

Sterling rates set  
for powerful bull  
move.

Japanese Bonds  
begin to realise  
bull potential

No comfort  
for Euro  
bulls



WEEK 23 7<sup>th</sup> – 13<sup>th</sup> June 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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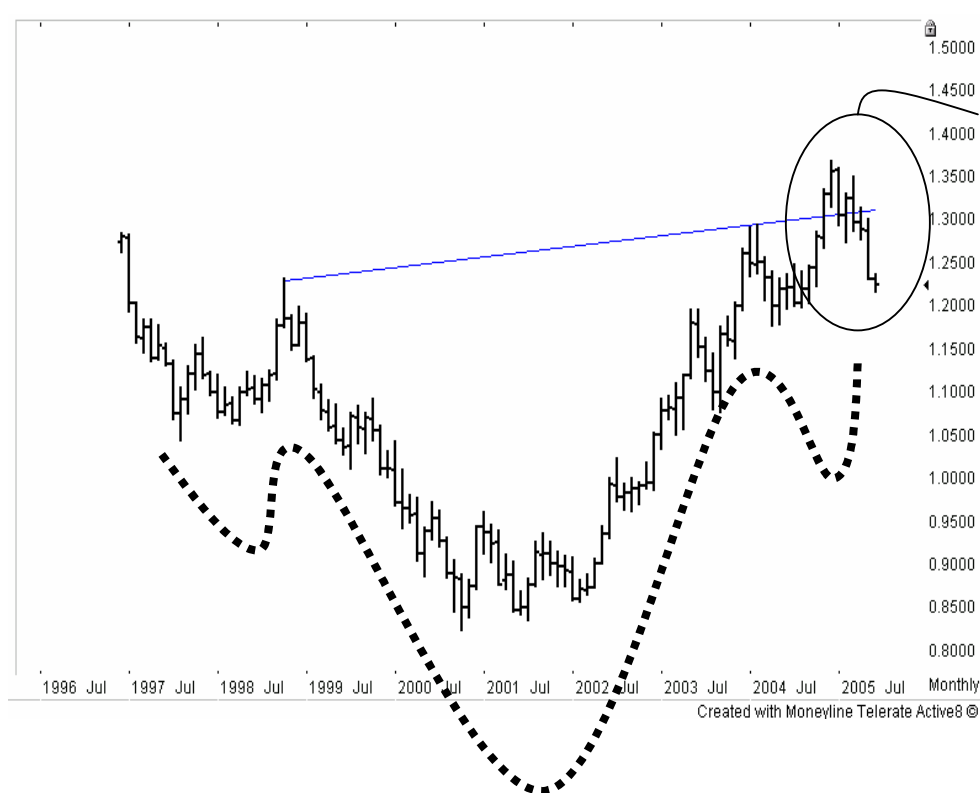
## COMMODITIES

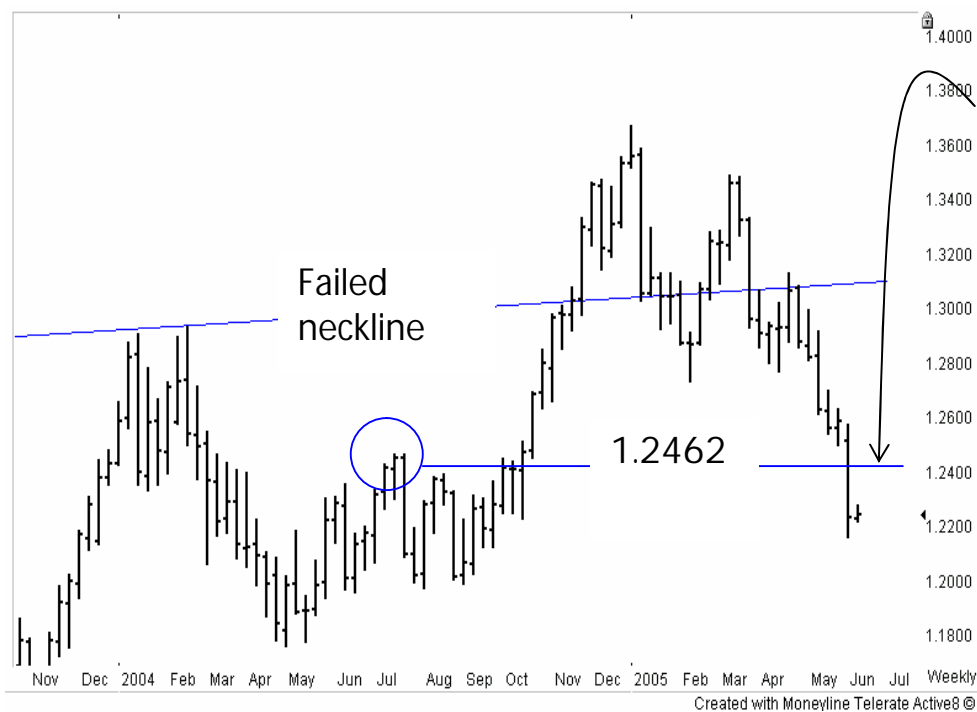
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# Currencies

The Dollar's strength over the last week has actually differed quite widely between the Currencies. The Euro took the brunt, Sterling next but the Yen actually strengthened. It pays to study each on their merits. Only the Euro has totally lost the long-term bull case for a strengthening against the Dollar.

## Dollar Euro



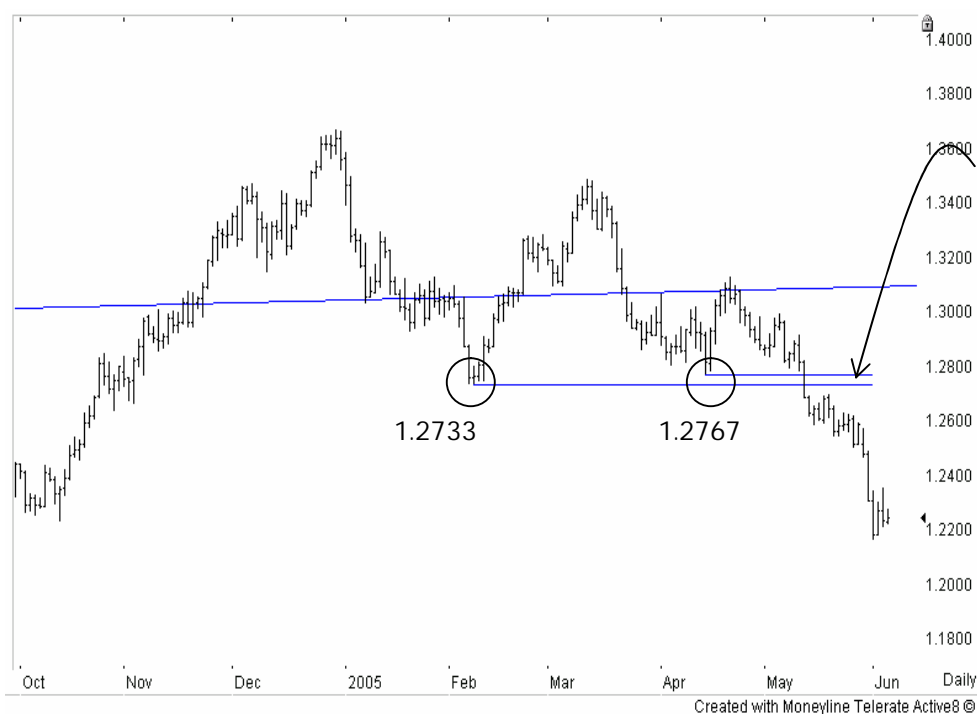


#### WEEKLY SPOT CASH CHART:

The collapse through the first major support in the market at 1.2462 that was only threatened last week suggests great weakness.

(But it is worth noting that there is no great bear pattern in place yet...)

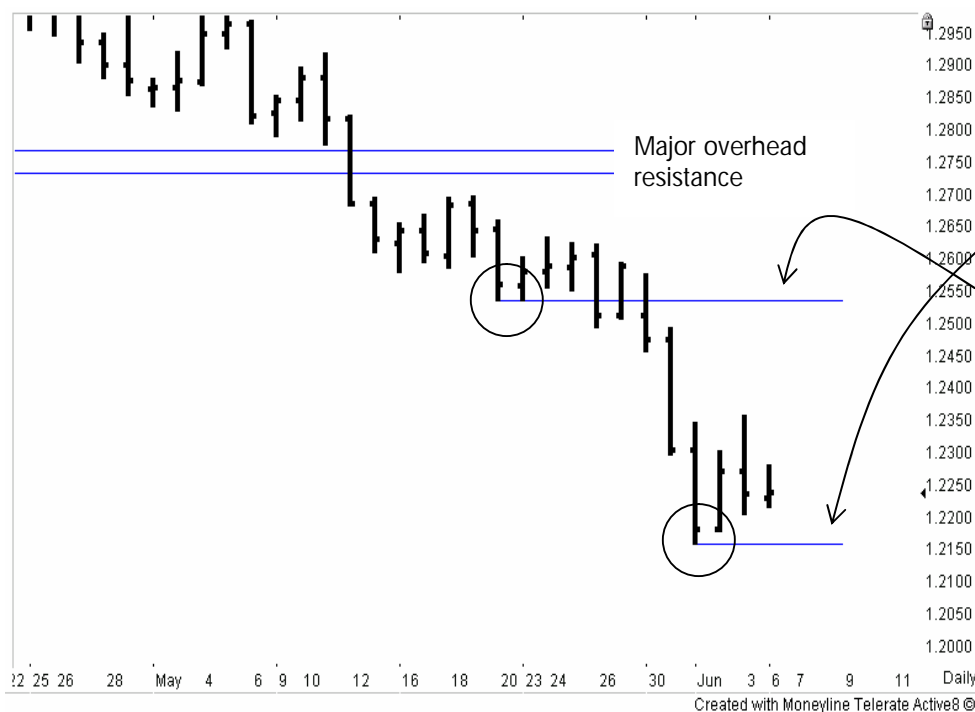
Look closer.



#### DAILY SPOT CASH CHART:

Of course, there is the good overhead resistance that we pointed out last week at 1.2733 and 1.2767 only a break back through those levels would encourage the bulls.

For the moment the bears are clearly still in control.



## DAILY SPOT CASH CHART:

Closer still, the levels are clear: watch the recent low at 1.2159

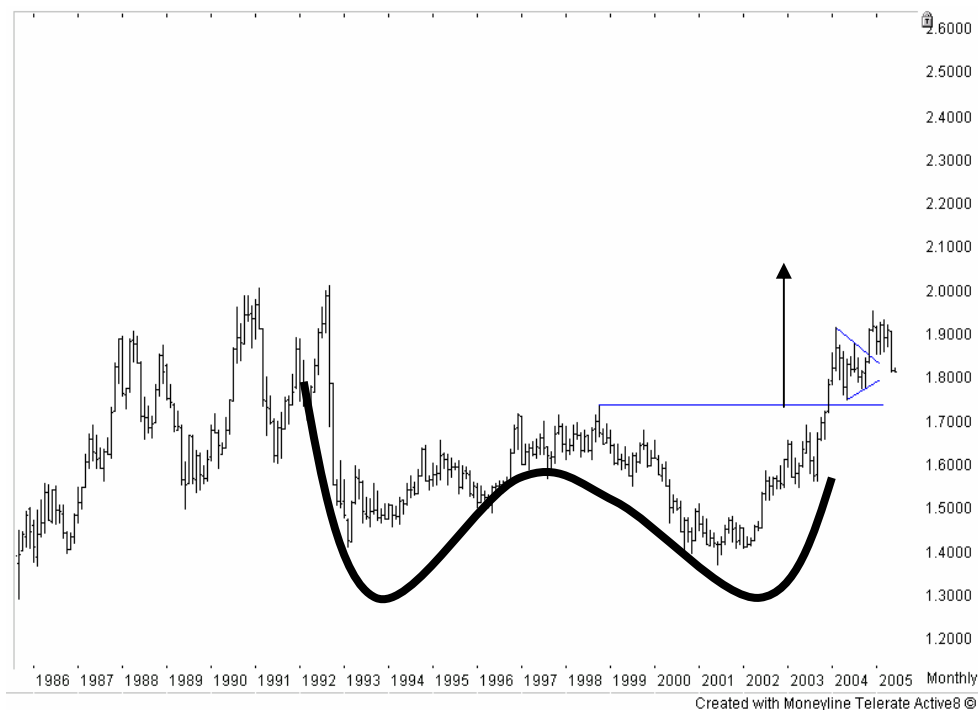
And above that the horizontal from the low at 1.2537.

Last week we argued that the Euro looked set to weaken further and it did - dramatically.

There's more to come.

