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WEEK 13 30th March – 4th April 2005

A TECHNICAL TRADER'S GUIDE TO MAJOR MARKETS

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SEVEN DAYS AHEAD

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ABOUT SEVEN DAYS AHEAD

Seven Days Ahead publishes a variety of trading guides suitable for experienced market operators.

ABOUT THIS GUIDE

Mark Sturdy's unique charting approach has developed over 24 years of trading success. Each market is analysed over several time periods. With this multilayered approach, market moves can be anticipated over the next few days, the next few weeks and the next few months.

This guide uses classical bar chart analysis to identify patterns whose predictive value has been proven time and again from the very earliest days of freely-traded markets.

The Technical Guide helps traders take advantage of money-making opportunities and avoid loss-making traps in a concise and readable report.

ABOUT MARK STURDY

Mark Sturdy has worked in the financial markets as a trader and analyst for 23 years.

He trained in London with Rea Brothers Limited working in every area of merchant banking.

Working in Chicago on the floors of the CME and the CBOT with Rudolf Wolf Futures he began to develop his charting skills. Back in London he became a director of Gerrard & National Limited, managing an extensive team of option market makers on LIFFE, the IPE and LTOM.

Later he worked with Skandinaviska Enskilda Banken combining proprietary trading with the position of Chief Global Technical Analyst.

Since then he has worked extensively as a consultant technical analyst for a number of large private investors, banks and Hedge Funds.

Mark has been a regular contributor to Reuters Financial Television and currently contributes to CNBC TV Europe providing chart commentary and trading recommendations

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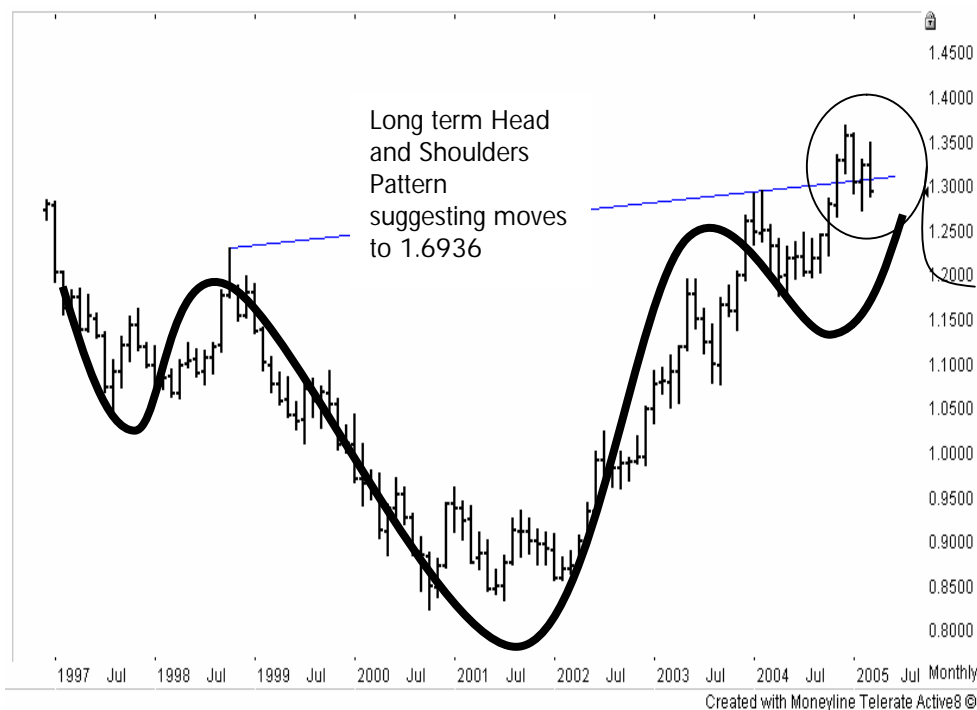
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Currencies

The Dollar has gained a good deal of value through the strength of the last two and a half weeks. There's good chart evidence that the trend may continue for a bit yet. That may damage the bull scenario of the Euro in particular. Sterling much less. But Currency weakness and retracement is one thing. No market suggests a prolonged Dollar bull move may be in the offing.

Dollar Euro



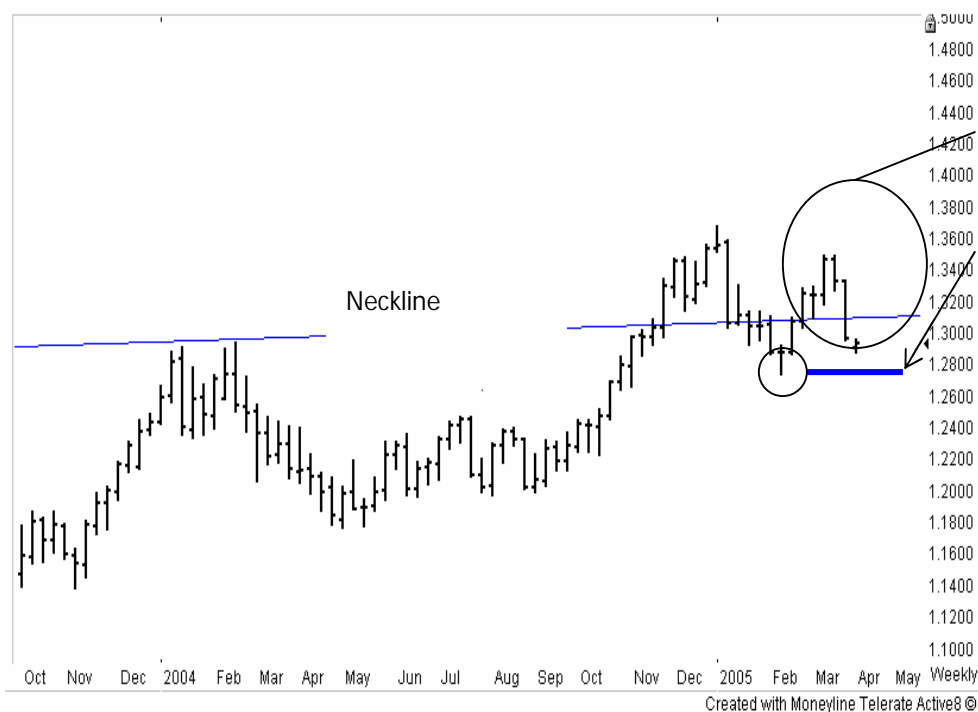
MONTHLY SPOT CASH CHART:

The long chart of the Dollar Euro remains uncertain due to the falls of the last month.

The failure of the market to pull away from the Neckline of the huge completed bull H&S is worrying for the long-term bulls.

Completed patterns should behave in an appropriate manner – there should be an observable reaction to completion rather than a passive lingering around the completion level.

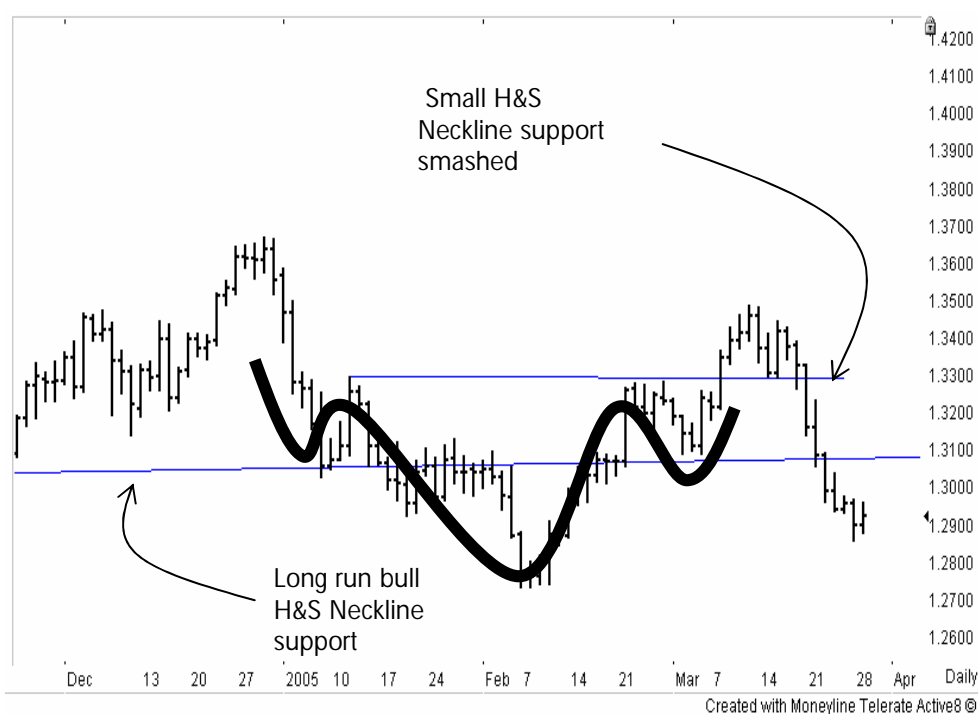
The age and size of the chart excuses some of the lack of short and medium-term reaction but if the market persists around this level doubts will creep in....



WEEKLY SPOT CASH CHART:

The second penetration of the Neckline support is clear.

Bulls will be even more anxious should the market drop beneath the horizontal from the recent low at 1.2733... this is the best medium term test of the psychology of the market.



DAILY SPOT CASH CHART:

The reason why the bulls are so disappointed is because just two weeks ago the market had completed a second neat bull H&S shoulders pattern – which has now failed.

I reported last week about the disappointment of the pull back through 1.3285, saying the short term picture had been thrown into confusion.

Now the Long Run Neckline has been penetrated the long term picture is confused....



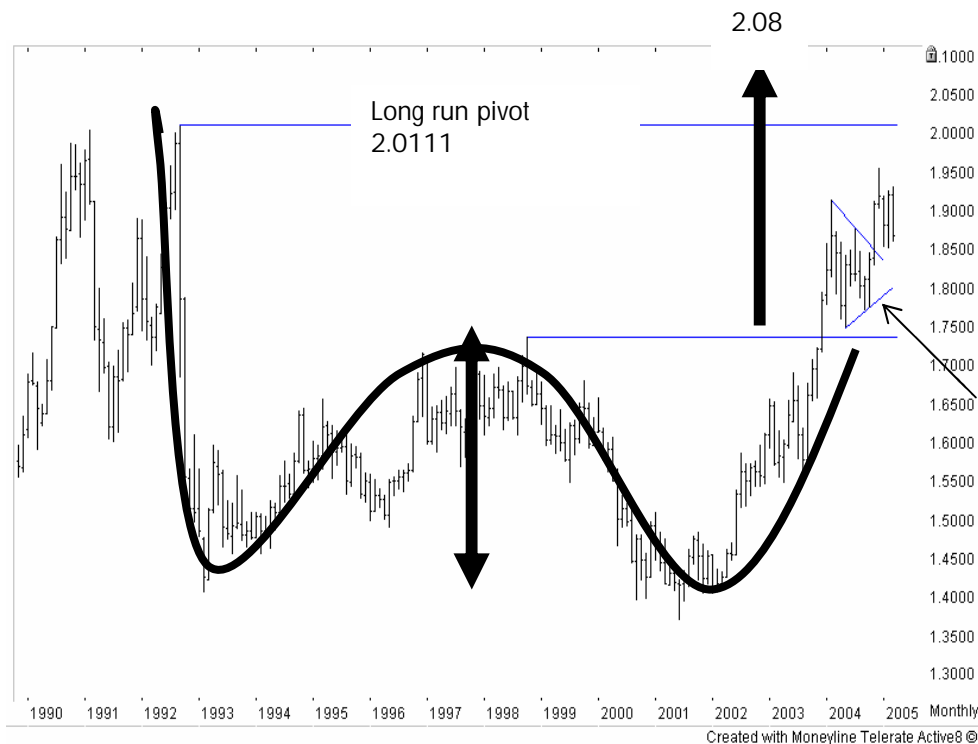
DAILY SPOT CASH CHART:

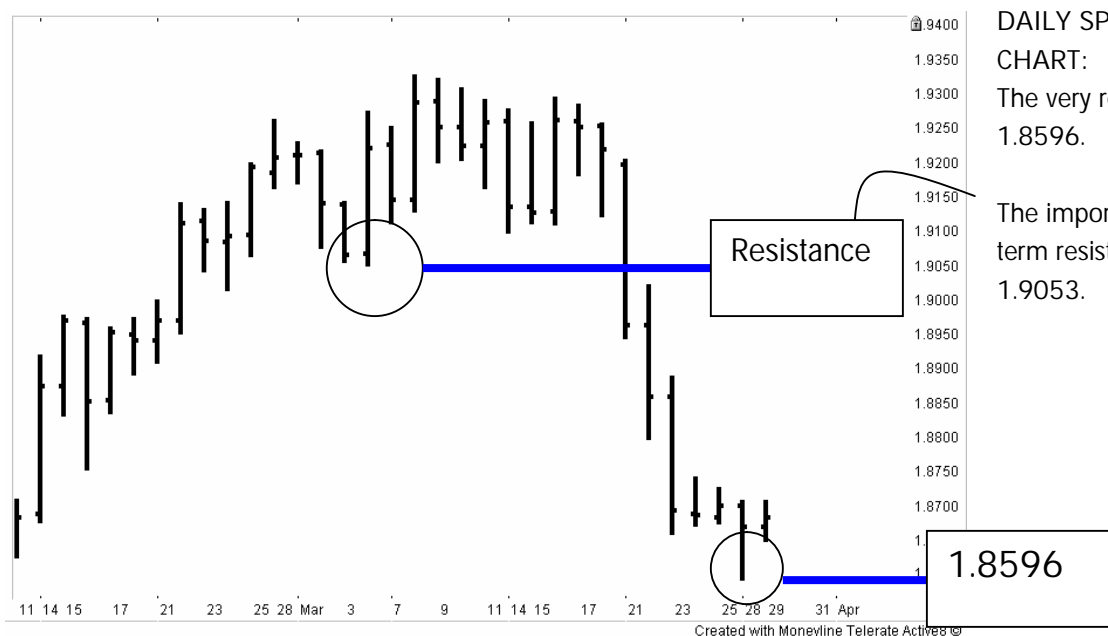
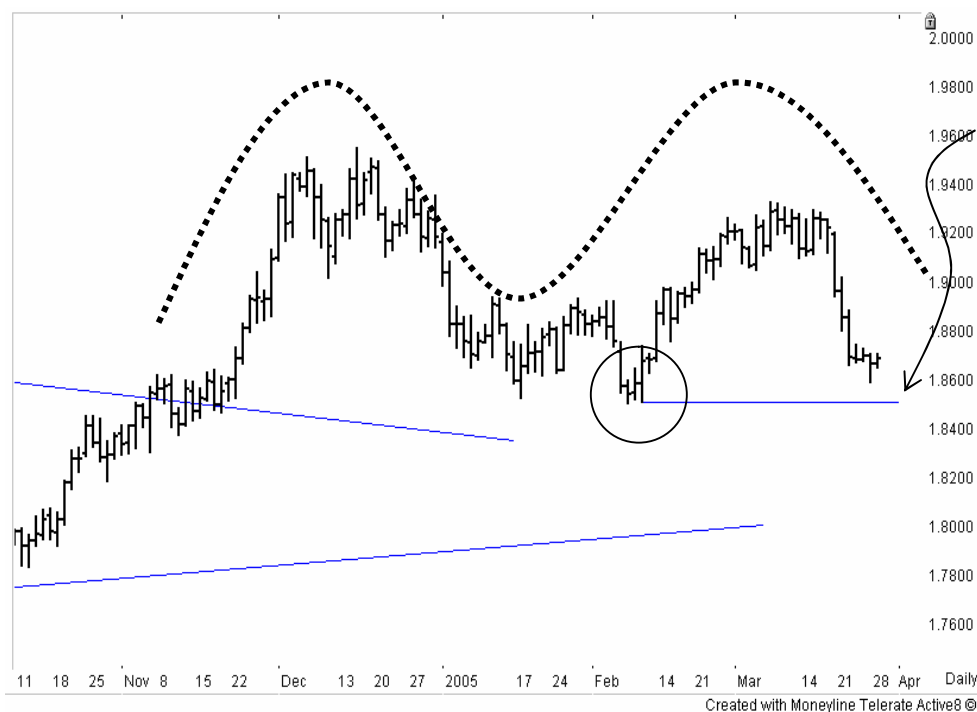
So now, attention is forced on to the low at 1.2733.

Bears will be especially pleased if that is broken, and the bulls correspondingly worried.

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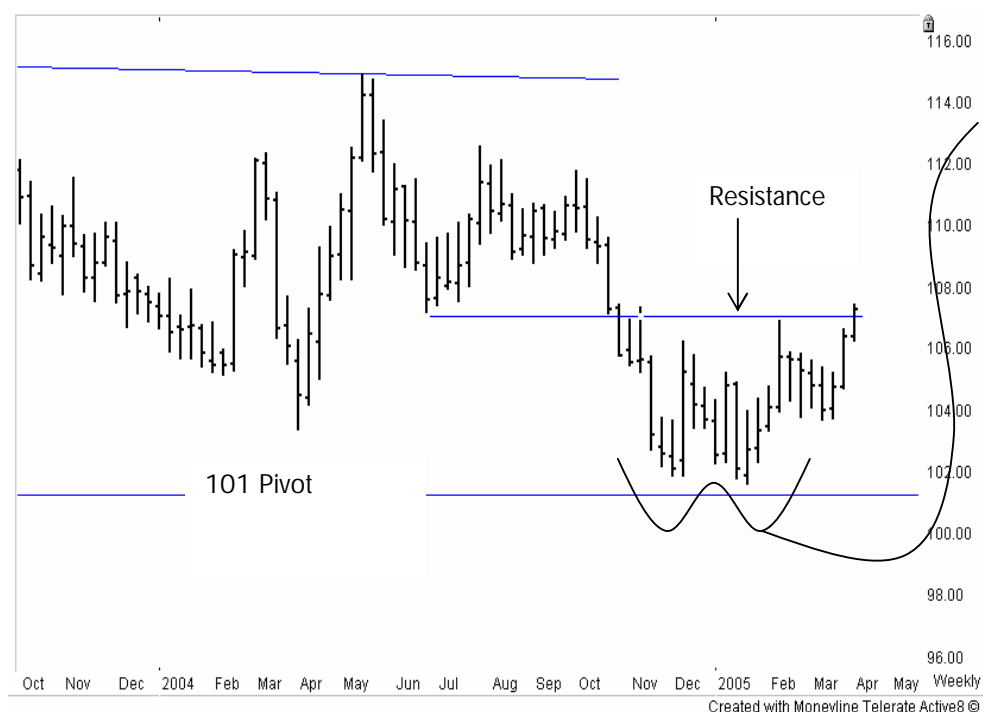
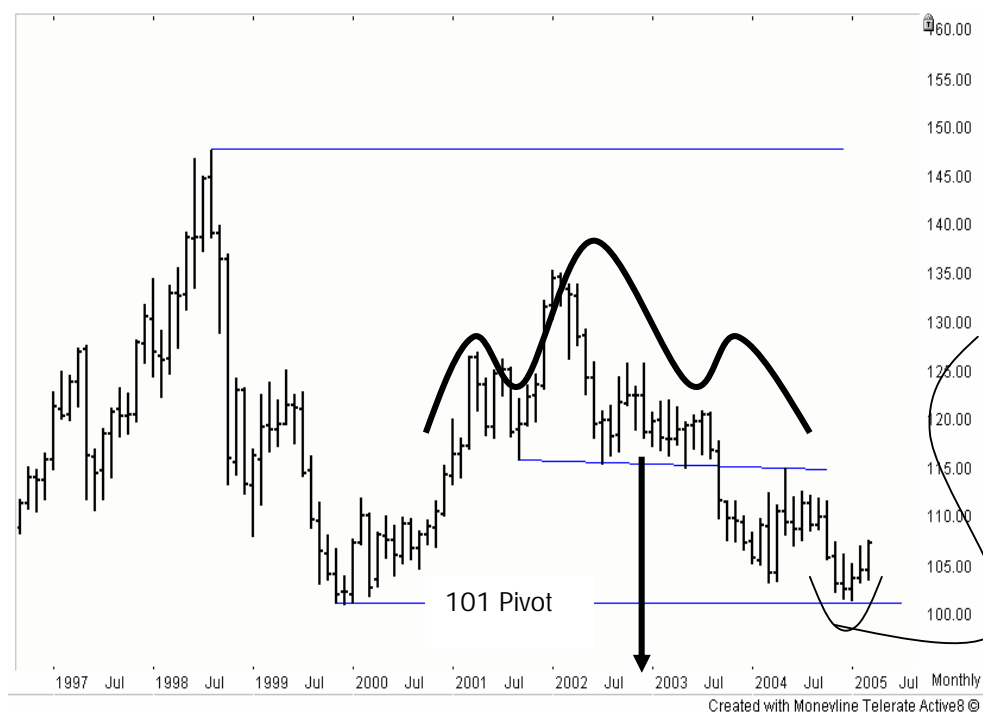
Dollar Sterling

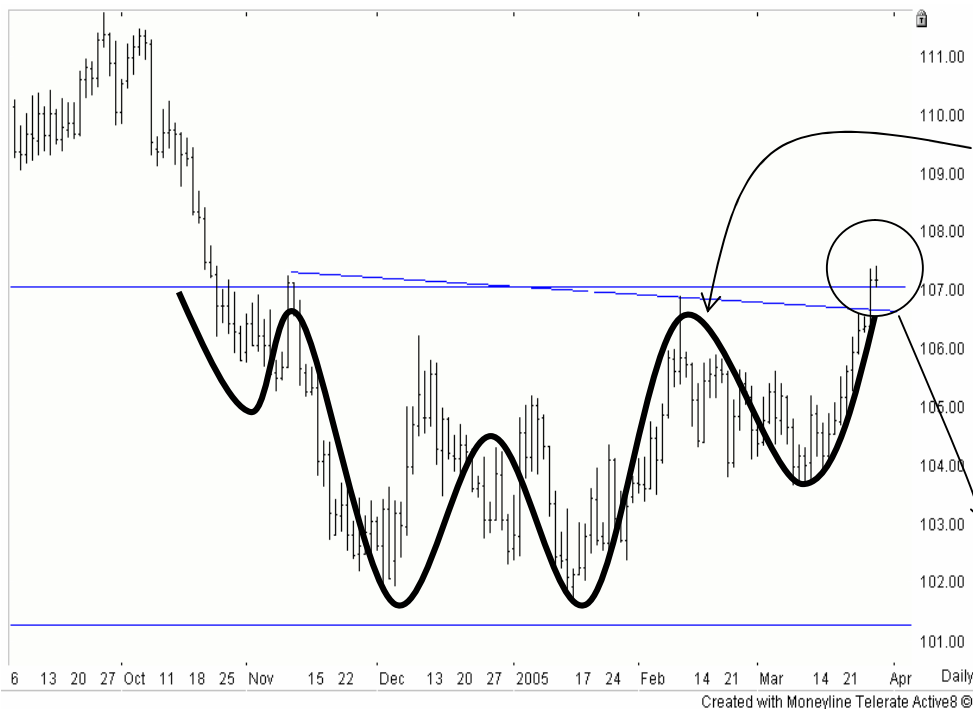




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Dollar Yen

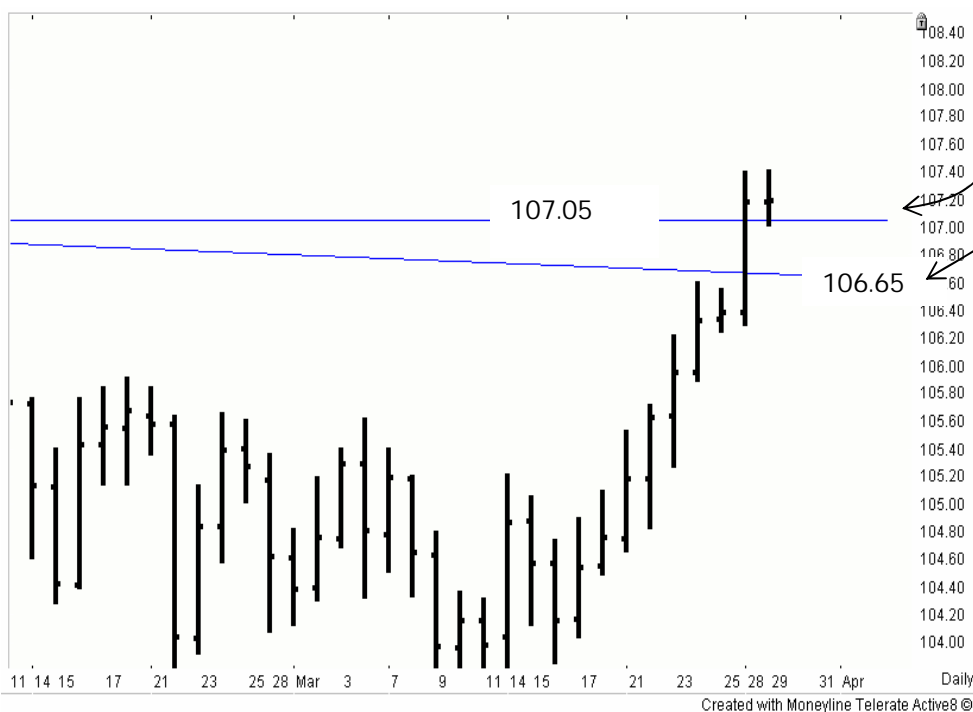




DAILY SPOT CASH CHART:

For the Dollar bulls there is the added excitement of a completed H&S Bottom - a little complex maybe since Double Headed, but a genuine pattern I believe...

So watch carefully for confirming closes above the Neckline and horizontal resistance – if those happened then the market would be set to move quite a bit higher....



DAILY SPOT CASH CHART:

The critical levels.

