

Eurobund
looks for lower
yields

25

Short term Gold
picture unclear

39

Yen set to
weaken further

8



WEEK 14 5th – 11th April 2005

A TECHNICAL TRADER'S GUIDE TO MAJOR MARKETS

MARK STURDY

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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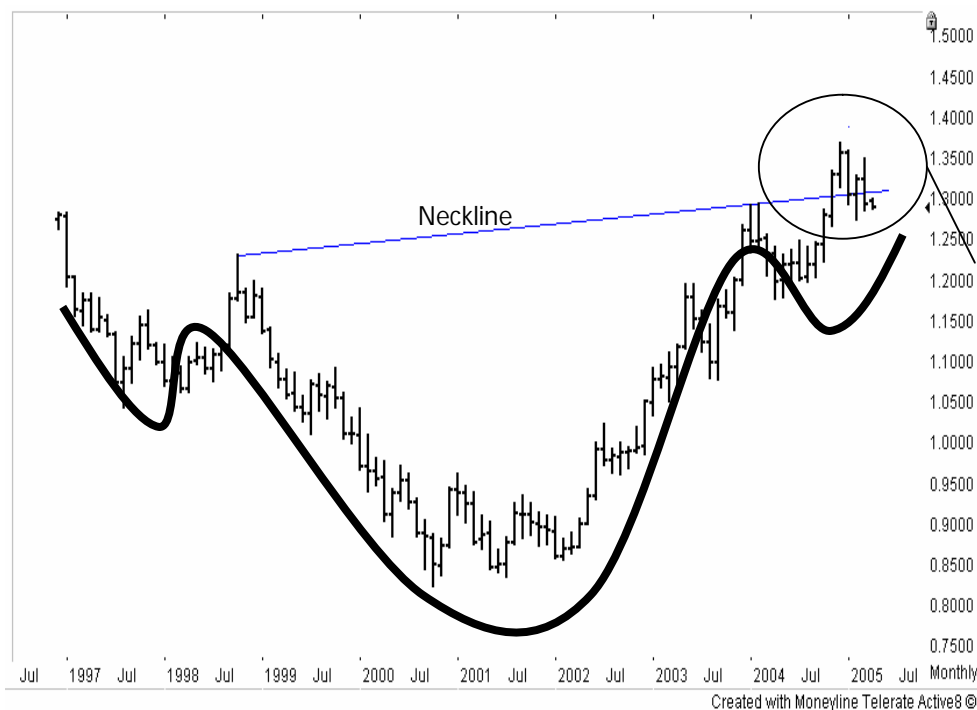
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Currencies

Having strengthened against the Yen, remained unchanged against the Euro and weakened against Sterling, the Dollar had a mixed week. But the Yen is of greatest interest because of the clarity of the technical picture, where I anticipate further Dollar strength in the short term.

Dollar Euro



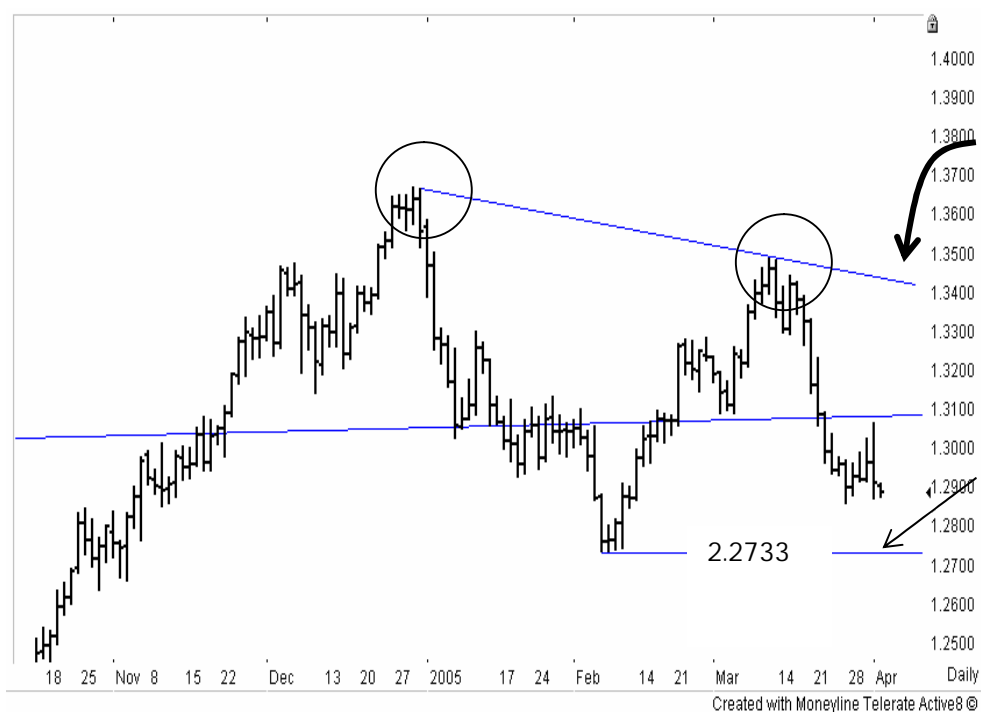
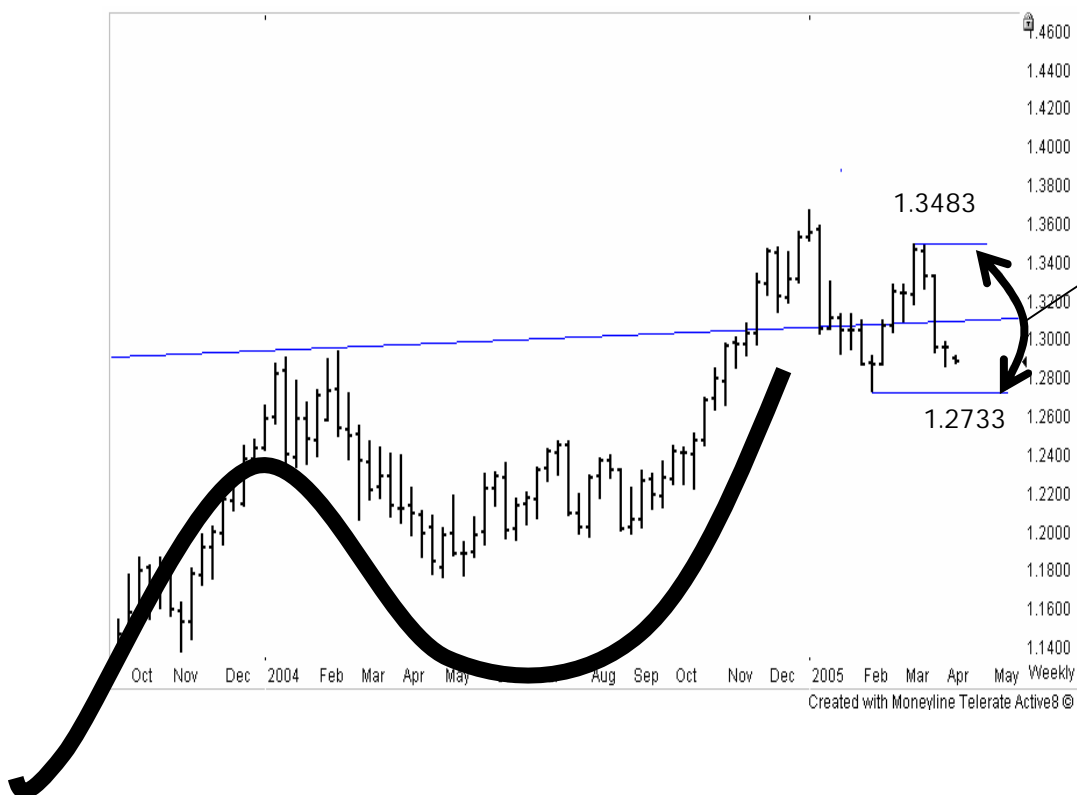
MONTHLY SPOT CASH CHART:

The long range chart of the Dollar Euro still fascinates the technician. For the past five months it has toyed with the completion of a massive Head and Shoulders formation whose clear completion would send the Dollar a lot lower.

But as I remarked last week, the longer the pattern remains uncompleted, the more doubts creep in.

What is needed is a clear break away from the Neckline at 1.3066. But such is the scale of the pattern that might take a few more months to resolve.

The result is that the short term charts are more than usually important.



As I argued last week (but we have moved sideways since then) the low at 1.2733 is the critical level for the bears.



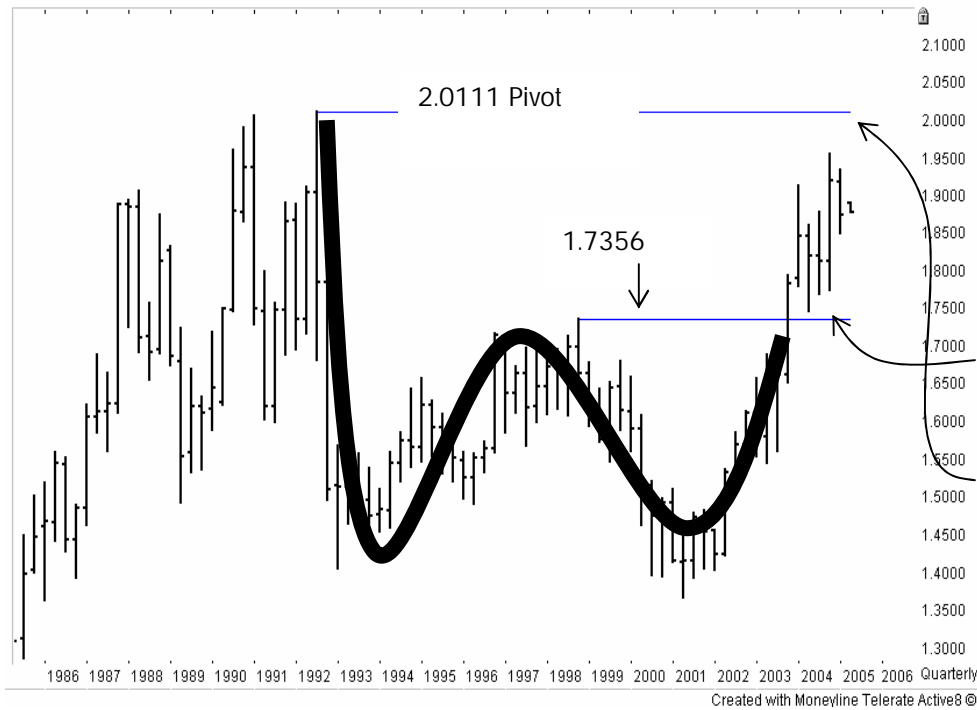
DAILY SPOT CASH CHART:

But before then, much shorter-term, watch the market's reaction to the horizontal resistance from the low at 1.3089.

Similarly, the bears for the Euro should wait for a break of the low at 1.2857 before anticipating a move to the pivot at 1.2733.

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Dollar Sterling

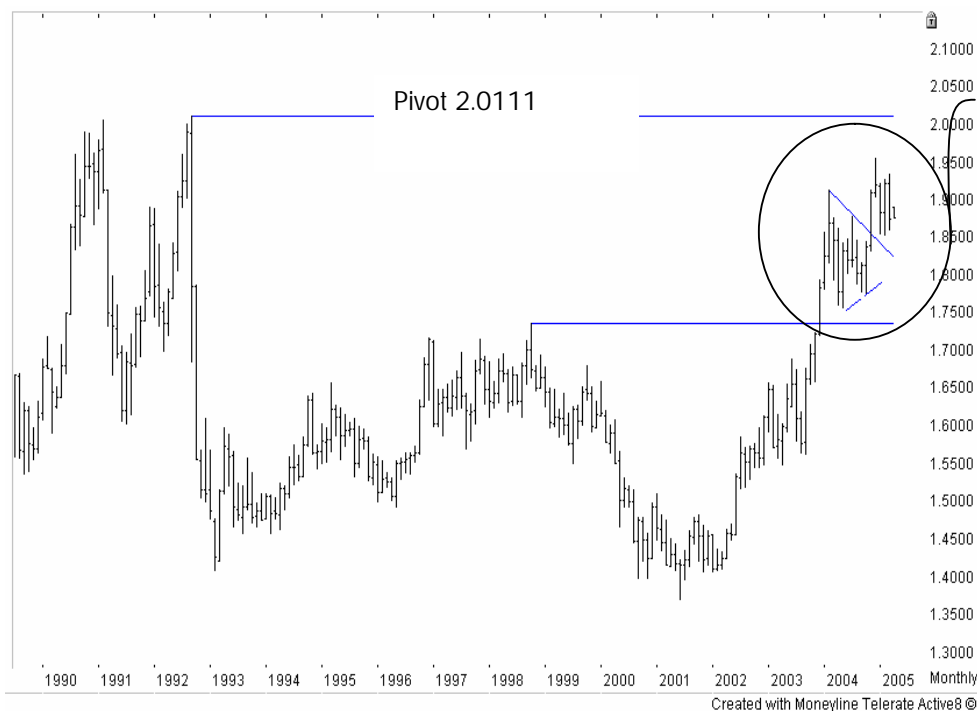


QUARTERLY SPOT CASH CHART:

The long run Double Bottom which completed long ago anticipated moves to 2.08.