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# Dollar Sterling





## DAILY SPOT CASH CHART:

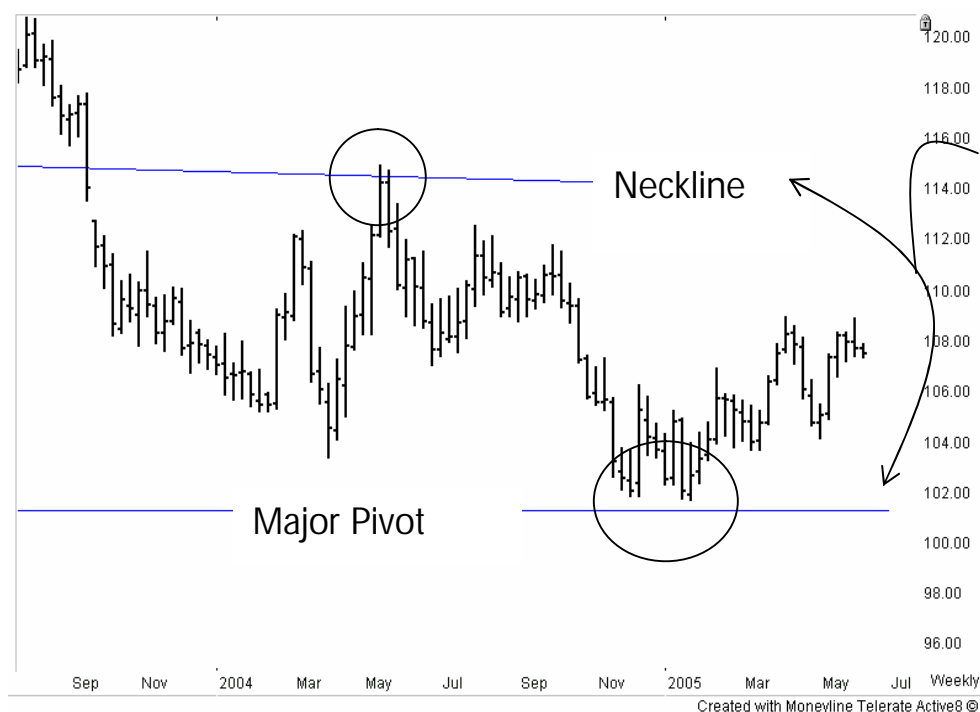
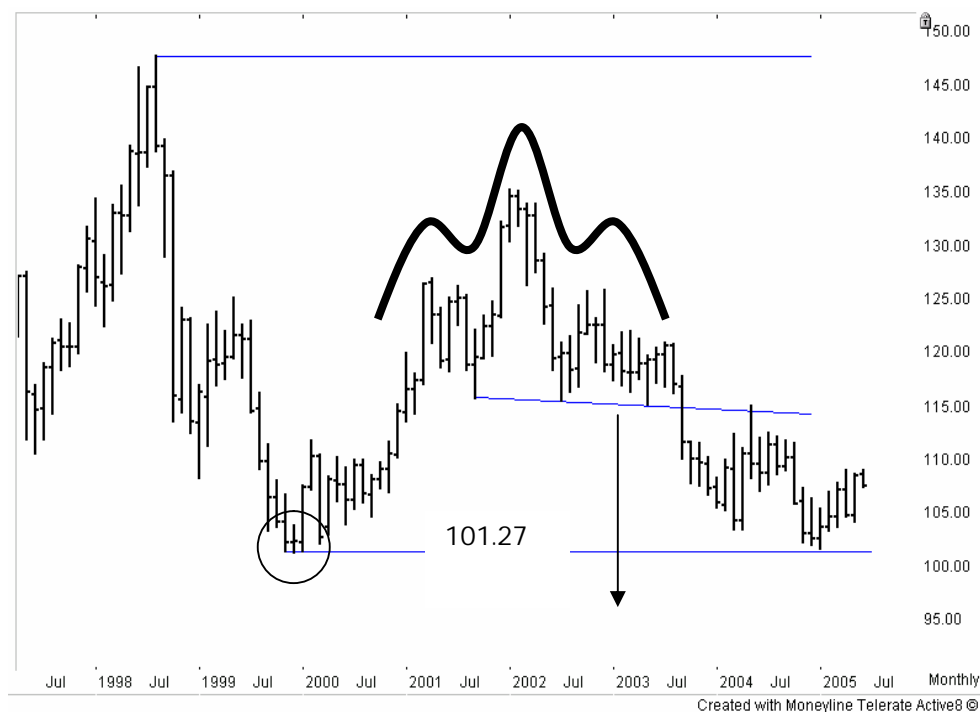
Those levels of overhead resistance in place – and the recent slide – dealers should for a break of the levels above and below.

We were right last week to anticipate further weakening.

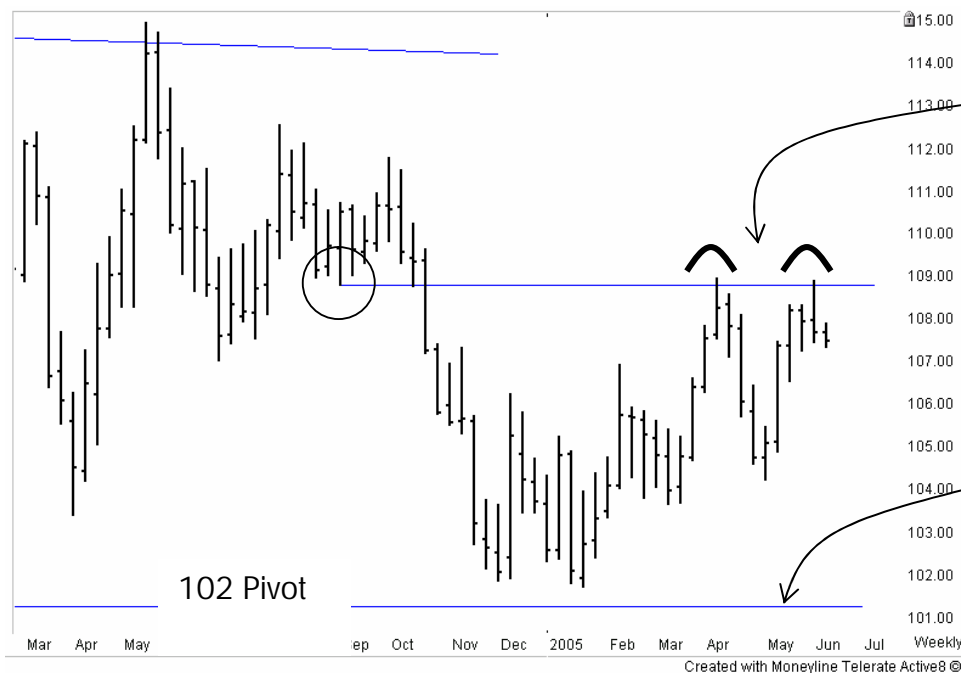
And the trend still favours a test of the lower level.

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# Dollar Yen

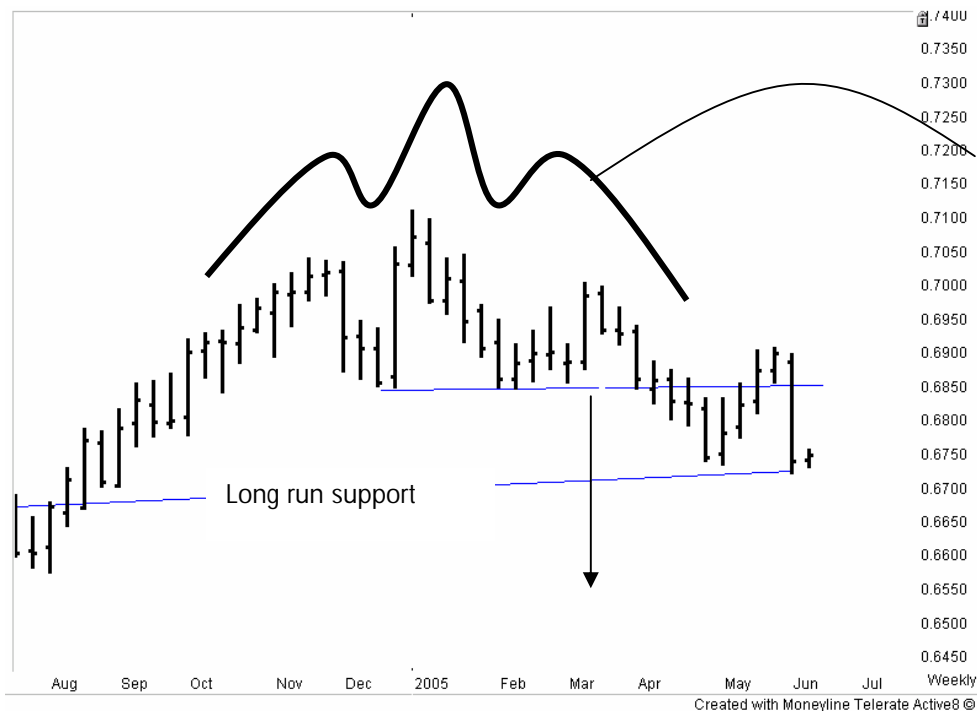
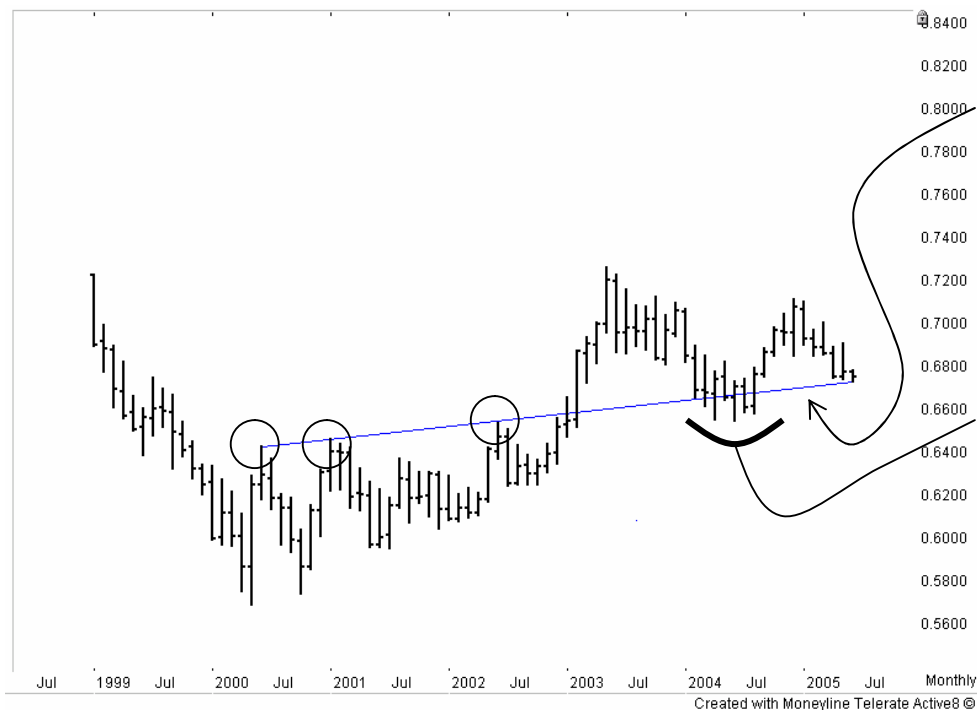