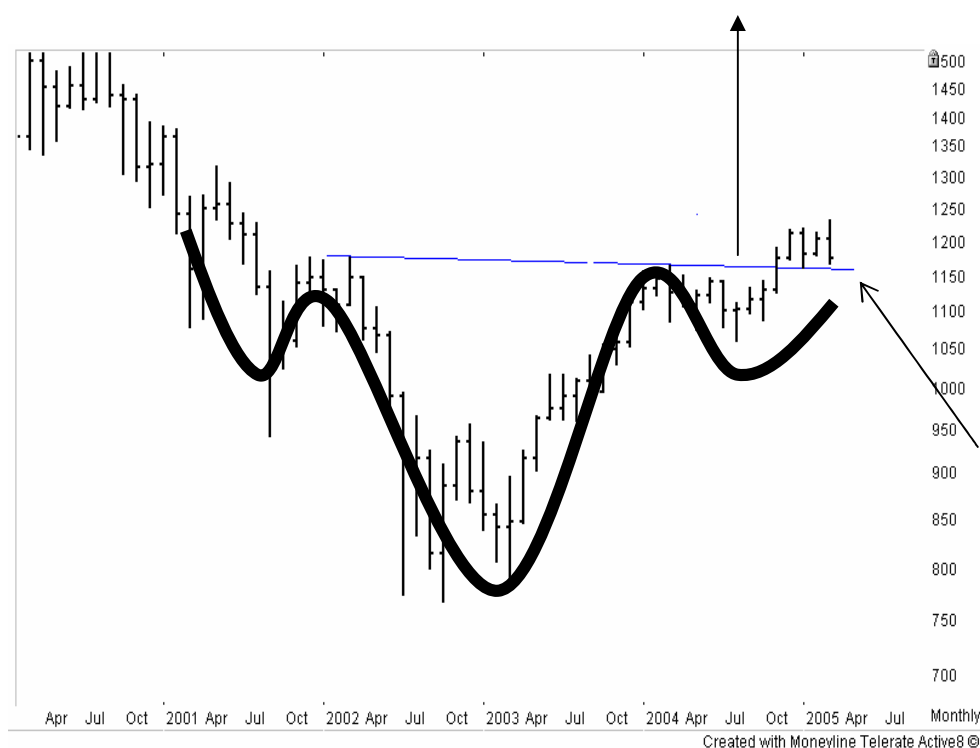
The change from last week is dramatic: the close trading range of 105.33-103.56 has indeed been smashed – those proved to be the right levels.

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Stocks

Markets have continued to retreat with the notable exception of the European Stoxx 50. But no great medium or long term supports have been penetrated. They all remain in clear bull trends.

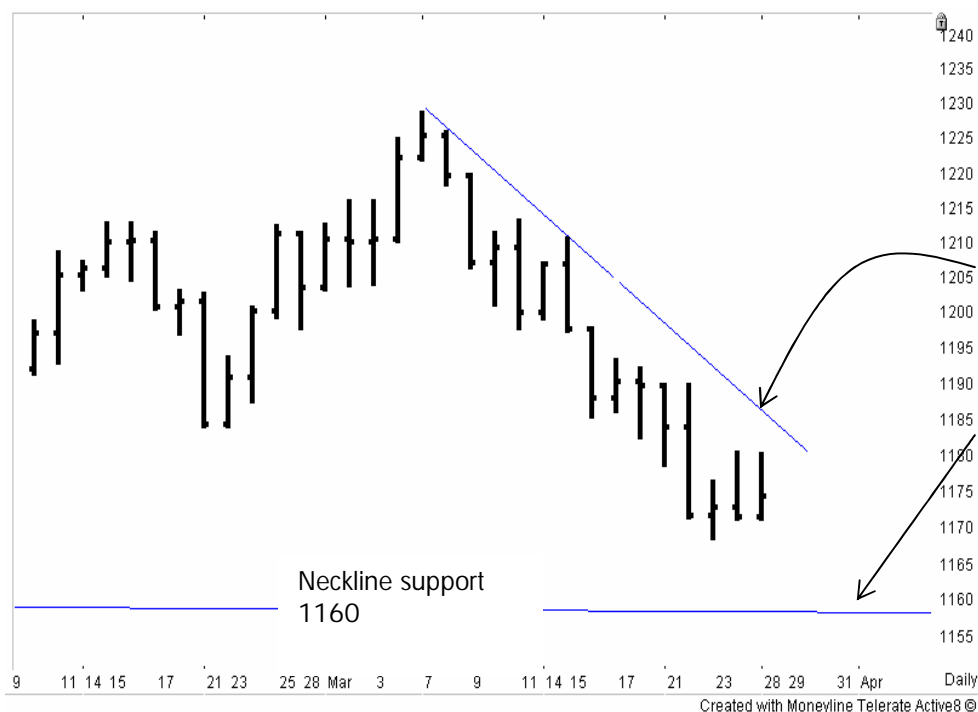
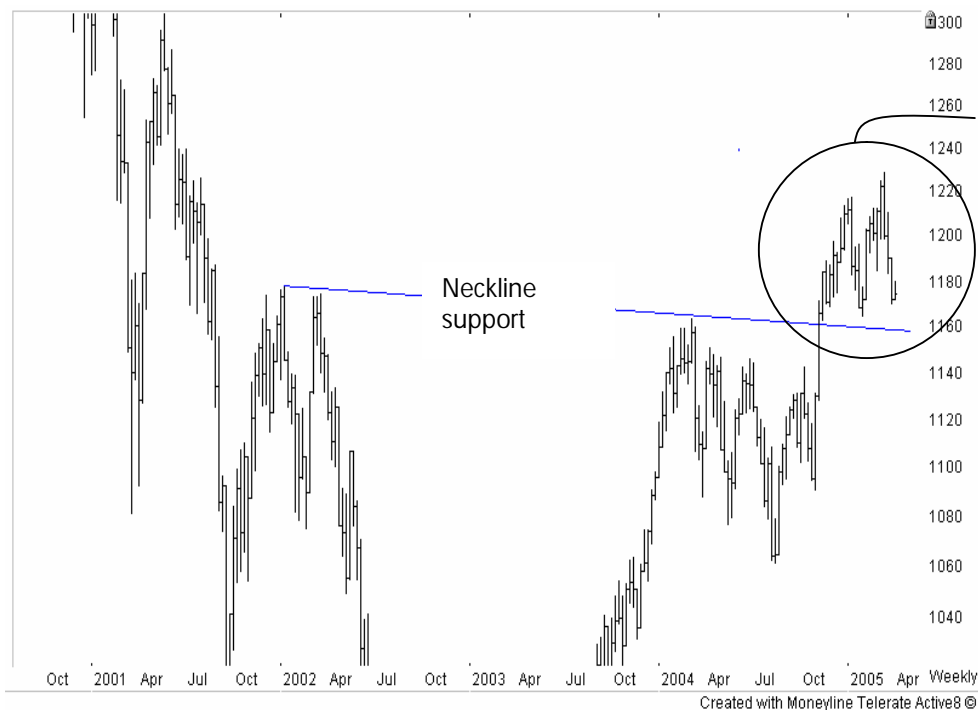
Standard and Poors 500



MONTHLY CASH INDEX CHART:

The market is well set for the bulls – a completed bull Head and Shoulders pattern that looks to drive the market a good deal better 1750.

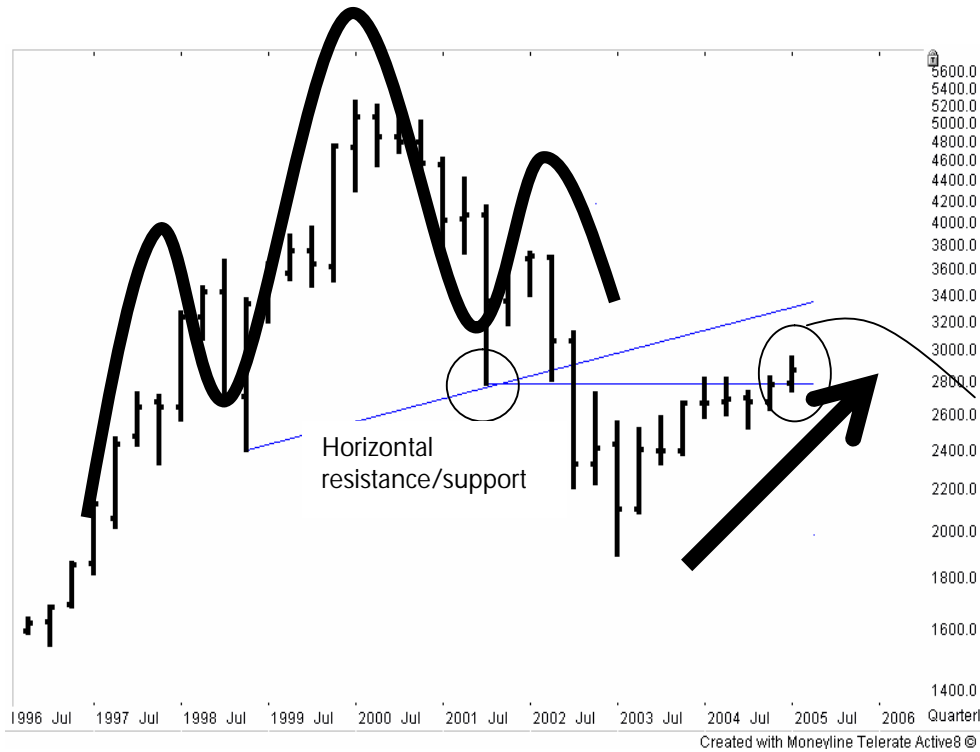
But the Neckline must hold.



But, as I argued last week, only a break of 1157/60 will really get the bears excited and the bulls scared.

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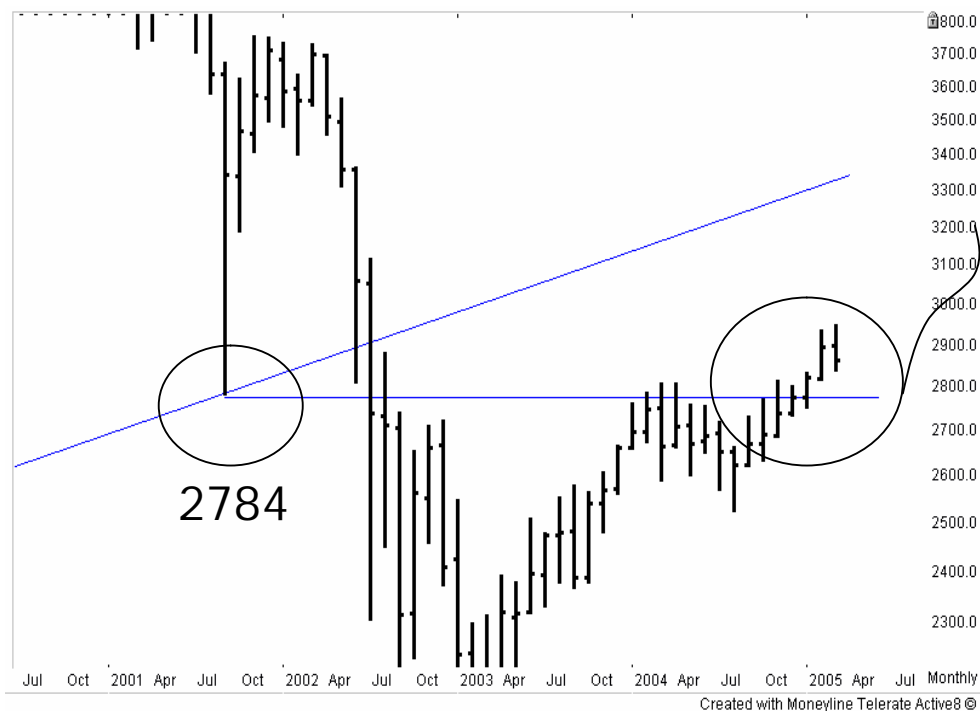
European Dow Jones Stoxx 50



QUARTERLY CASH INDEX CHART:

The market still has a bear aspect in the very long term – but that is under threat from the vigorous bull trend from 2002.

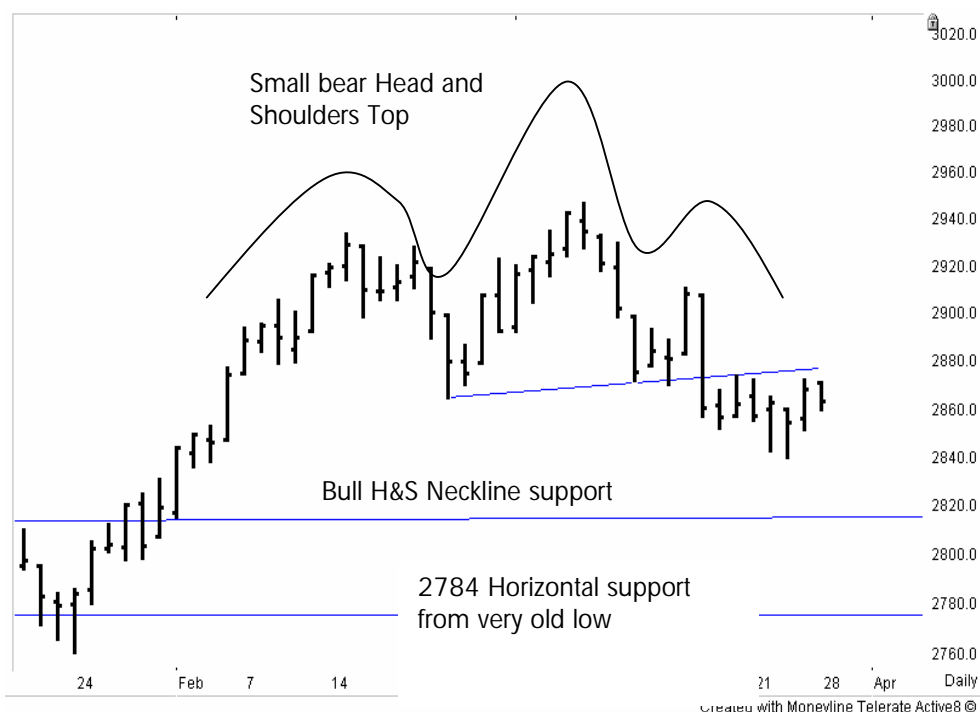
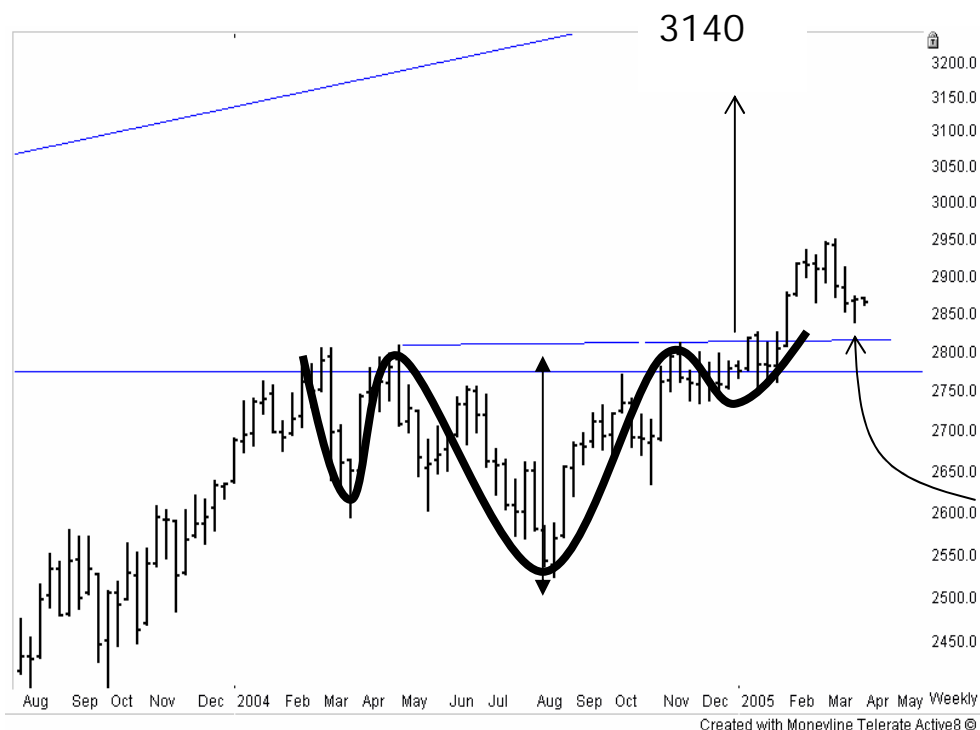
The bull received additional bull stimulus from breaking through the horizontal resistance from the low at 2784.



