

Euribor leads the  
interest rates

Oil and Gold both  
underpinned

Cable: best  
buy



WEEK 17 26<sup>th</sup> April – 2<sup>nd</sup> May 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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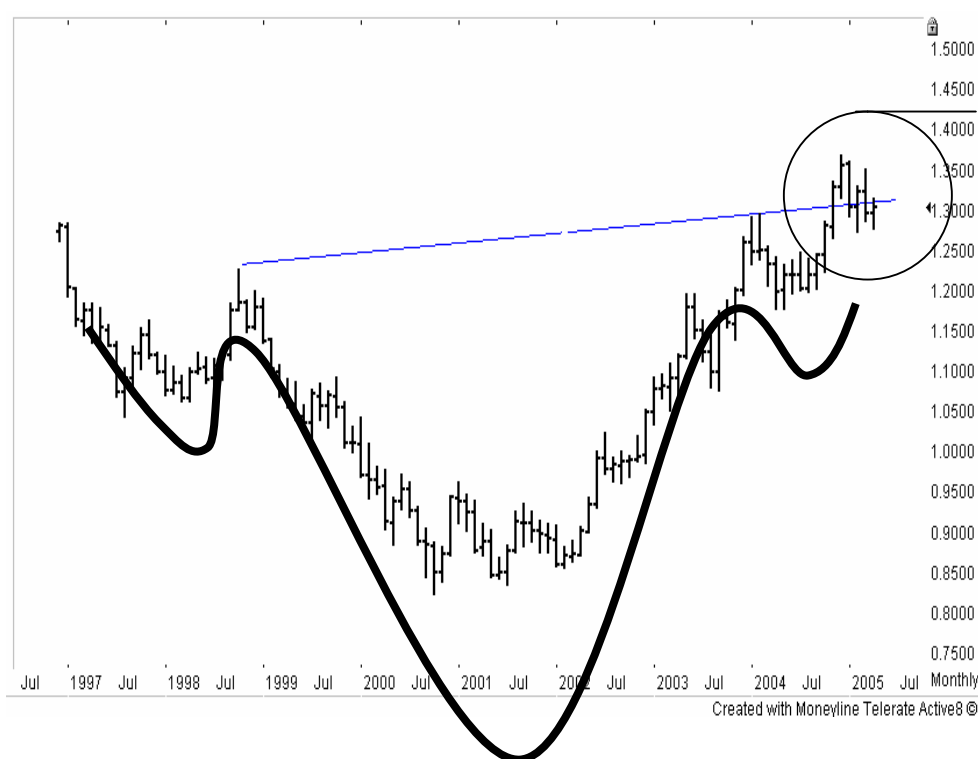
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# Currencies

Over the last two weeks since I last wrote, the Dollar has weakened across the board. The clearest and most exciting effect of this has been to underline Sterling as the best technical buy against it. The Euro and Yen remain unclear since the Dollar's move has simply brought the market back within old trading ranges.

## Dollar Euro



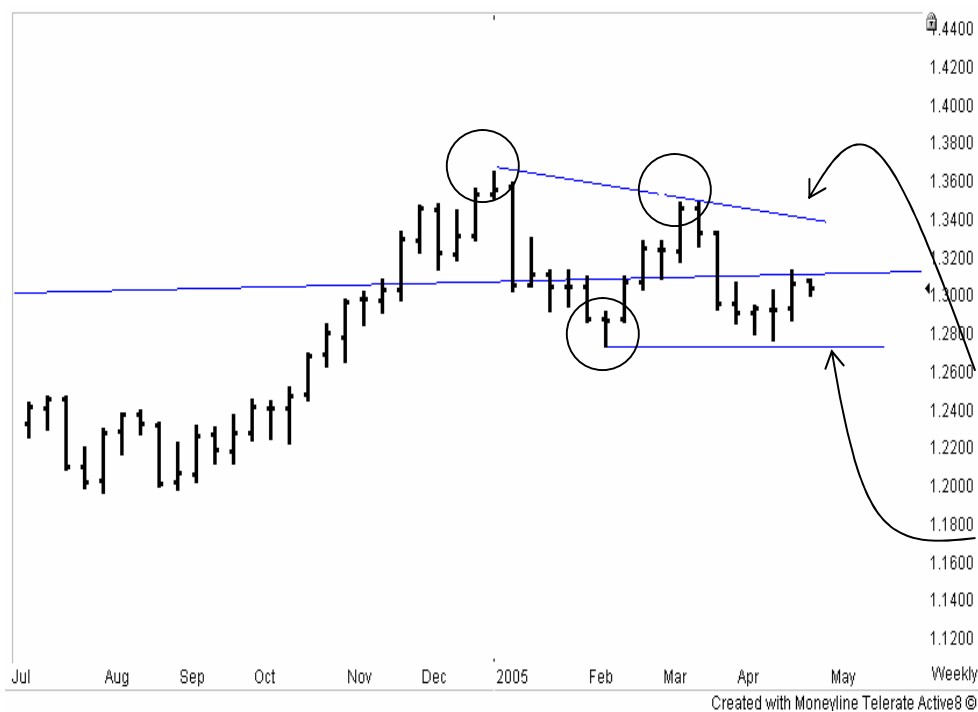
### MONTHLY SPOT CASH CHART:

The market continues to teeter around the long run Neckline at 1.31.

A clear bull move above this level required for the massive Head and Shoulders pattern beneath the market to assert itself.

But long-term charts are only clear in the long term.

In the meantime, traders must look closer.





#### DAILY SPOT CASH CHART:

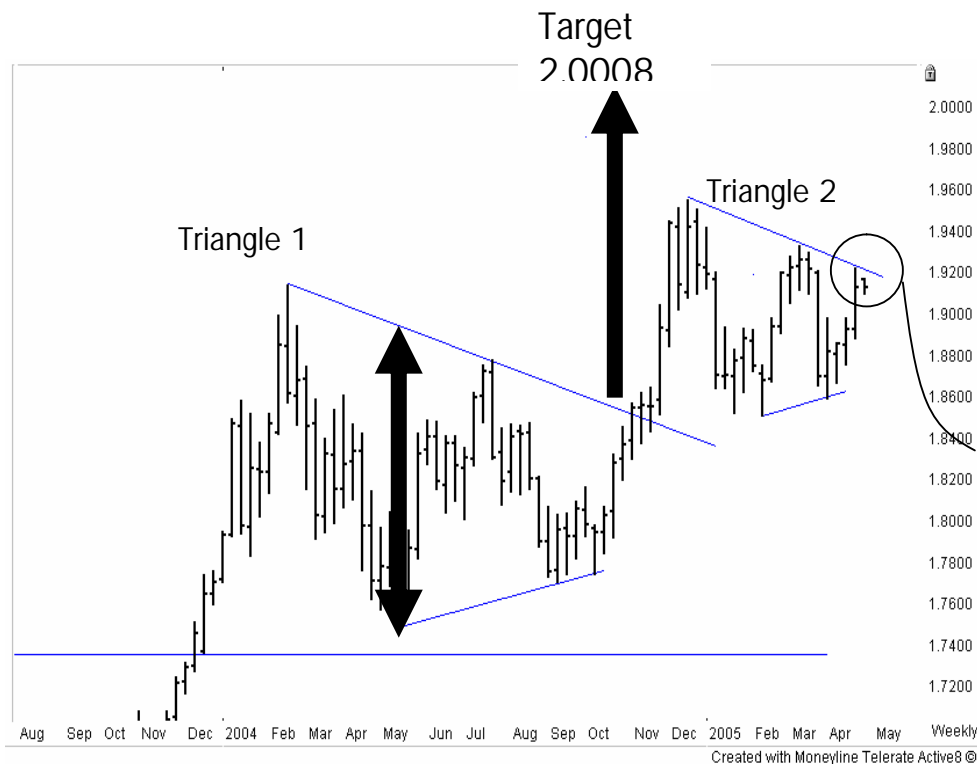
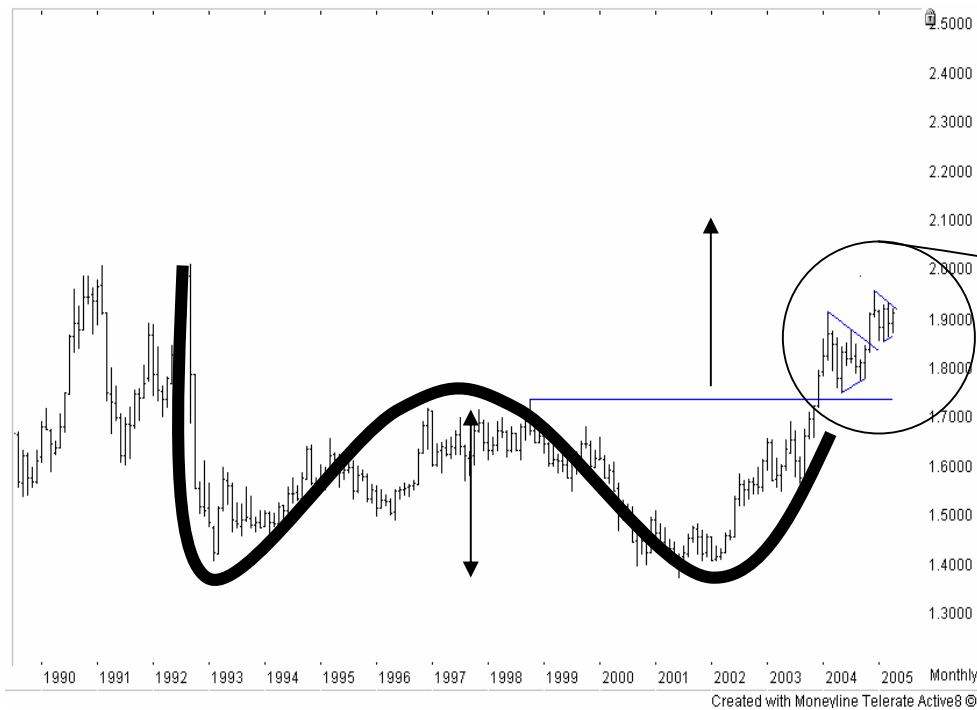
And watch carefully the market's reaction to the overhead resistance from the low at 1.3089.

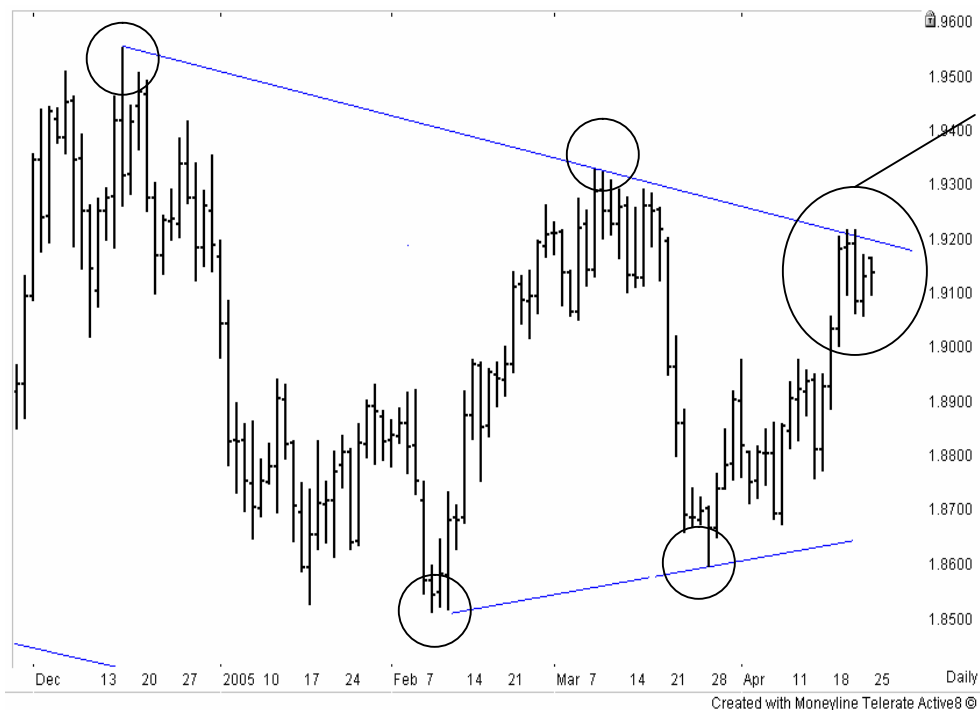
The market is testing the first significant resistance to the bulls – if it can overcome this level, the way will be clear to attack the falling diagonal above the market.

Bears should only get involved if the 1.2733 pivot is broken beneath the market.