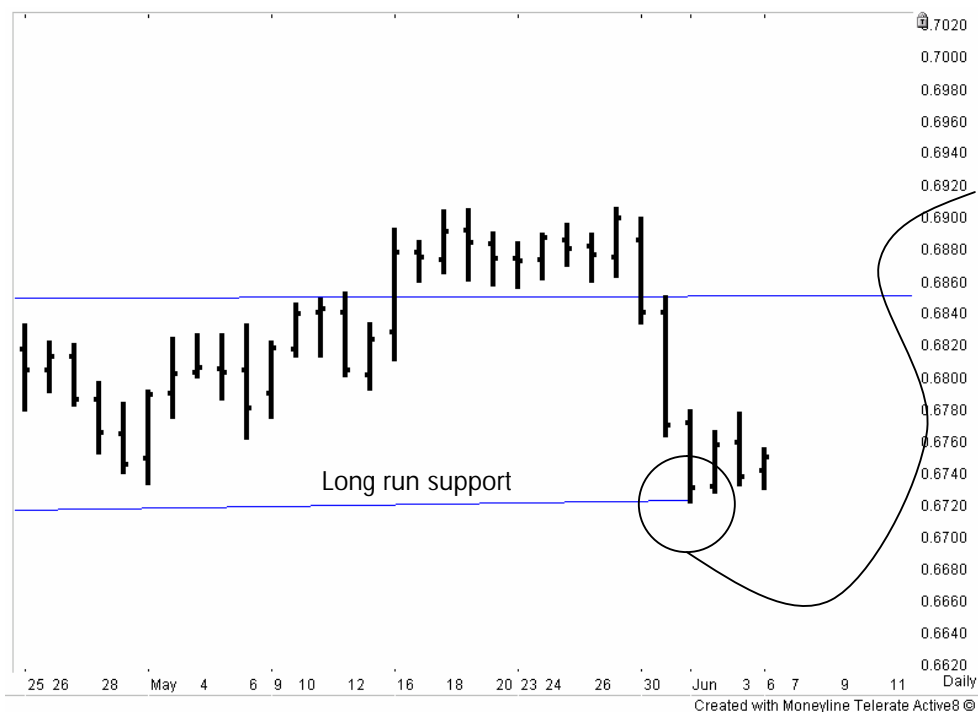




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# Sterling Euro





## DAILY SPOT CASH CHART:

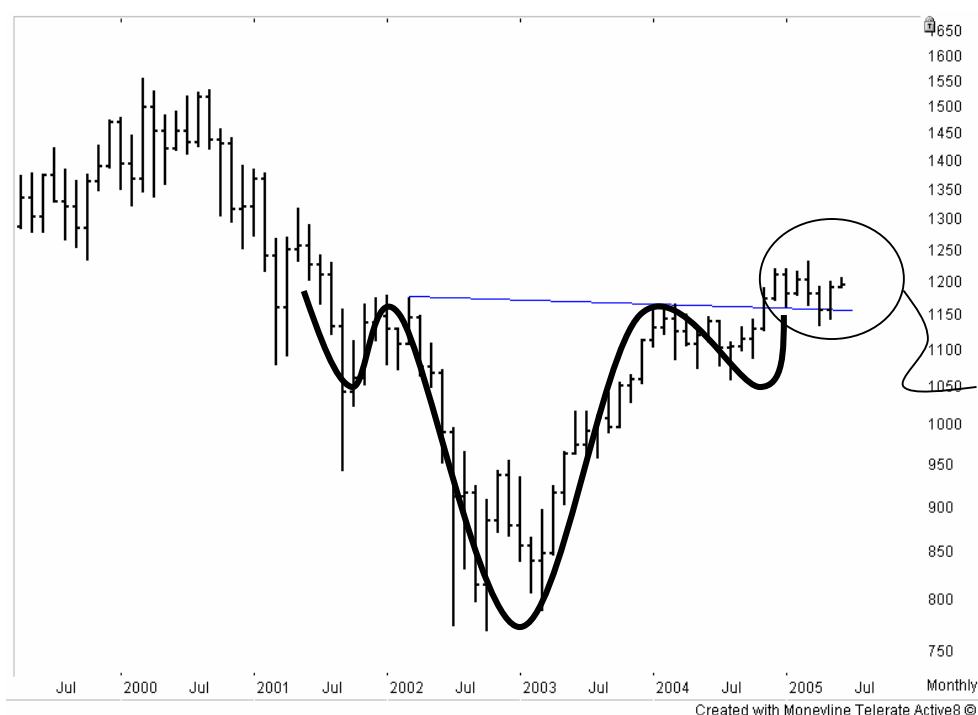
Look for a breakdown and close beneath the recent low at 0.6723 to set the Euro bears going again.

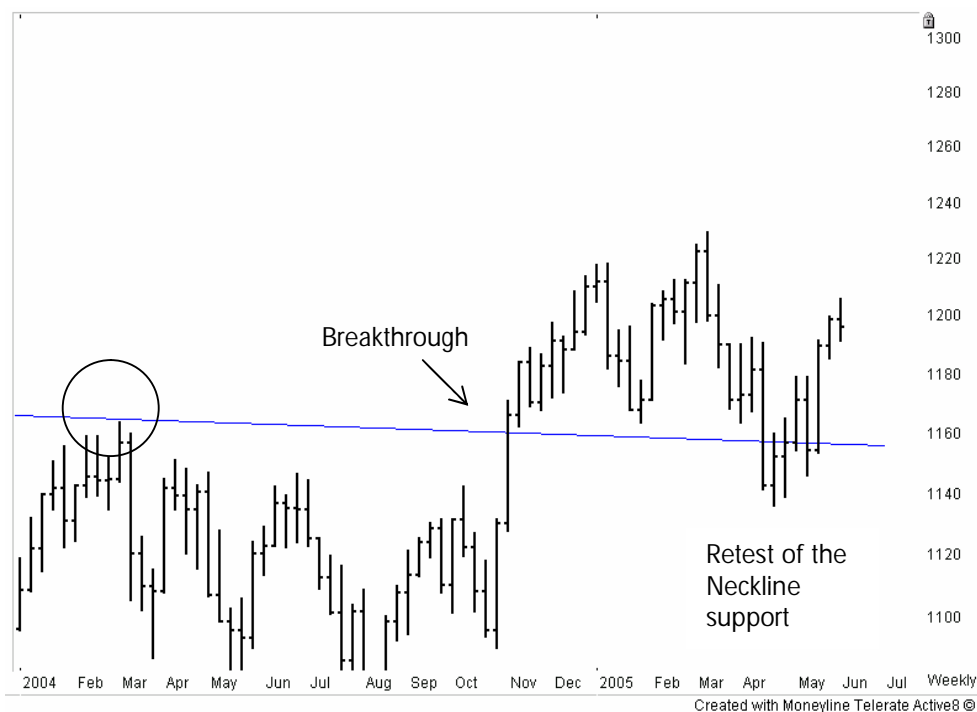
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# Stocks

The DJStoxx 50 and the Nikkei pushed higher with enthusiasm. The S&P and FTSE only nudged better. All the markets look in good form. But only one is at its high for the year: the DJStoxx50.

## Standard and Poors 500



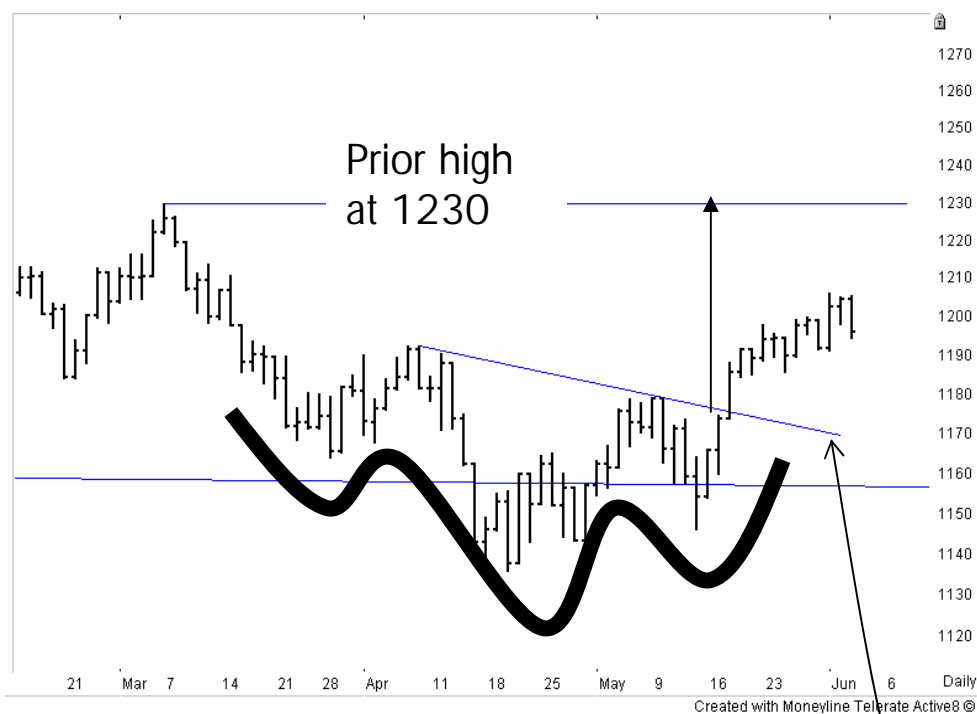


### WEEKLY CASH INDEX CHART:

Here we see the initial breakthrough of the Neckline – the completion of the H&S pattern – and then the subsequent retest of the Neckline as support.

Over the last five weeks the market has bounced convincingly.

Are there bull patterns hidden in the detail of the last five weeks?



### DAILY CASH INDEX CHART:

Yes!

There is a clear small Head and Shoulders bull pattern that completed two weeks ago.

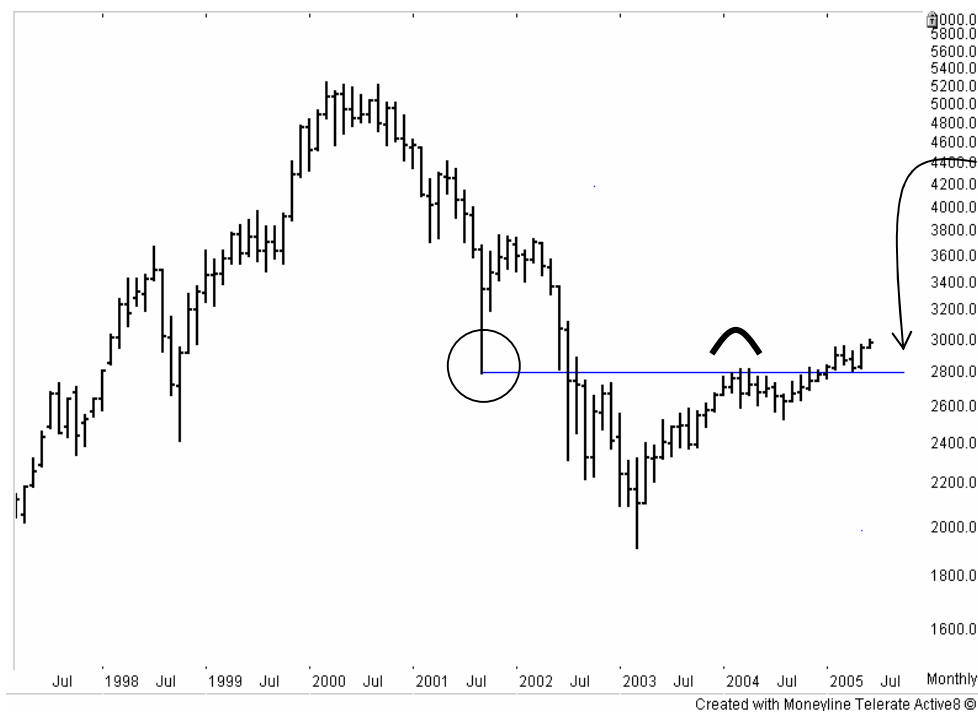
Its minimum target is more or less the old high of 1230.

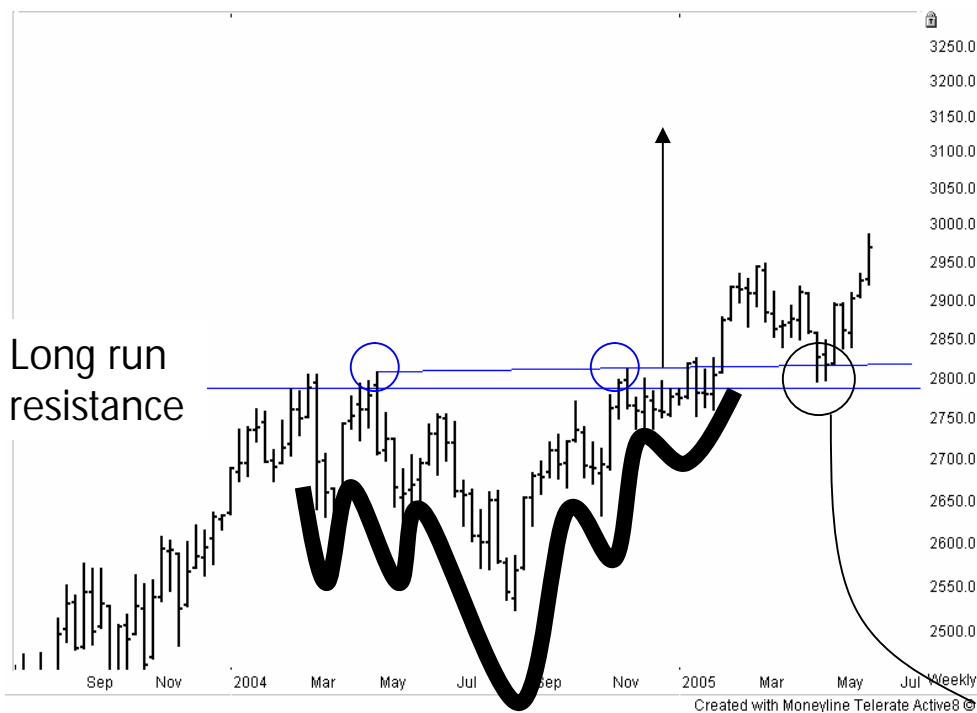
Last week we said the market was well set – and though it has moved ahead only a little it remains well set still.

On a pull-back the Neckline is good support down at 1170 or so.