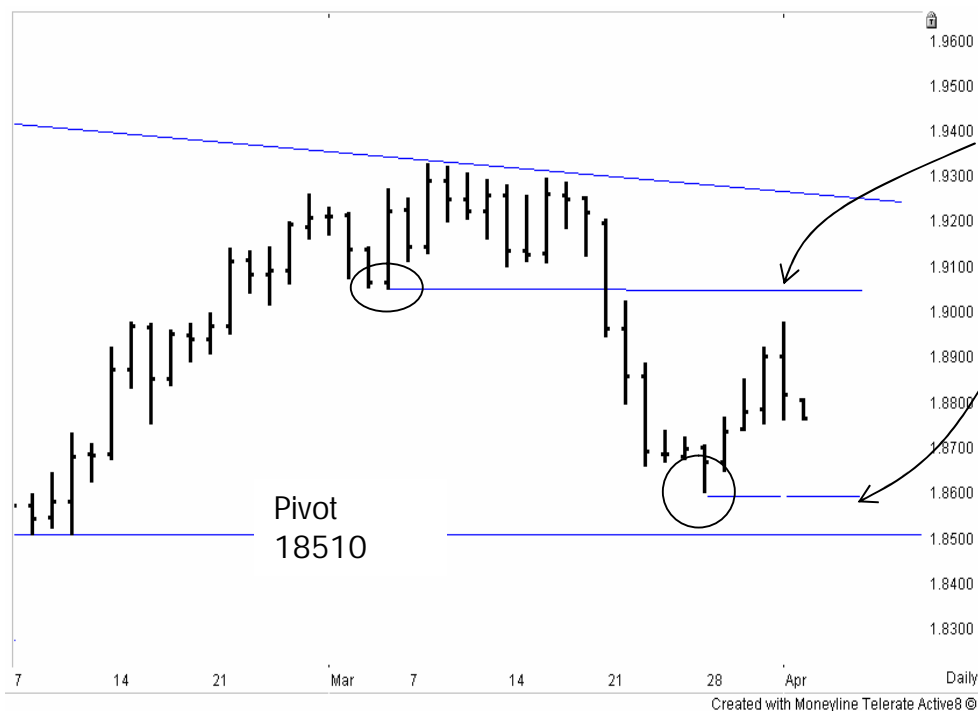
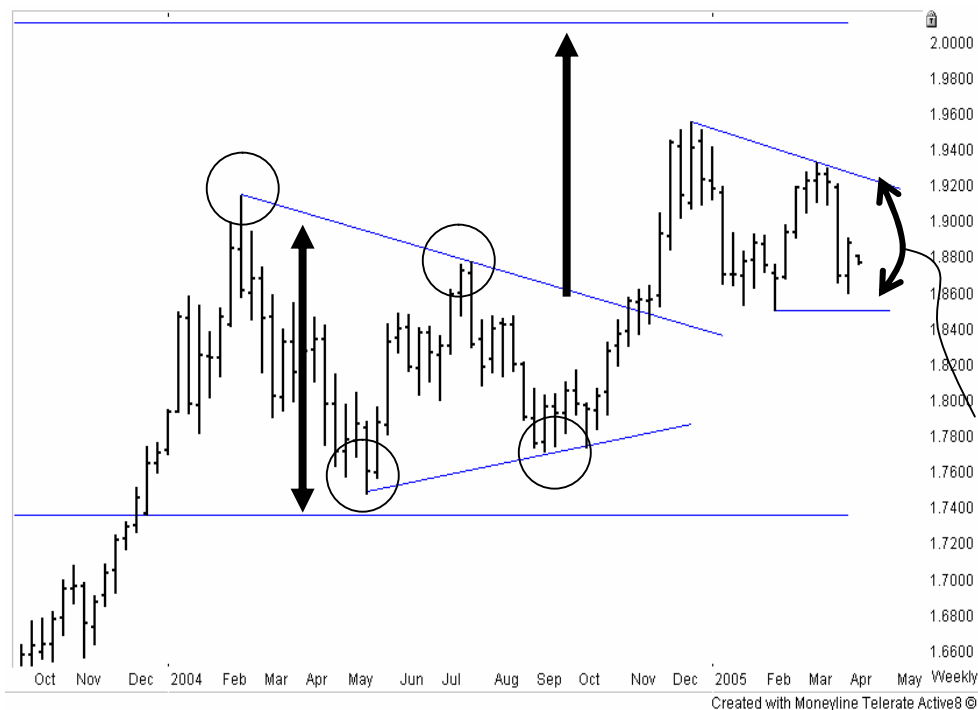
Support lies at the completion.

The critical level above the market is the pivot from the old high.



MONTHLY SPOT CASH CHART:

The triangle that formed after the Double Bottom completed is an added bull stimulus for Sterling – suggesting a move almost exactly as far as the pivot to 2.008.



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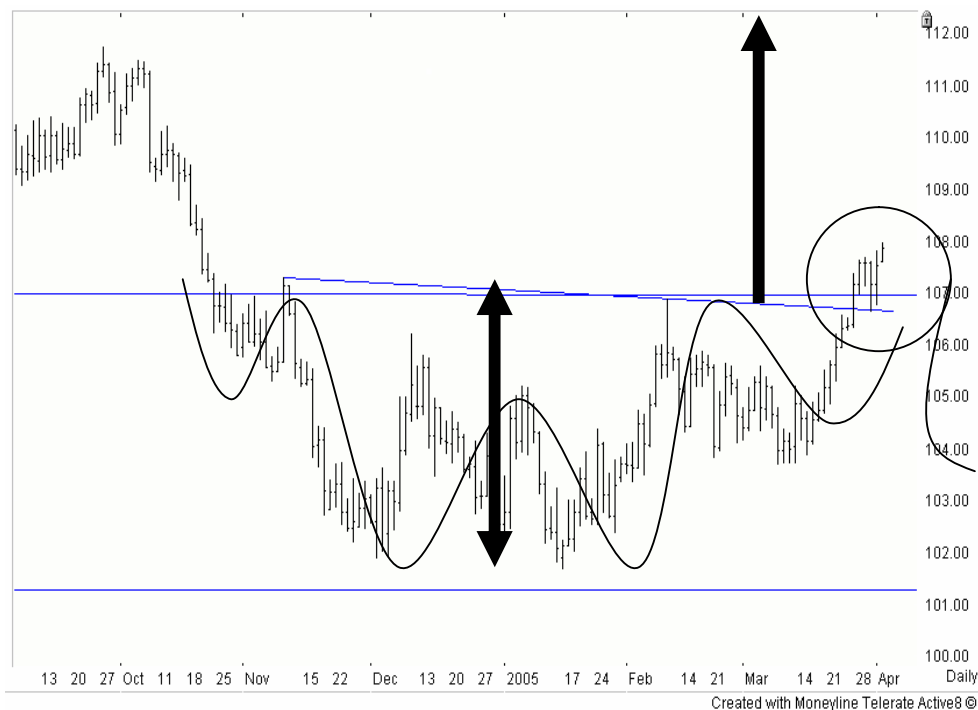
The big range features a clear Head and Shoulders pattern within it – suggesting moves down through 101 as far as 96.32.

WEEKLY SPOT CASH
CHART:

And I see no structure to the price action between those levels.

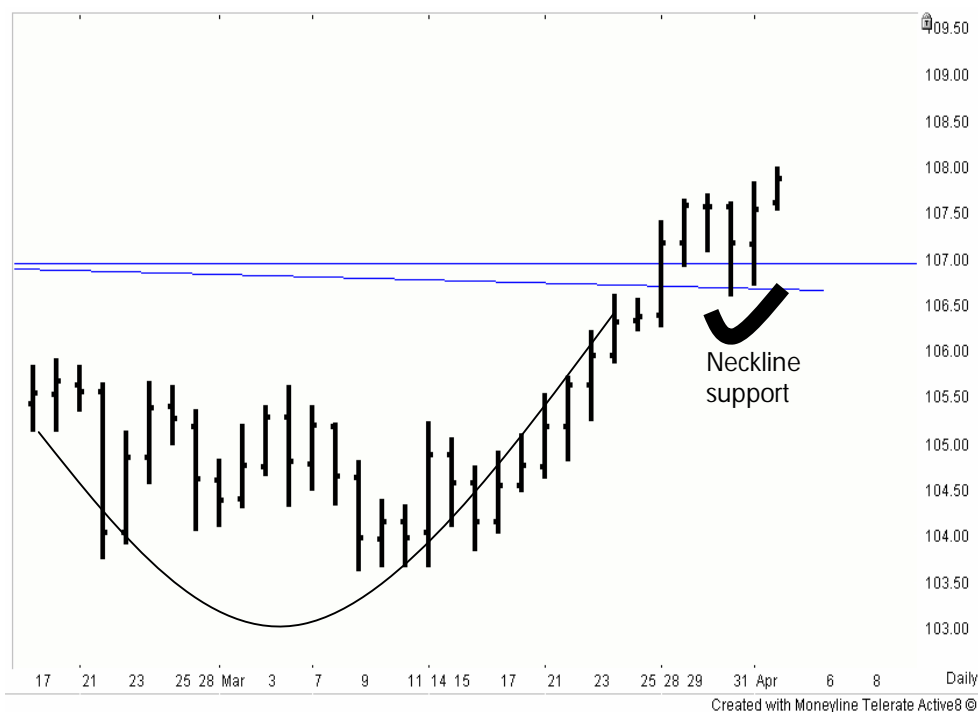
But look closer still.





Its target is easily seen – 111.90.

Minimum.



DAILY CASH INDEX CHART:

In greater detail:

The Head and Shoulders
Bottom is unambiguous.

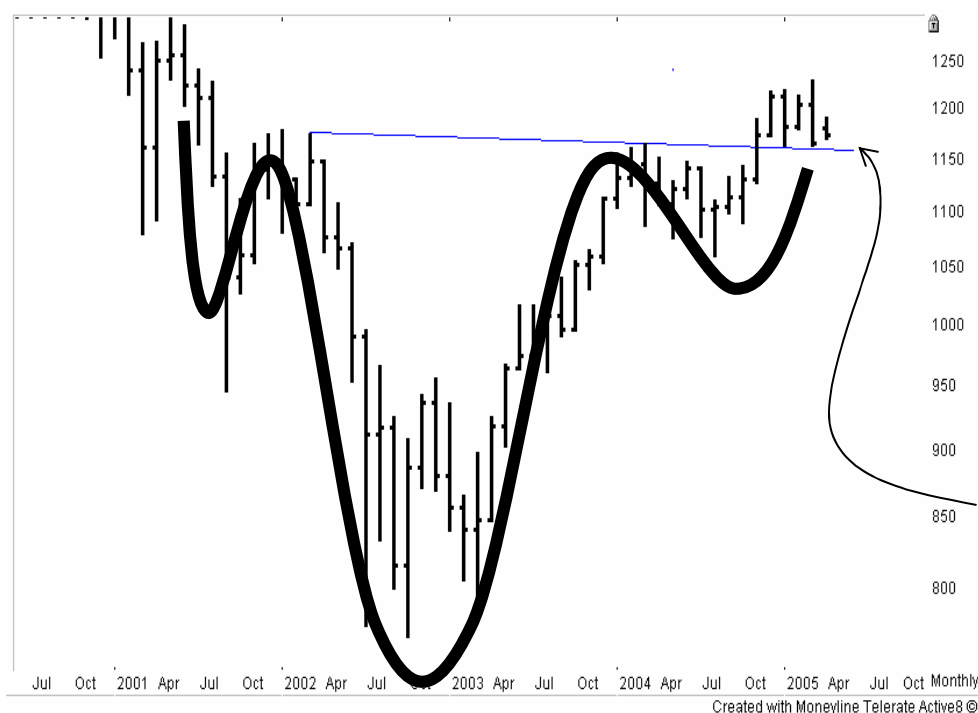
The strength of the
neckline support
emphasizes that.

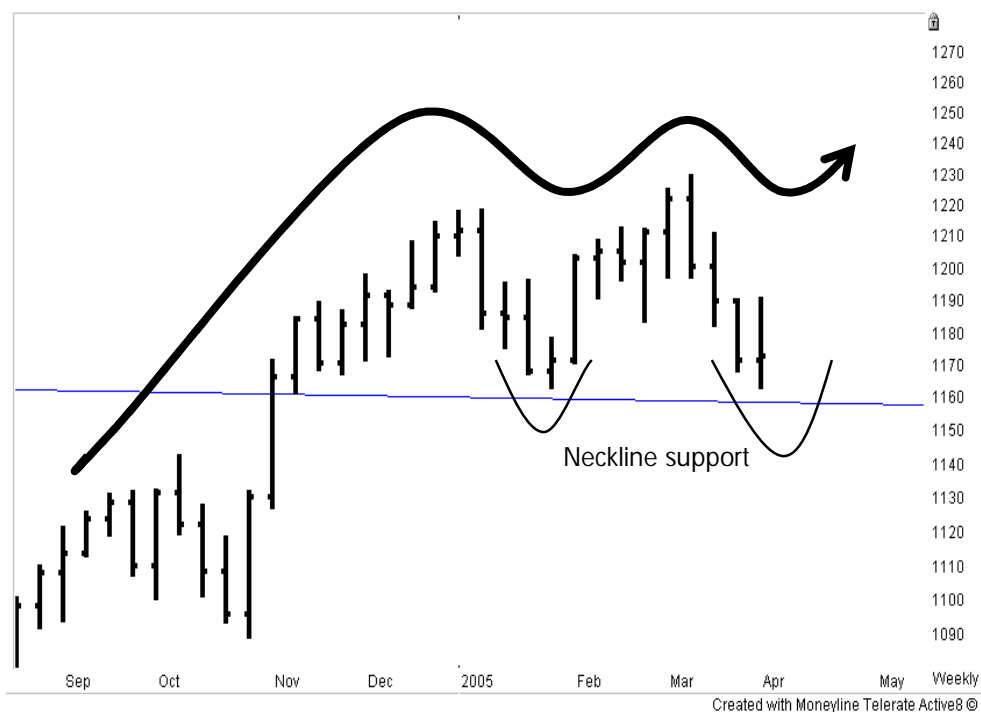
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Stocks

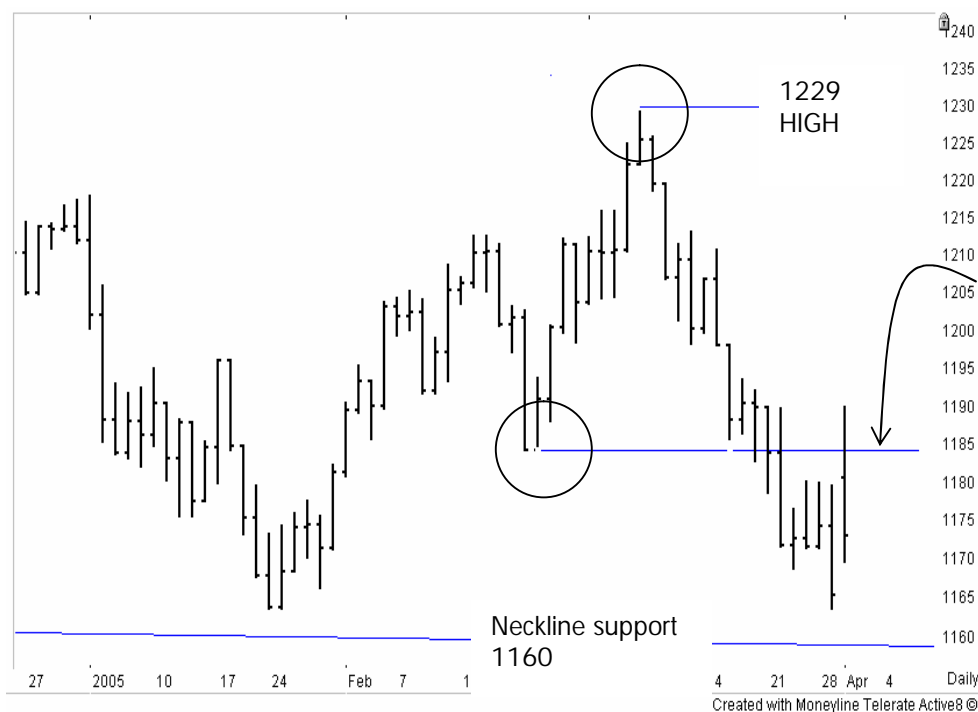
FTSE and the S&P have marked time while the Stoxx and the Nikkei have gently edged ahead. All markets remain well set. The most well-set of all remains the lacklustre S&P.