MONTHLY CASH INDEX CHART:

It had failed there before in early 2004 but managed to get through at the second attempt in early 2005.

2784 is now powerful support.



DAILY CASH INDEX CHART:

And the bears will have noted the very short term H&S top I identified last week.

As I explained on CNBC TV, traders have to balance the short term bear influence from the day chart against the longer established and larger bull influence of the weekly chart.

I think bears should be skeptical of the power of the short term chart to make much impact.

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FTSE 100

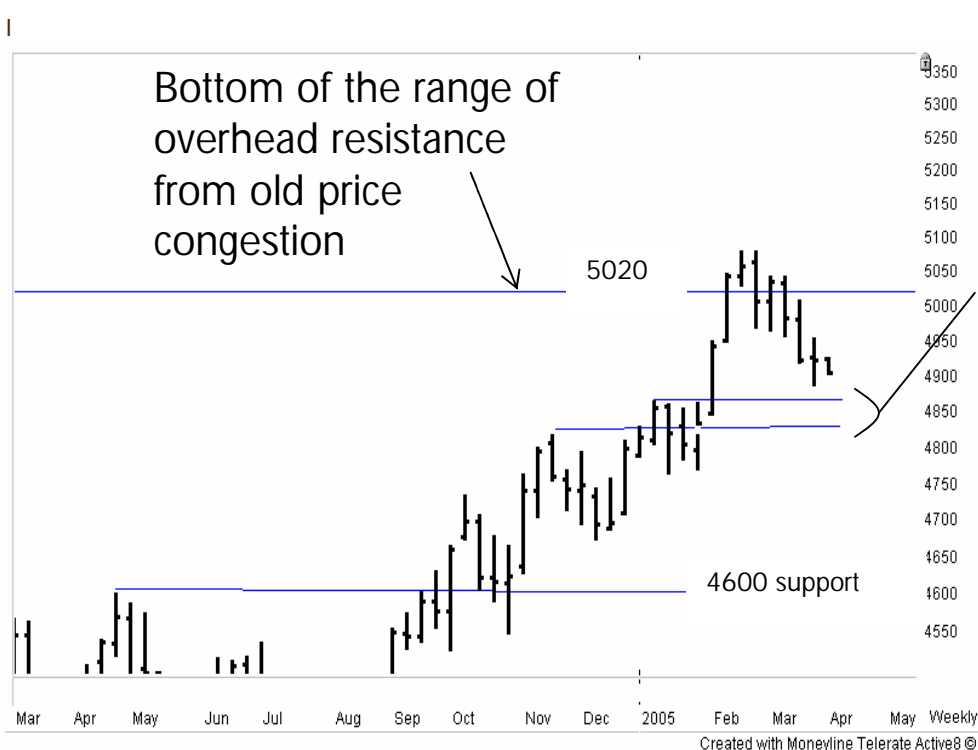


MONTHLY CASH INDEX CHART:

Despite my underlying bullishness for stocks, I have long pointed out the overhead resistance in the FTSE chart that arises from the price congestion in 2001-2.

Sure enough the market has paused there.

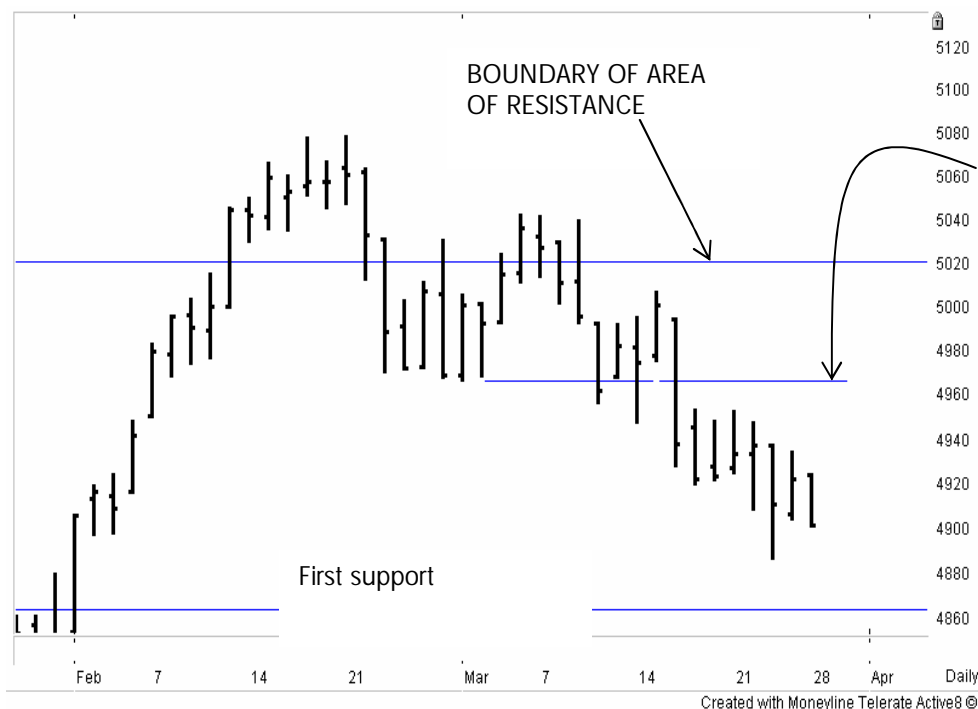
The first significant support is down at 4600.



WEEKLY CASH INDEX CHART:

That drift over the last five weeks is clearer in the week chart.

There are minor supports before 4600, but that is the first powerful support.



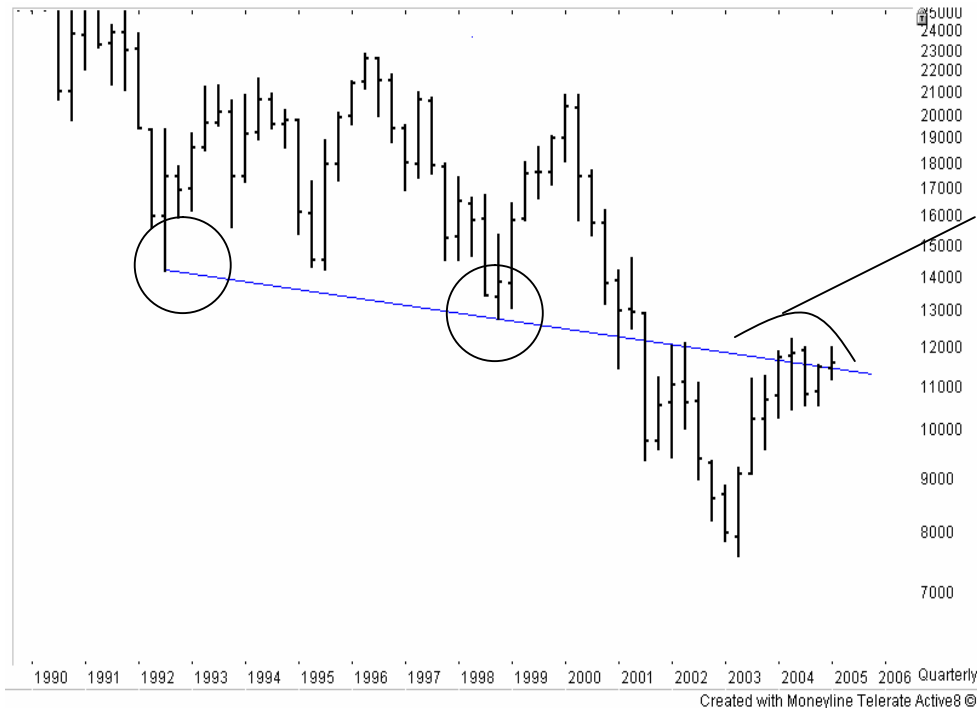
DAILY CASH INDEX CHART:

In the very short term, there is resistance on any rallies above the market at 4966.

Last week I wondered whether there was a Flag formation happening but that looks less likely now.

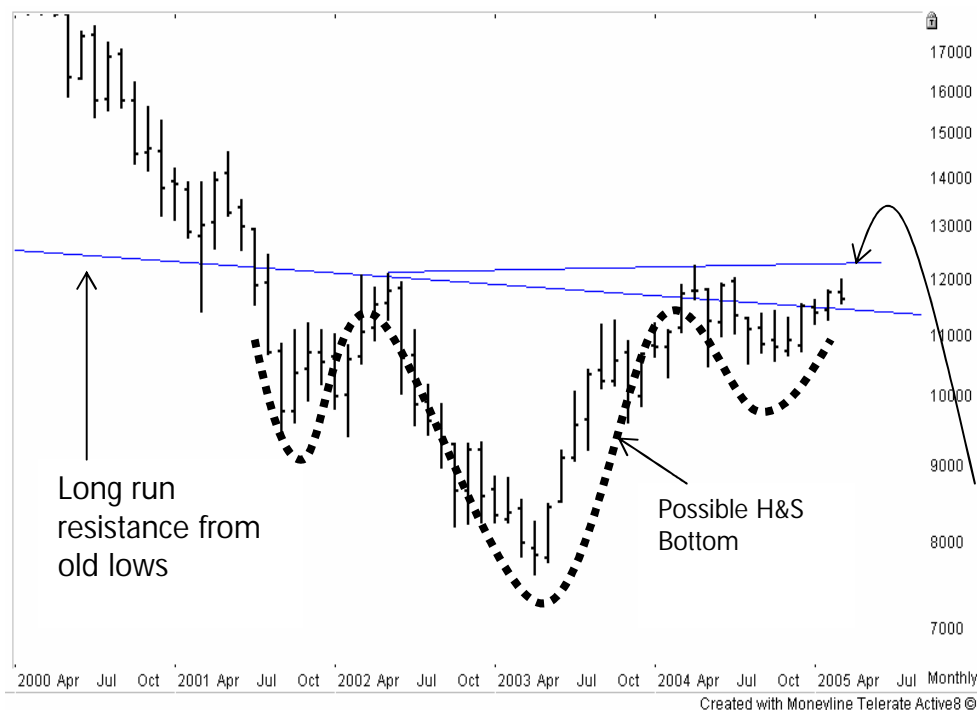
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Nikkei 225



QUARTERLY CASH INDEX CHART:

The very long term chart of the Nikkei suggests that the market is at a critical juncture: challenging the resistance created from the market lows of 1992 and 1998.



