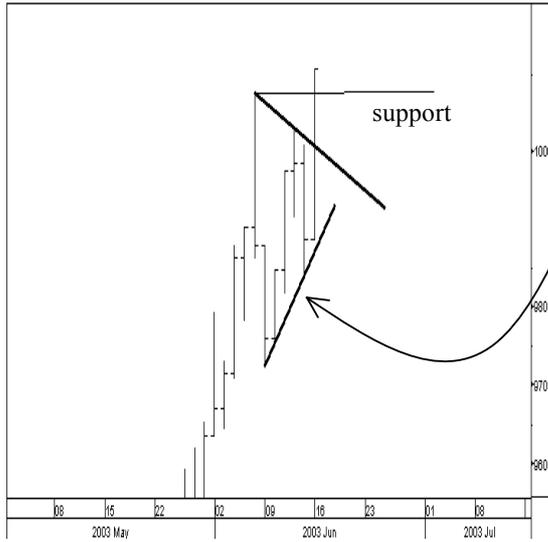
### Standard and Poors



The extraordinary BIG picture: notwithstanding the long term bear market scenario, the small bull pattern will drive the market up short term as far, I think, as 1127....

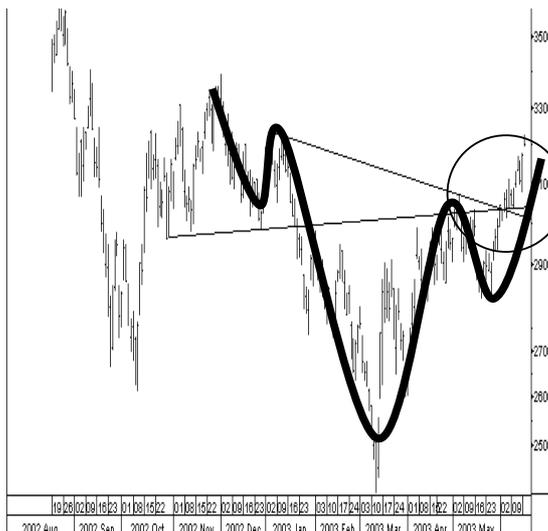


The day chart showing the dramatic energy behind the bull move.

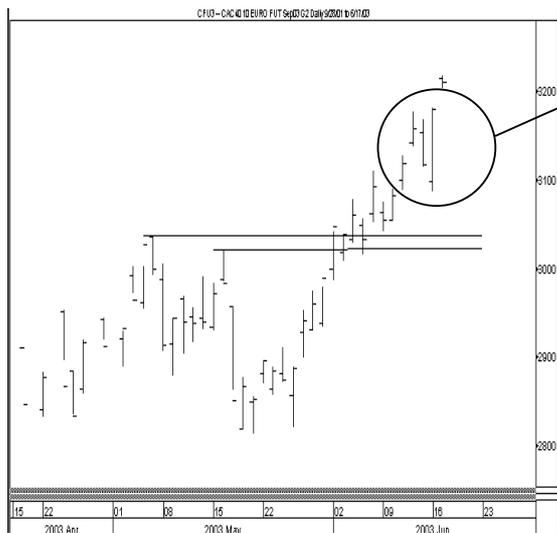


And that is a continuation triangle that has just broken up – surpassing the old high, which will now act as good support.  
Expect the market to push on fast in the short term....

## French CAC



Last week I emphasized the importance of the coincidence of the levels at 3037.  
I said “the co-incidence is very important and gives the breakthrough great importance”  
  
How right I was!  
  
What’s the target ? **3776 Quite a way to go.**



The futures chart: once through the good prior highs the market has looked good.

Note well the fierce price action of yesterday – a reasonable **key reversal**.