Standard and Poors 500





WEEKLY CASH INDEX
CHART:
The market is hovering
above it, moving
sideways....



DAILY CASH INDEX CHART:

The crucial levels short-term are clear.

Watch the market's reaction to the horizontal resistance from the low at 1184. (last week I suggested using the falling bear trendline resistance as a measure of bullishness, but now use this)

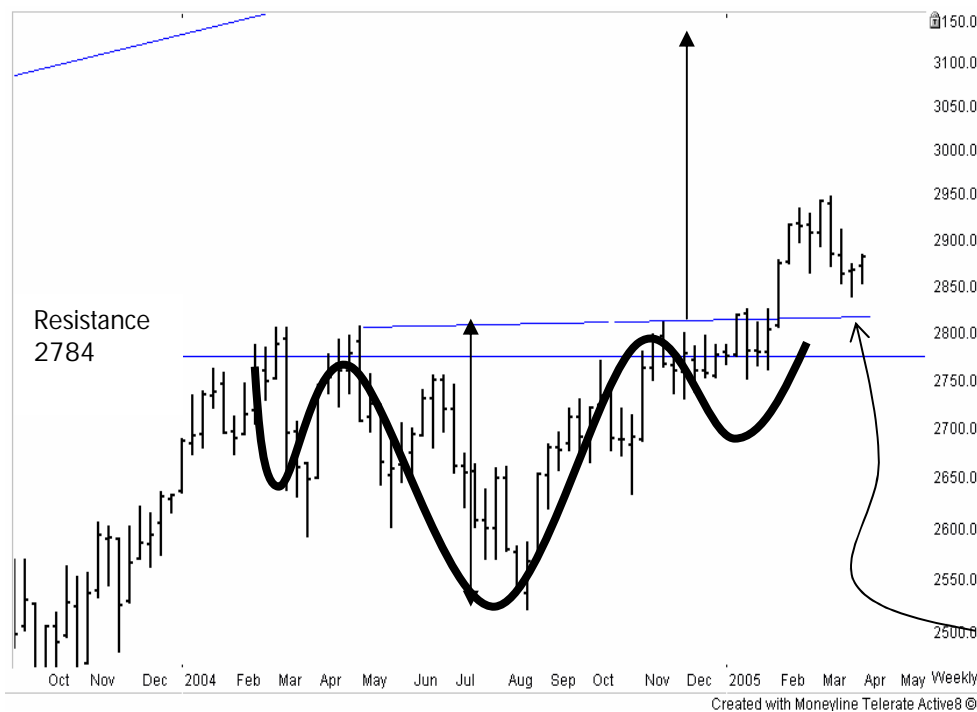
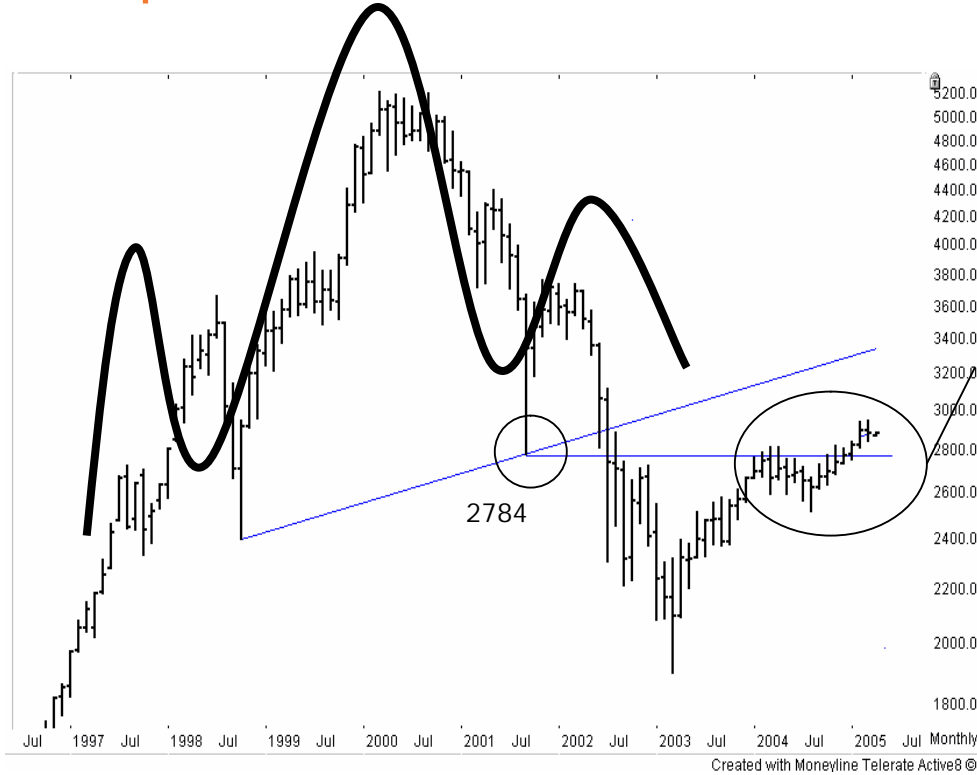
So far the market has been unable to break through.

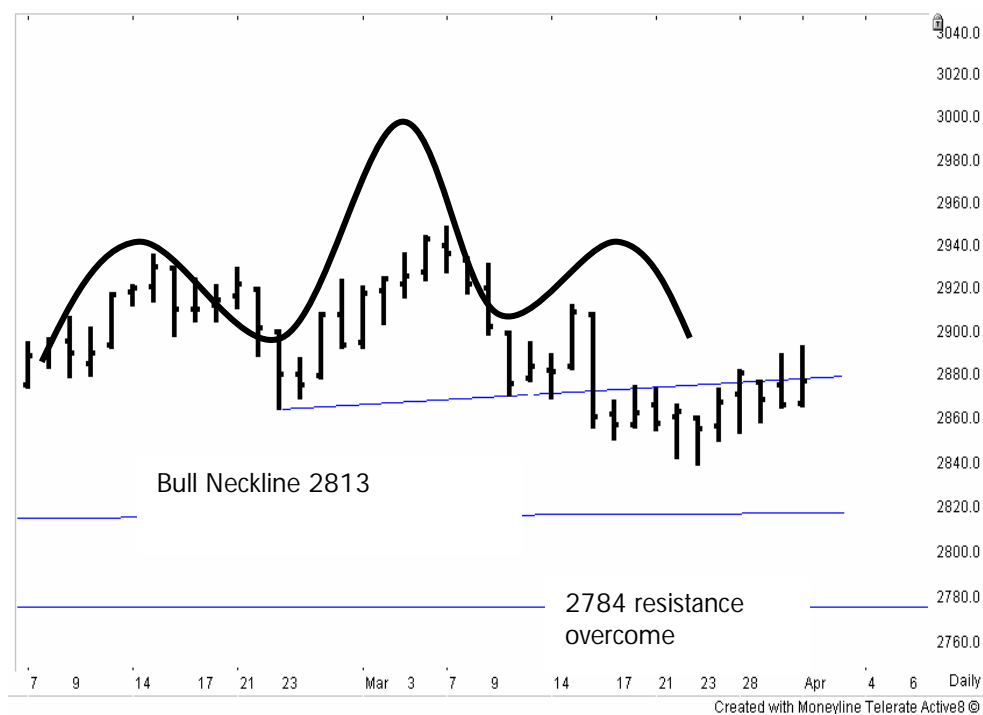
Above that, the old high is important – only a break and close through there would really satisfy the bulls.

And the bears need a break down through the powerful support at 1160.

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European Dow Jones Stoxx 50





DAILY CASH INDEX CHART:

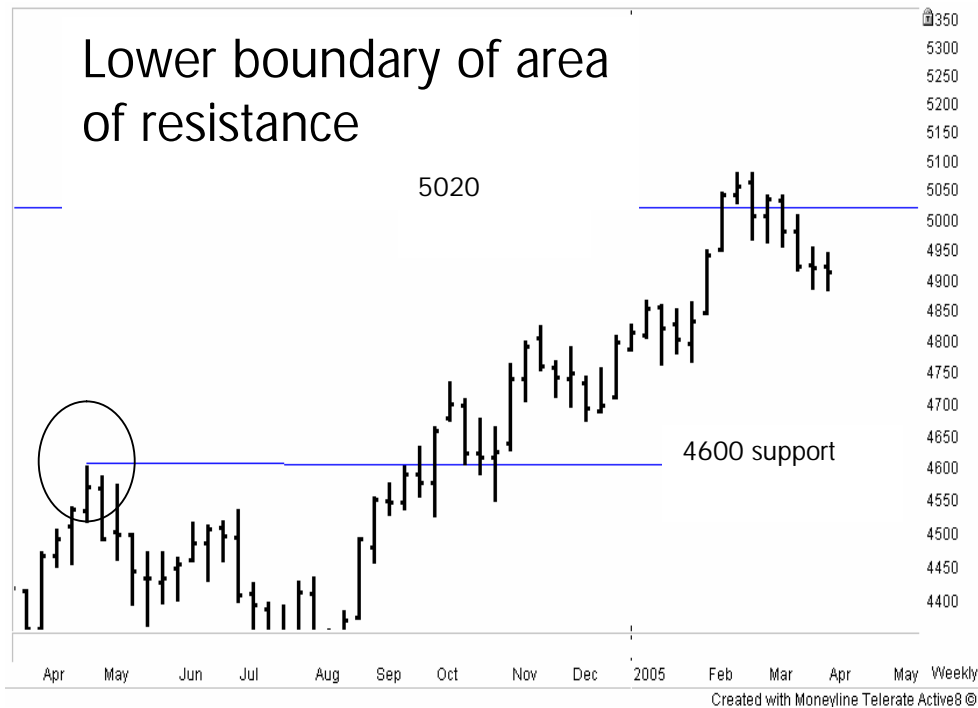
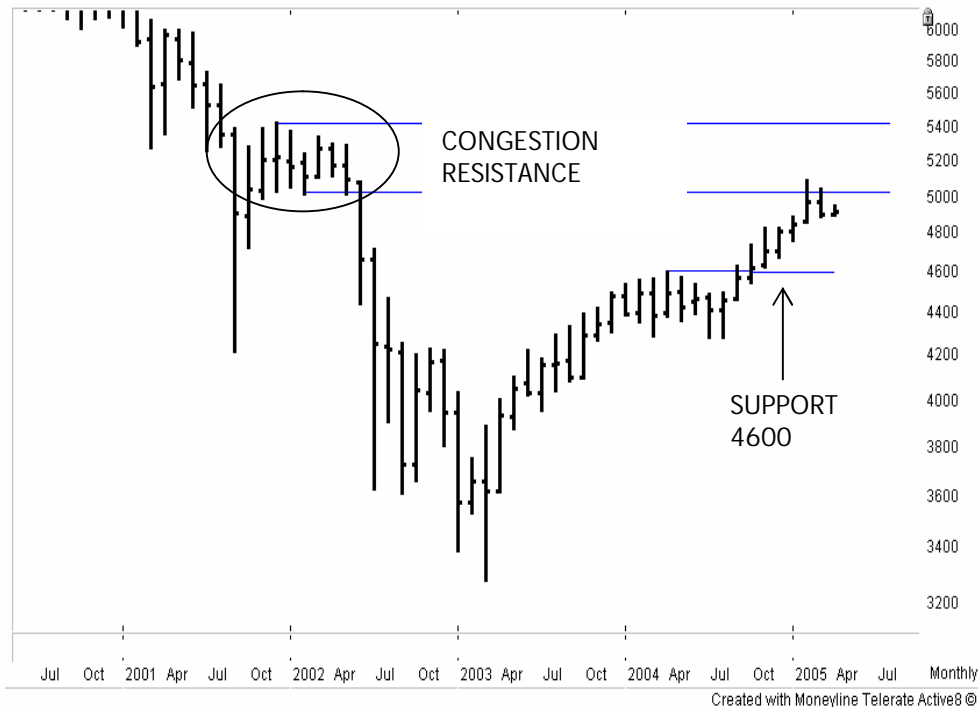
Last week I pointed out that the bear case rested on the existence of a small Head and Shoulders Top in the day chart, and argued that it would struggle to market much impact on the opposing bull forces.