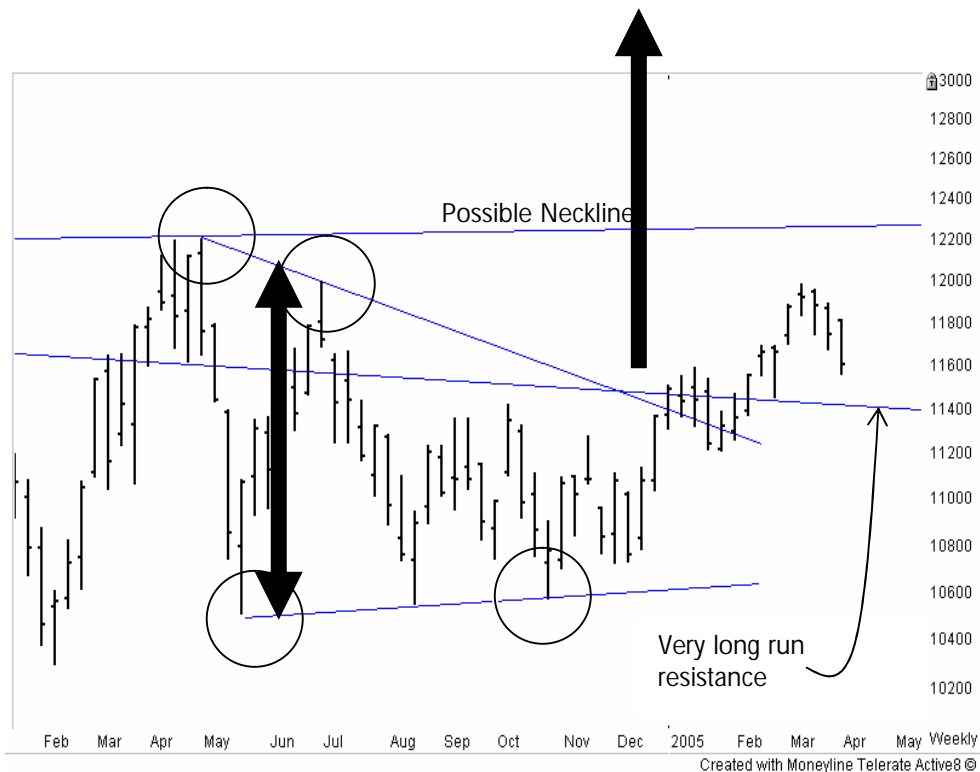
MONTHLY CASH INDEX CHART:

The market has repeatedly tried to drive through that diagonal – and the repeated efforts have created the possibility of a bull Head and Shoulders Bottom.

Traders should watch carefully for any attempt by the market to penetrate the rising diagonal at 12260.

That would complete the H&S pattern and drive the market on up.

But watch and wait for the moment.





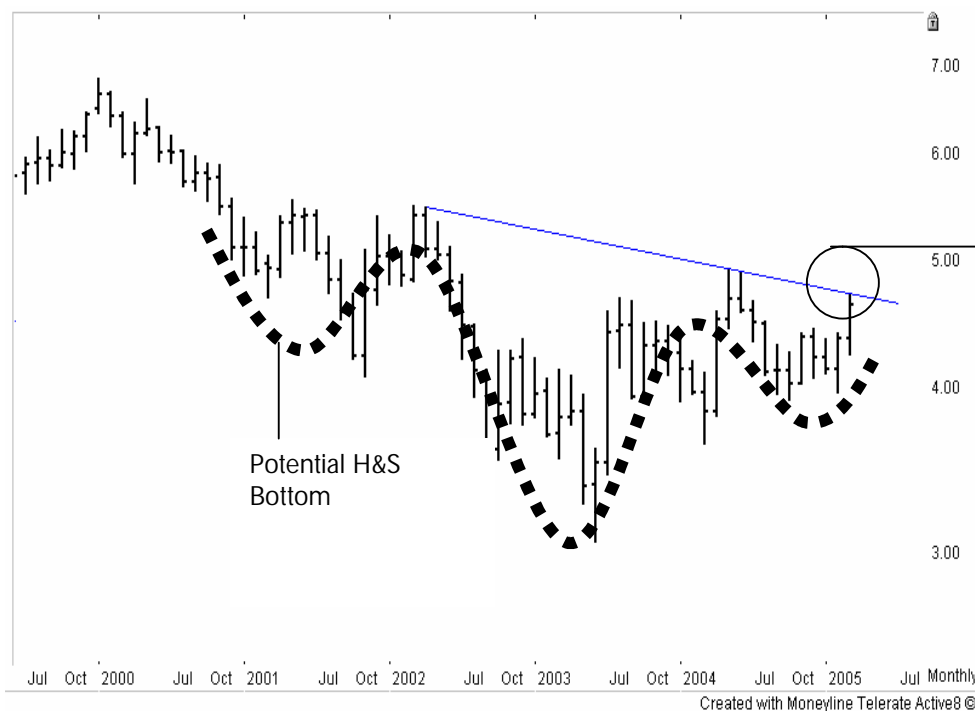
DAILY CASH INDEX
CHART:
More cautious bulls will
wait for a break of the
recent highs.

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Bonds

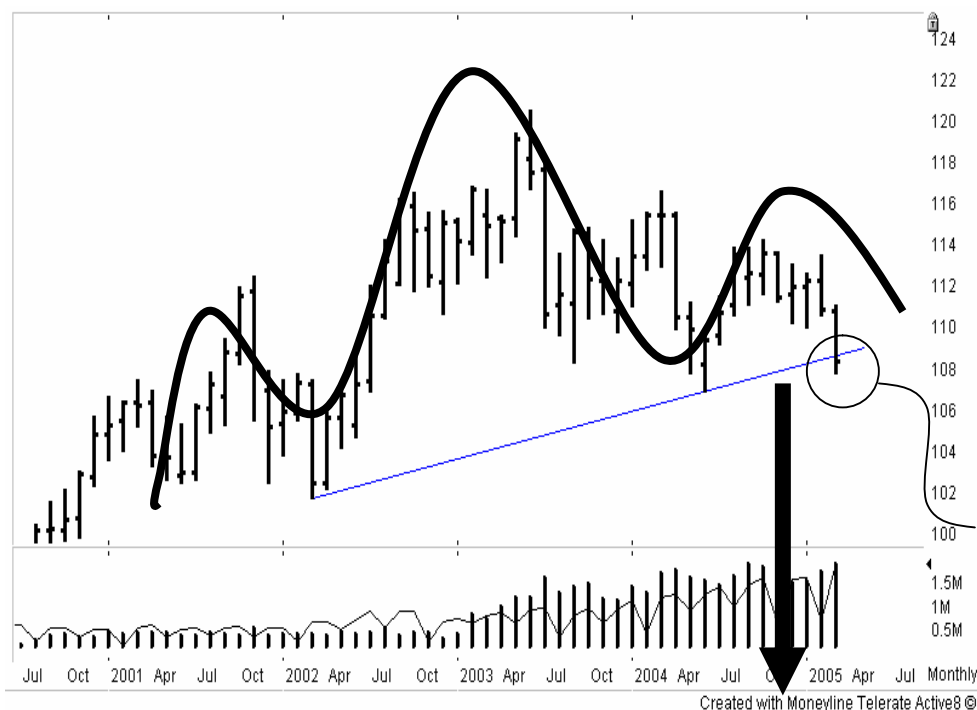
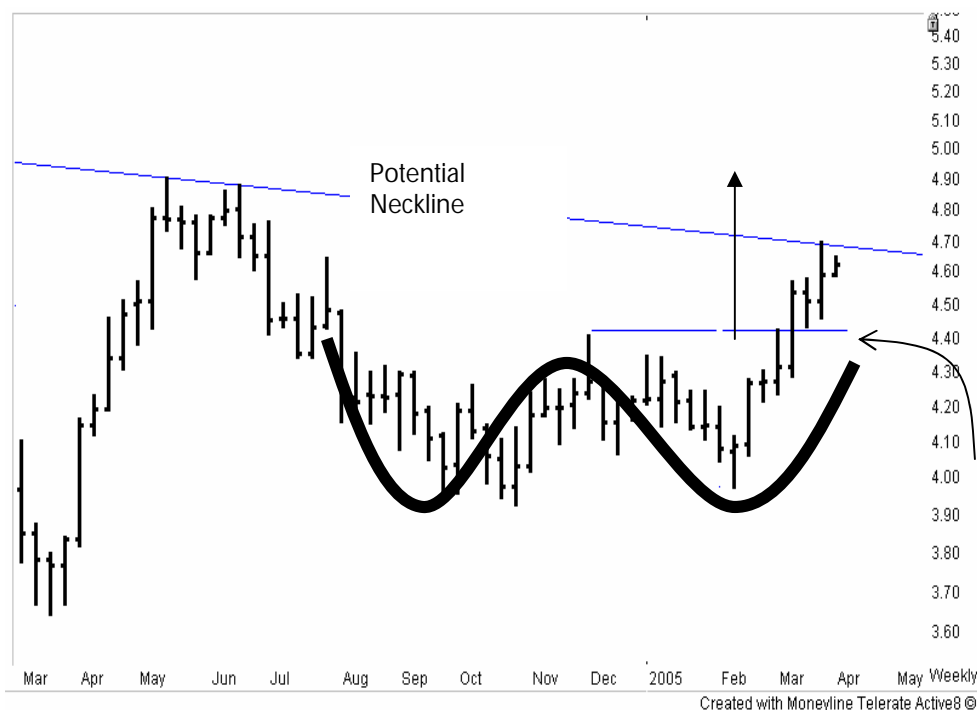
A fascinating divergence has arisen between the major markets: the US is on the point of completing powerful bear (price) structures, and though the Euro Bund has been influenced by rising US yields, it has never lost its deep-seated long term bullish structure and now rests on good support, while the Japanese market is poised to complete a clear bull pattern!

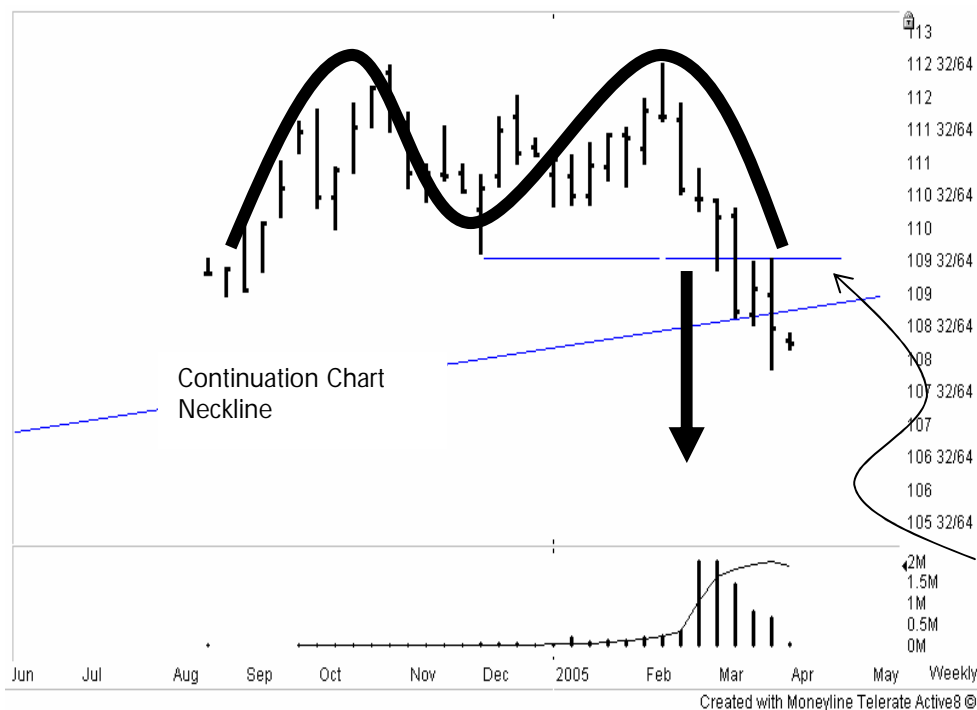
Ten Years US Treasury Note



MONTHLY CASH YIELD CHART:

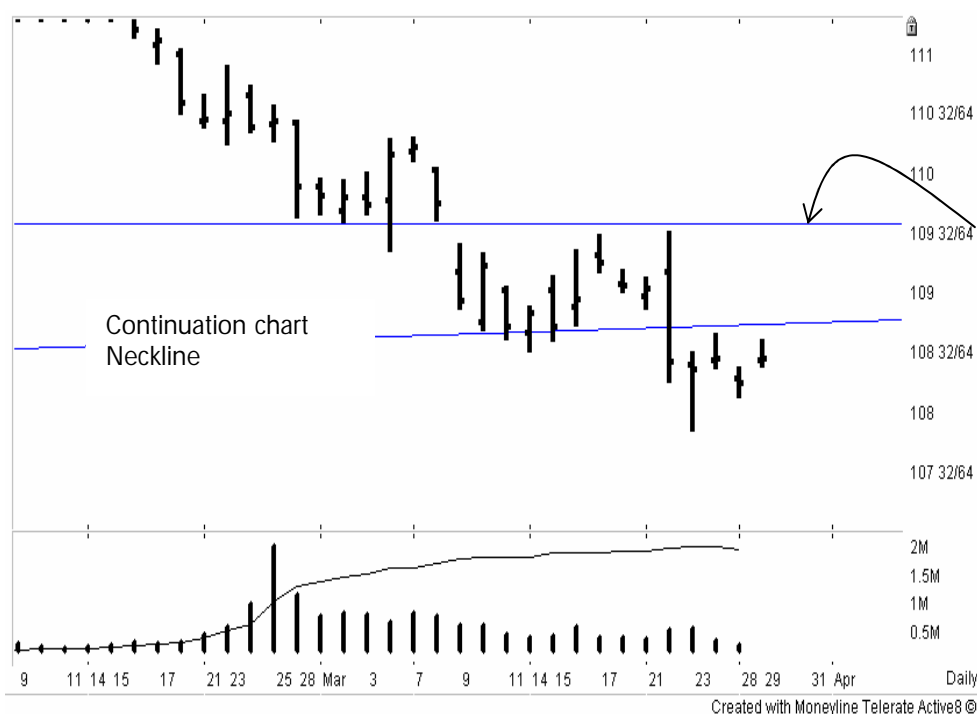
The downward trend of the US Treasury Bond yield may be on the point of reversal – here is a potential Head and Shoulders Bottom – wait though, for a break and close through the possible Neckline at 4.69%





WEEKLY JUN 05
FUTURES CHART:
And again, like the yield
chart, the futures chart
suggests there is a
pattern, already in place
that is set to drive the
market further and
complete the bigger
pattern – a Double Top
(because of course
prices mirror yields).

