

WEEK 7 14th – 20th February 2006

THE TECHNICAL TRADER'S GUIDE TO MAJOR MARKETS

MARK STURDY



LINKS

CURRENCIES

03 DOLLAR EURO

05 DOLLAR STERLING

07 DOLLAR YEN

08 STERLING EURO

Stay **SQUARE**

Stay **SQUARE**

Stay **LONG** while 115.94 holds (medium-term view)

Stay **SQUARE**

STOCKS

10 STANDARD AND POORS 500

13 EUROPEAN DJ STOXX 50

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Wait for a break of 1292 (Mar06)

Stay **SQUARE**

Stay **SQUARE**

Stay **SQUARE**

BONDS

20 TEN YEAR US TREASURY NOTE

23 TEN YEAR EURO BUND

25 TEN YEAR JAPANESE BOND

Stay **SHORT** sell more on a break of 107.23 (Mar)

Watch for a break of 119.77 (Mar) to get **SHORT**

Stay **SHORT**; add on a break of 135.28 (Mar)

INTEREST RATES

27 DOLLAR RATES

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Go **SHORT** Mar 07

Go **SHORT** while 96.88 (Mar 07) Neckline resistance intact

Stay **SQUARE**

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Go **SQUARE**

Stay **LONG** while \$548 holds.

SEVEN DAYS AHEAD

Authorised and Regulated by the FSA

124 REGENTS PARK ROAD LONDON NW18XL

TEL +44 (0) 7849 922573 E-MAIL MSTURDY@SEVENDAYS Ahead.COM

WEB SITE SEVENDAYS Ahead.COM

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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.

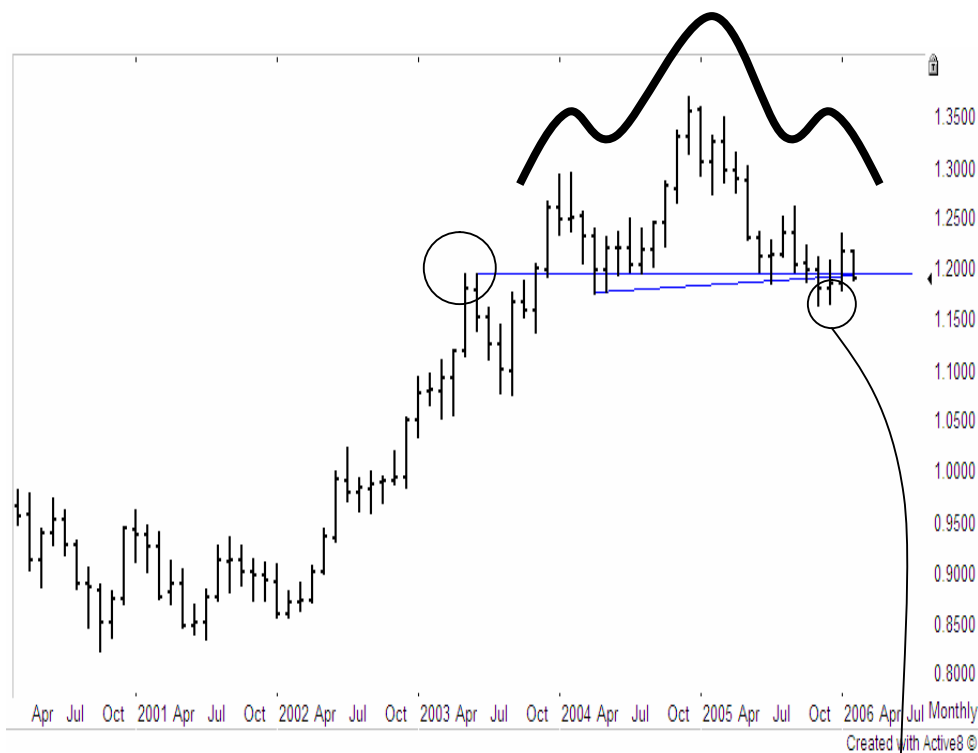
Since then he has worked extensively as a consultant technical analyst for a number of large private investors, banks and Hedge Funds.