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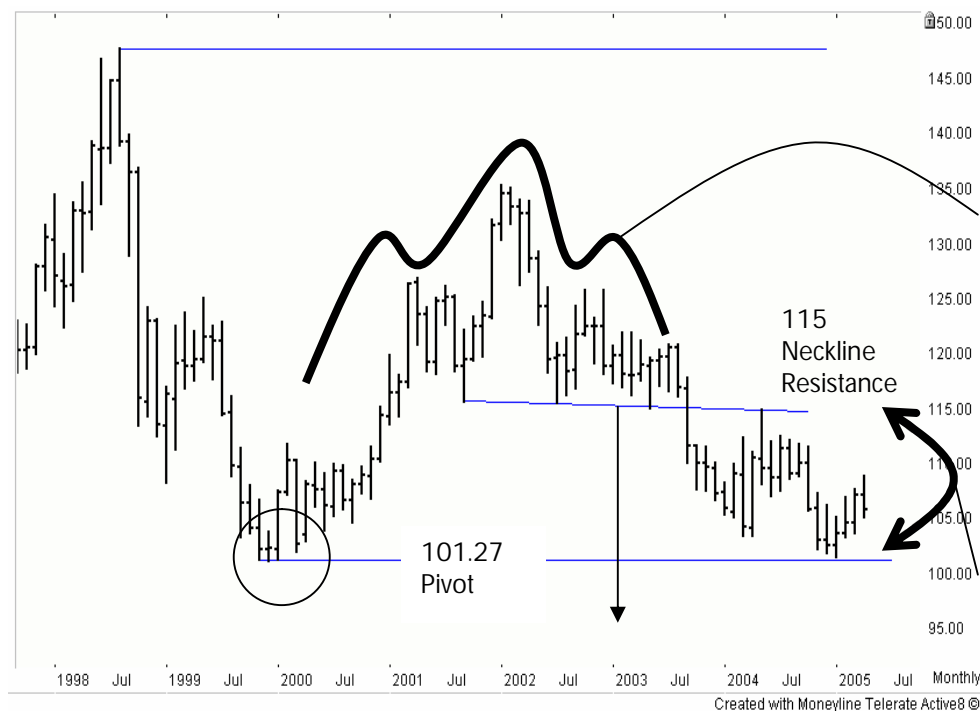
# Dollar Sterling





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# Dollar Yen





### DAILY SPOT CASH CHART:

When I last wrote two weeks ago, I felt the market was well-set – after the completion of a clear Head and Shoulder Bottom – with, of course, the caveat that ‘the bears have little to go for unless the Neckline were to be broken’.

It has since been broken and a good bull pattern has been smashed.

So the Dollar bulls have been thrown into confusion.



### DAILY SPOT CASH CHART:

However, they should note that the bull trendline support at 105.27 has yet to break – and should wait for a close below that trendline before they give up their stance.

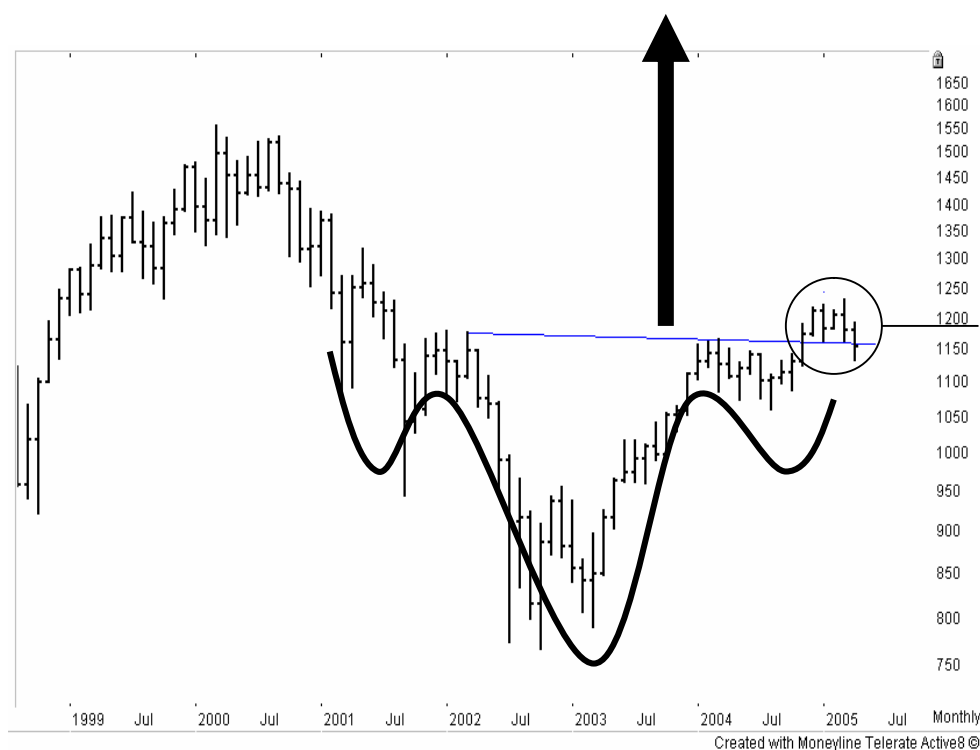
(Note that the Neckline has been constructed on a high trade far from closes – hence my latitude about the permissible degree of penetration)

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# Stocks

Stocks have been under pressure for the last four months – but there are no long or medium-term top formations in place yet, and only the S&P is truly challenging substantial support. I see no case currently to suggest a long or even medium-term turn in the markets.

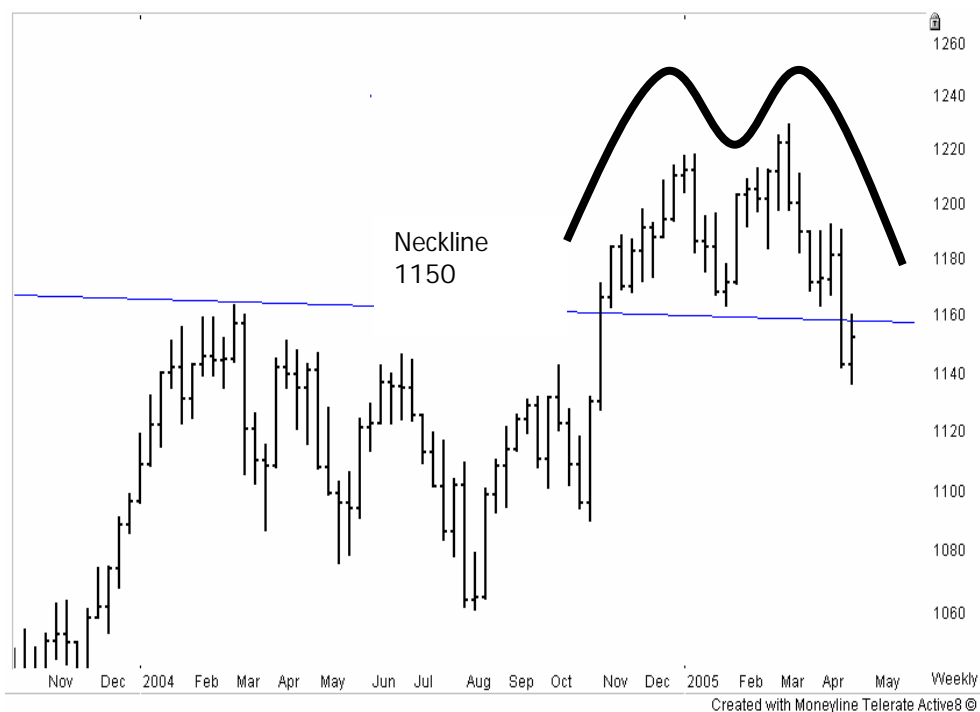
## Standard and Poors 500



### MONTHLY CASH INDEX CHART:

The huge bull formation that is trying to establish itself is threatened by the market's drift back through the Neckline....currently at 1150.

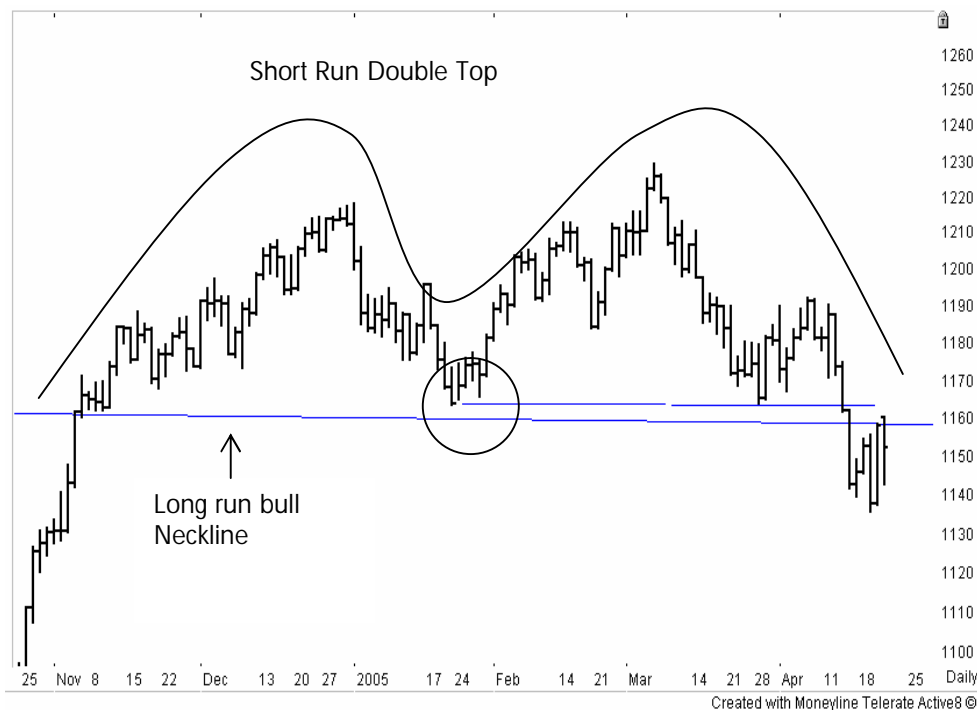
But as I said two weeks ago, 'so long as the Neckline holds the pattern's integrity remains good'.



# WEEKLY CASH INDEX CHART:

But the shorter term charts do suggest a re=penetration and further, the creation of a small top formation ... it looks like a Double Top.

And it has completed.



## DAILY CASH INDEX CHART:

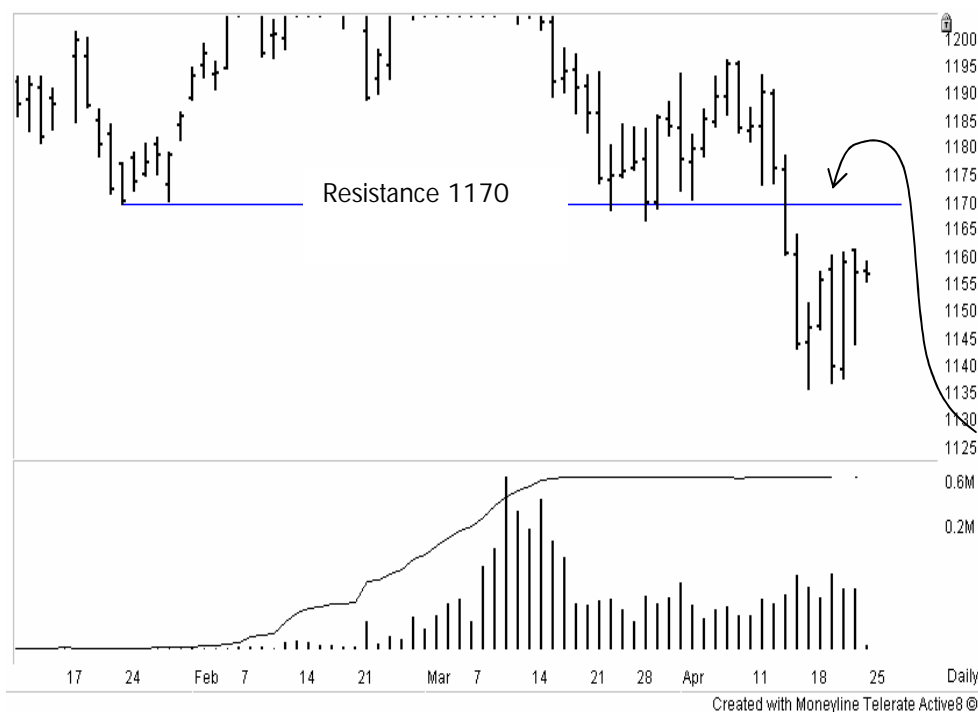
(Or conceivably a poorly constructed Head and Shoulders Top.)

Either way the market is under pressure, from opposing structures.

Because they are of such different scales, these opposed structures can be reconciled, over time:

In the short run, the Double top could push the market down to its minimum target of 1110, re-penetrating the very long run Bull H&S. But not totally destroying it – because of its size and age.

More usually though, opposed patterns conclude decisively in favour of one or other without them both completing.