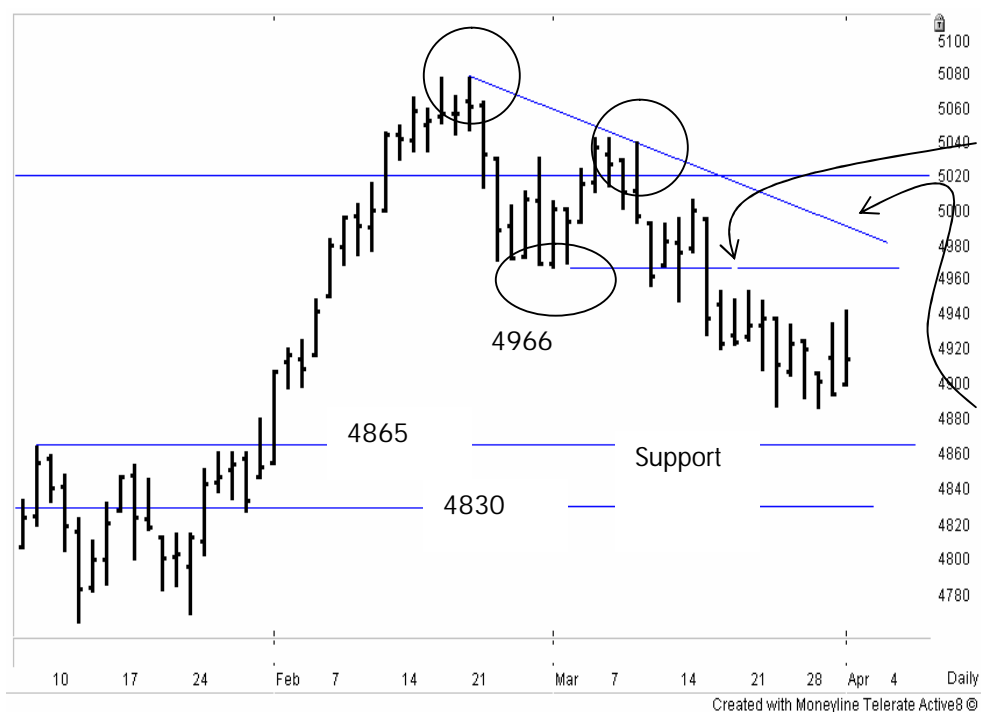
Sure enough, the market has dithered around, struggling to make any bear headway.

So far the Neckline remains intact, but the bears must be increasingly doubtful...

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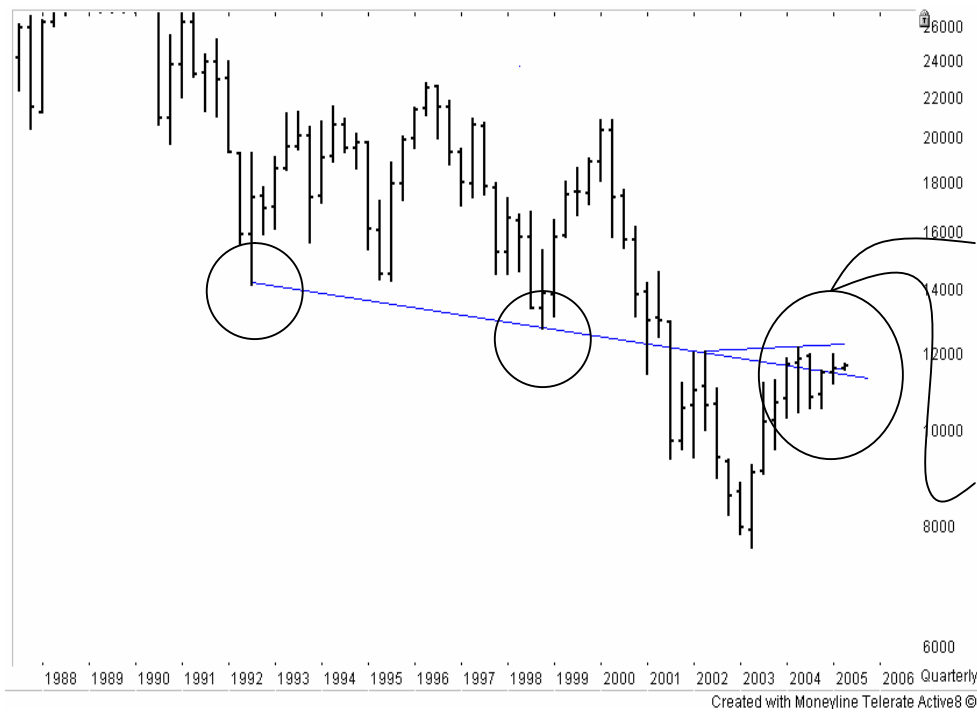
FTSE 100





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Nikkei 225



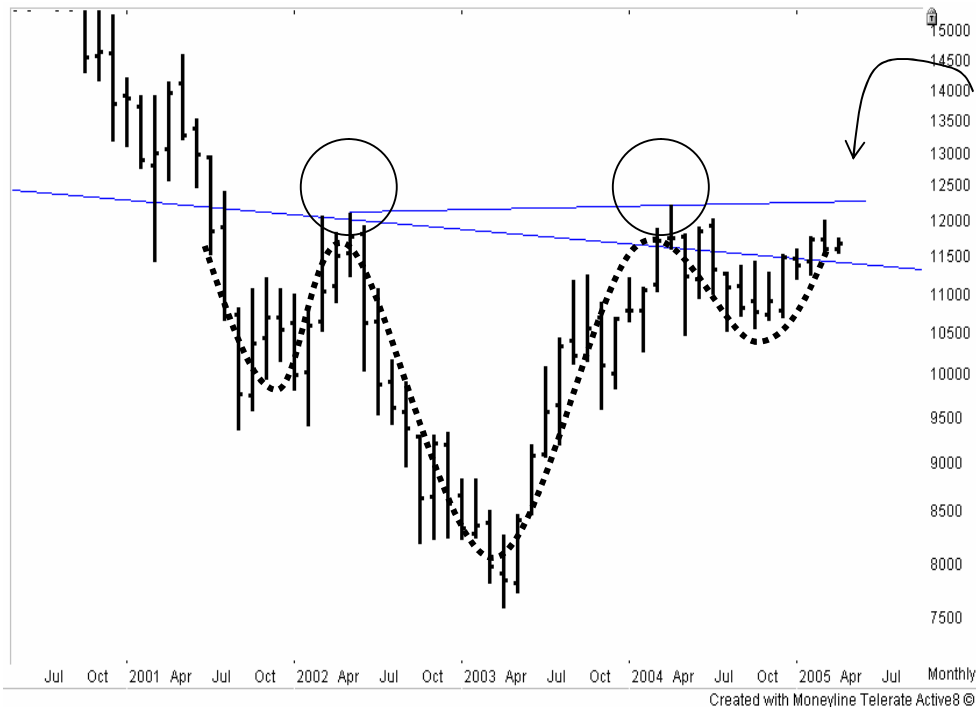
QUARTERLY CASH INDEX CHART:

The very long term suggests that current levels are critical:

First, the market is testing long-term resistance from the previous lows in 1992 and 1998.

Second, there is a Potential Head and Shoulders Bottom is close to completion at this level – a move through the Neckline is very possible in the short term.

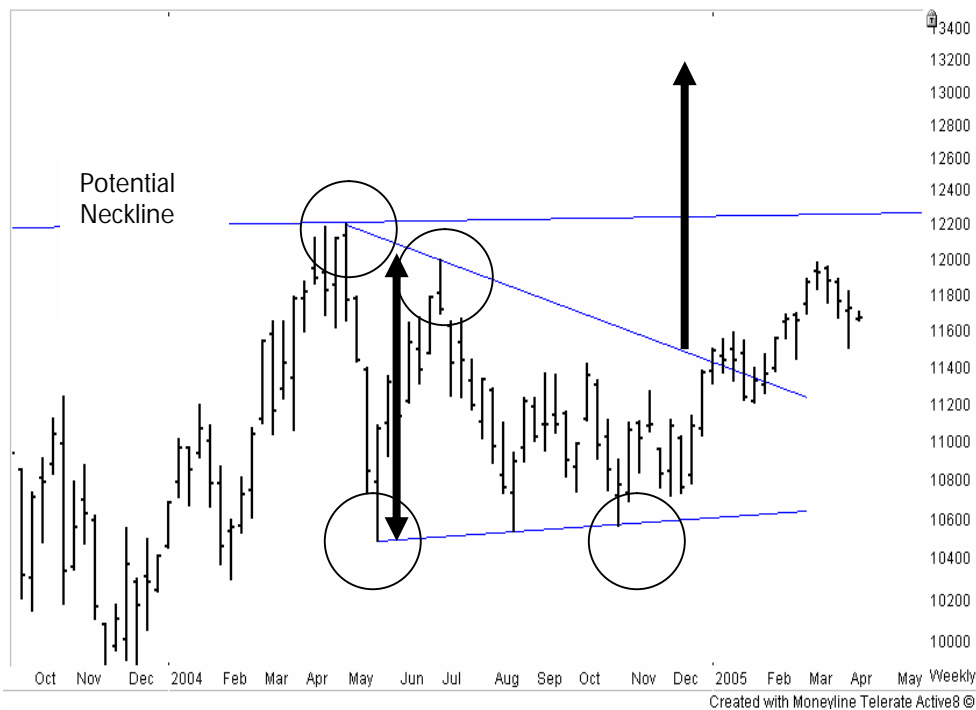
Look closer.



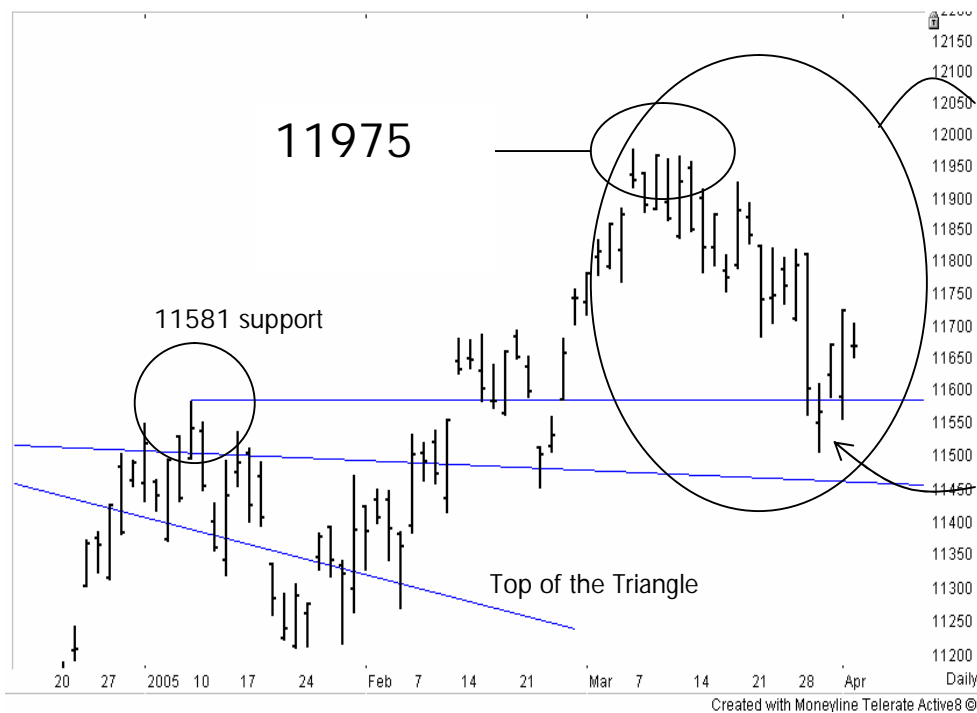
MONTHLY CASH INDEX CHART: The Neckline lies above the market at 12260.

If completed, the market would receive a powerful bull stimulus.

But will the pattern complete?



WEEKLY CASH INDEX CHART: Here is the reason that the market looks likely to test the Neckline: a clear Continuation Triangle set to drive the market up to 1.3154.



DAILY CASH INDEX CHART:

In greater detail still, the bull run from the Top of the Triangle has faltered over the last few weeks.

But good support lies at the horizontal from the high at 11581 (as I anticipated last week.)

We can see that the market has bounced from here....

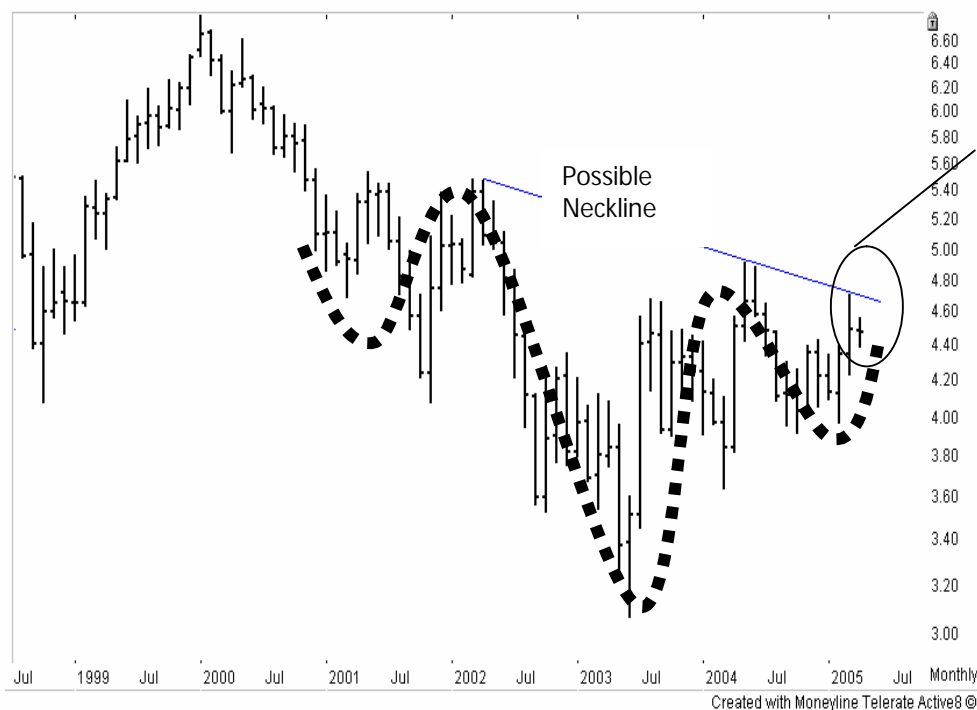
But short-term bulls should stand back and wait for a push back through the highs at 11975.