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# European Dow Jones Stoxx 50

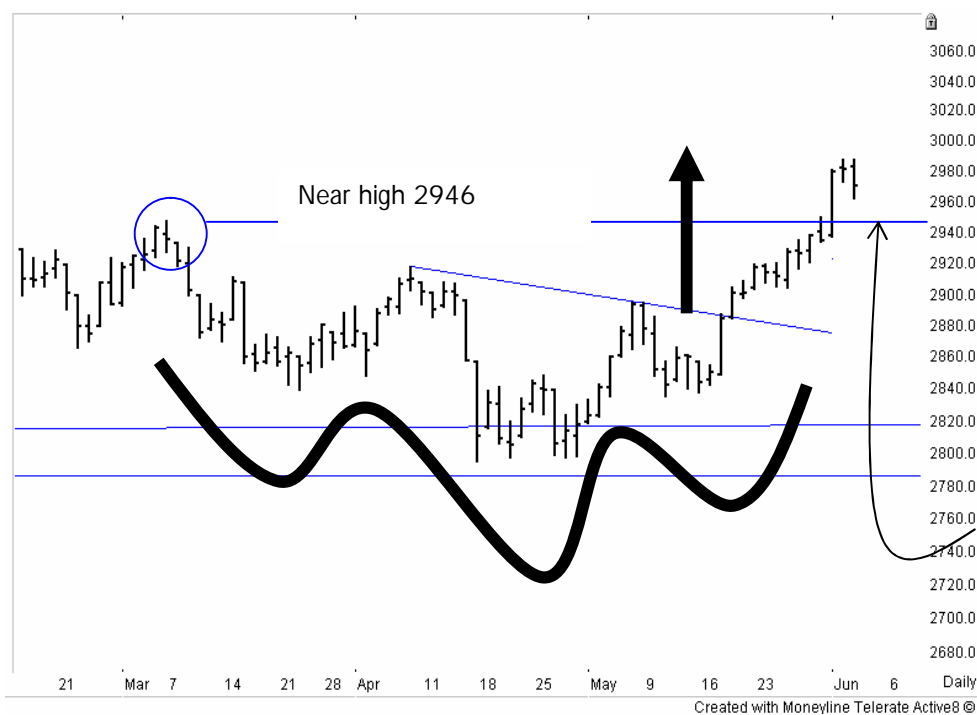




**WEEKLY CASH INDEX CHART:** Initial difficulties the market had on pushing through the 2784 level led over the course of 2004 to the creation of a Continuation Head and Shoulders pattern which finally completed at the same time as the break through the long term resistance.

The target of that pattern is clear – 3130.

See how the Neckline of the small H&S pattern acted as good support.



**DAILY CASH INDEX CHART:**

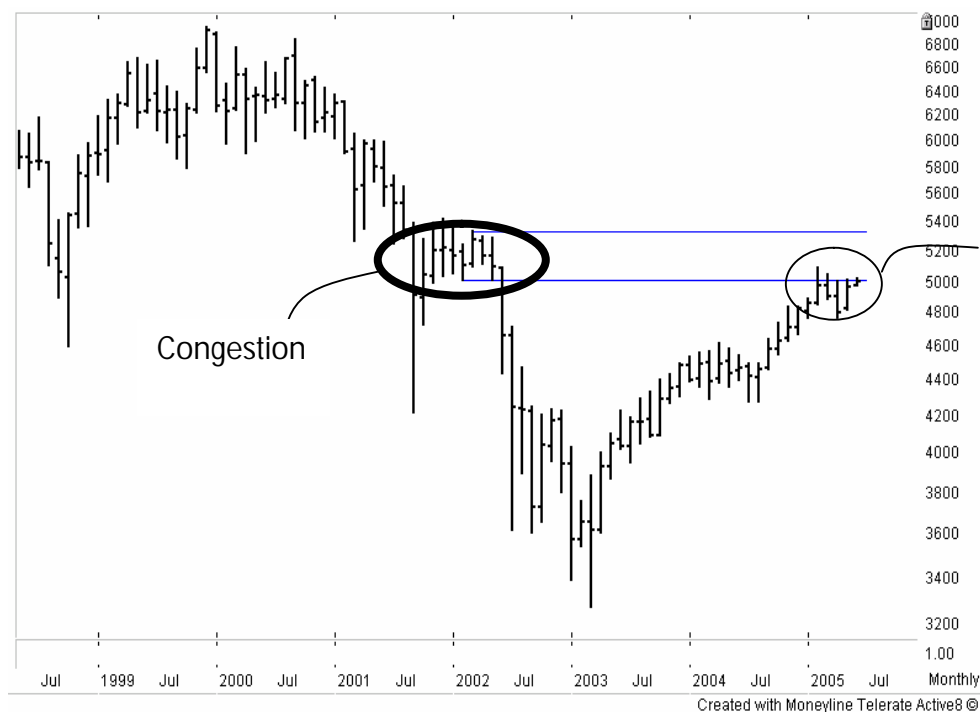
And better still for the bulls, the bounce has been accelerated and strengthened by the completion of a small bull Head and Shoulders structure that itself suggests moves as far as 3000.

Last week I suggested waiting for a break through the near high at 2946.

Now the market has broken through, that level should act as good support on any pull-back.

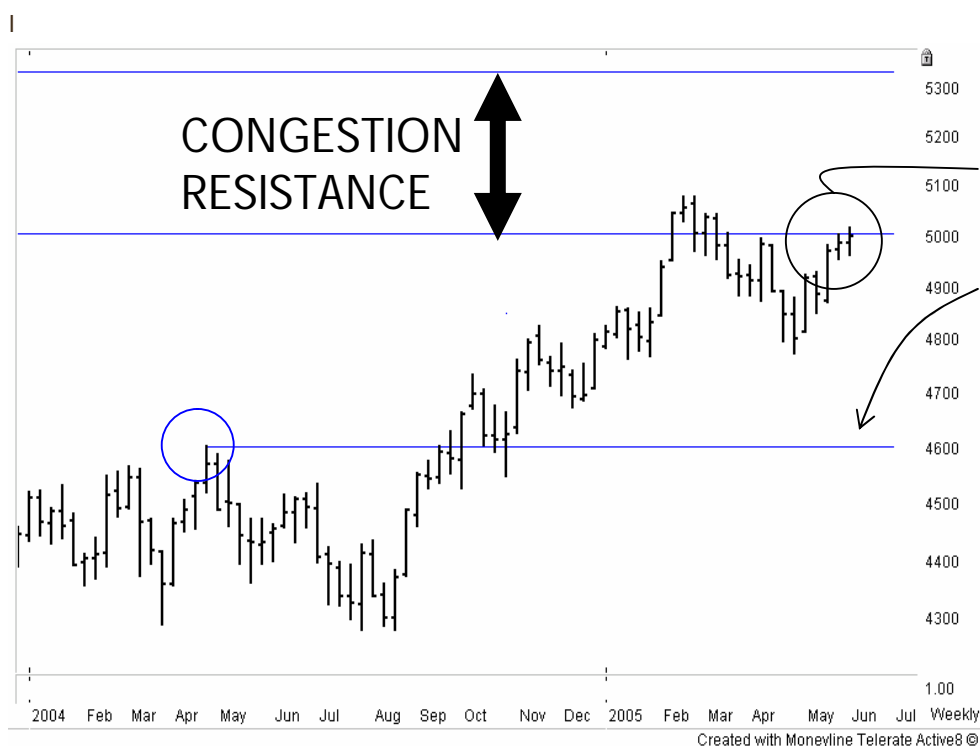
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# FTSE 100



## MONTHLY CASH INDEX CHART:

The long chart of the FTSE emphasises the importance of the congestion from back in 2002 that has made the bull trend pause at 5000.



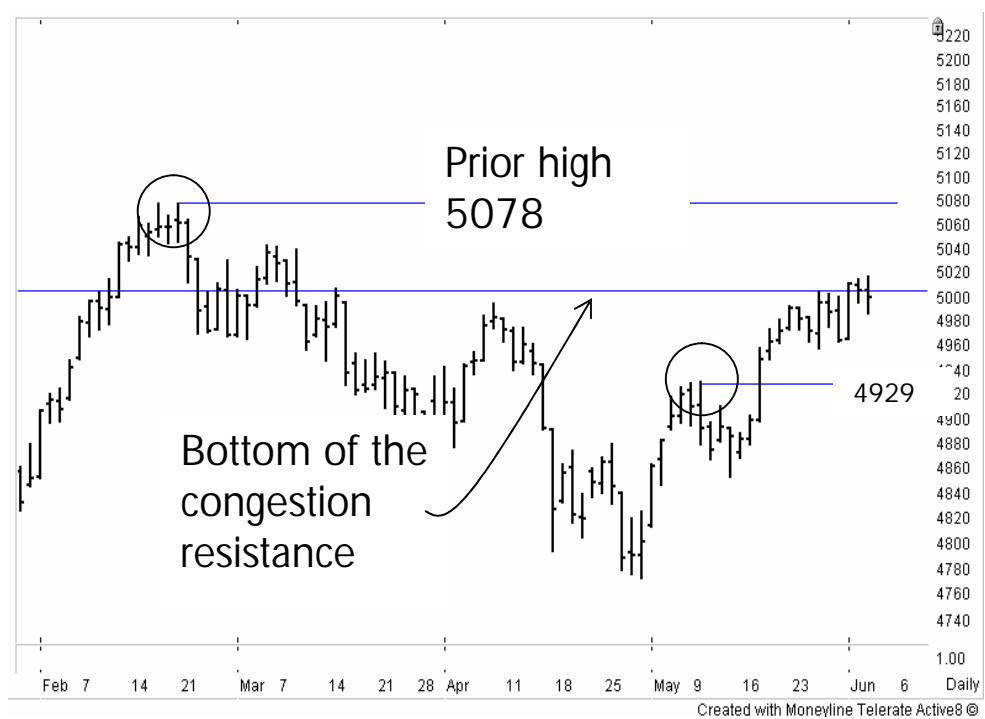
## WEEKLY CASH INDEX CHART:

The after falling back from that band of resistance, the market is again testing it....

First support beneath the market is 4600.

Look closer.





DAILY CASH INDEX CHART:

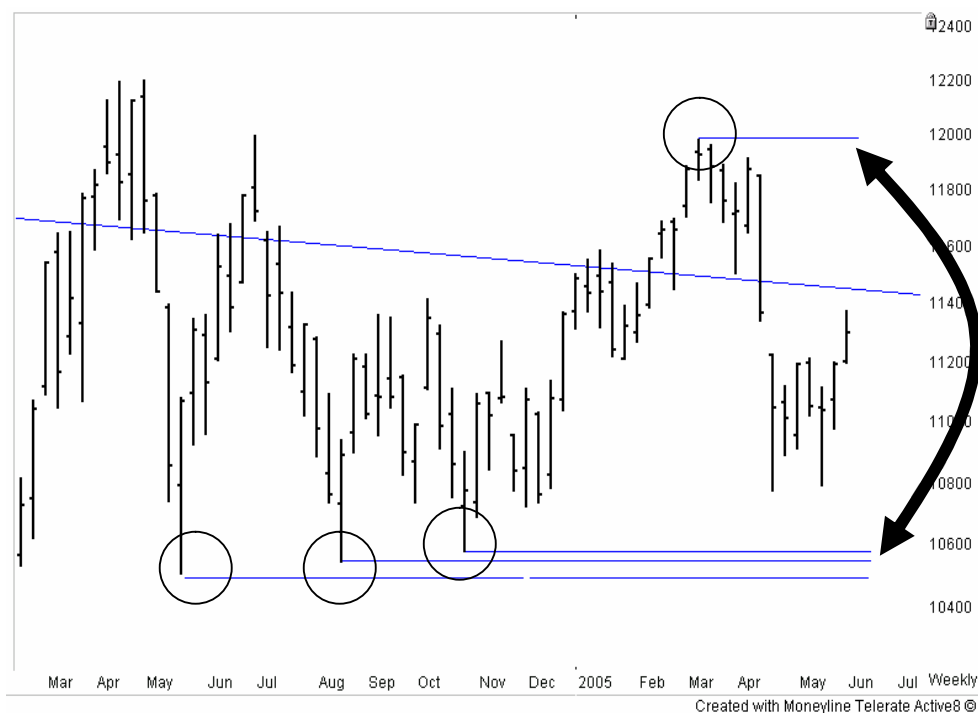
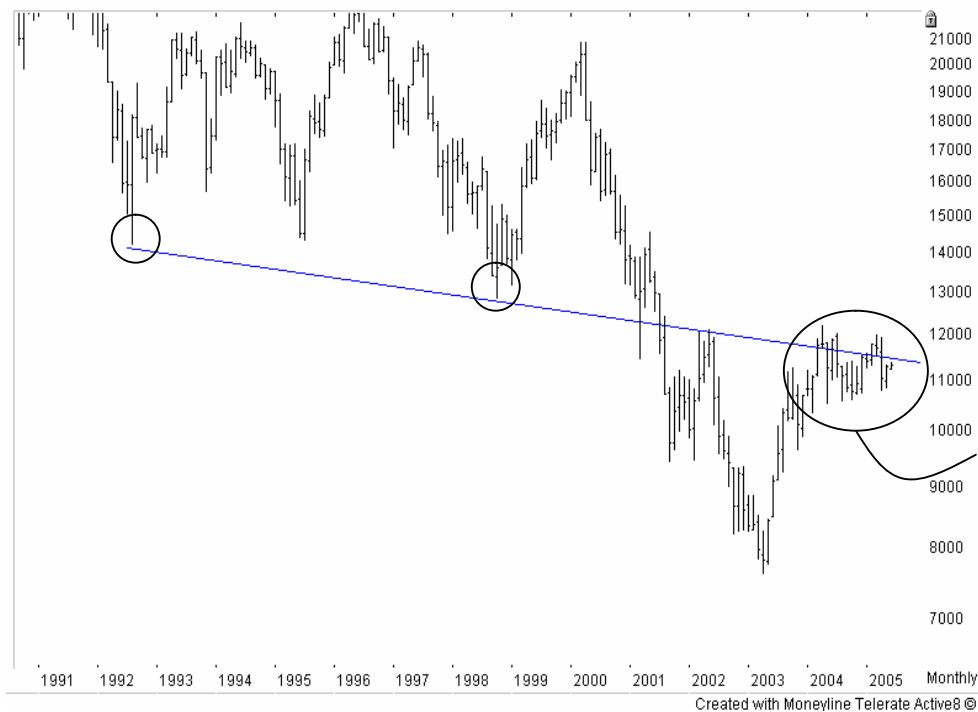
Unlike the S&P and the DJStoxx indices, the detail of the reversal does not really add up to a bull Head and Shoulders...