DAILY JUN05

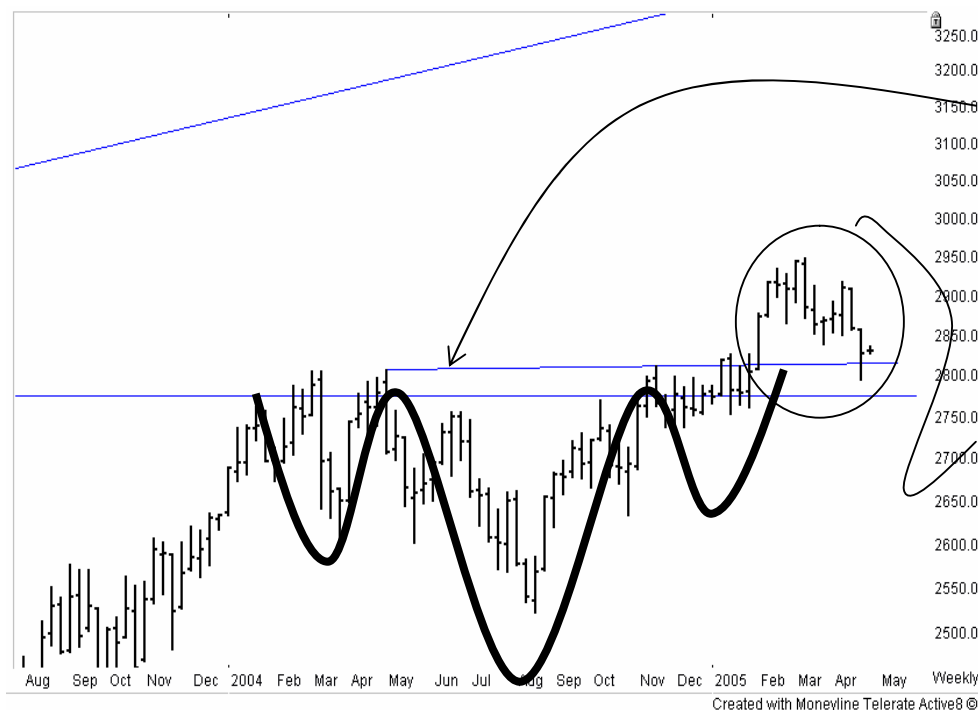
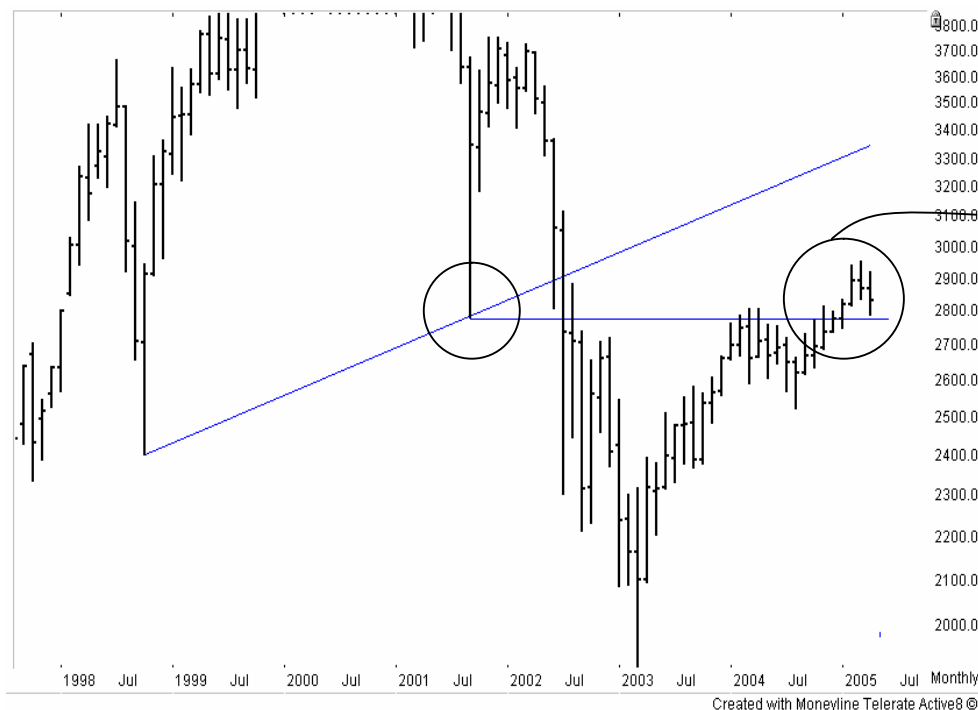
FUTURES CHART:

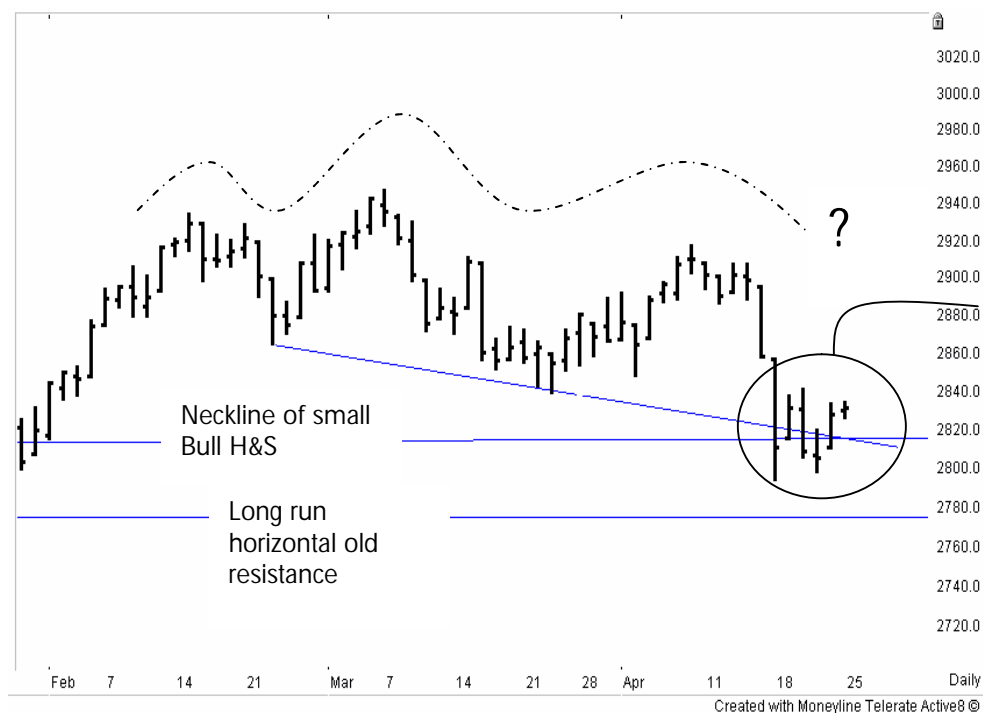
The day-to-day answer to the confusion of signal is to attend carefully to the market's reaction to critical levels. Thus, in the short-run, dealers should remain bearish unless the market goes back through the completion level of the Double Bottom at 1170.

(Since we are currently close that is a relatively cheap stop-loss for the bears)

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# European Dow Jones Stoxx 50





#### DAILY CASH INDEX CHART:

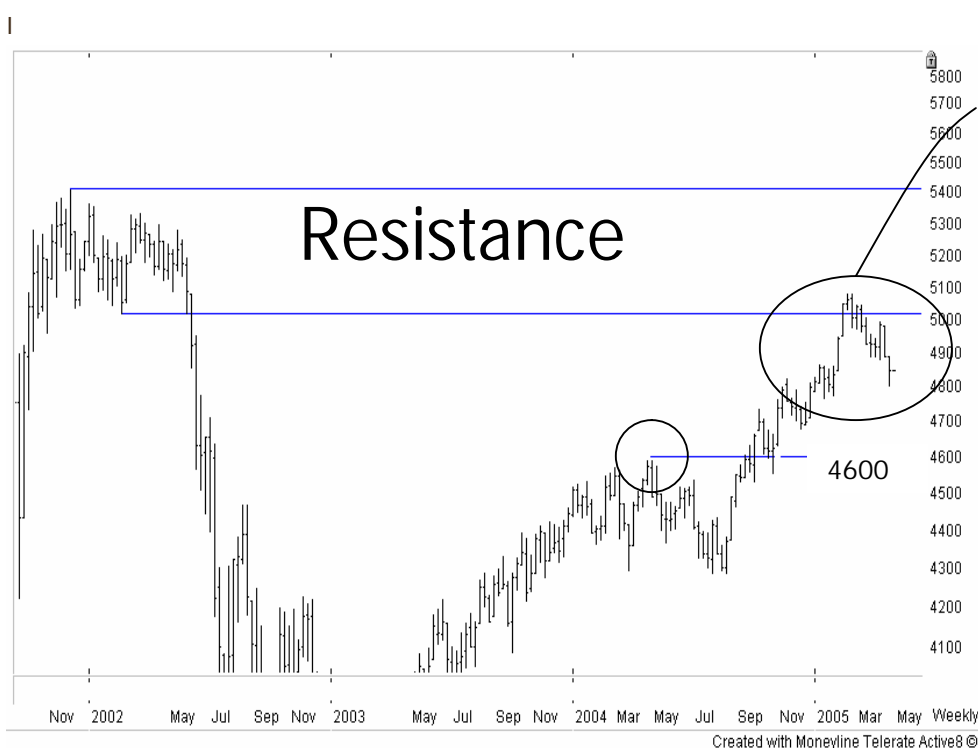
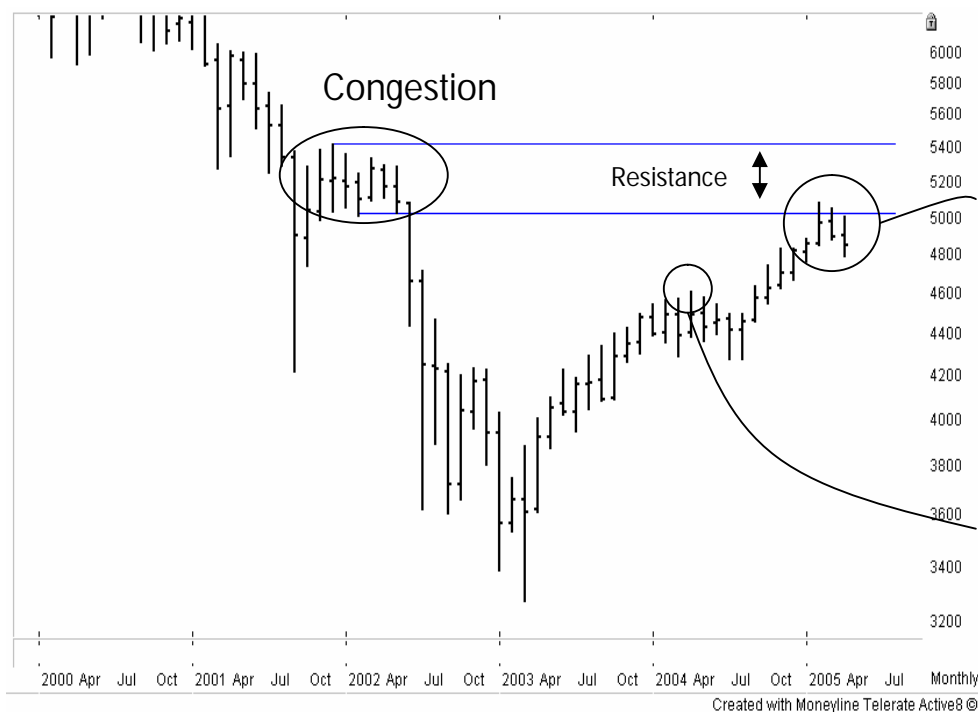
There is a bear case to be found: possibly a poorly-constructed H&S Top.

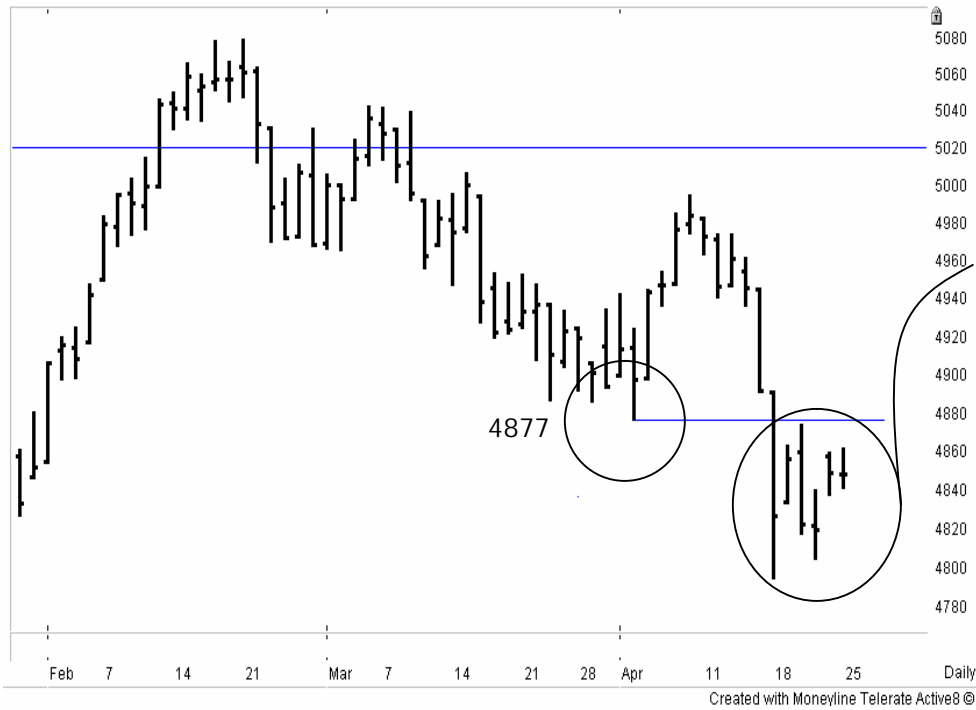
Note that the bear Neckline coincides with the bull Neckline at 2820.