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

Currencies

There is still no short-term clarity about the Dollar against Sterling or the Euro. And now the Dollar Yen lacks immediate short term clarity too. Want to stand aside in all markets for the moment, but remain keen to buy the Pound on any short-term opportunity.

Dollar Euro



MONTHLY SPOT CASH CHART:

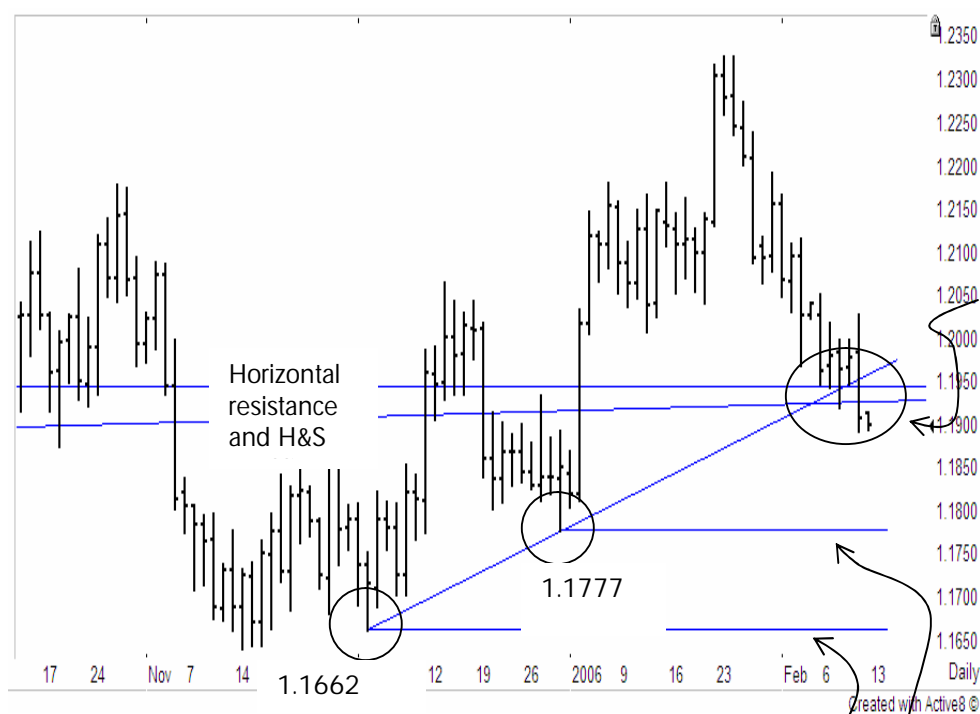
The long-term trend is under pressure again.

There are no clear conclusions to be drawn yet – but traders should be aware that not only is the powerful horizontal support at 1.1931 under attack but also the Head and Shoulders Top that formed over 2004 and 2005 is once again threatening completion.

When can we declare the long term trend over? The crucial level, we believe, would be a month-end close beneath the recent low of 1.1641.

Will that happen?

Look closer.



DAILY SPOT CASH CHART:

Note how close the horizontal (1.1932) and the Neckline of the H&S pattern are.

Note too, that the push down through them last week also broke a diagonal trendline support from the low in early December.