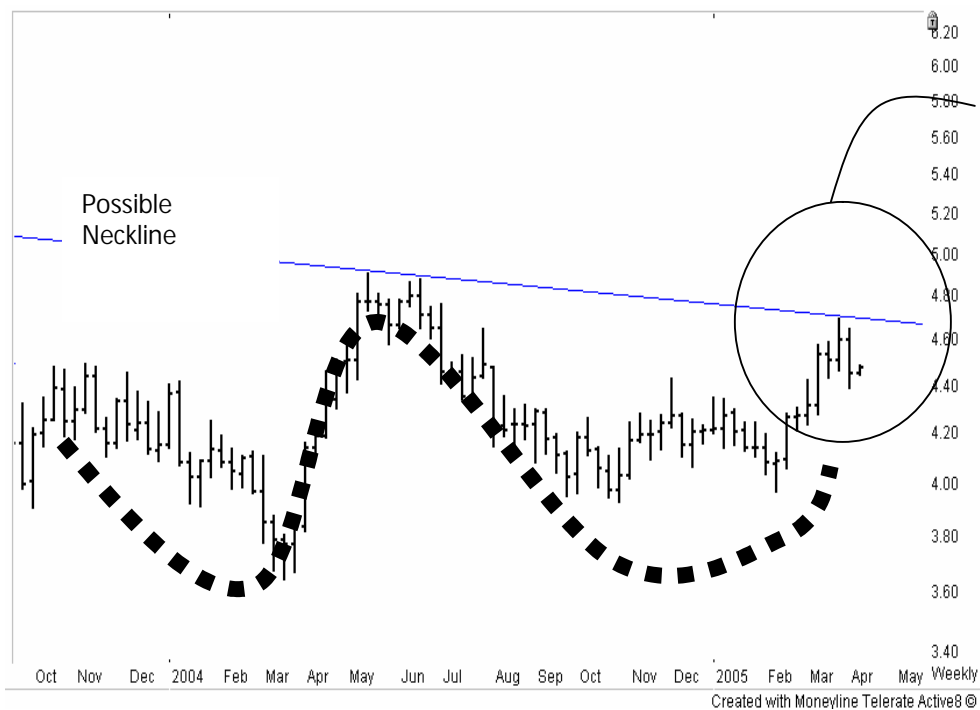
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Bonds

The US market retreated from an explosive breakout into higher yields, while the Euro Bund and the Yen bonds – the most bullish of all – pushed ahead for lower yields and higher prices. They look well-set for still higher prices.

Ten Years US Treasury Note





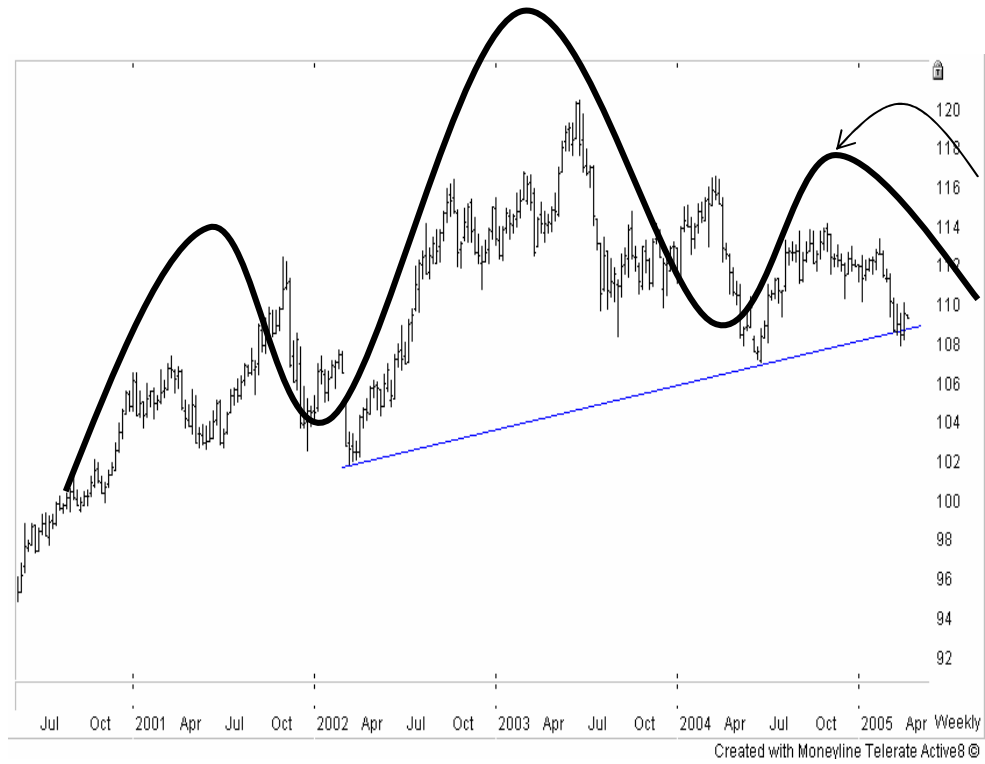
WEEKLY CASH YIELD CHART:
The market is very close to that level.



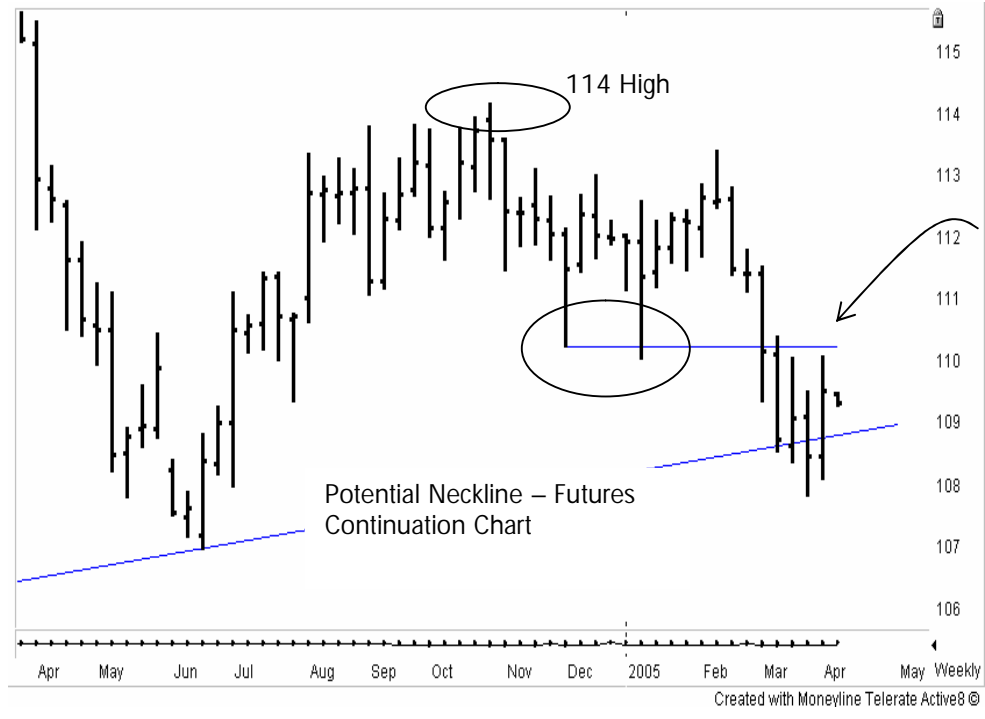
DAILY CASH YIELD CHART:
The day chart shows the pull back from that level, but more importantly, the bull influence of a Double Bottom.

There is good support here at the Completion Level of the Double Bottom.

Now check the Futures charts for corroborative evidence.



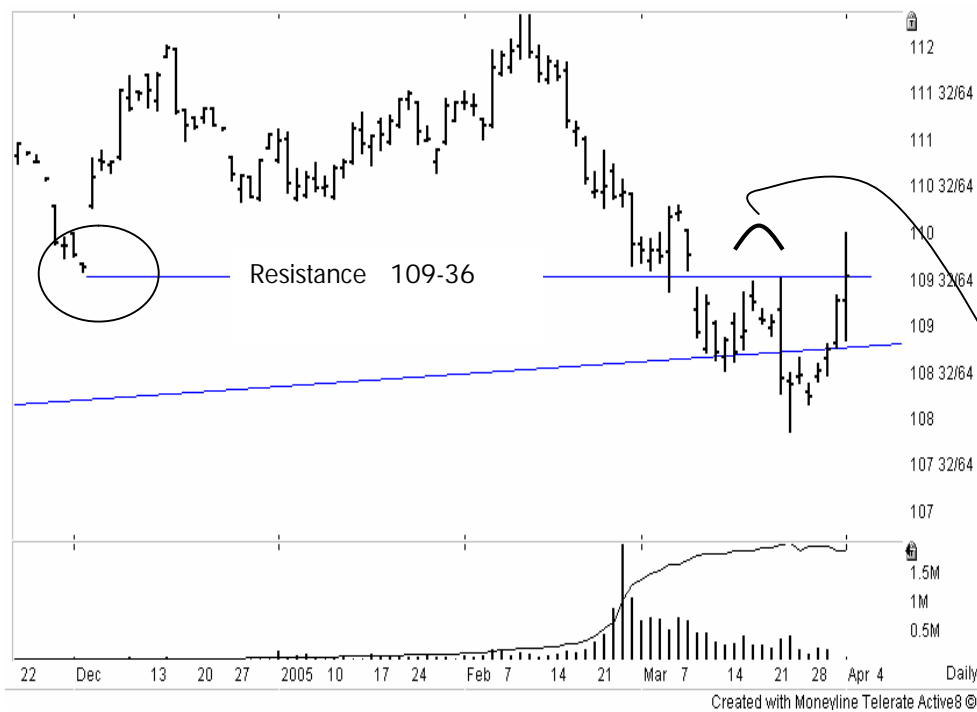
WEEKLY FUTURES
CONTINUATION
CHART:
The same pattern as the
cash yield chart is clear.
(Though mirrored)



WEEKLY FUTURES
CONTINUATION
CHART:
Note the same dithering
at the point of breakout.

Powerful resistance to a
bounce from these
levels lies at 110-18.

But the bulls couldn't
really get excited unless
the market was able to
get back through the
high at 114.



DAILY JUN 05

FUTURES CHART:

Here in detail is the spirited attempt to smash down through the Neckline – and a fierce bounce.

Last week I pointed out that the resistance lies above the market at 109-36 (note the different levels derived from a Continuation Chart and the June 05 chart).

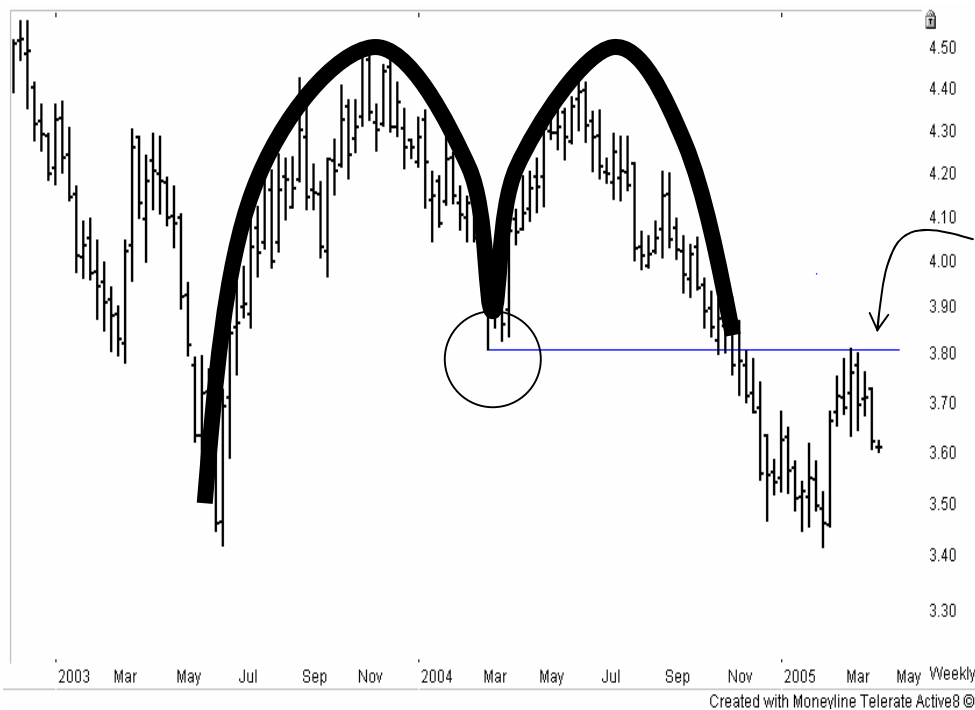
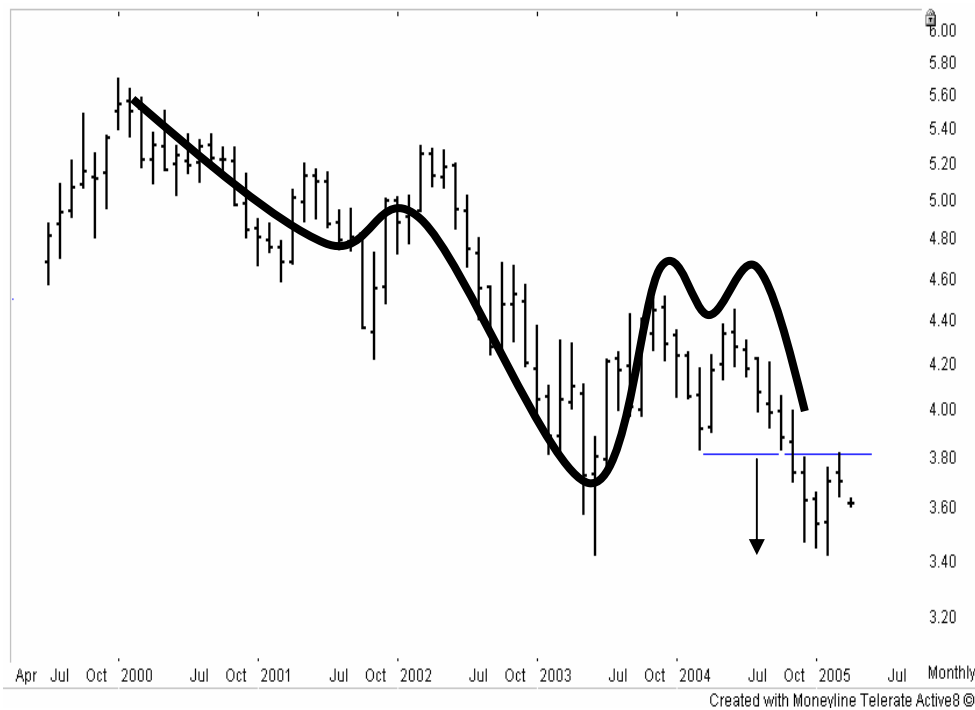
And that may be so again....