Watch carefully how the market trades around that level. A push down through those levels would lead establish some good bear momentum.

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# FTSE 100



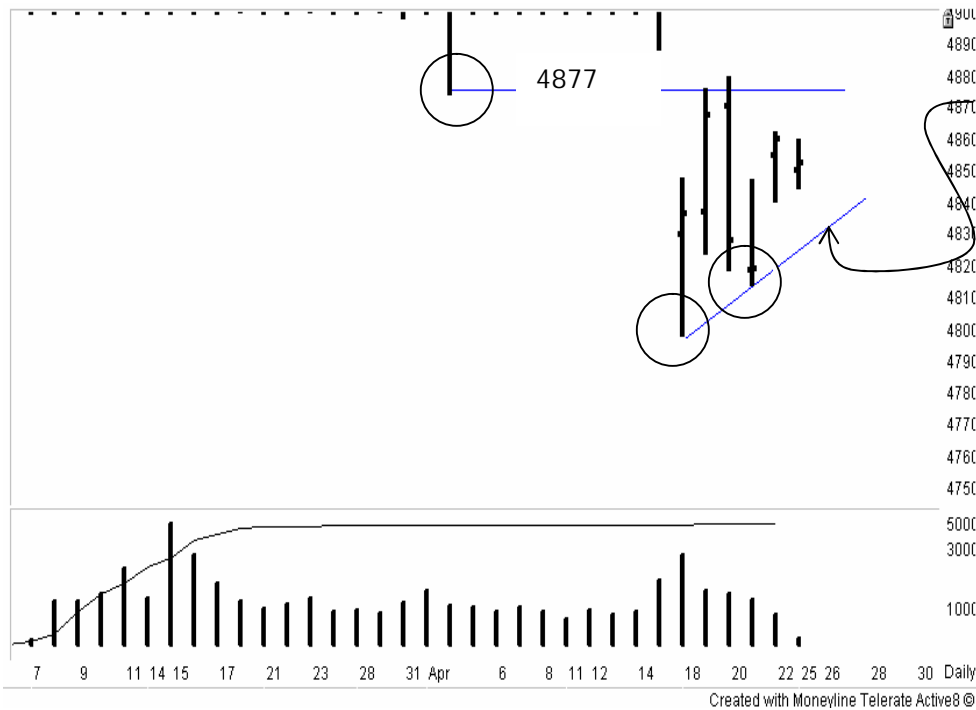


### DAILY CASH INDEX CHART:

The important overhead resistance lies at 4877.

The price action beneath that level looks very much like a Triangle in the making...

Keen bears should sell here with a stop above the resistance, the more cautious will wait for a break down below the recent lows ...

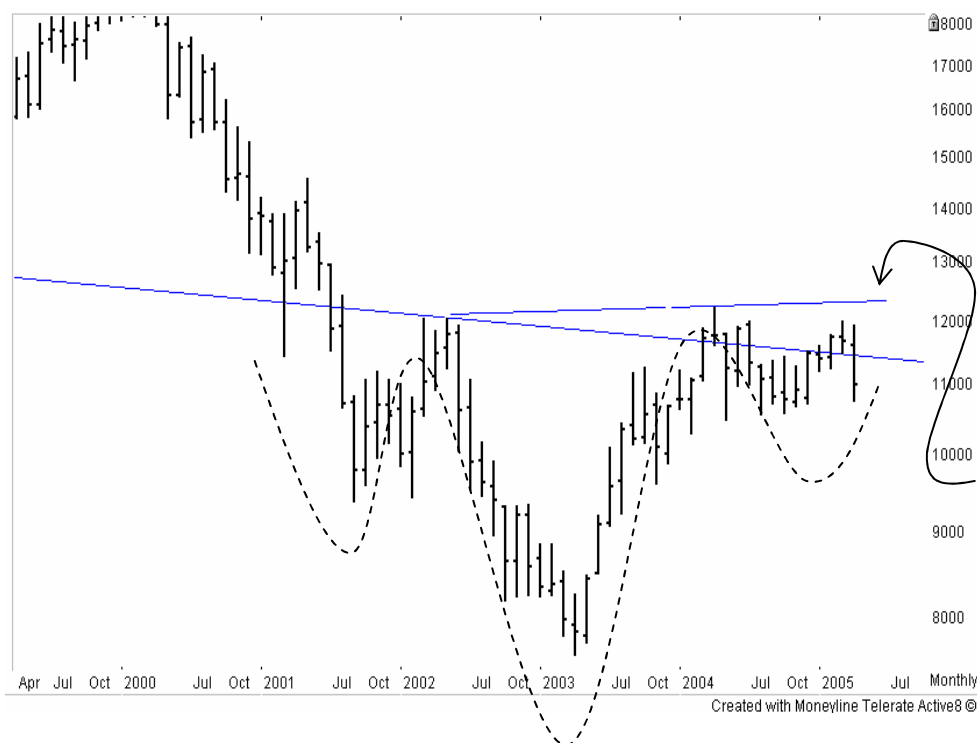
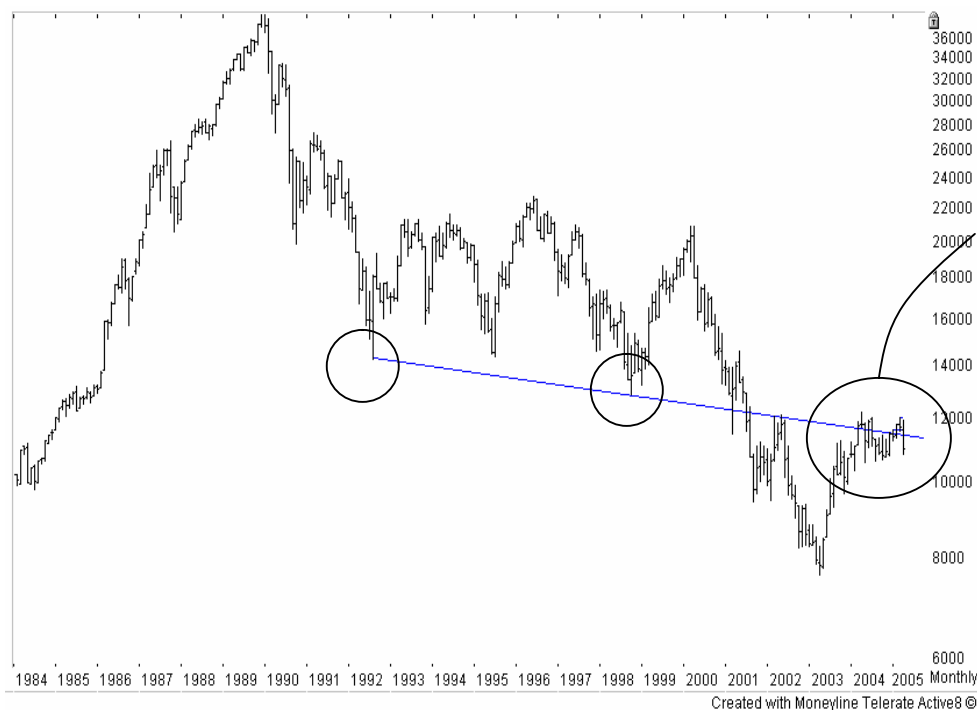


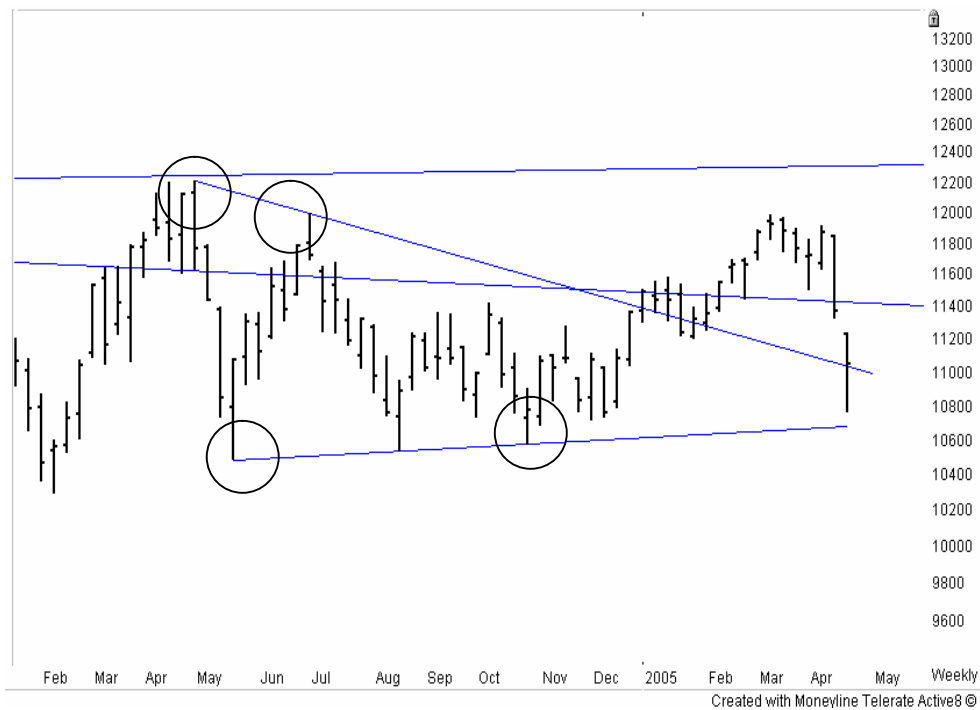
### DAILY CASH INDEX CHART:

The rising diagonal is currently at 4811.

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# Nikkei 225







#### DAILY CASH INDEX CHART:

The day chart reveals the source of the bear energy: a well-formed and completed Head and Shoulders Top.

The market has a powerful momentum and has already achieved its minimum target.

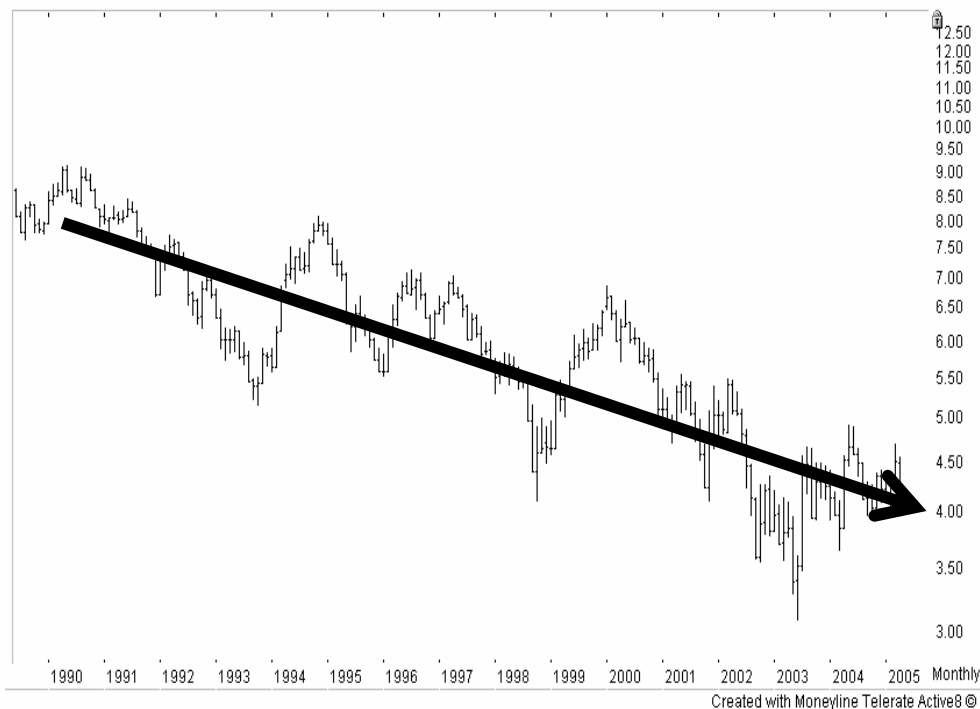
Once again, wait for a break of the pivots before adding on.