We argued last week that, certainly, the high at 4929 beneath the market should be good support, while the bulls may want to wait for the old high at 5078 to be broken before adding on.

Until then, stand back.

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# Nikkei 225

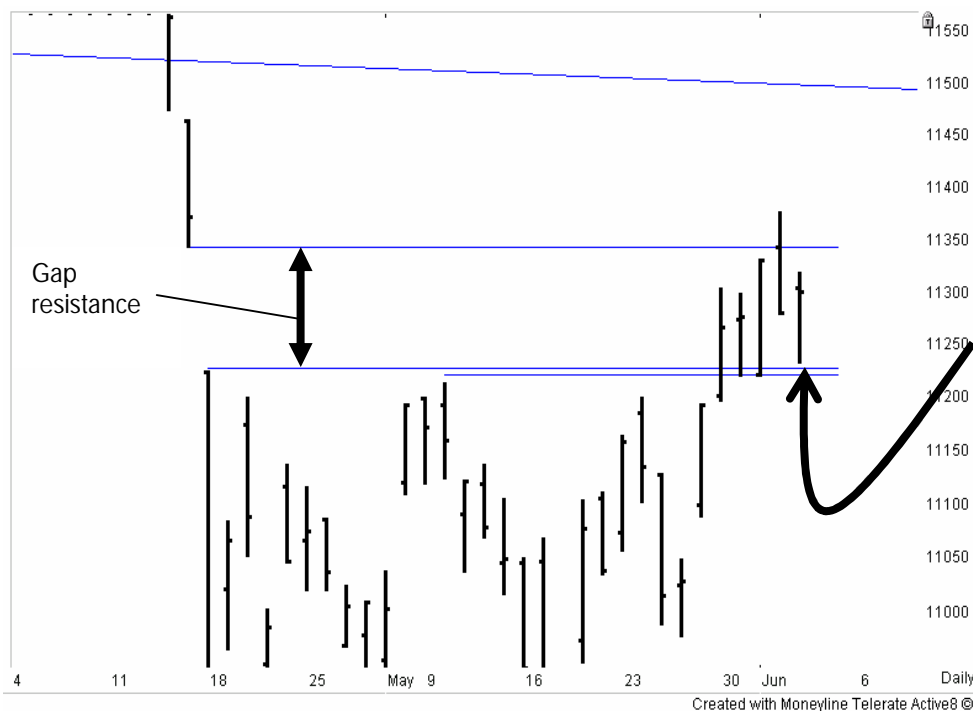




#### DAILY CASH INDEX CHART:

The market looks to have created a neat little Bottom formation so that the completion level of the Double Bottom is now support beneath the market at 11211. And since it has completed, has a target of 11750.

But there is also the Gap to consider: it is good resistance, so Bulls should wait for a break above that level before adding on.



## DAILY CASH INDEX CHART:

Last week we said that the day chart was interesting – and so it proved.

The gap is resistance and the near highs are support.

The market has spent most of the week trading between them in a narrow range.

Bulls must wait for a close above 11343.

Bears a breakdown beneath the support at 11211.

Wait for the decisive break.

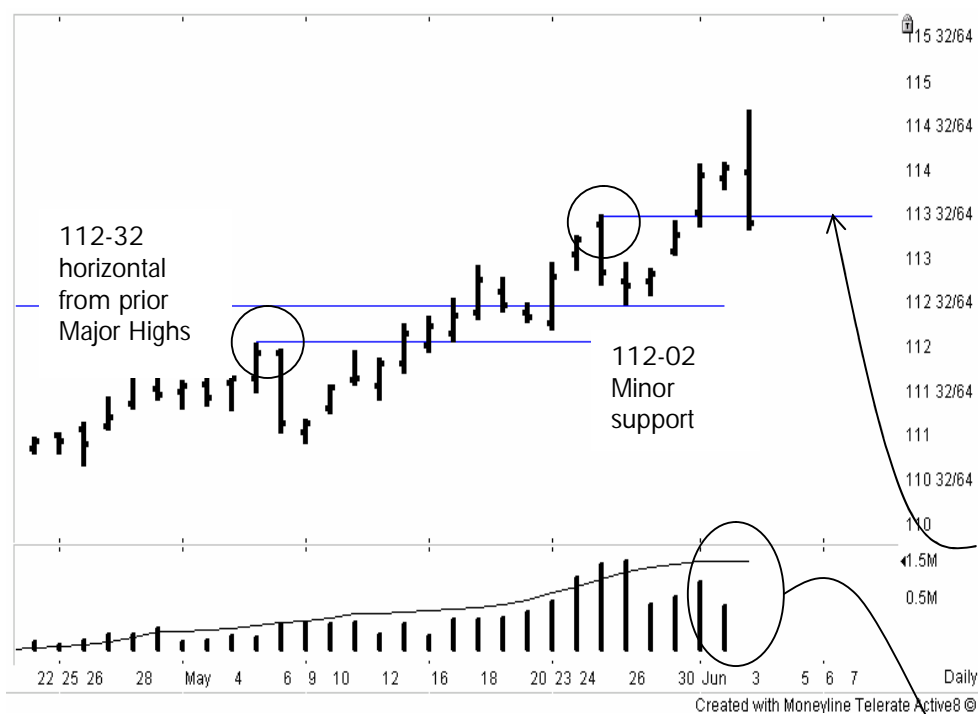
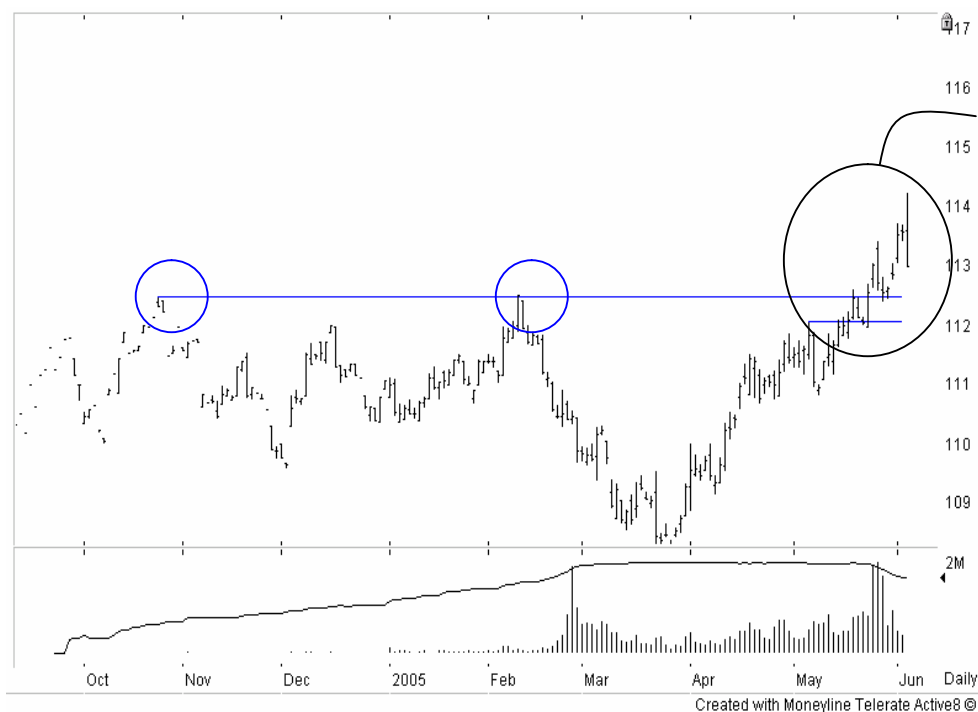
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# Bonds

We were excited last week at the short term prospects for all the markets, and the subsequent price action proved us right. All the bonds markets still remain in good form, and set for further bull price action in both the short term and the longer term.

## Ten Years US Treasury Note





WEEKLY SEP 05  
FUTURES CHART:

See how the market broke through the 112-32 level, retested it and then forged ahead.

We said last week that the 112-32 level would be good support – that was indeed right.

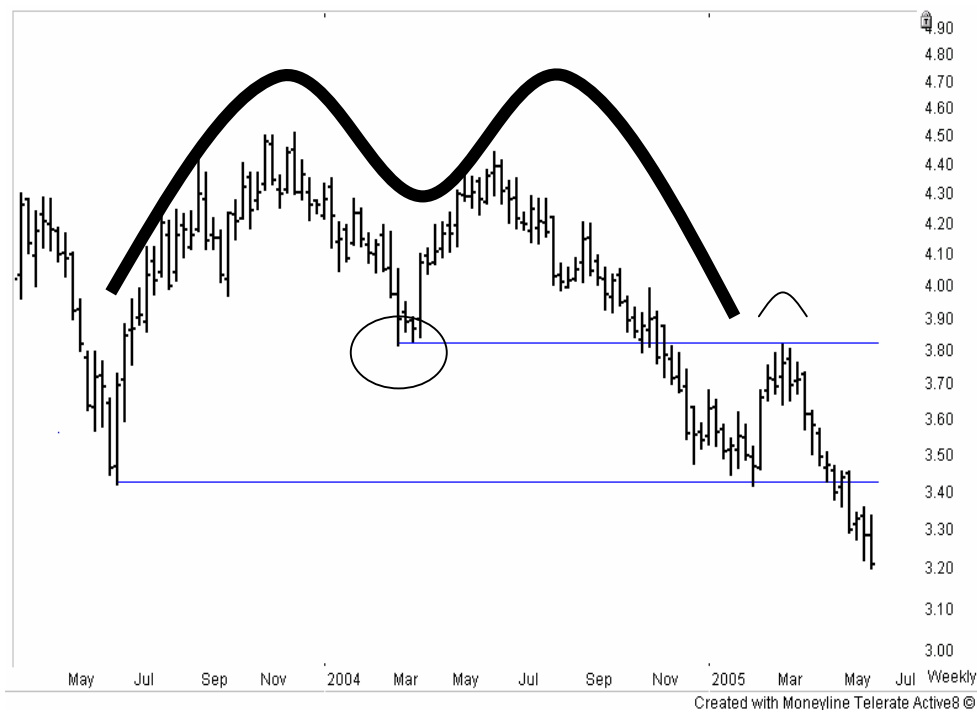
The market is well set.