On any bounce,
anticipate resistance
above the market at
109-32.



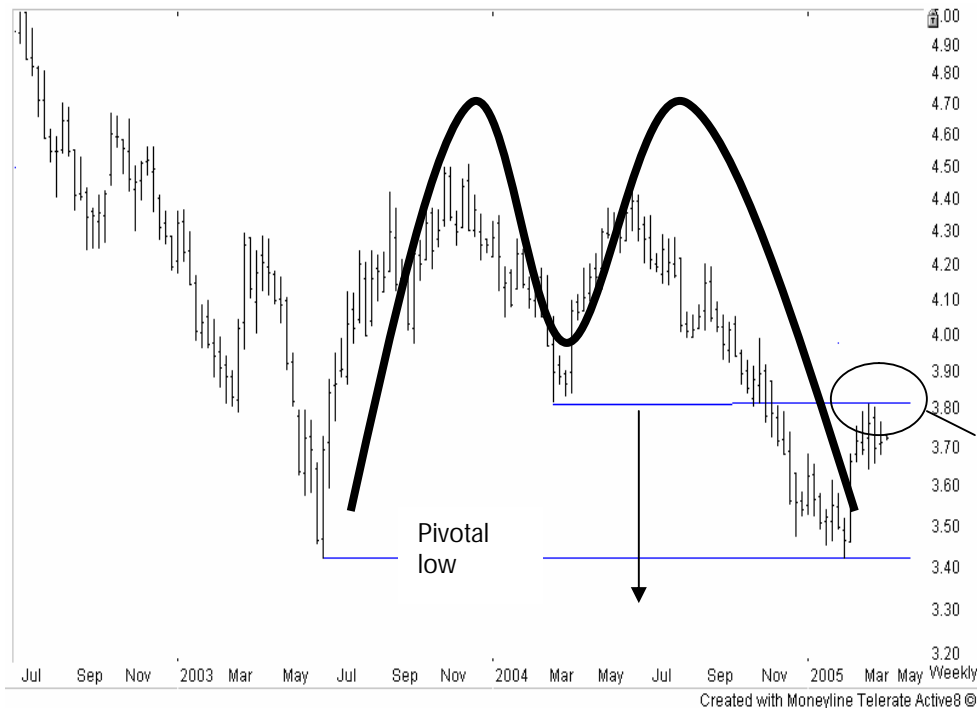
DAILY JUN 05
FUTURES CHART:
The detail of the
breakdown I identified
last week shows I was
right to point out that
109-36 was powerful
resistance.

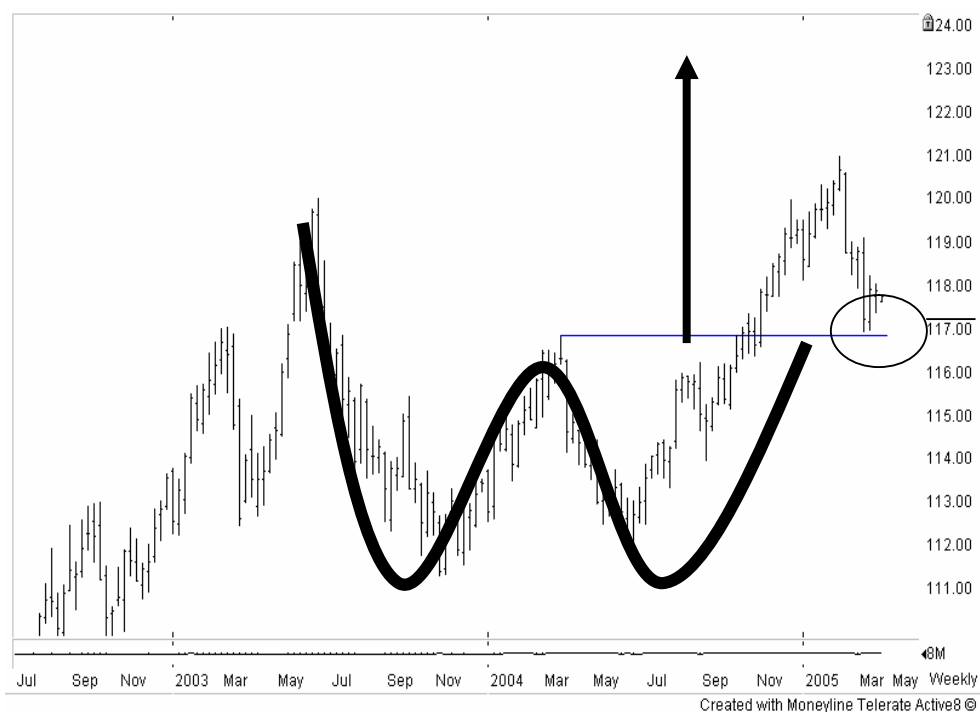
Since I last wrote the
market tried once more
to get back through it
and then fell back. I said
last week: 'the bears will
want to sell near there
on any rally'. That was
right.

The bears are in control.

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Ten Year Euro Bund





WEEKLY CASH YIELD

CHART: The futures market presents a mirror image of the yield chart. Here is a bull Double Bottom.

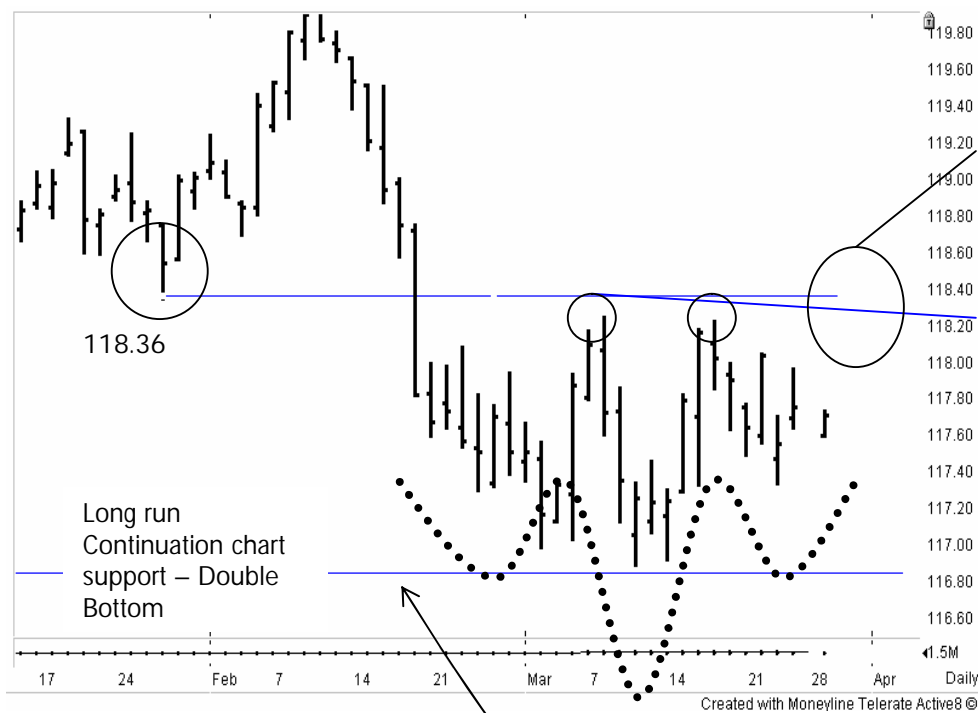
And currently there is good support at 117. Only if that support were to be broken could the bears get excited.



DAILY FUTURES

CHART:

The evidence for an equivalent small H&S bottom is here too – watch for a push up through the possible Neckline at 118.21.



DAILY CASH INDEX CHART:

But note the coincidence of levels – there is good resistance just above the Neckline at 118.36.

Bulls should wait for a confirmed above both levels before adding on.

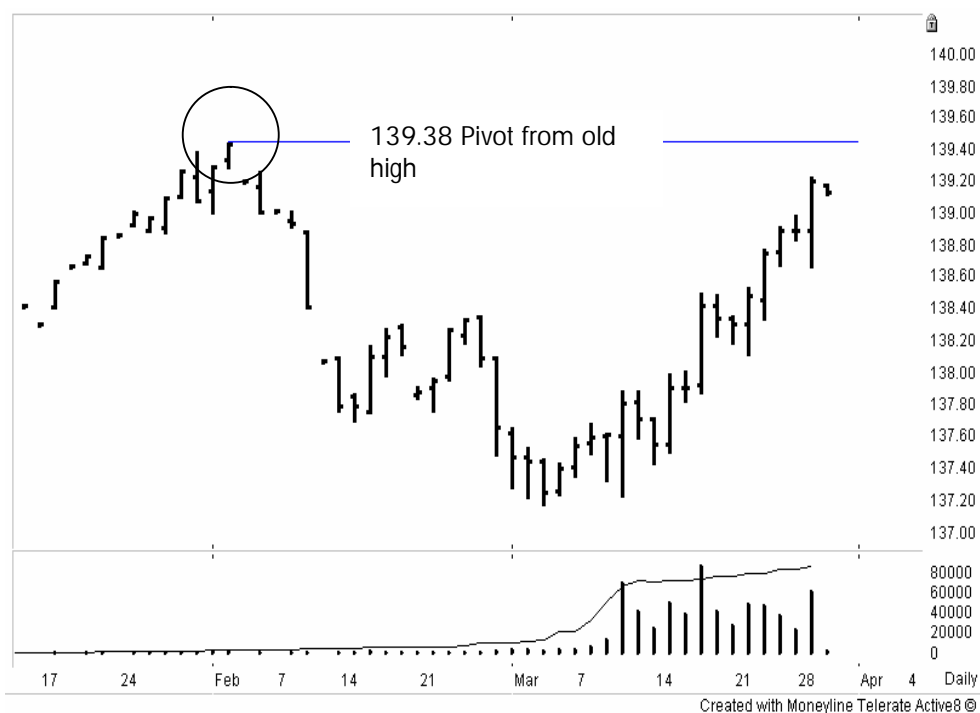
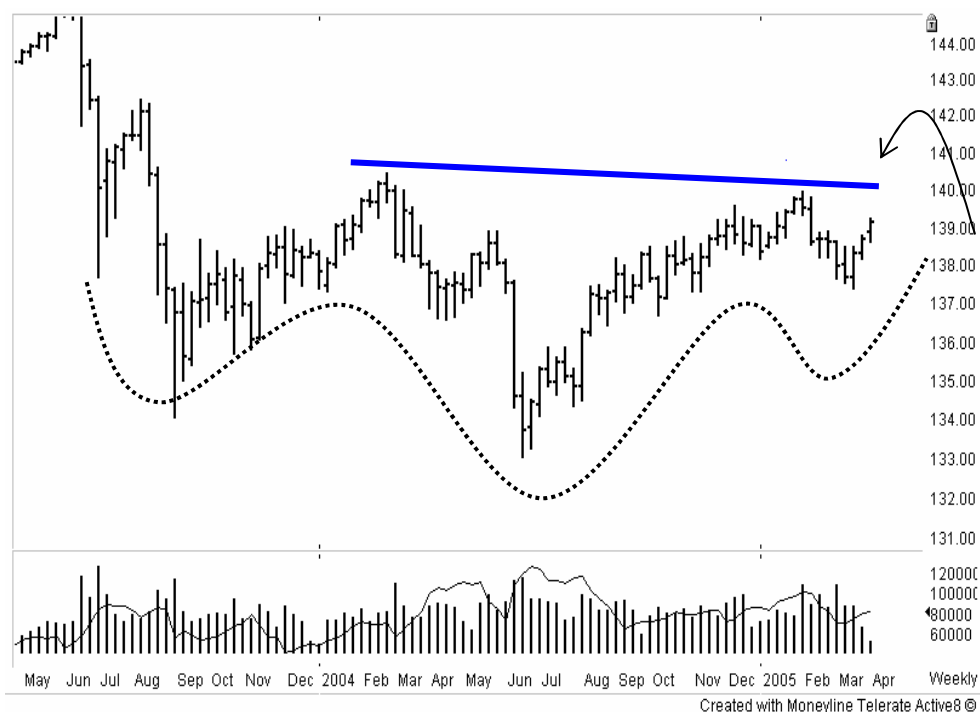
Last week I said that dealer should stand back and watch events – and that remains the case. But now instead of a Double Bottom in the offing – there is a bull H&S forming.....

There is nothing for the bears unless 117-00 support can be broken.