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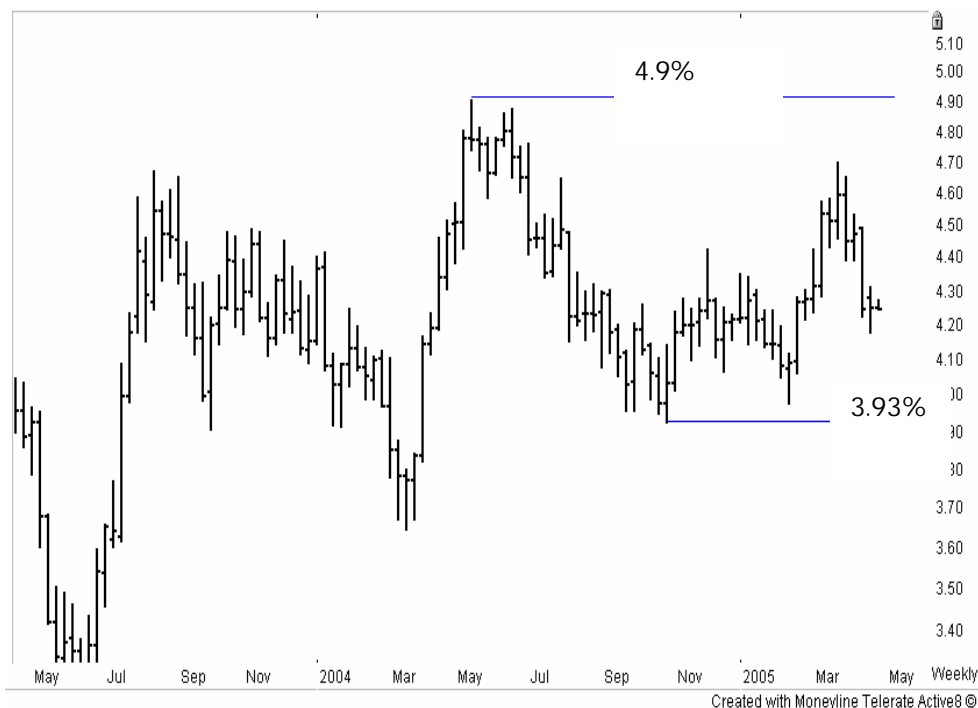
# Bonds

The Japanese bond market leads the way in bullishness, closely followed by the Euro Bond market which is clearly bullish too but waits upon a move through important close levels.

## Ten Years US Treasury Note



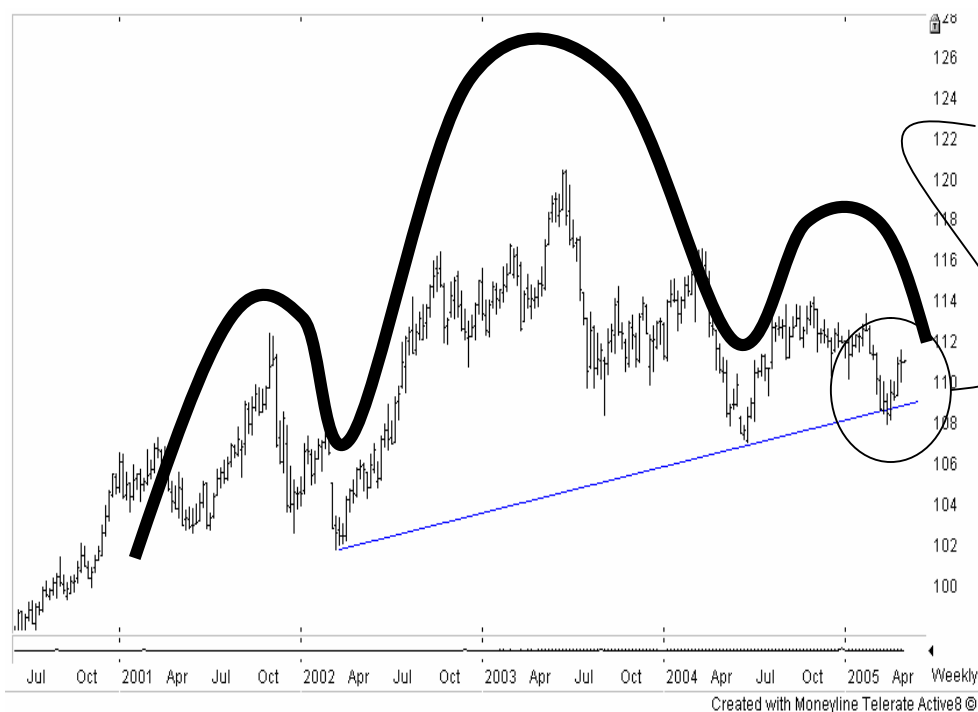
MONTHLY CASH  
YIELD CHART:  
The long trend of US  
dollar rates remains  
down.



### WEEKLY CASH YIELD CHART:

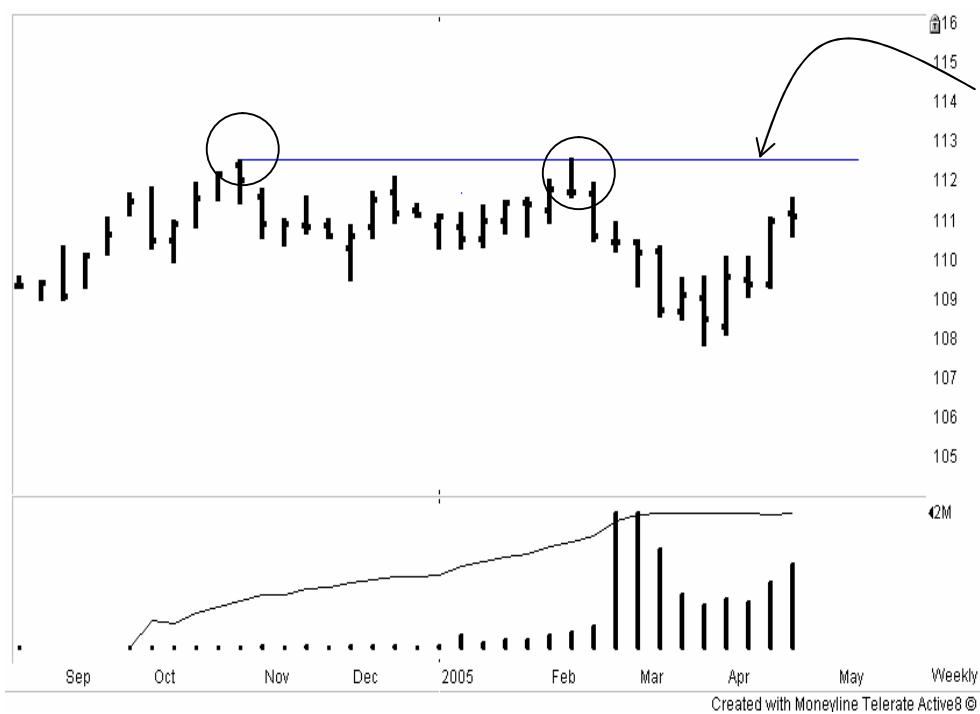
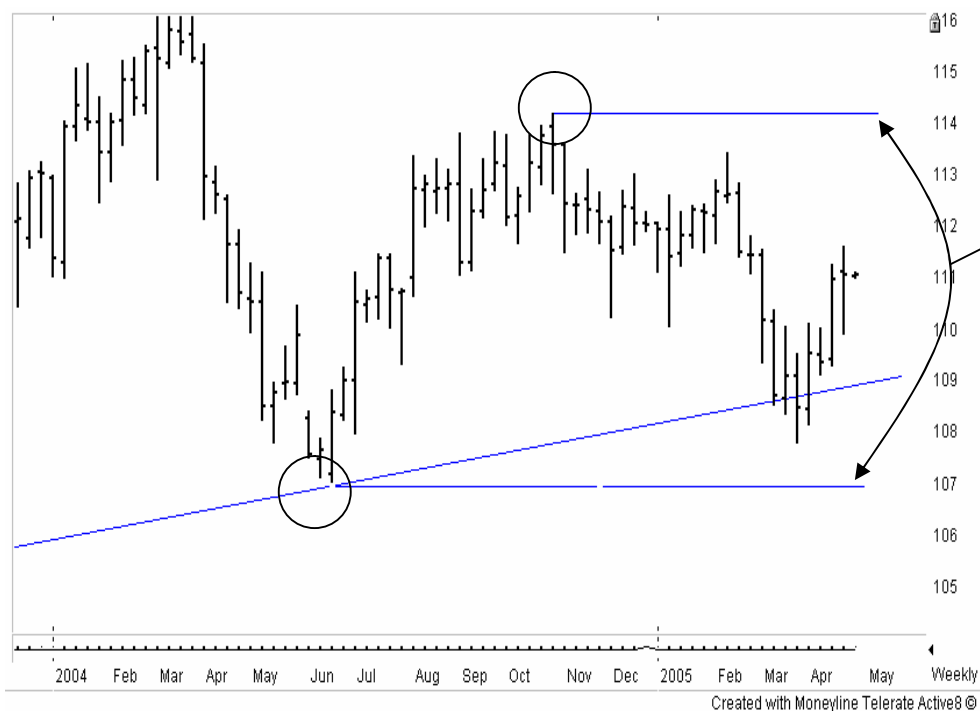
Some while ago I speculated that there was a possible higher yield breakout on the cards – but the market has fallen back into its old trading range.

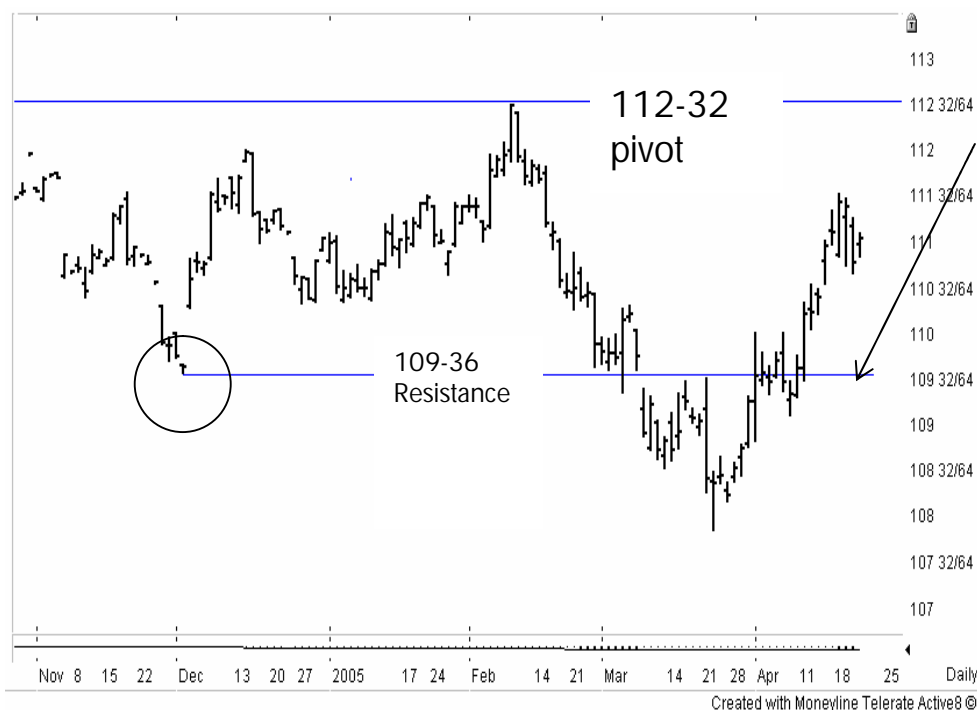
Lacking clarity, traders should stand back and wait for the range to be broken.



### WEEKLY CONTINUATION FUTURES CHART:

The futures chart reveals clearly the retreat from the critical level for the bears.





DAILY JUN 05

FUTURES CHART:

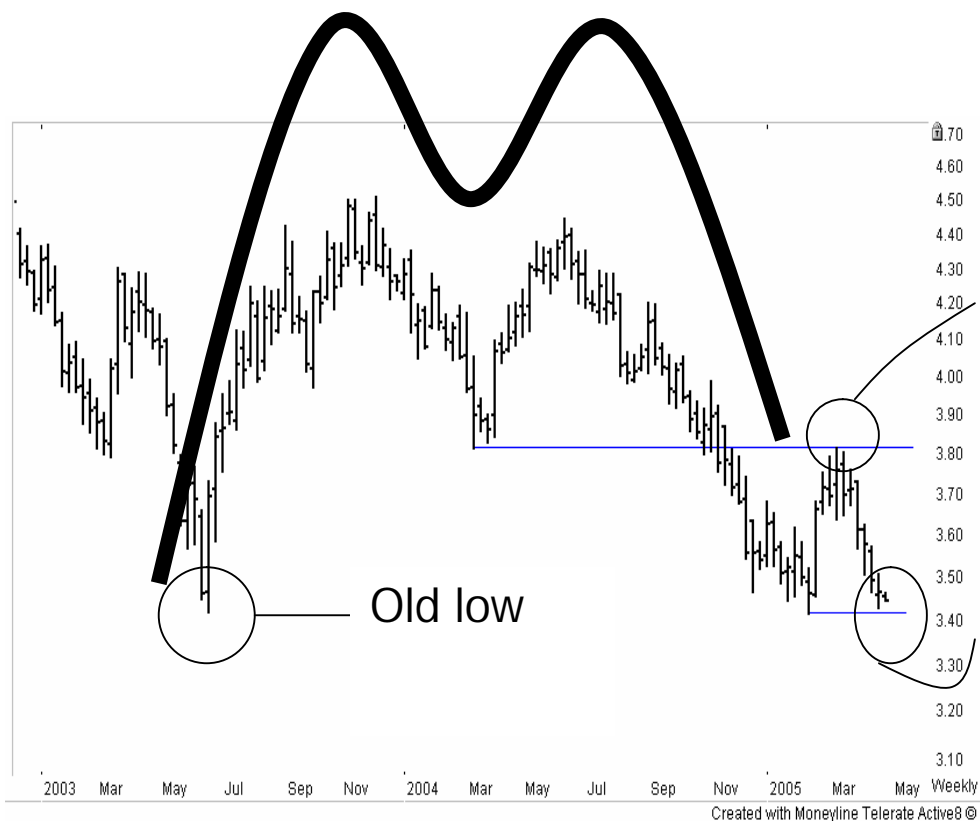
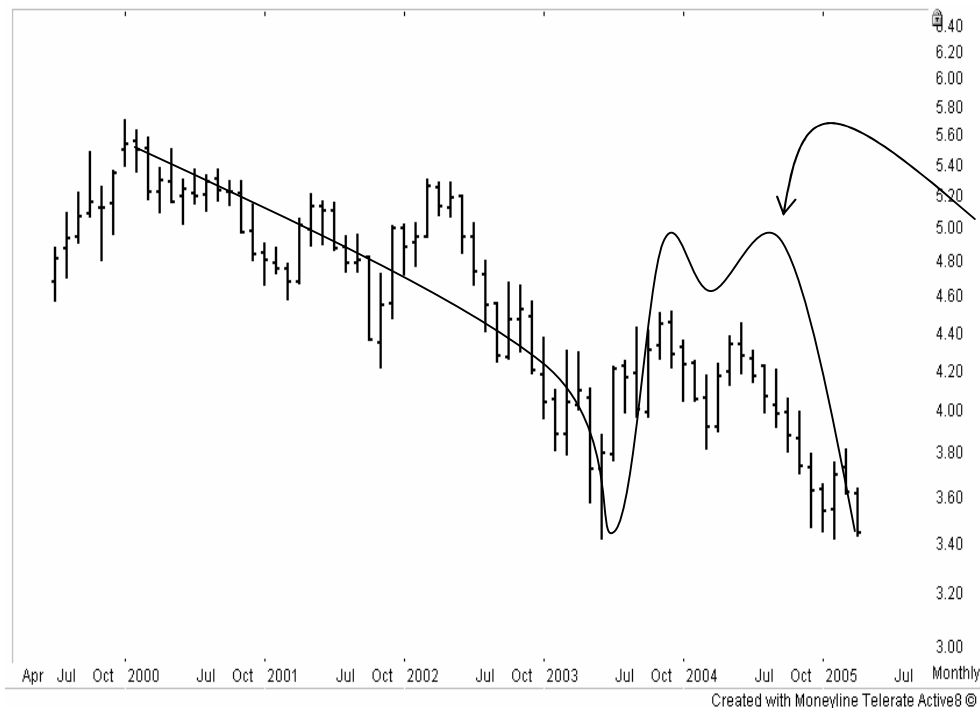
The resistance above the market that I identified two weeks ago was finally broken.

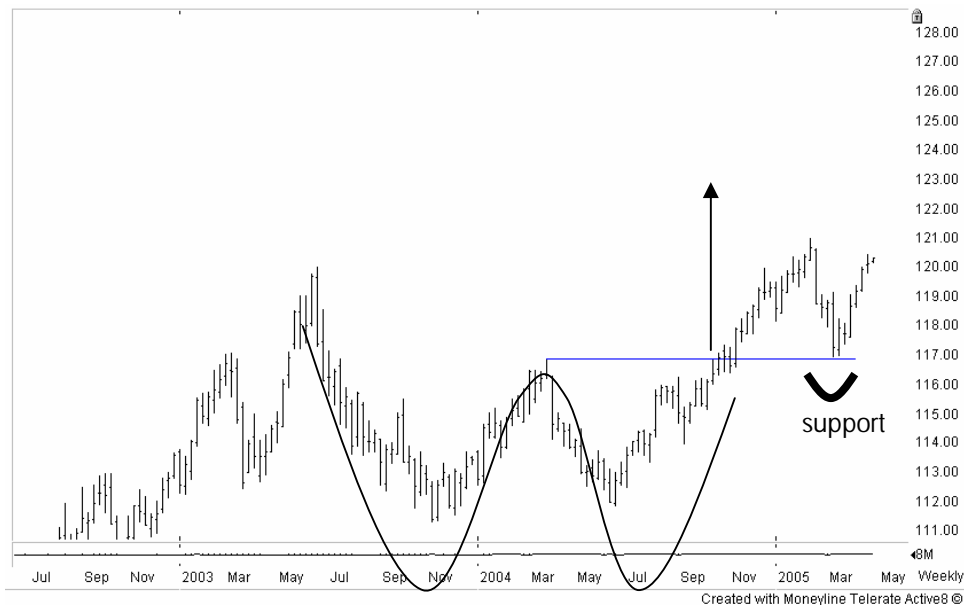
But the result has been a return into a trading range.

There is no clarity at the moment and traders should stand aside.

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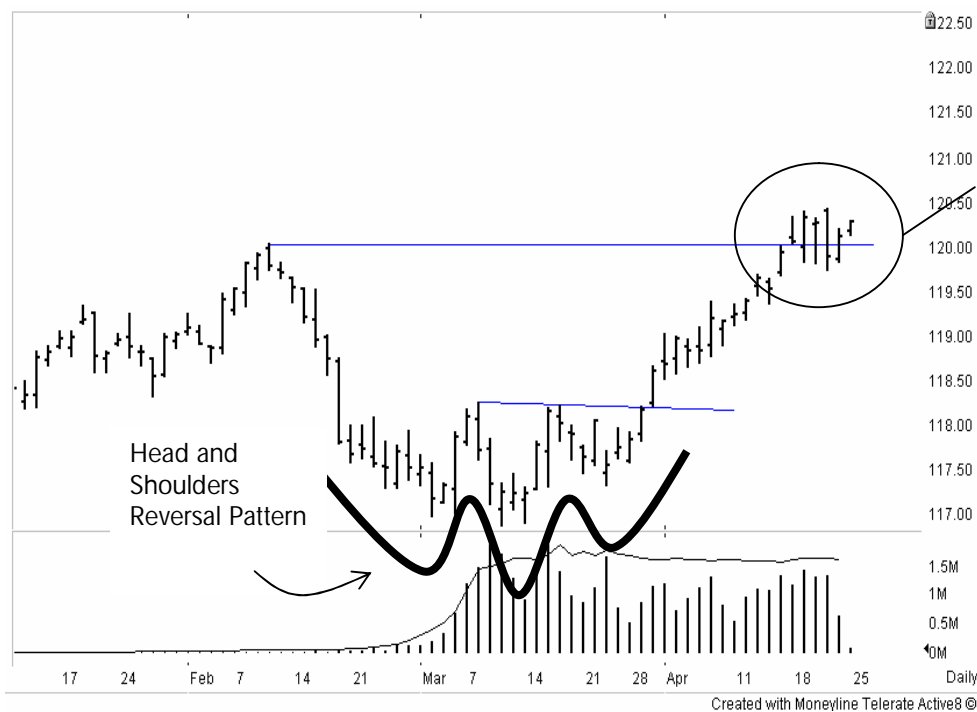
# Ten Year Euro Bund



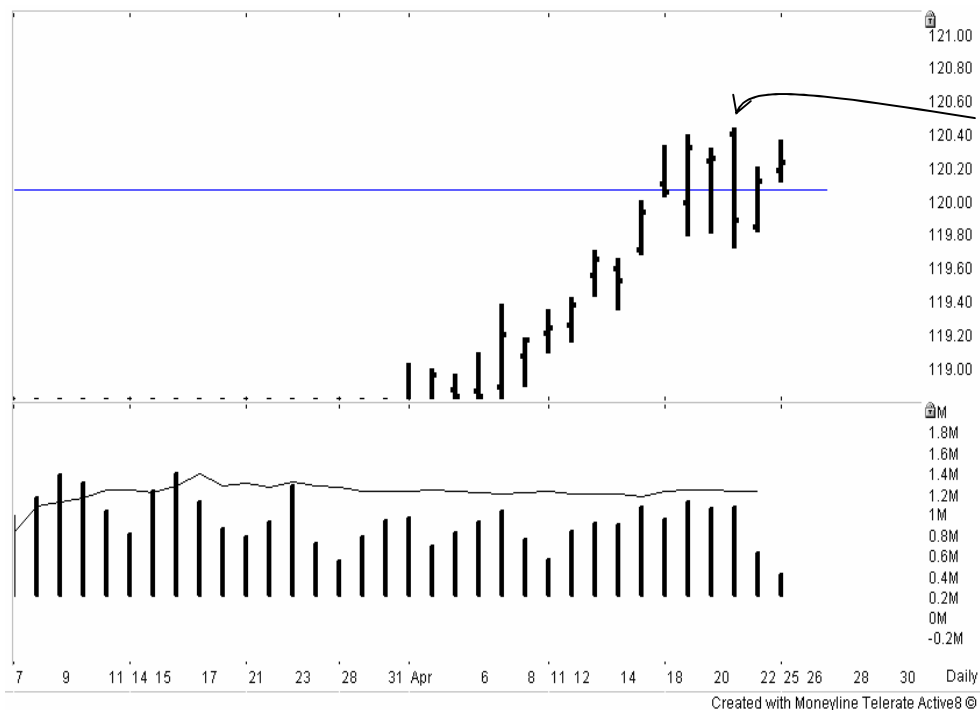


**DAILY CONTINUATION  
FUTURES CHART:** The  
same pattern is revealed  
in the futures market.

The target of the Double  
Bottom is 122  
minimum.



**DAILY JUN 05  
FUTURES CHART:**  
The June 05 contract is  
rather more exciting still:  
having hovered at the  
old highs the market  
stayed there and looks  
set to drive on up...



# DAILY JUN 05 FUTURES CHART:

Wait though, for a break  
above the near high at  
120.42 in good volume.

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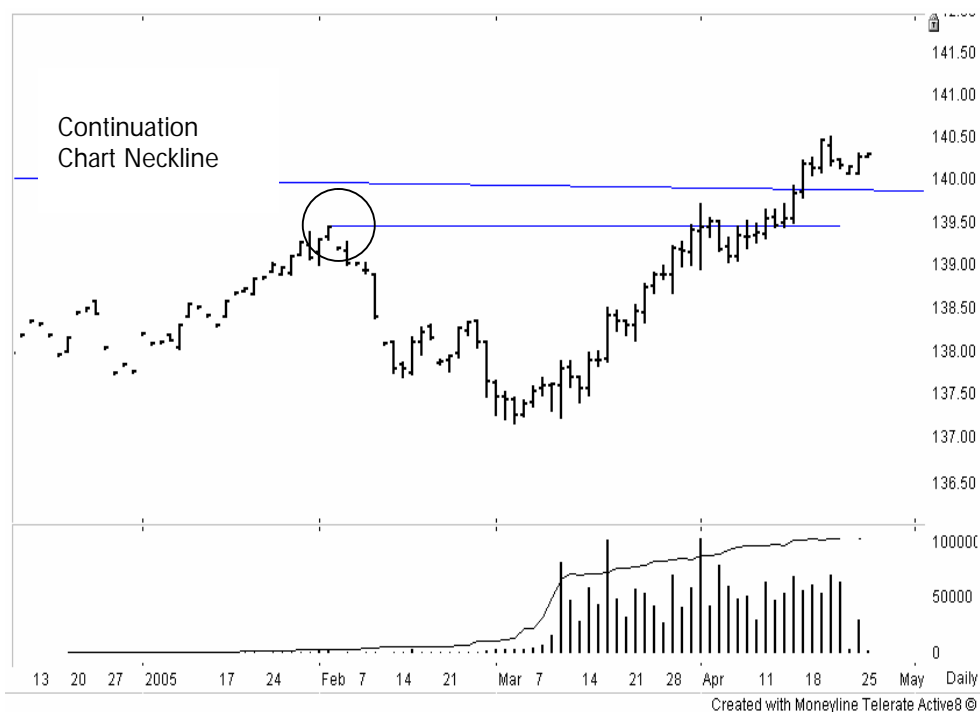
# Ten Year Japanese Bond





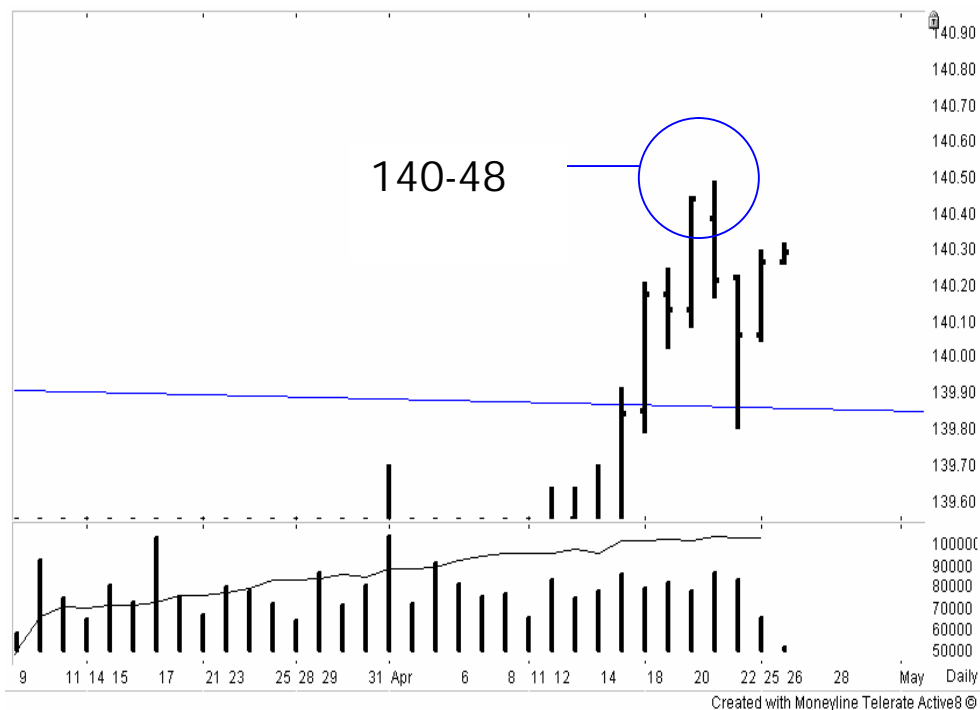
### WEEKLY FUTURES CONTINUATION CHART:

The futures continuation chart reverses the pattern, (though now less clearly a Head and Shoulders perhaps more a Double Bottom) and more excitingly still, has completed – a clear close above the recent high (where the cash yield chart lagged.)