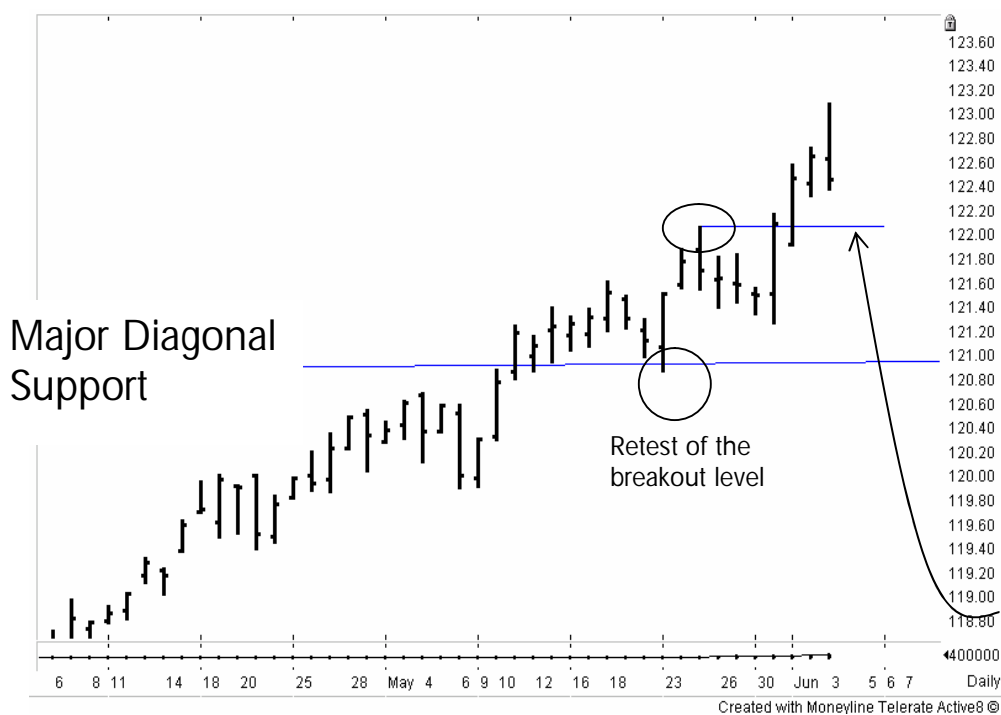
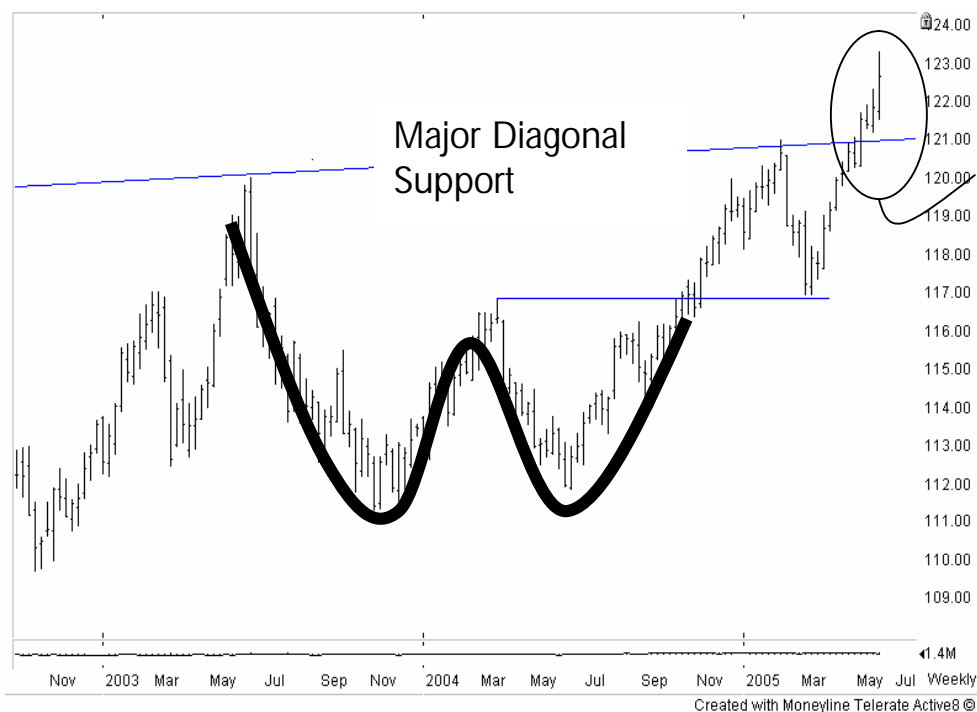
113-32 should be good first support on any pull-back, and beneath that short term 112-02.

Note the fierce pull-back on Friday was on very light volume.

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# Ten Year Euro Bund





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# Ten Year Japanese Bond

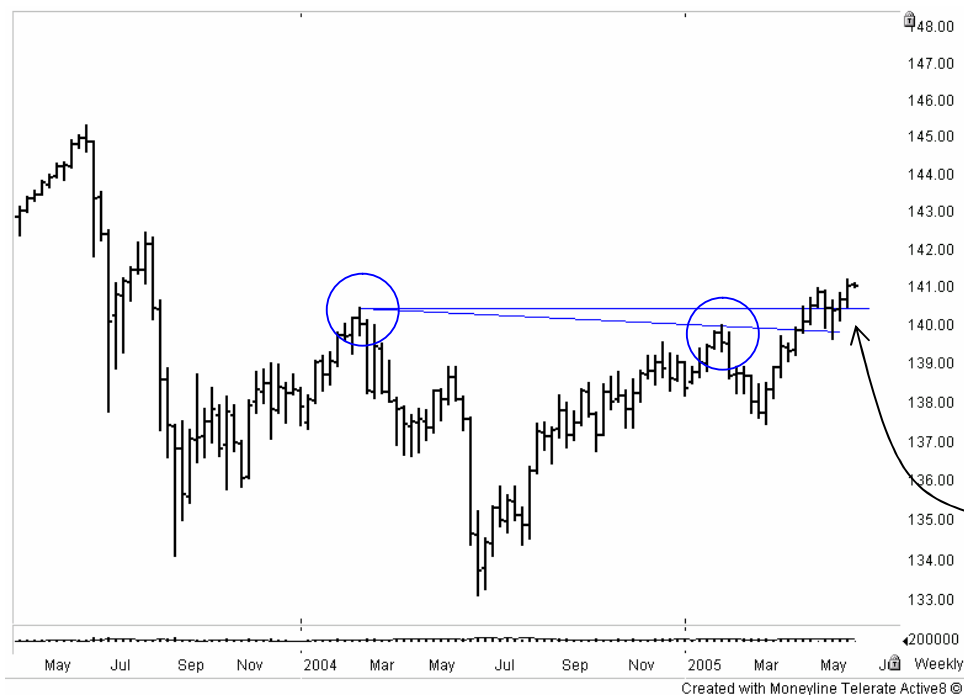


## WEEKLY CASH YIELD CHART:

The big yield chart is utterly compelling.

The pattern has been completed, and is set to drive yields a good deal lower- minimum 0.84%

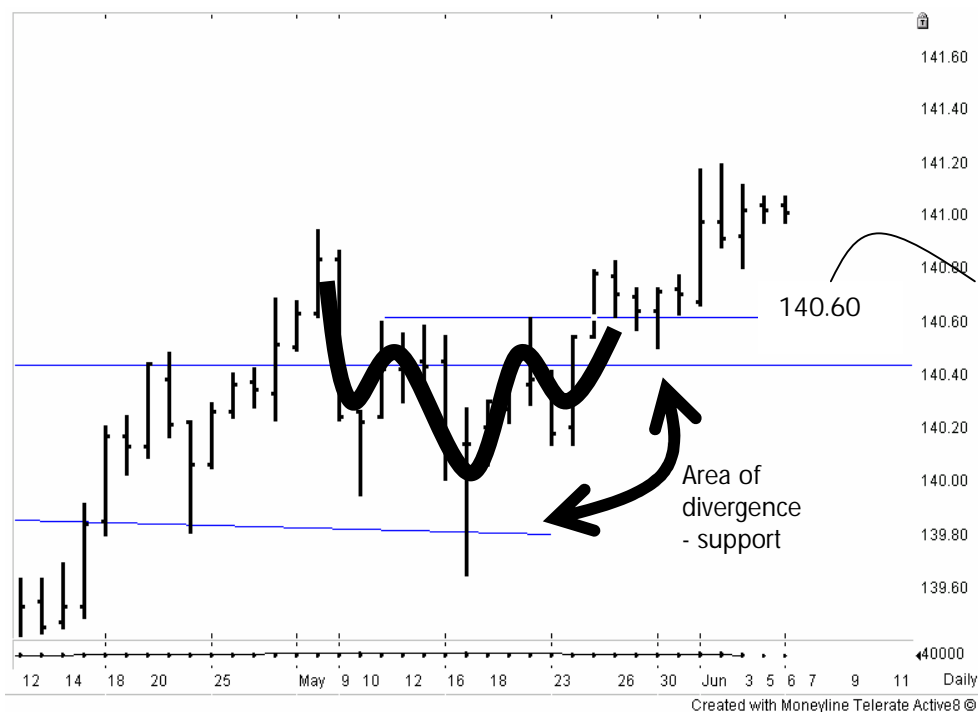
(About the yield current in June 2003)



## WEEKLY FUTURES CONTINUATION CHART:

The futures continuation chart is less so but nonetheless positive... as we argued last week, the old highs should act as good support either horizontally or diagonally.

Use the area of divergence as good support.



## DAILY FUTURES

### SEP05 CHART:

We argued last week that there was a small unmistakable Head and Shoulders Bottom in place – and emphasised the Neckline of 140.60.

Sure enough, that has driven the market a good deal better.

Target for the pattern is 141.60.

The market's well set.

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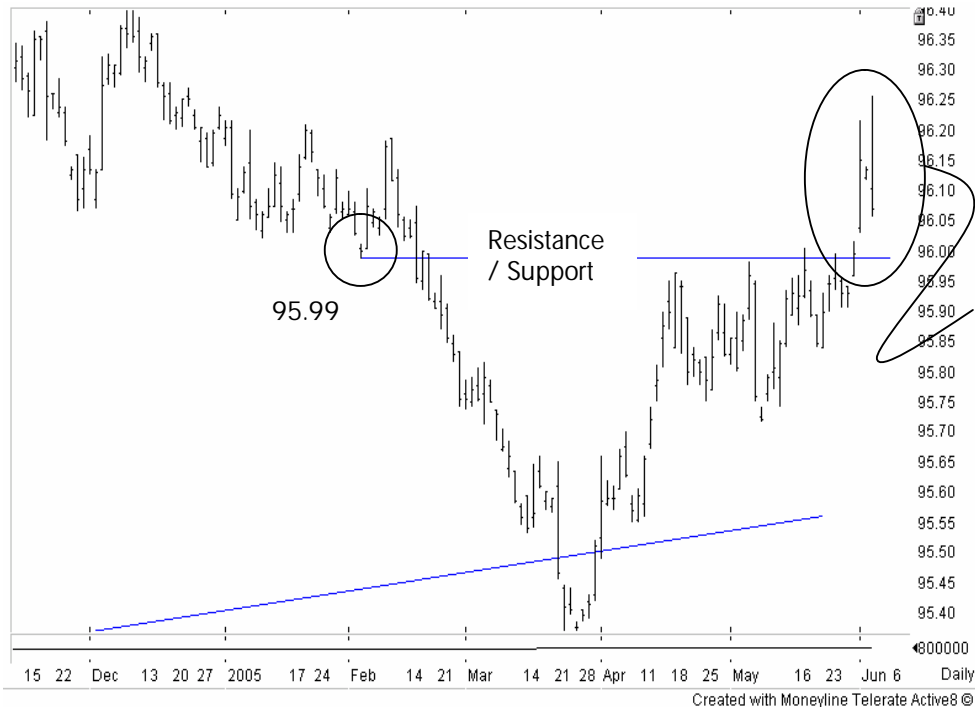
# Interest Rates

All markets are positive and underpinned. The Euribor is best set, followed by the Sterling. The short term Dollar interest rate position is fine but as we remarked last week the wider context is less clear than elsewhere.

## Dollar Rates



WEEKLY JUN 06  
FUTURES CHART:  
The tightening range of  
the Eurodollar chart.



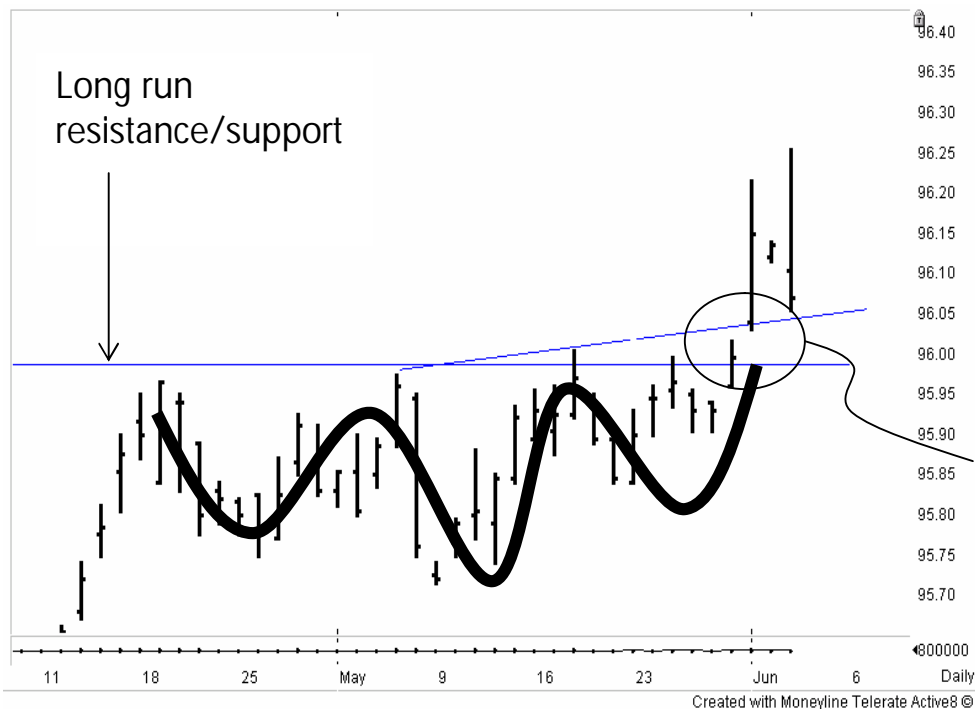
DAILY JUN 06

FUTURES CHART:

Last week we pointed out the importance of the resistance from the low at 95.99 – sure enough, the fierce break came and the price action endorsed our judgment.

Clearly the vital support is the old resistance of 95.99.

While that holds the market is in great form.