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Ten Year Japanese Bond





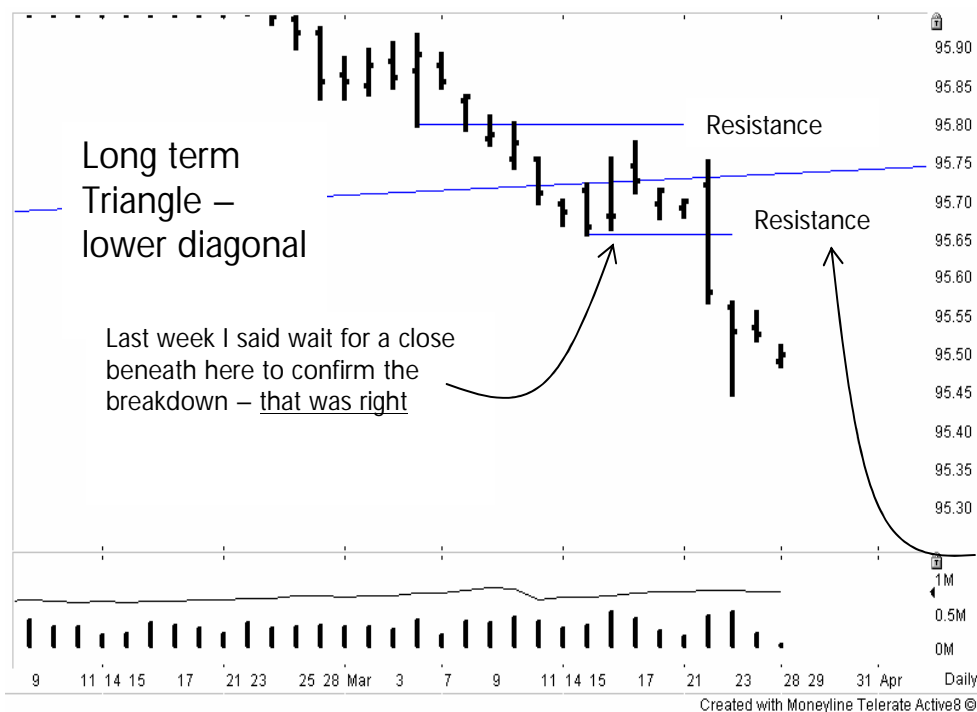
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Interest Rates

Over the week all markets moved rates higher, led by the fierce moves in the US. But traders should remember that while US futures rates have risen 100bp since September, Euribor and Short Sterling remain roughly unchanged. All three markets have very different and sometimes opposed long-term influences, whatever short-term sympathetic reactions may take place.

Dollar Rates





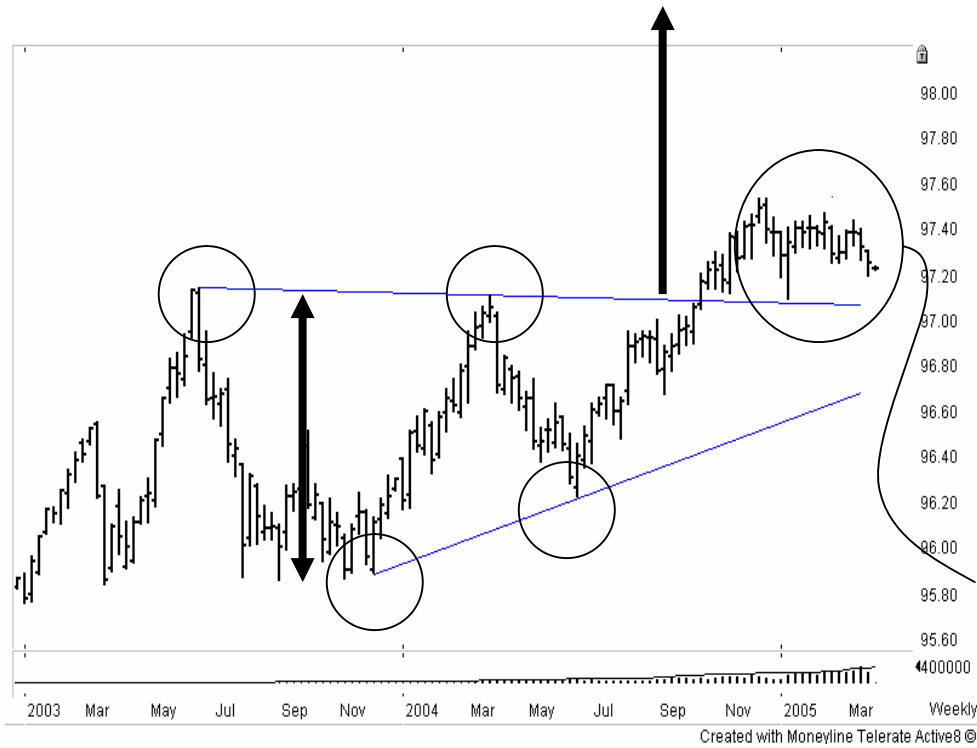
DAILY FUTURES CHART:

The market paused at the moment of breakout, and then, unable to pull back through the Triangle's diagonal, collapsed.

As I remarked last week 'it looks unlikely to bounce' and that remains true.

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Euribor Rates



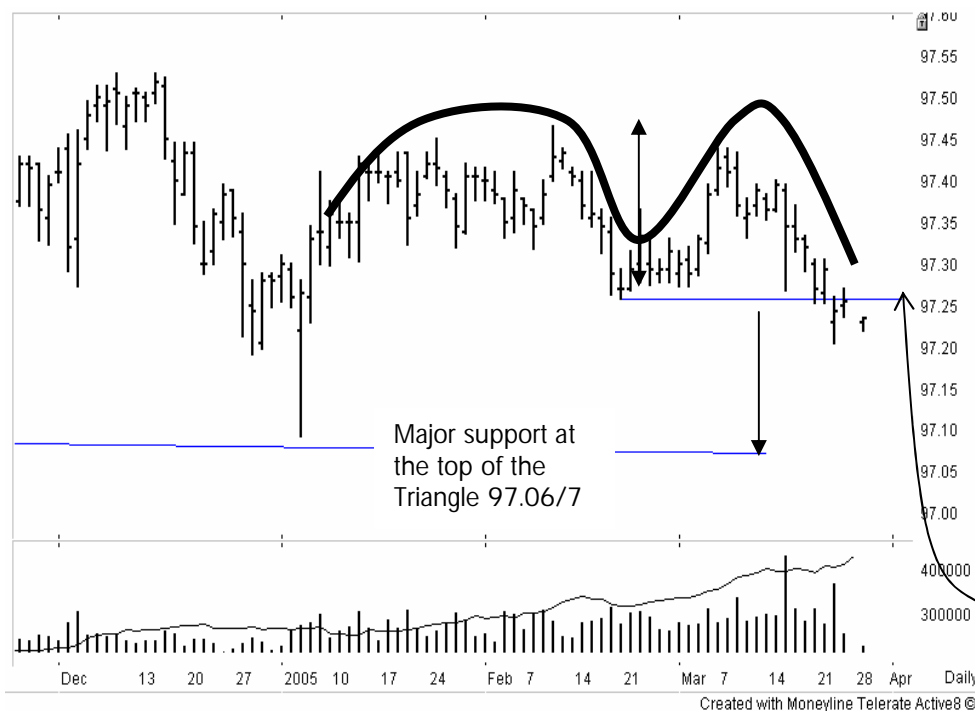
WEEKLY FUTURES CHART:

The chart remains a powerfully bullish Continuation Triangle still set to drive the market better up to 98.64.

But the longer the market stagnates on top of the triangle the more doubts creep in.

Certainly, the market has already bounced off the top of the Triangle, emphasizing its bull influence, but the stagnation since then is worrying for the bulls.

Though there is no clear pattern to encourage the bears at this level of detail.



DAILY FUTURES CHART:

But this might cheer up the bears – a small Double Top in the day chart.

Its target lies down at 97.06 – the top of the triangle.

So it suggests at least a retest of the Major Support....

This was the crucial level – 97.26 - I identified last week and so it has proved. Bulls need the market back through there before they can gain confidence.

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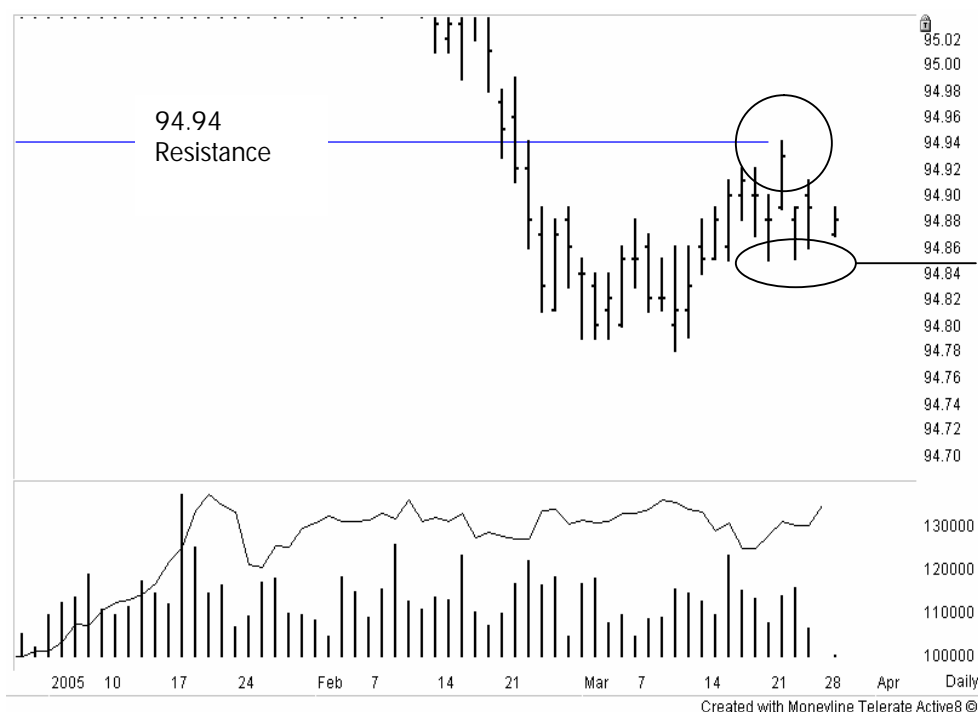
Sterling Rates



WEEKLY FUTURES CHART:

The Sterling interest rate market has lacked any good long term structure - the turn in the market around the year end lacks a clear reversal pattern. But the pull-back through the Pivotal low at 94.94 has given the bears something to hold on to – that level is now resistance.

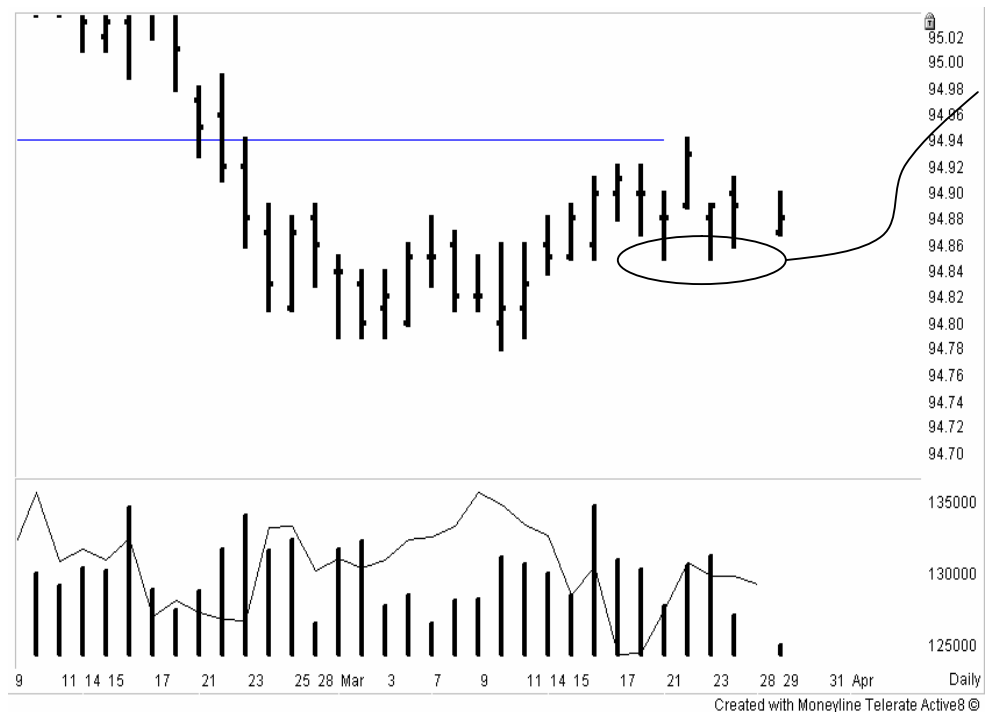
Which we are testing right now.



DAILY FUTURES CHART:

The market looks to have failed to break the resistance.....

Last week I suggested bears should sell as near to 94.94 as possible, but less aggressive traders might prefer to wait for a close beneath the near lows ... look more closely.