### DAILY JUN 05 FUTURES CHART:

Here the push through the old high from January 2005 set up the move through the Continuation chart's Neckline.



DAILY JUN 05  
FUTURES CHART:  
Closer still, though the market is volatile, traders should wait for a break through the near highs – at 140-48 thus virtually ensuring a second weekly close through the long-term H&S Neckline.

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# Interest Rates

The stunning clarity of the Euribor chart contrasts starkly with the confused pictures in the Sterling and Dollar charts.

## Dollar Rates



WEEKLY MAR 06

FUTURES CHART:

The massive long-term triangle has been puzzling the technicians.

Triangles are primarily Continuation patterns – for a time this one looked like a Top Formation so I was skeptical and rightly emphasized the importance of the horizontal from the low at 95.39.

Saying that only if that was broken should the bears get excited.

That was right. Instead of confirming the bear move by breaking down through that level, the market has retreated – in fact, bounced hard. The triangle might yet after all be a continuation pattern.



DAILY MAR 06

FUTURES CHART:

The detail of the bounce further encourages the bulls.

As the market struggled to re-enter the triangle, a small bull Head and Shoulders pattern was completed which drove the market better still. Its minimum target is 96.20.

The Neckline at 95.82 should provide good support on any pull-back. But bulls look in control.

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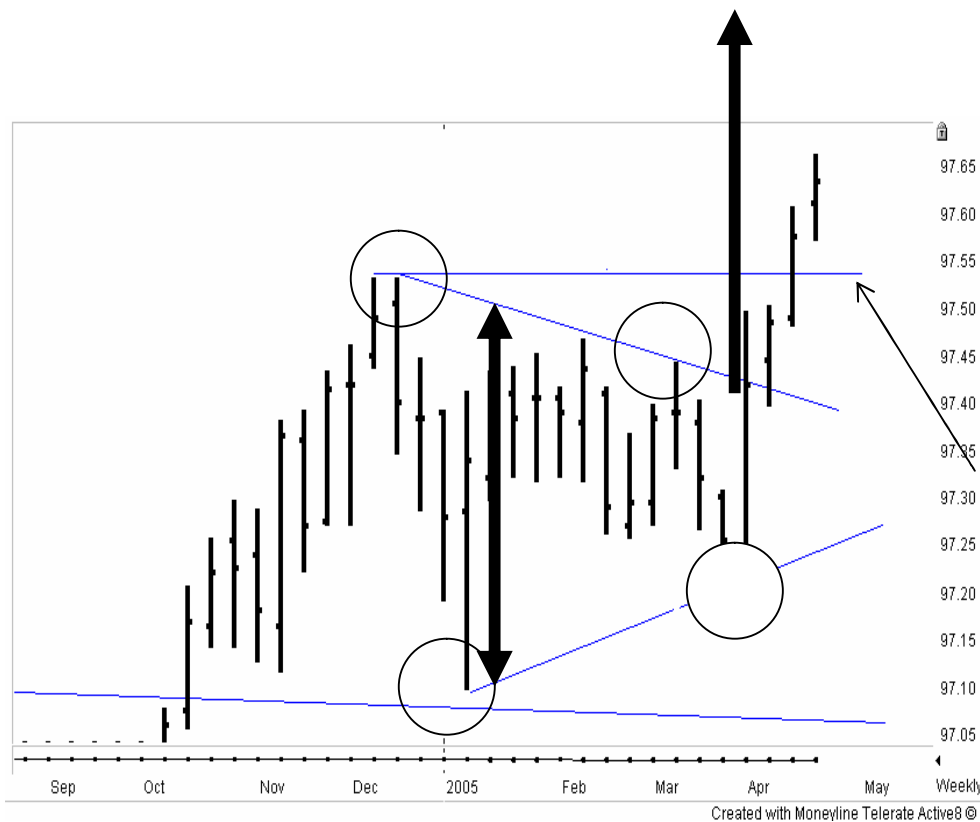
# Euribor Rates



WEEKLY MAR 06  
FUTURES CHART:  
A huge bull Continuation  
Triangle is driving the  
market better.

Its minimum target is  
98.64.

Once the Triangle had  
completed, notice how  
the upper diagonal acted  
as very good support –  
further emphasizing the  
influence of the Triangle.



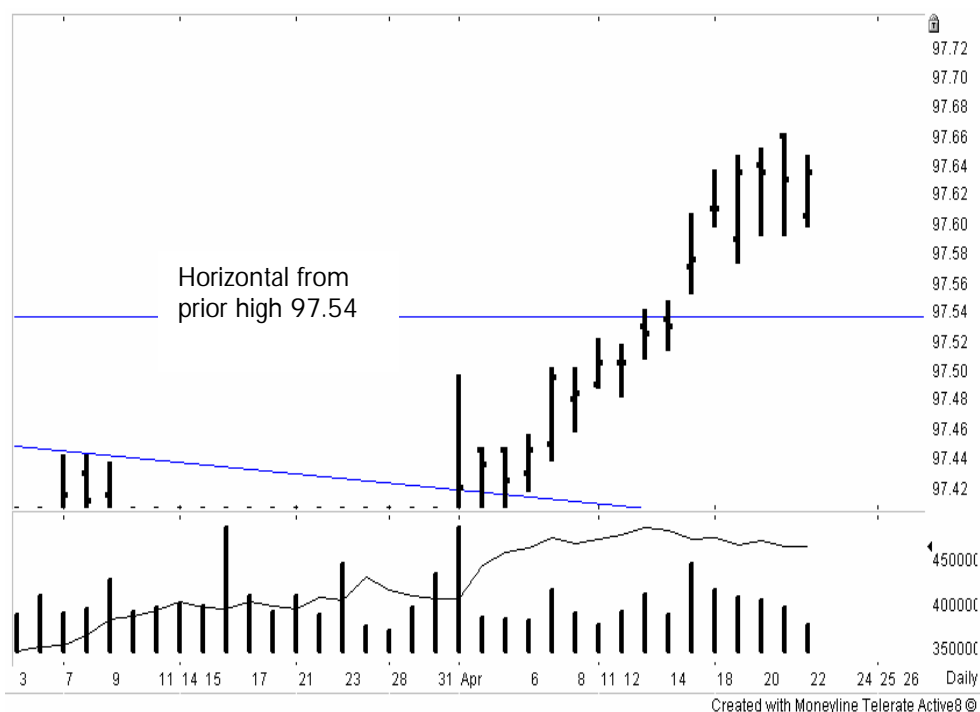
DAILY MAR 06  
FUTURES CHART:  
Another smaller triangle  
has formed above the  
other – that too has  
completed and is set to  
drive the market up to  
97.85.

First support on any set-  
back lies at the  
horizontal from the old  
high at 97.54.



DAILY MAR 06  
FUTURES CHART:  
The detail of the  
breakout of the Triangle.

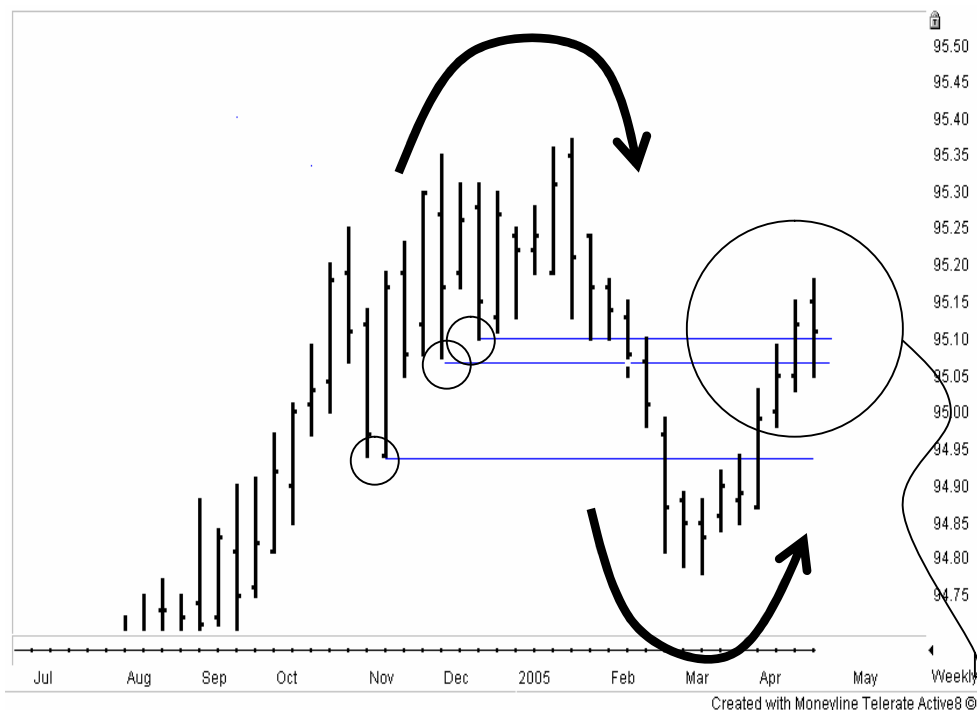
Note the Breakaway  
Gap. A sure sign of  
latent bull energy.



DAILY MAR 06  
FUTURES CHART:  
Despite the pause of the  
last few days (with  
falling volume and open  
interest) the market  
remains poised for  
further progress towards  
the minimum target of  
97.85.

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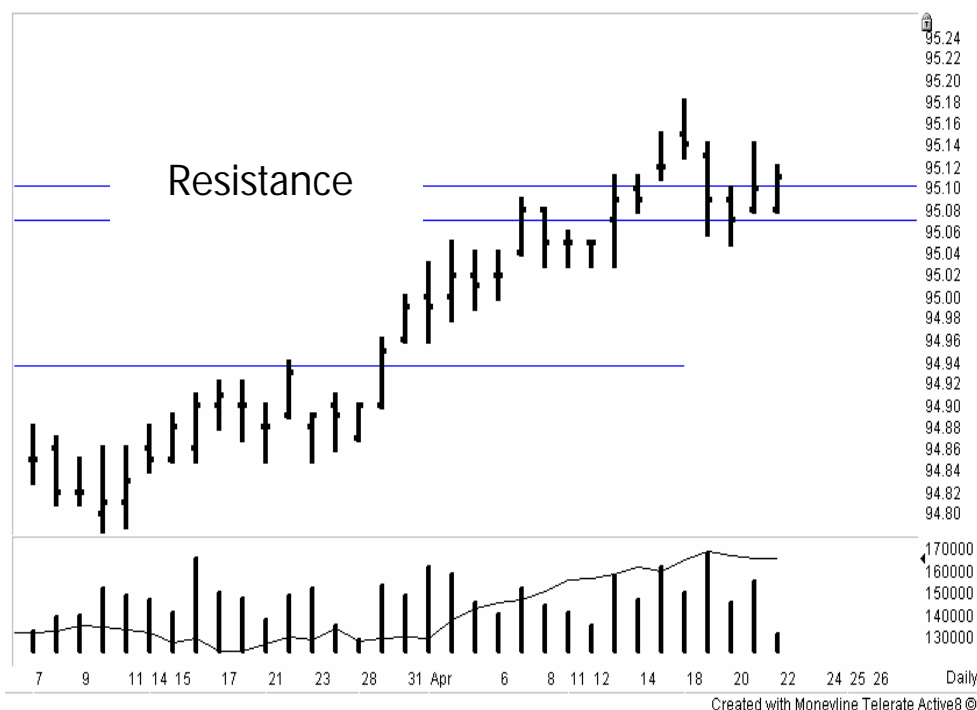
# Sterling Rates



WEEKLY MAR 06  
FUTURES CHART:  
When last I wrote two weeks ago I thought the market rather featureless – neither of the recent major turns in the market contained a reversal pattern ...