DAILY JUN 06

FUTURES CHART:

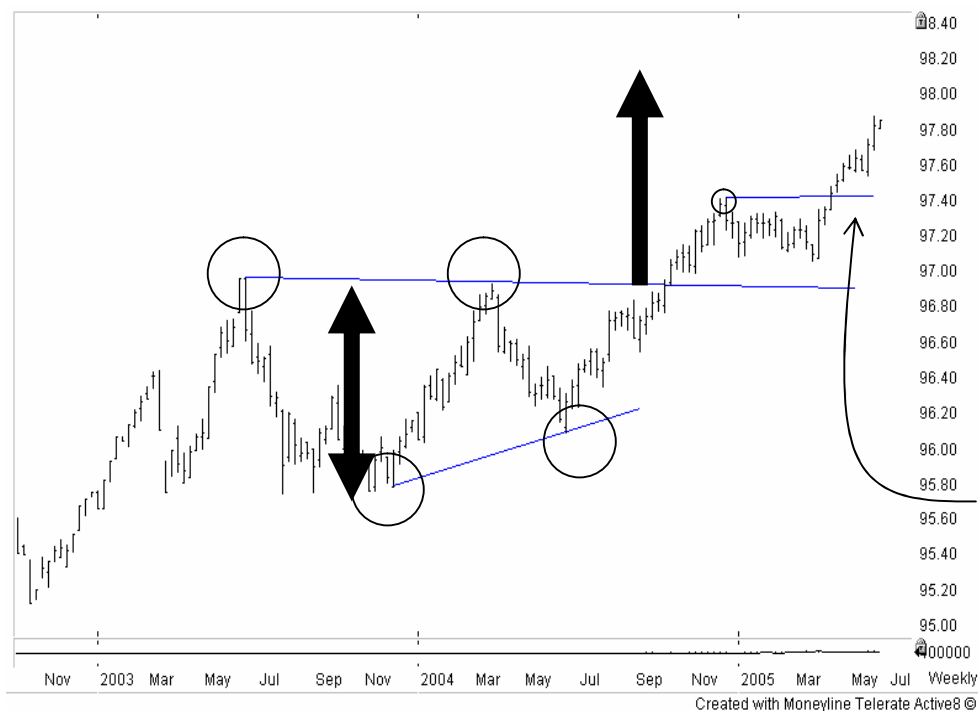
The detail of the breakout is instructive – an unmistakable Continuation Head and Shoulders pattern had developed (due to the hesitation at the resistance).

The break of the resistance coincided with the completion of that H&S pattern.

The target for the pattern? About 96.31 minimum.

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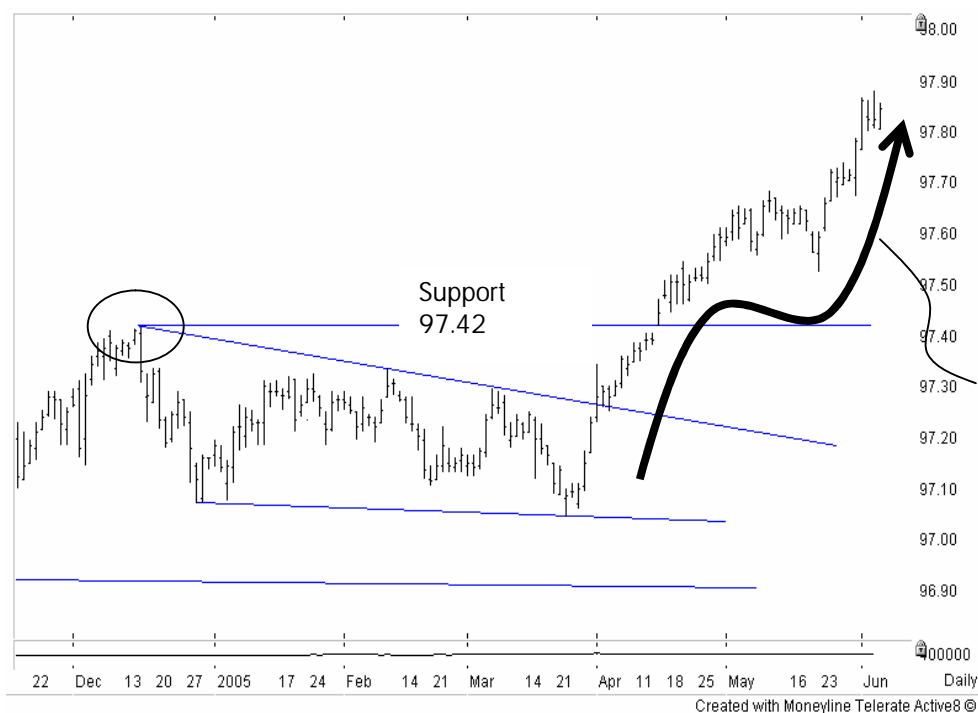
# Euribor Rates



**WEEKLY JUN 06  
FUTURES CHART:**  
The ruling pattern is clear: the massive Continuation Triangle formed during 2003 and 2004 is set to drive the market up to 98.14 minimum.

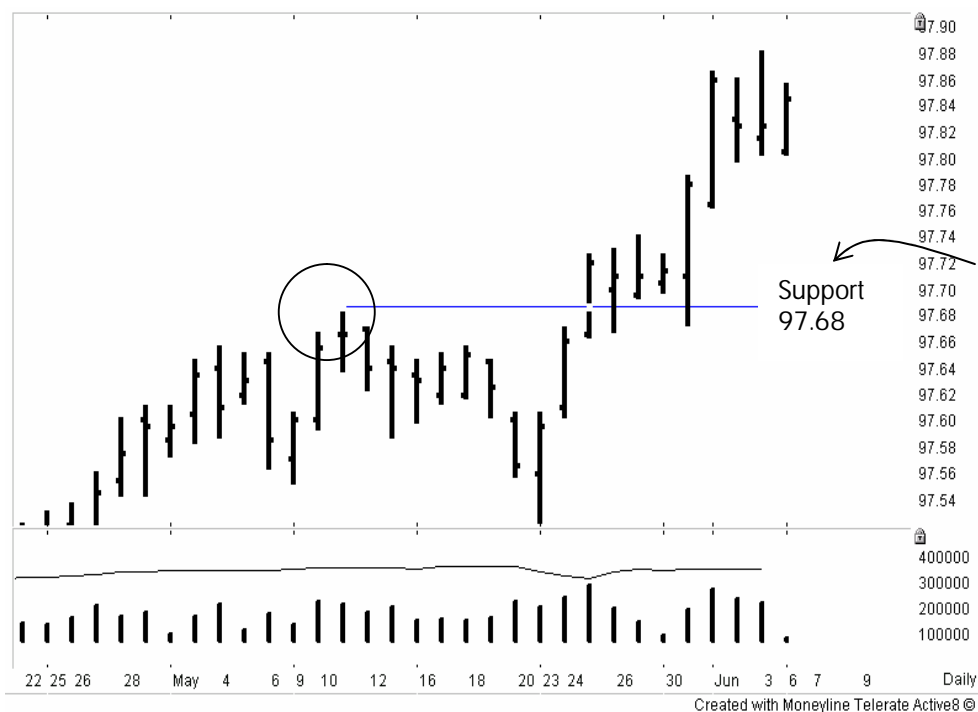
There's more to come.

First support beneath the market is 97.42.



**DAILY JUN 06  
FUTURES CHART:**  
The detail reveals a neat Bull Falling Wedge that has created the first support on any pull-back...

But the price action above that is fairly straightforwardly bullish...



DAILY JUN06

FUTURES CHART:

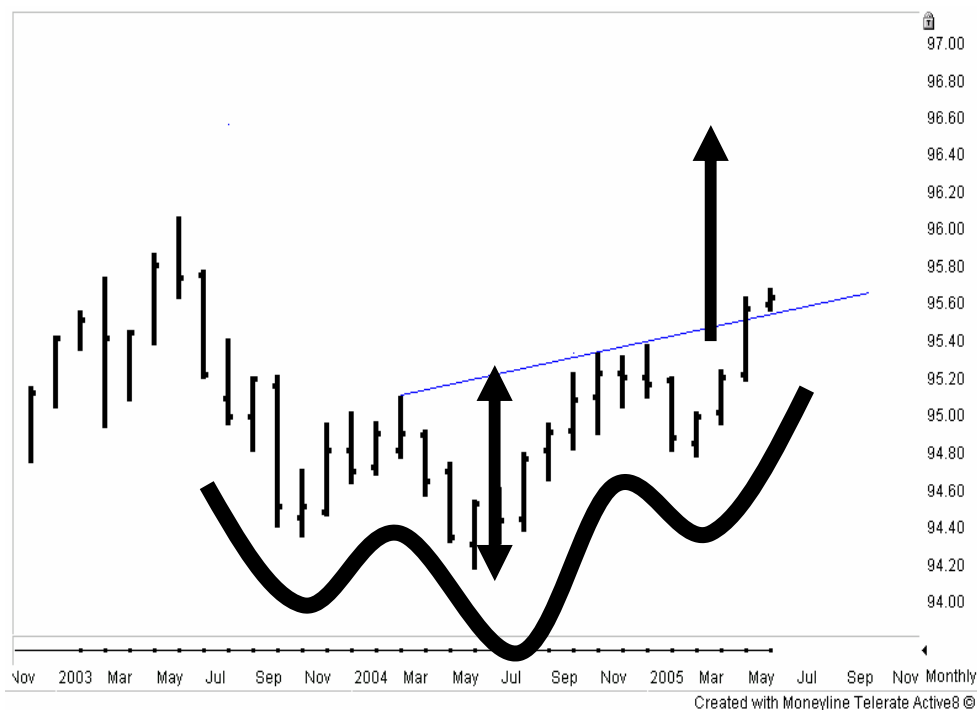
The near support in the day chart is the horizontal at 97.68.

Last week we identified that as the crucial support and so it proved.

We argued last week that the market was well set and it remains so.

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# Sterling Rates



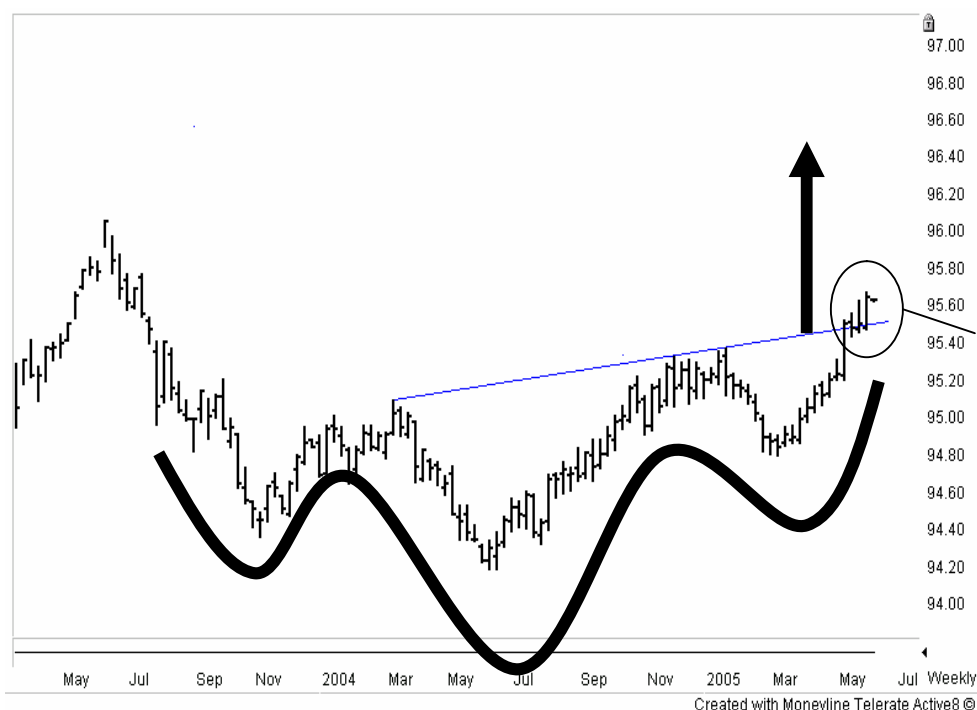
## MONTHLY JUN06 FUTURES CHART:

The long chart is very striking.

It is a completed Head and Shoulders Bottom that looks to send the market as far as 96.46.

Minimum.

Certainly the Neckline is sloping - but the proportions are otherwise fine.

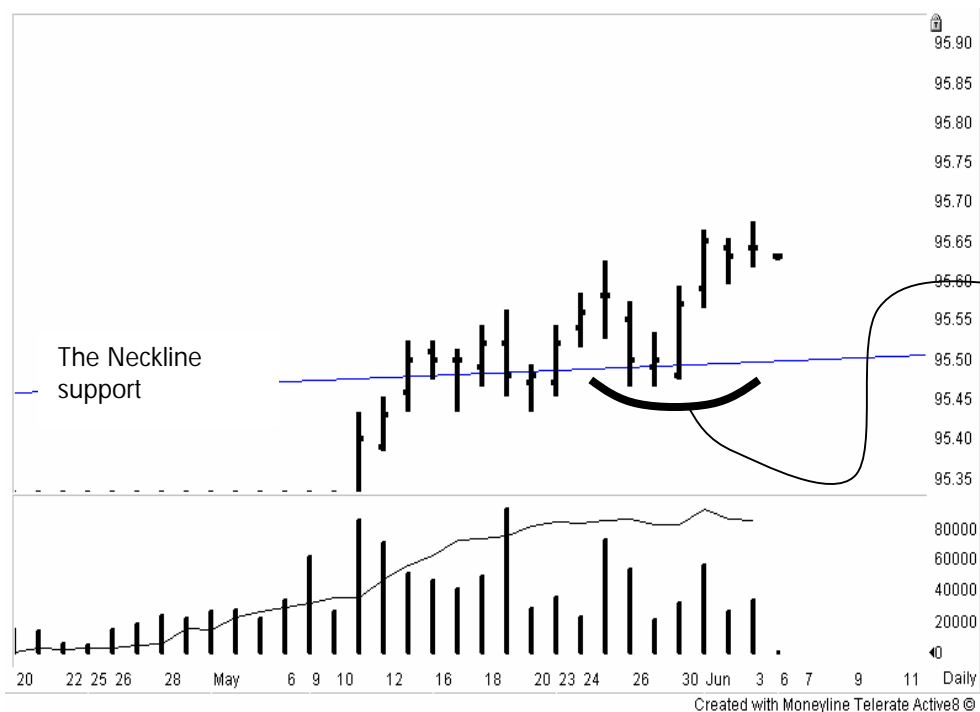


## WEEKLY JUN06 FUTURES CHART:

The Head and Shoulders pattern is even clearer in the week chart.