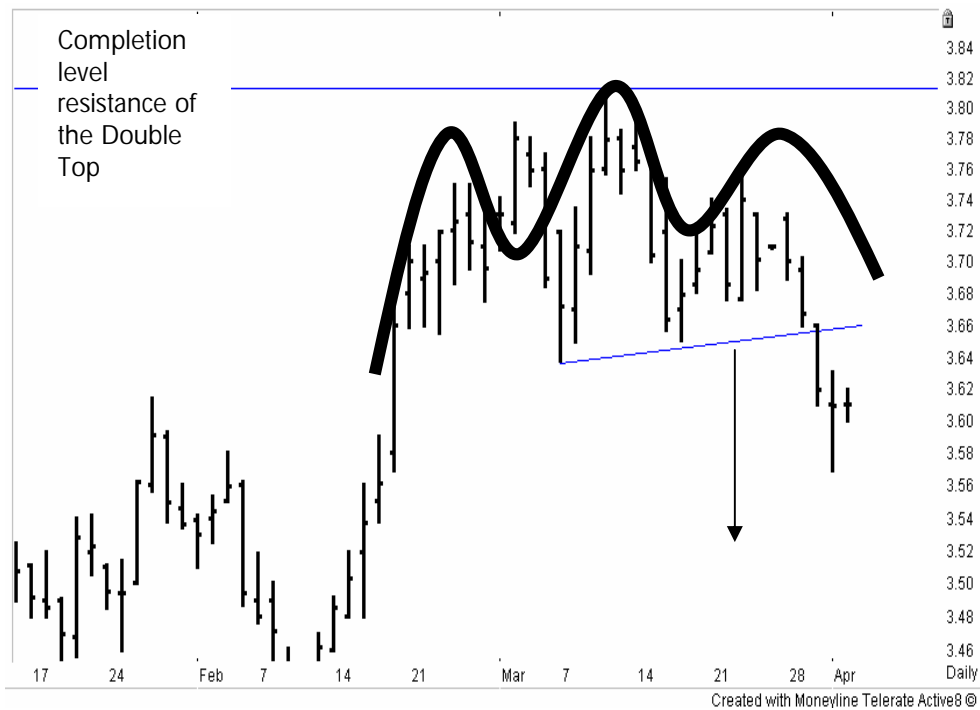
Bears should wait for a break of the Neckline.

There is nothing short term for the bulls.

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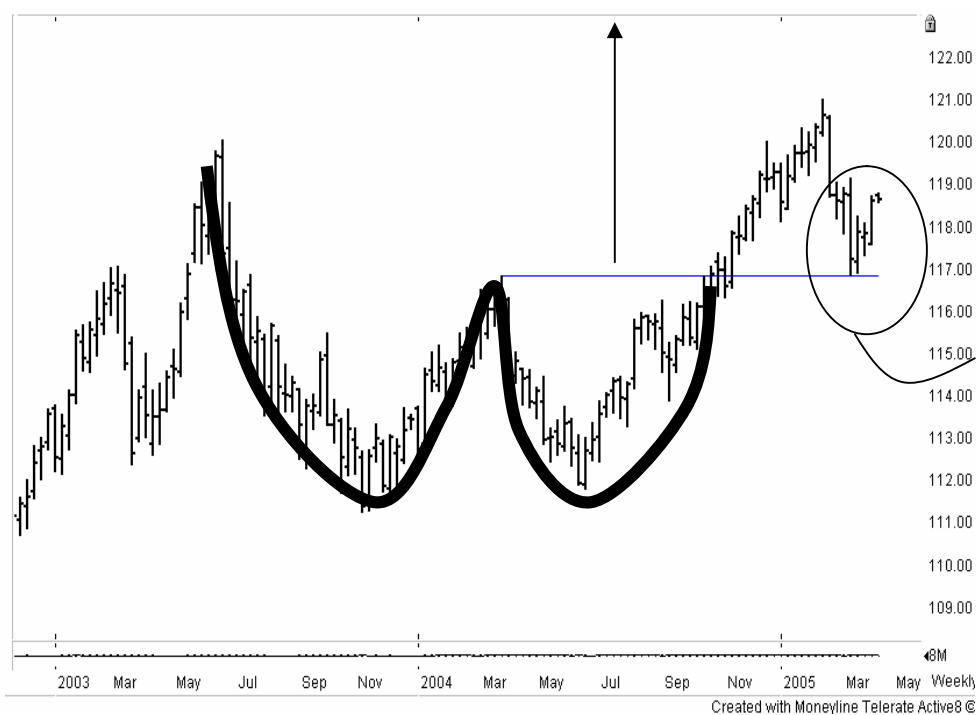
Ten Year Euro Bund





DAILY CASH YIELD CHART: And the price bulls will have seen a neat little top formation (that I pointed out last week) in the yield chart that is set to dive the market down a little further...

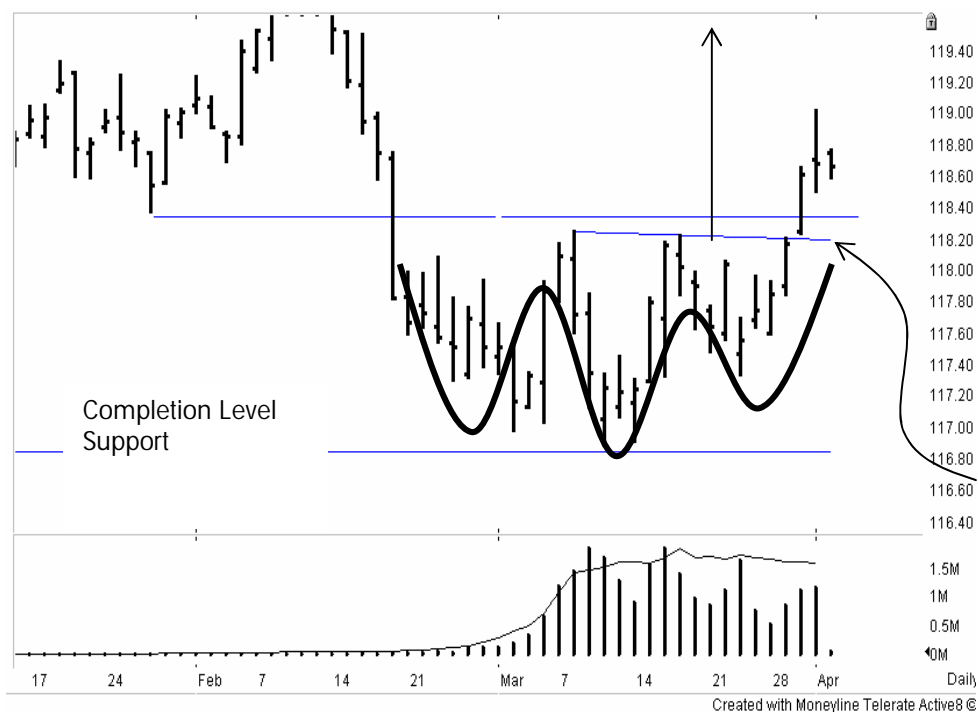
Is the same true of the futures chart?



WEEKLY FUTURES CONTINUATION CHART:

Here is the Double Top to correspond with the Double Top in the Yield chart.

And the bounce off the completion level support is clear too



DAILY FUTURES JUN 05 CHART:

And the Reversal pattern is revealed just the same too.

The coincidence of levels that I noted last week is an important added bull stimulus.

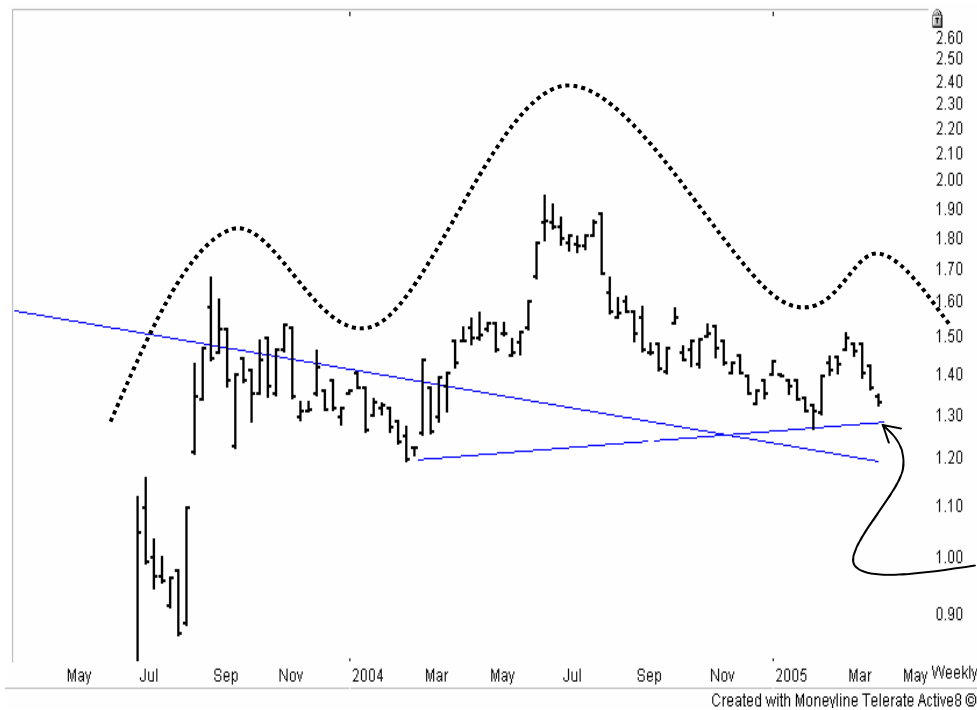
Support lies at the Neckline 118.36.

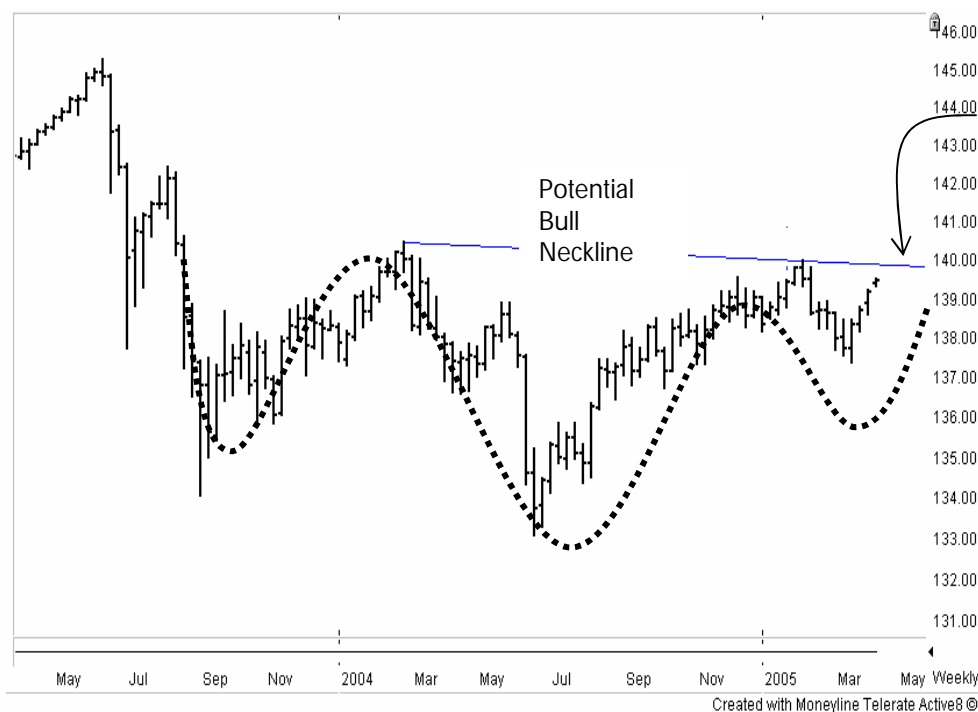
The target is clear: 119.56 or so.

There's more to come on the bull tack.

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Ten Year Japanese Bond

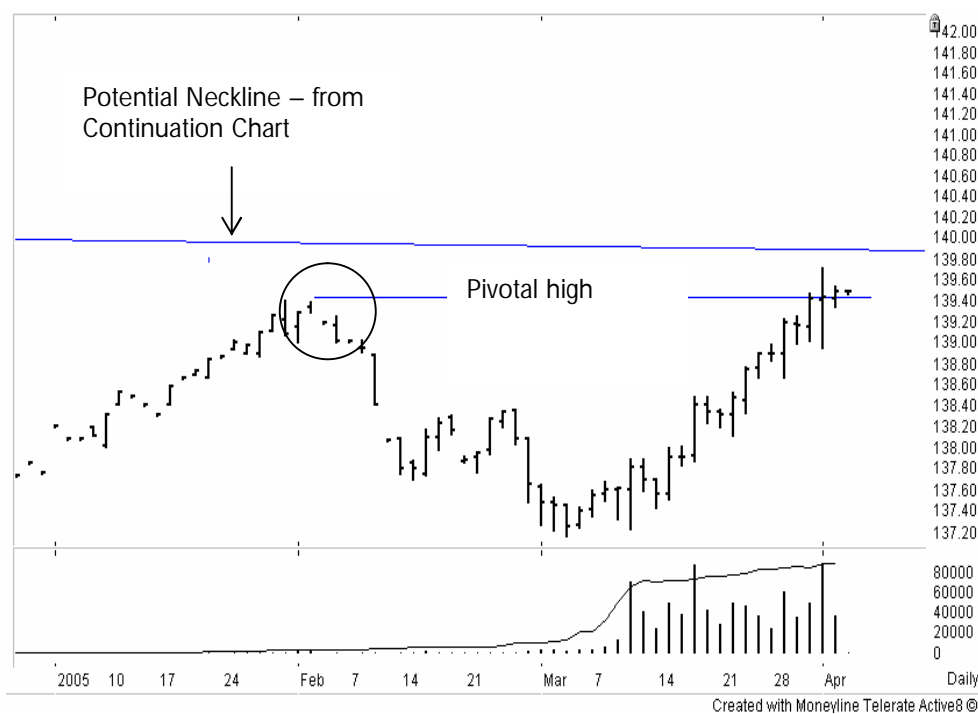




WEEKLY FUTURES CONTINUATION CHART:

The futures market suggests that the equivalent level is 139.91

Of course this is all conjecture so far...