So I concentrated on the overhead resistances from the old price action of November and December 2005.

The market has traded into it easily.



WEEKLY MAR 06  
FUTURES CHART:  
Although detail of the price action reveals some uncertainty at the resistance.

But again, little structural clarity.

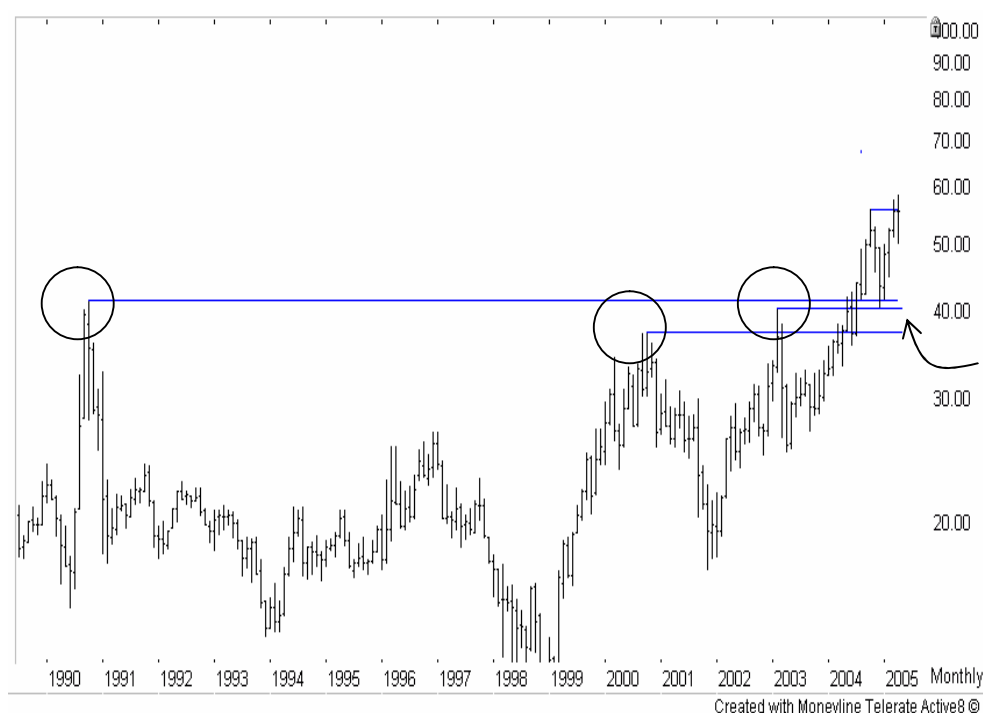
Traders should continue to stand aside waiting for greater clarity.

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# Commodities

Both of these markets are in well-established bull trends. Gold's may be of longer standing, but the scale of the pattern behind the move suggests that there is still a long way to go. Oil is underpinned rather than driven by a large ruling pattern with a set target. Watch my levels for help with fine tuning entry to and exit from these mature trends

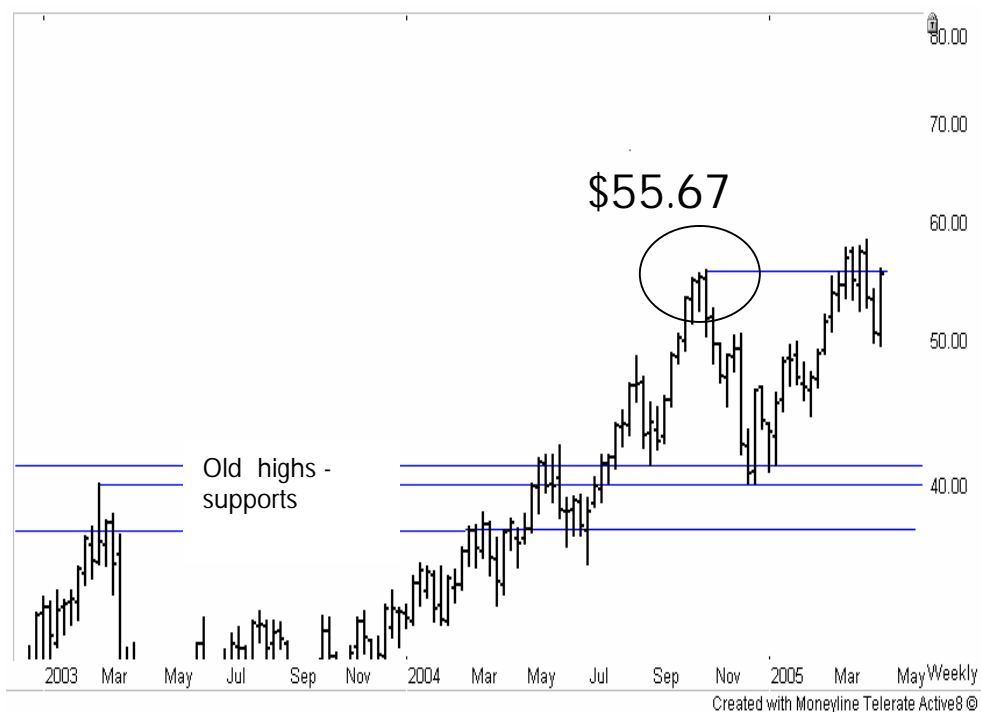
## Oil



MONTHLY SPOT CASH  
CHART:

The market is powerfully  
set up.

The old highs around  
\$40 has provided a  
massive floor of support  
from which the market  
has bounced.



### WEEKLY SPOT CASH CHART:

That bounce has pushed the market up to its old highs.



### WEEKLY SPOT CASH CHART:

The weekly detail reveals the source of the bounce – a small completed Head and Shoulders Bottom ...

The minimum target is \$60.50.

Note how the Neckline has been good support.

The bulls remain in control.



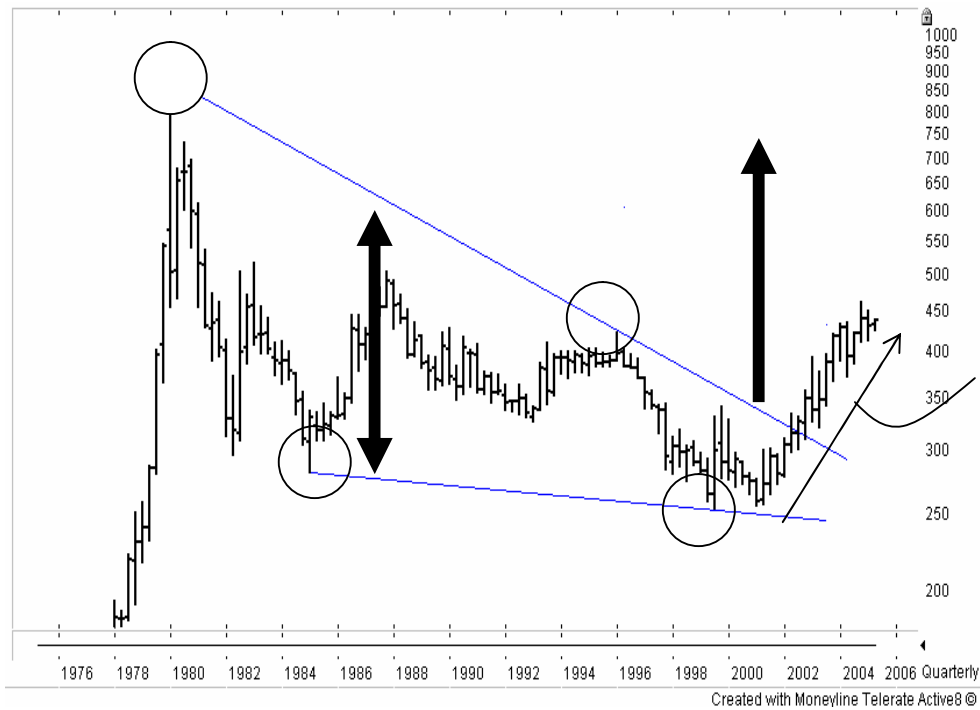
#### DAILY SPOT CASH CHART:

In the short-term though, bulls should wait for the old high at \$58 to be over come before adding on...

Note the bull gap that has opened up beneath the market illustrating the latent bull energy within.

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# Gold



## QUARTERLY SPOT CASH CHART:

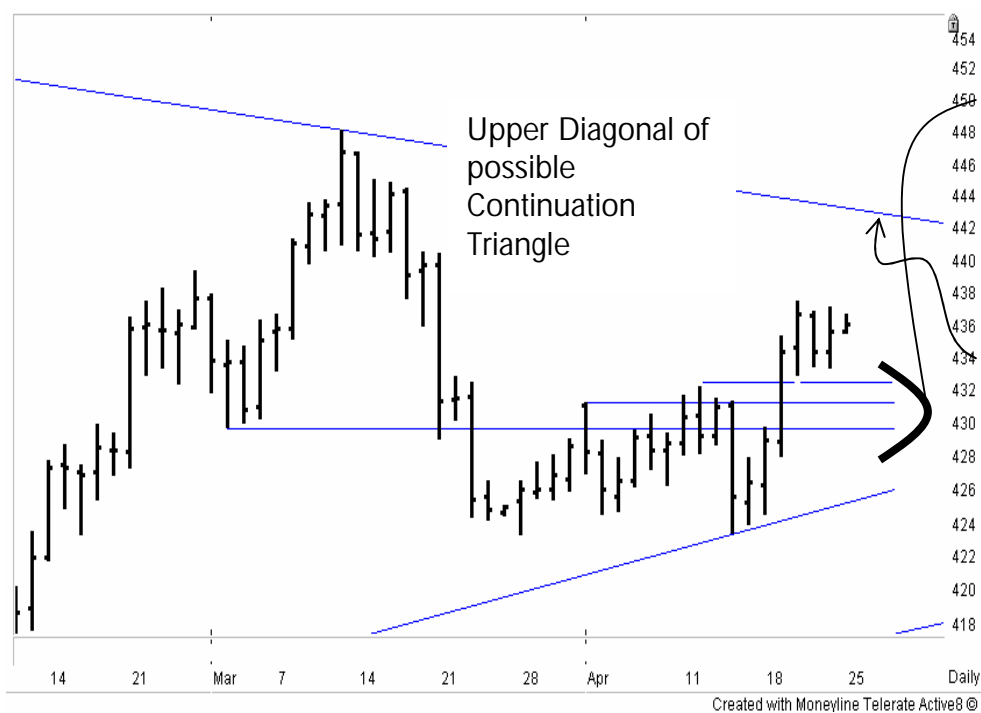
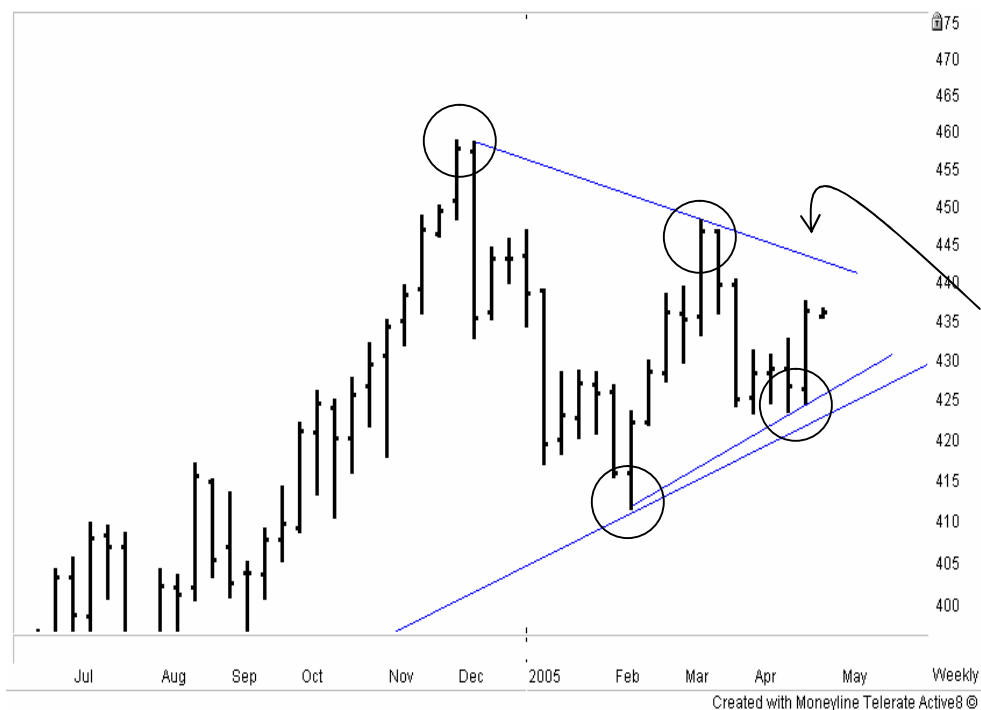
A massive bull continuation triangle targets the Gold market up to 794 – close to the old high at 873.

The bull trend has been neat and steady since the completion of the Triangle



## MONTHLY SPOT CASH CHART:

Close inspection shows the trend is extremely well-defined over the last two years.



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