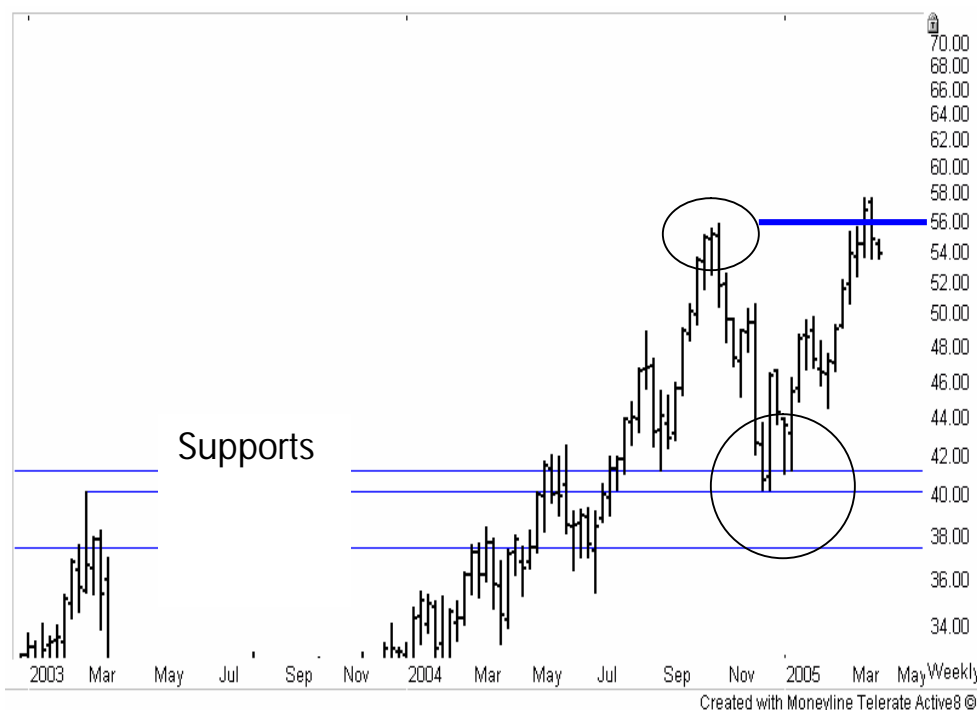
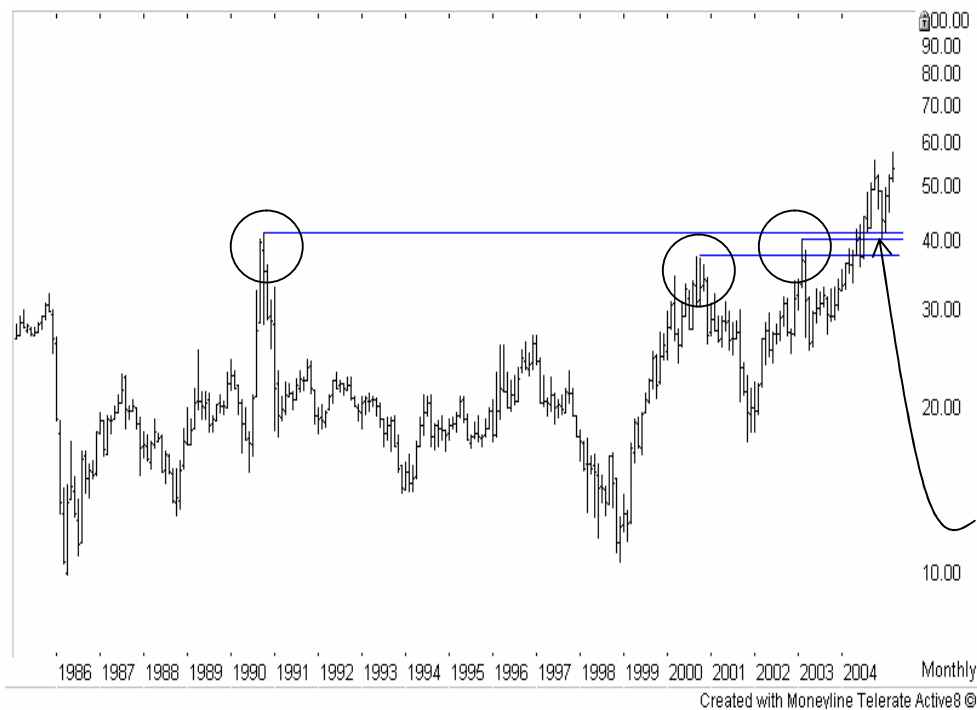
DAILY FUTURES
CHART:
Those lows lie at 94.85
and they are pivotal –
there is the hint of an
H&S Top (though tiny) –
bears should wait for the
market to pull back
beneath that level
before adding on.

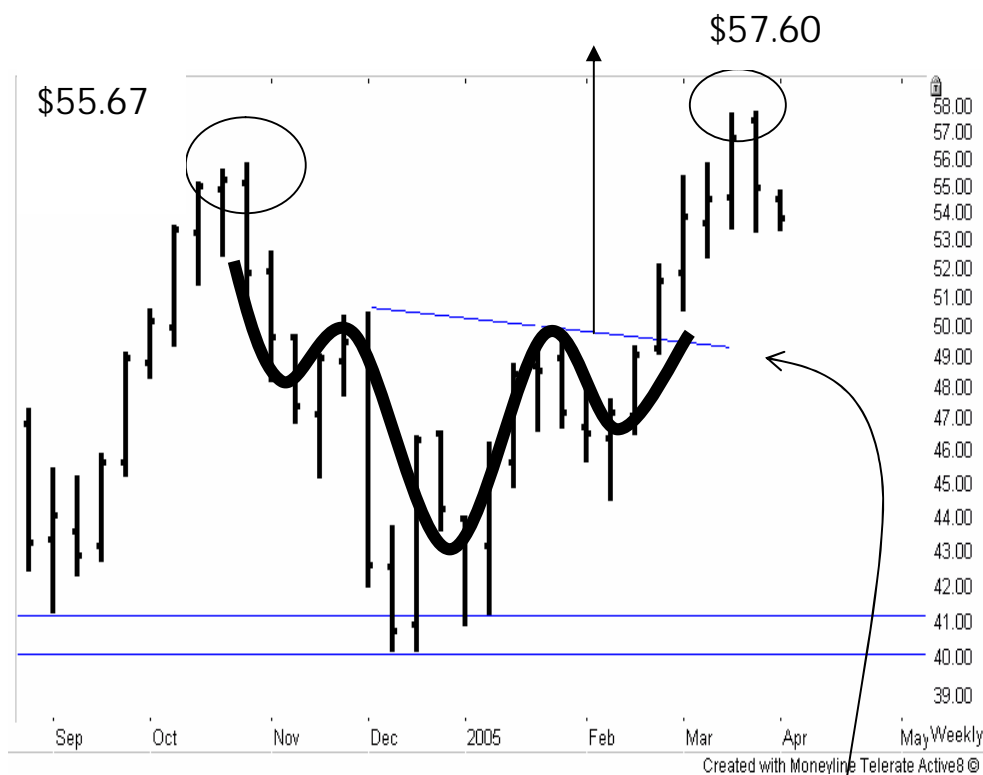
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Commodities

Oil paused over the week, but all the bull structures remain in place. Gold drifted within its unchanged and powerful long and medium-term bull scenario.

Oil





WEEKLY CASH INDEX CHART:

And one reason for that was that it was propelled by the creation of a Head and Shoulders Bottom.

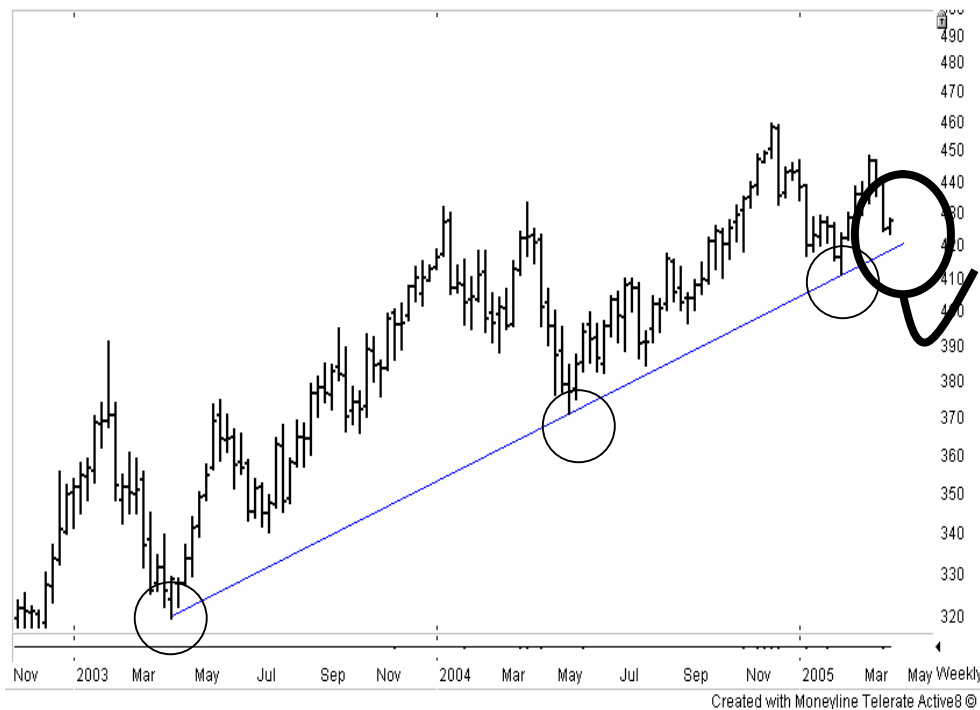
That pattern is still intact and set to drive the market on up to at least \$60.50.

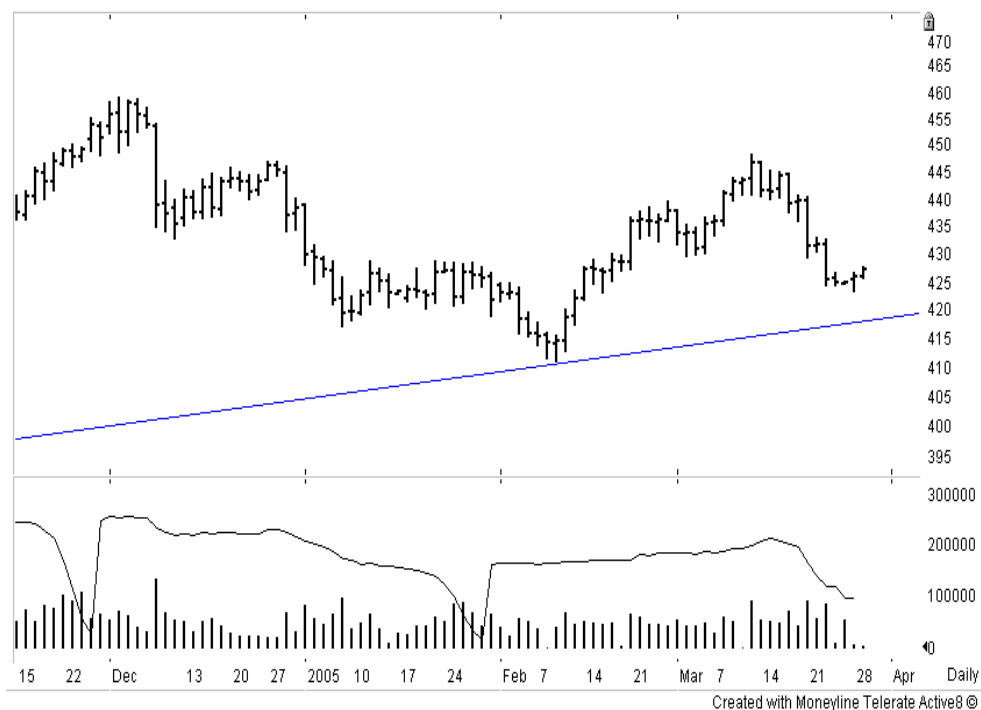
I thought last week that the breaching of the prior high at \$55.67 would be an added stimulus. Not so.

By falling through that level the market may have revealed short-term weakness – bulls should now wait for a test of the Neckline support (around \$49) or more cautiously still, wait for the market to take out the very near highs at \$57.60.

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Gold

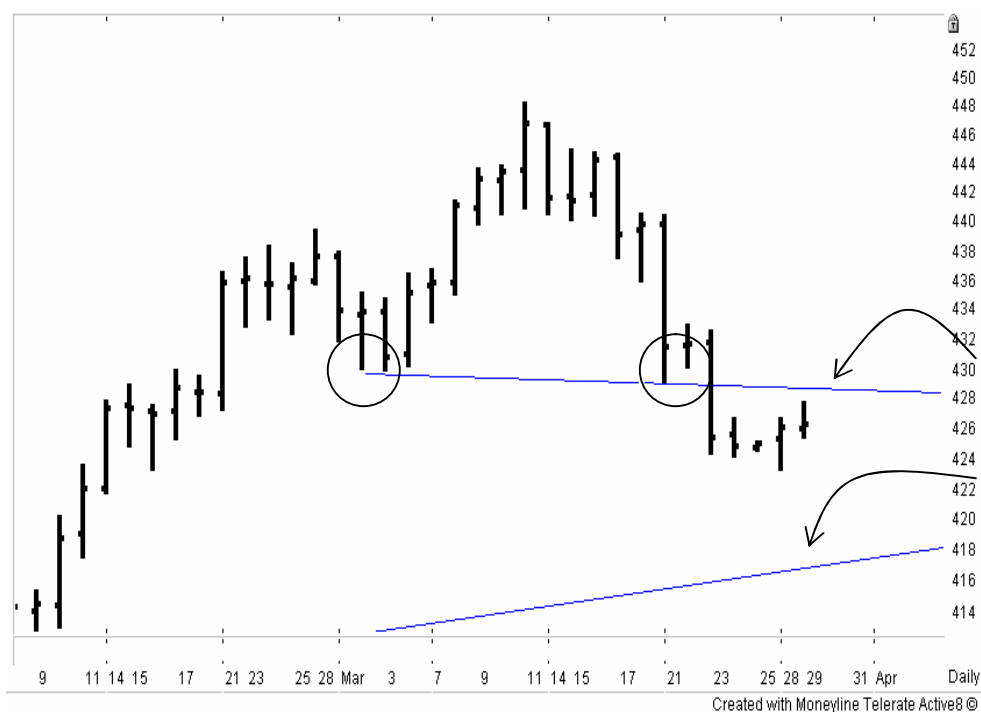




DAILY SPOT CASH

CHART:

At the moment I see no clear pattern driving the market down ... last week I suggested standing aside for greater clarity. And little has happened since then.



DAILY SPOT CASH

CHART:

There is the hint of a short term top, but it is not well constructed...

Instead, use that diagonal (428) as a resistance – bulls should stand aside unless that is broken through.

Bears on the other hand, should wait for the Rising Trendline Support (currently at 418) to be penetrated before joining in.

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