DAILY FUTURES (JUN 05) CHART:

But the bull run from the beginning of March has been impressive, and a clear break above the Pivotal High of 139.38 would give added support and thereby stimulus to the bull trend...

Watch carefully for a clear close above that level.

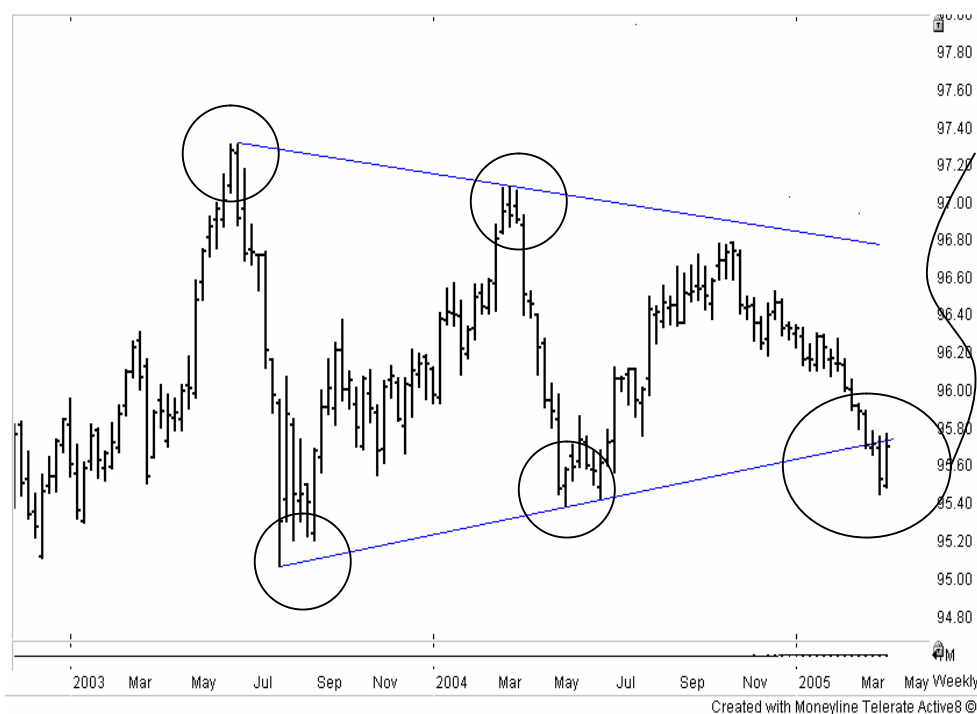
As I said last week, that would be the 'final piece of evidence for the bull's case'.

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Interest Rates

As with the bonds so with the short rates: the bounce in the Eurodollar futures was far outdone elsewhere in the Euribor and Short Sterling. The opposed charts look set to widen spreads further still.

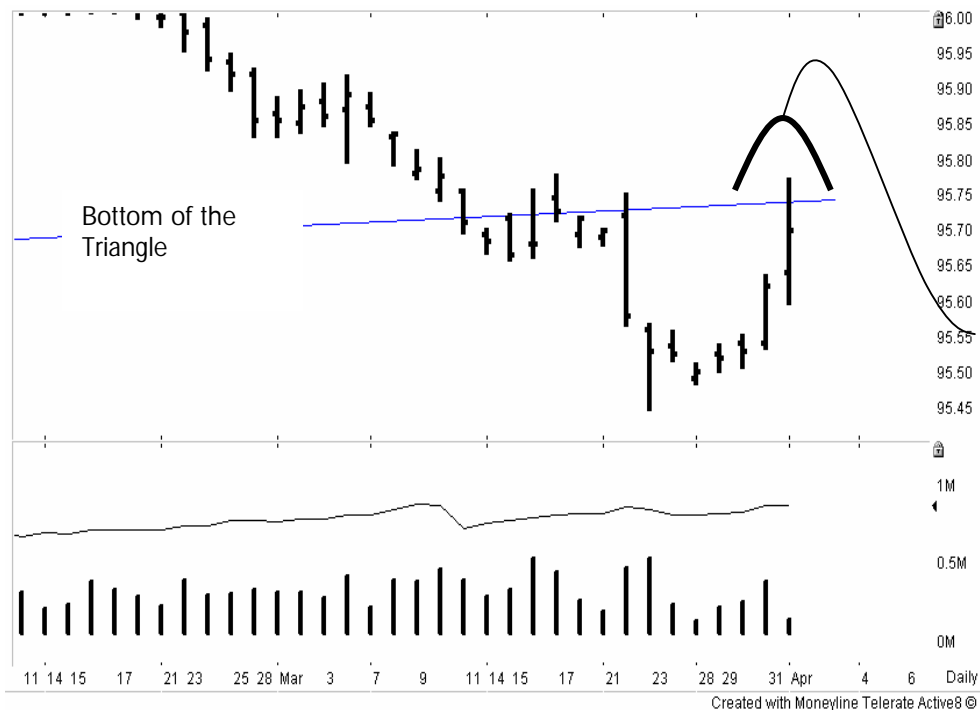
Dollar Rates



WEEKLY JUN 06

FUTURES CHART:

The market has broken out of the massive long-term Triangle that dominates the chart.

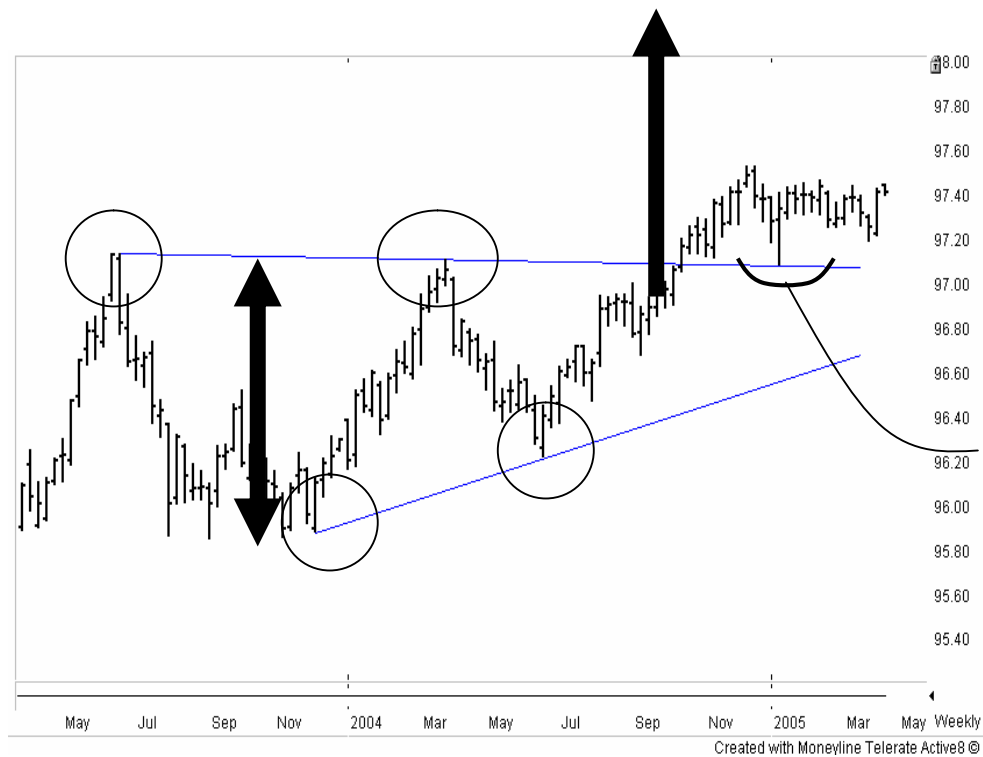


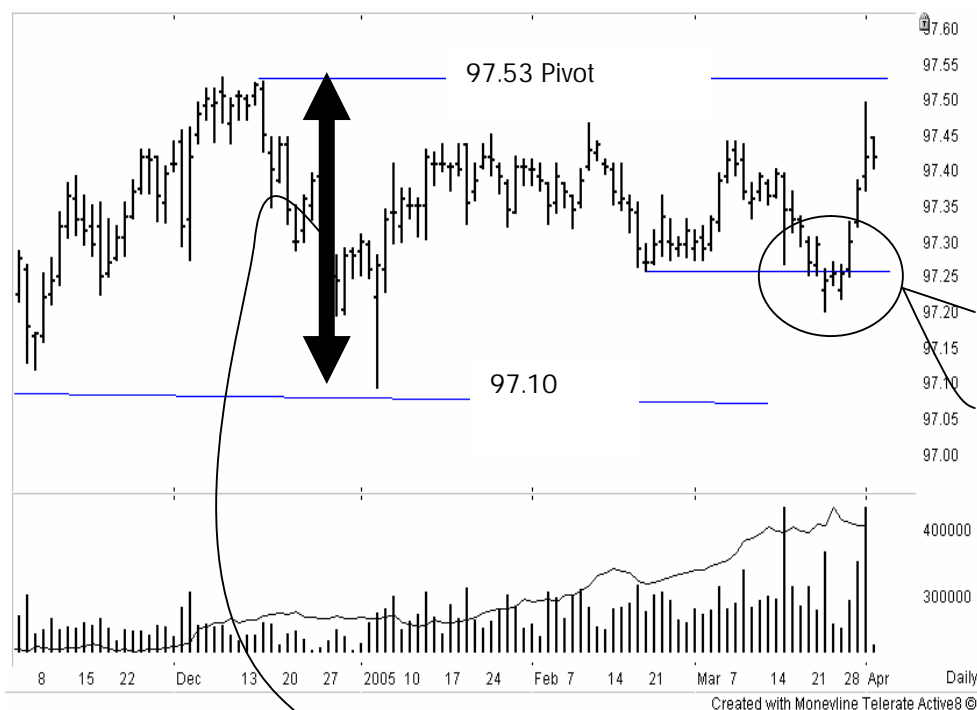
**DAILY JUN 06
FUTURES CHART:**
The price action reflected the drama of the breakout and then short covered back to resistance.

Anticipate powerful resistance at 95.75.

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Euribor Rates





DAILY JUNE 06

FUTURES CHART:

The market lacks clear structure: Last week I spotted a Small Double Top which I thought might have formed.

I was wrong about that.

But I was right when I said that the bulls will need to see the market back through that level before they could gain confidence.

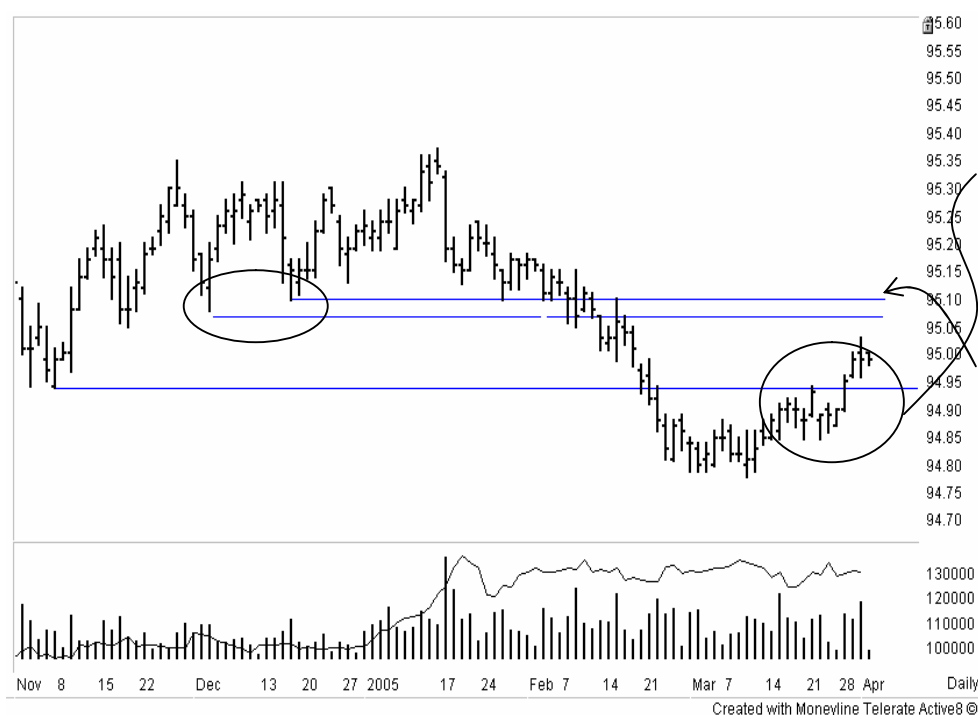
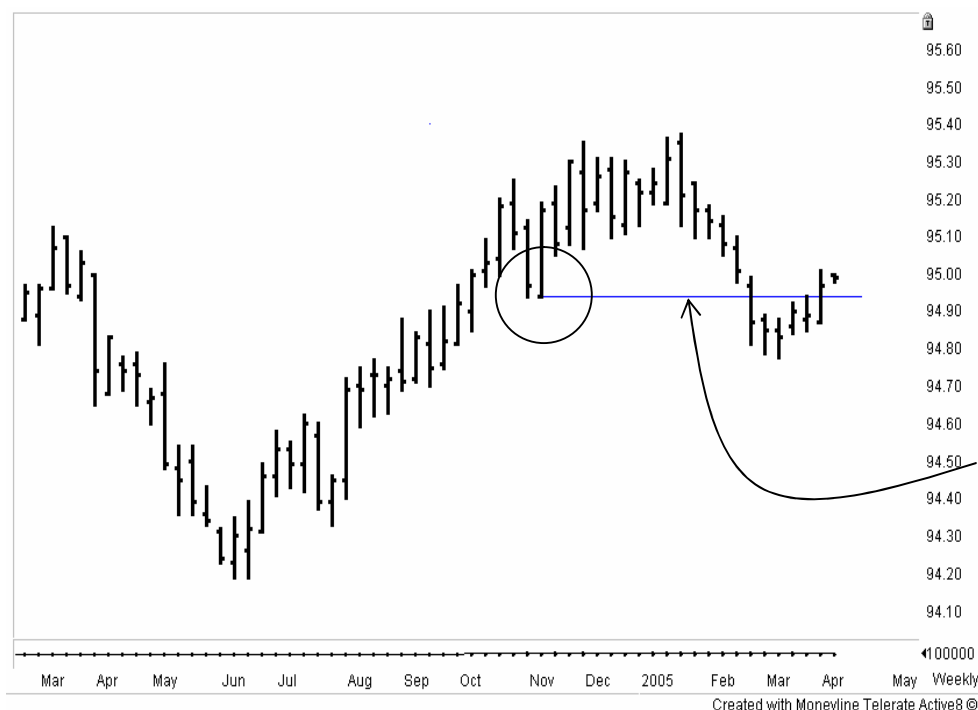
Look at the price action.