Note well the pause and then departure from the Neckline at 95.50.

Look more closely.



#### DAILY JUN06

#### FUTURES CHART:

The price action shows the importance and strength of the Neckline – the bears clearly failed to drive back down through it last week.

The market is very well set.

As we said last week – 'anticipate a break to the upside'.

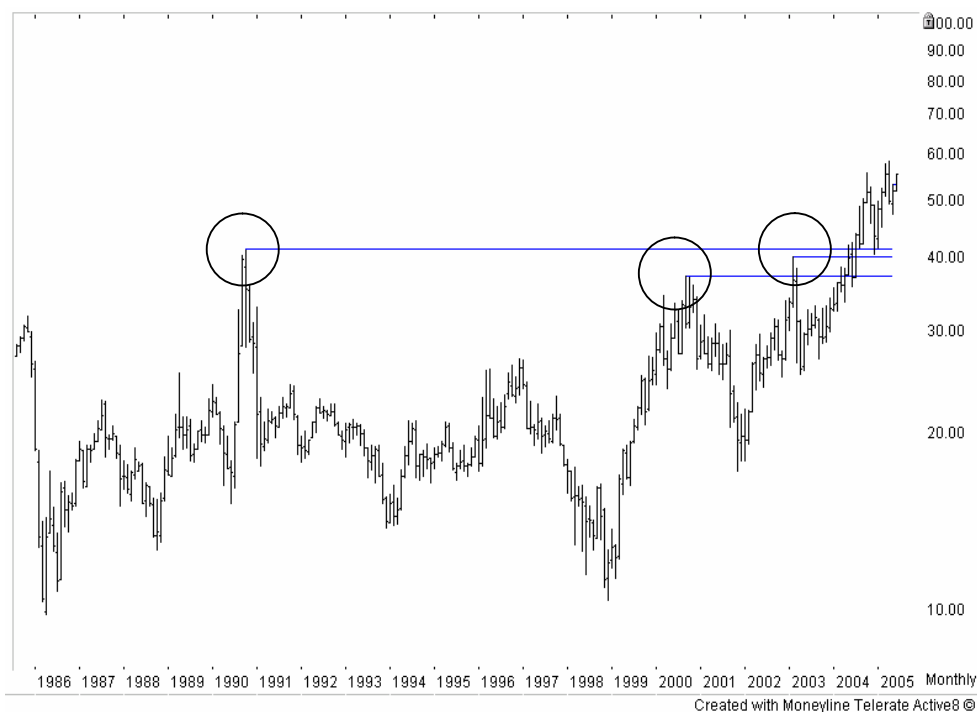
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# Commodities

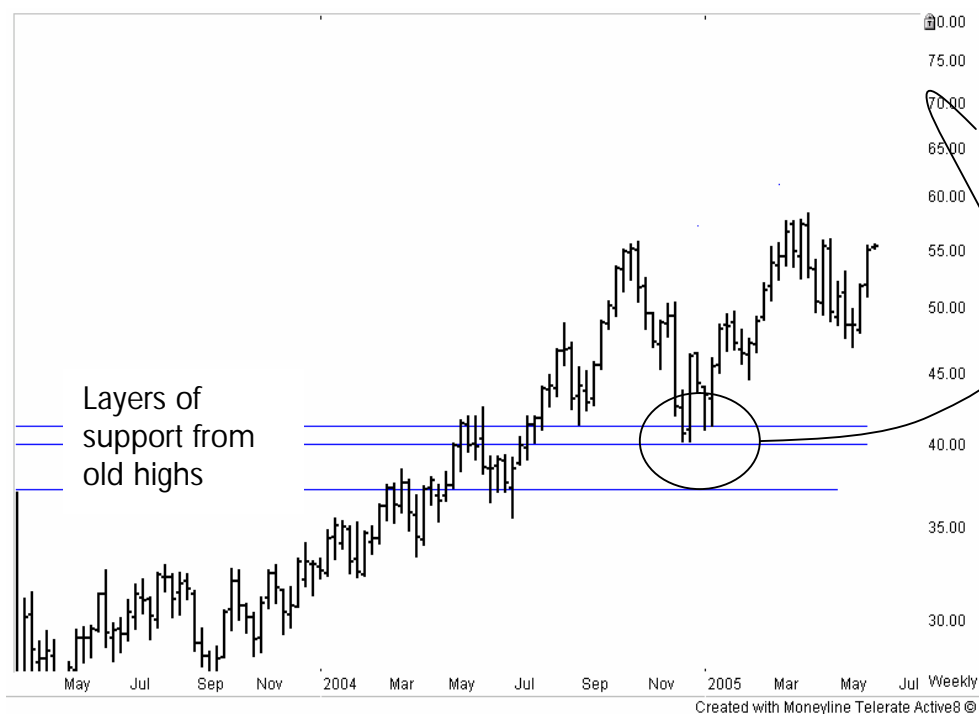
The coincidence of the long and short term structures that we outlined last week served to drive oil better as expected. Gold too found little enthusiasm to go lower, and broke seemingly good overhead resistance.

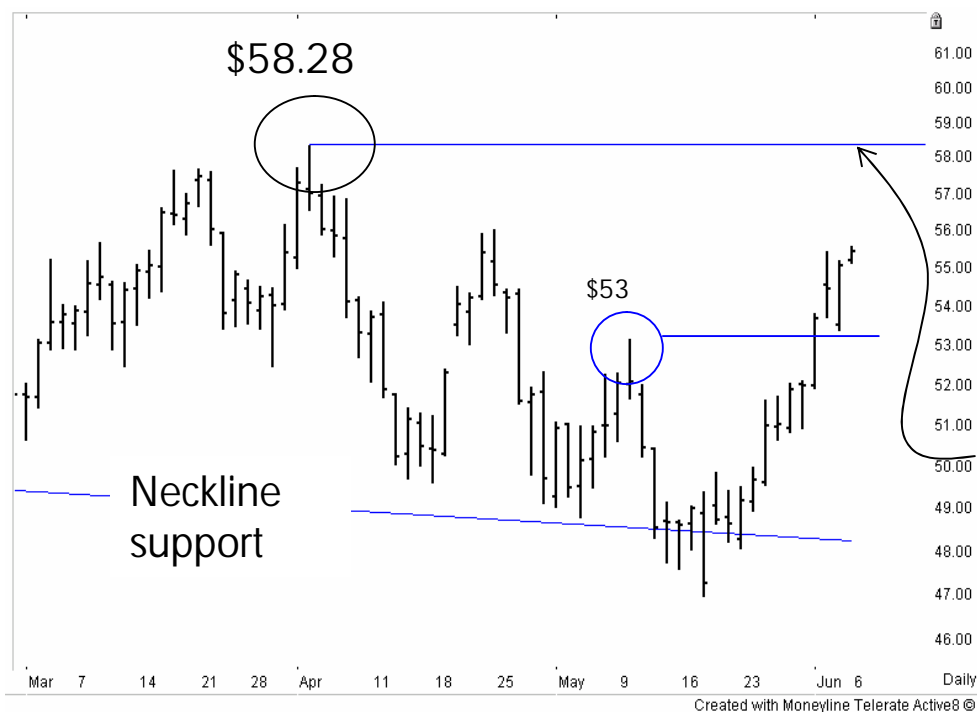
## Oil



MONTHLY SPOT CASH CHART:

The long term chart is famously clear in revealing the powerful underpinning of oil price around the \$40 level.





## DAILY SPOT CASH CHART:

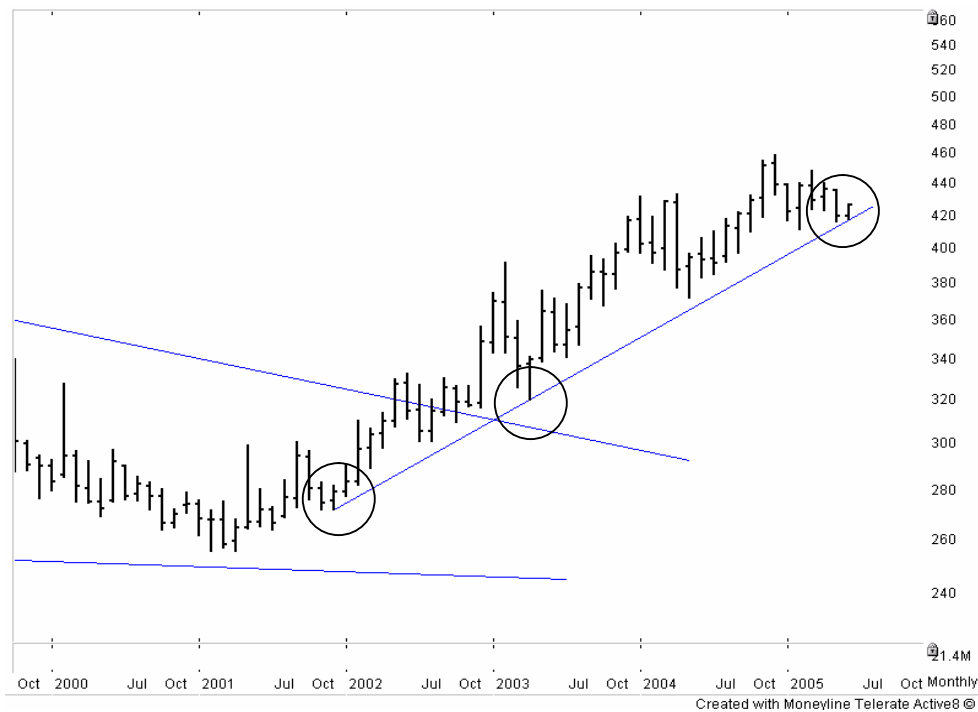
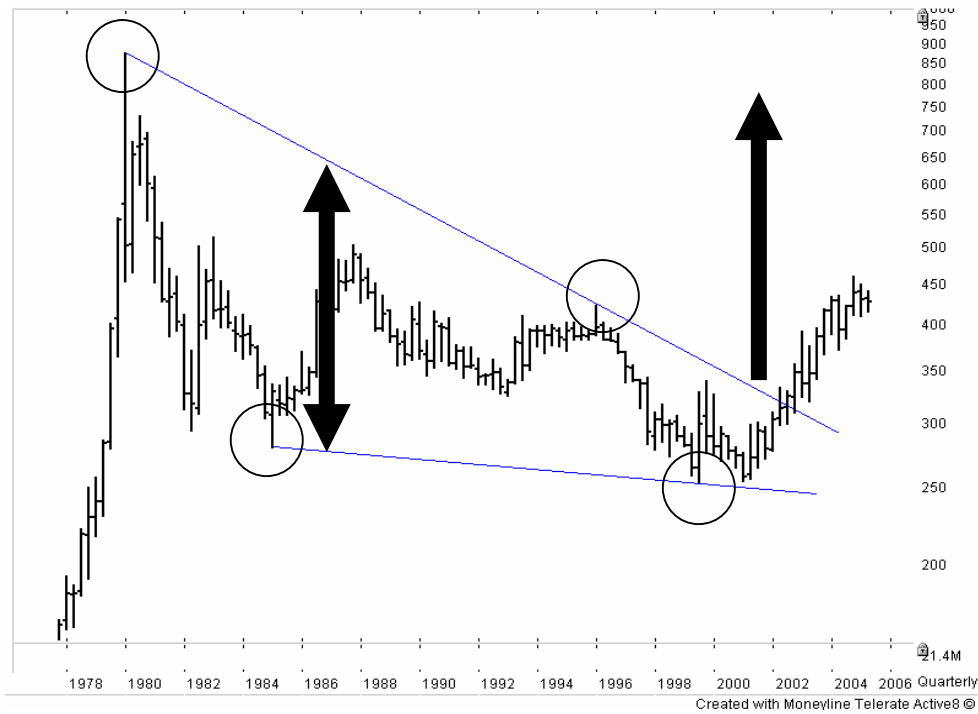
Last week we argued that bull should wait for a break above the \$53 level before adding on.

That happened. The market now looks well set.

The critical level is \$58.28 – bulls should wait for a close through that level before adding on further.

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# Gold





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