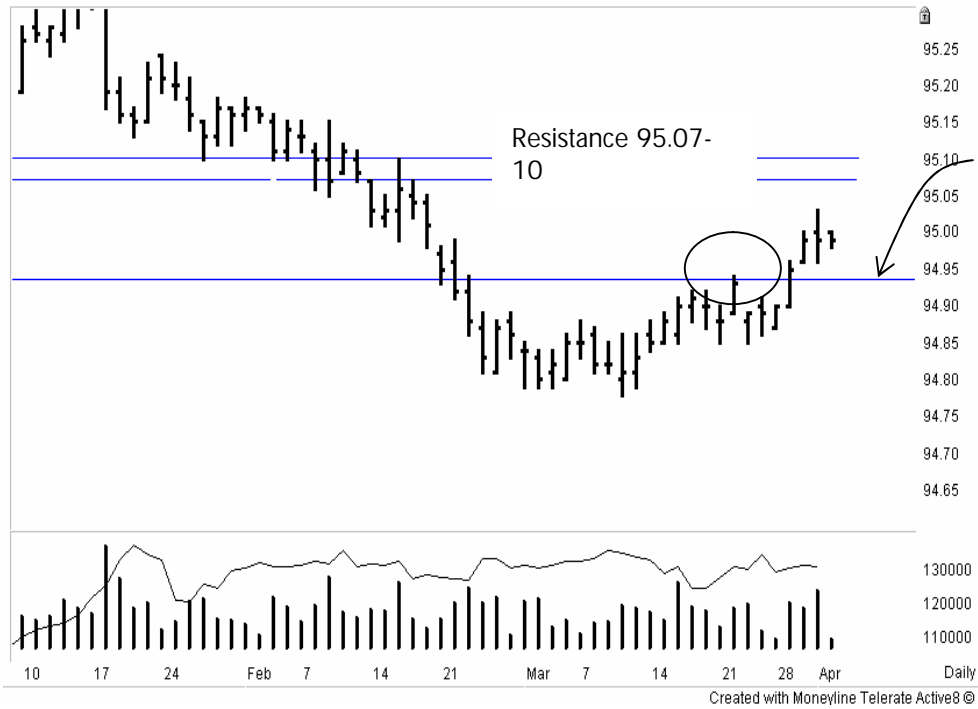
They have gained confidence

But the range established from last December still needs to be broken before the bulls can really get going.

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Sterling Rates



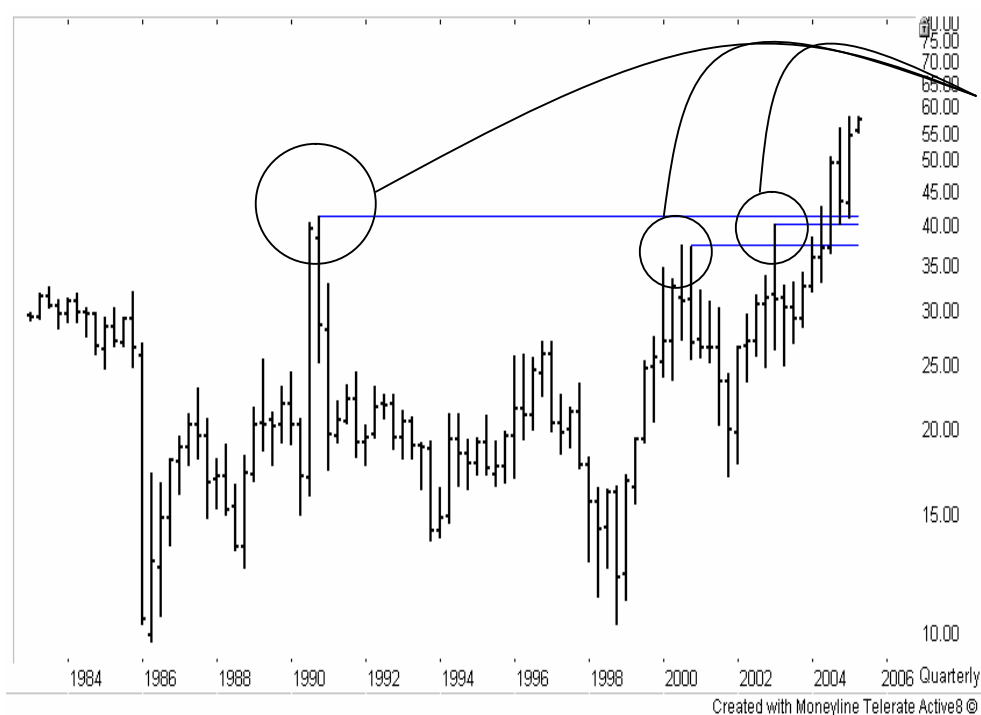


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Commodities

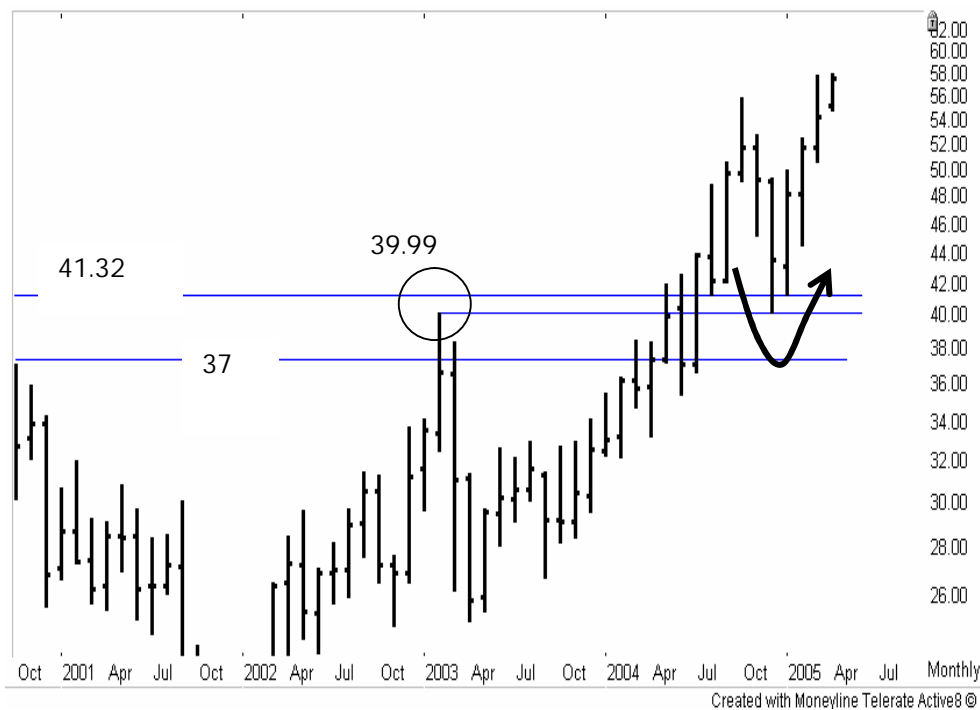
Oil bounced hard and is set to break into new higher ground, driven by bull patterns in the long, medium and short-term charts. With regard to Gold, despite short-term frustrations, the medium and long term influences driving the market higher remain reassuringly in place.

Oil



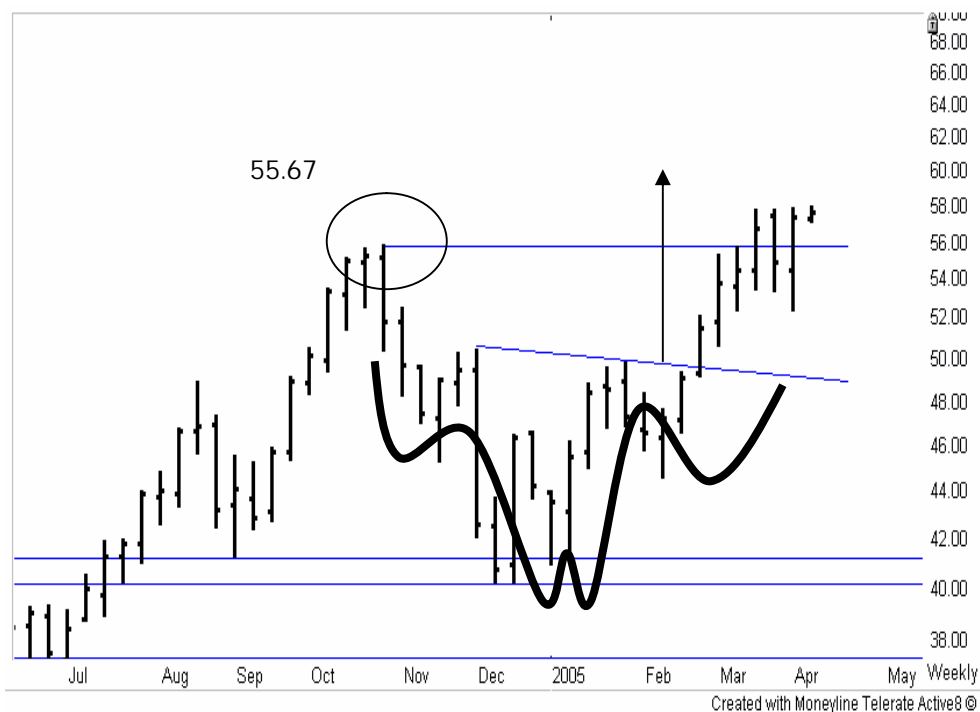
QUARTERLY SPOT CASH CHART:

The massive support beneath the market from the prior Highs of 1990, 2000, and 2003 have provided a powerful base from which the market can go ahead.



MONTHLY SPOT CASH CHART:

When the bears tried to pull-back they were repulsed by the triple layered support.



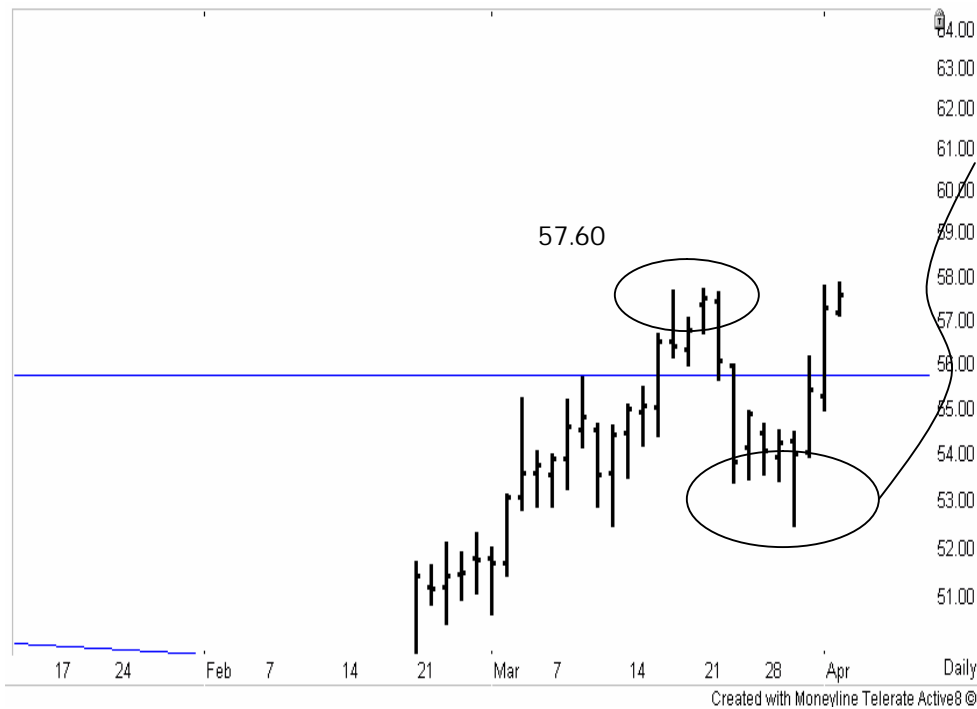
WEEKLY SPOT CASH CHART:

I identified this small Head and Shoulder Bottom last week - its target is \$60.50.

Because of the pause around the old Pivot High at \$55.67 I thought traders should wait for a push up through the near high at \$57.60 before adding on.... Or await a closer approach to the Neckline support.

Neither has yet happened.

Look more closely.



DAILY SPOT CASH CHART:
Although the price action has unambiguously rejected lower levels beneath \$53, I still advise (as I did last week) that traders should wait for a break of the near high at 57.60 before anticipating further bull price action.

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Gold



QUARTERLY SPOT CASH CHART:
The long-term bull Triangle that is driving the market better – towards a minimum target of 794 – close to the all time high of 873.



MONTHLY SPOT CASH CHART:
Since completing the bull Triangle there has been a solid bull trend within a tight Channel.



WEEKLY SPOT CASH CHART:

And the bull trendline support is exceptionally well defined.

Watch carefully for a test of that diagonal – as the market approaches it



DAILY SPOT CASH CHART:

I said last week that there was the hint of a small Head and Shoulders but the subsequent price action has not been encouraging for the bears

Bears should wait for the rising trendline support to be broken at around 420 or so.

Nor is there anything for the Bulls - in the short term.

Stand aside.

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