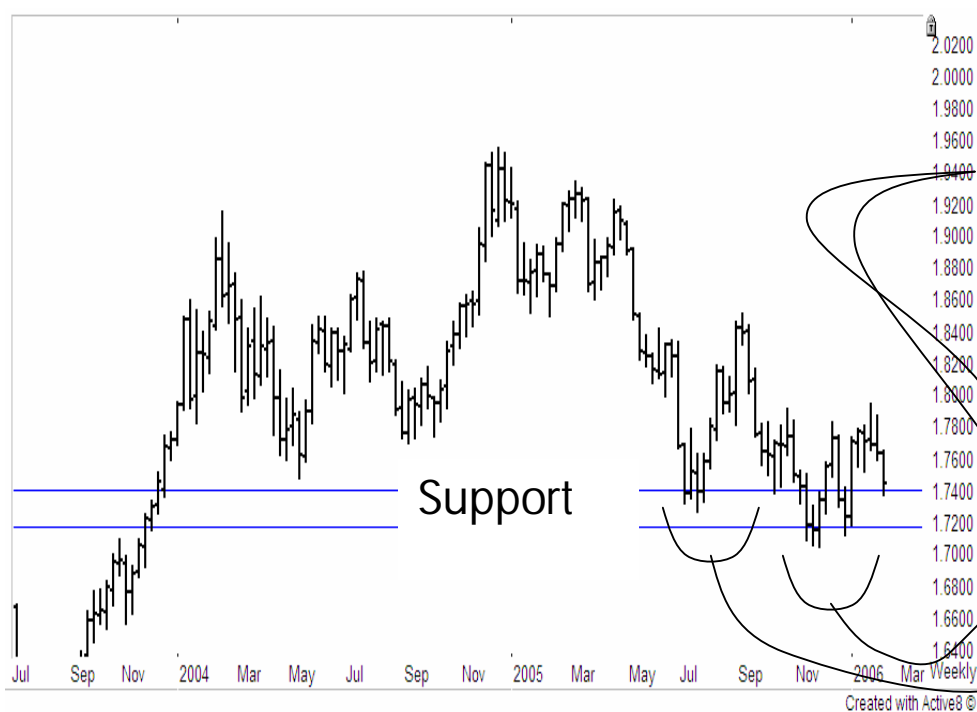
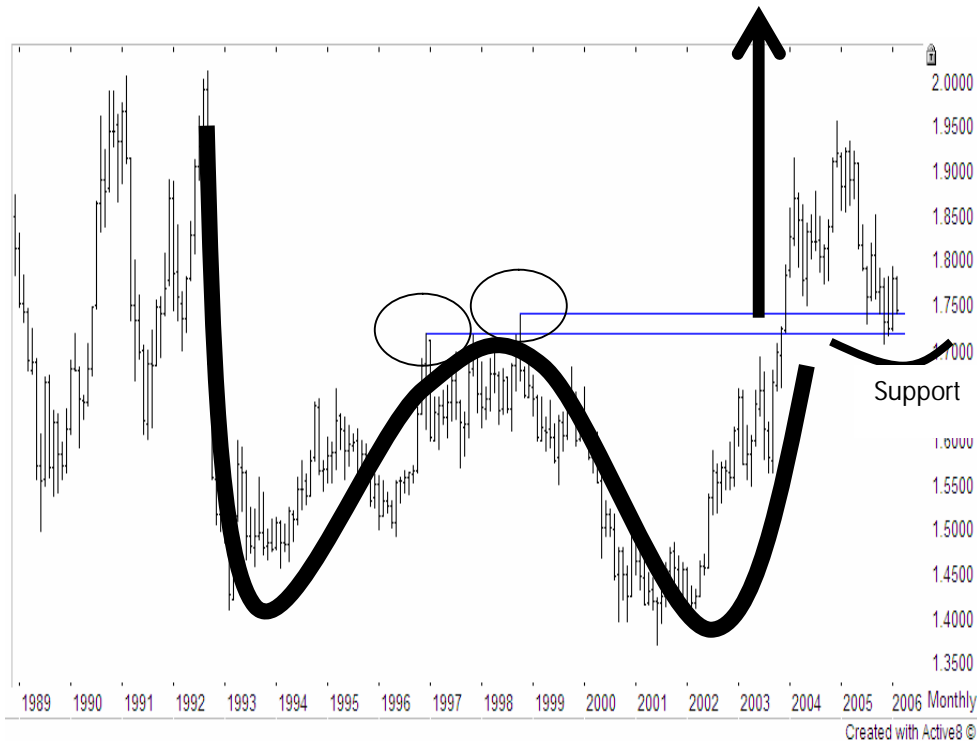
Diagonals are usually less important than horizontals, but some additional bear impetus should be expected.

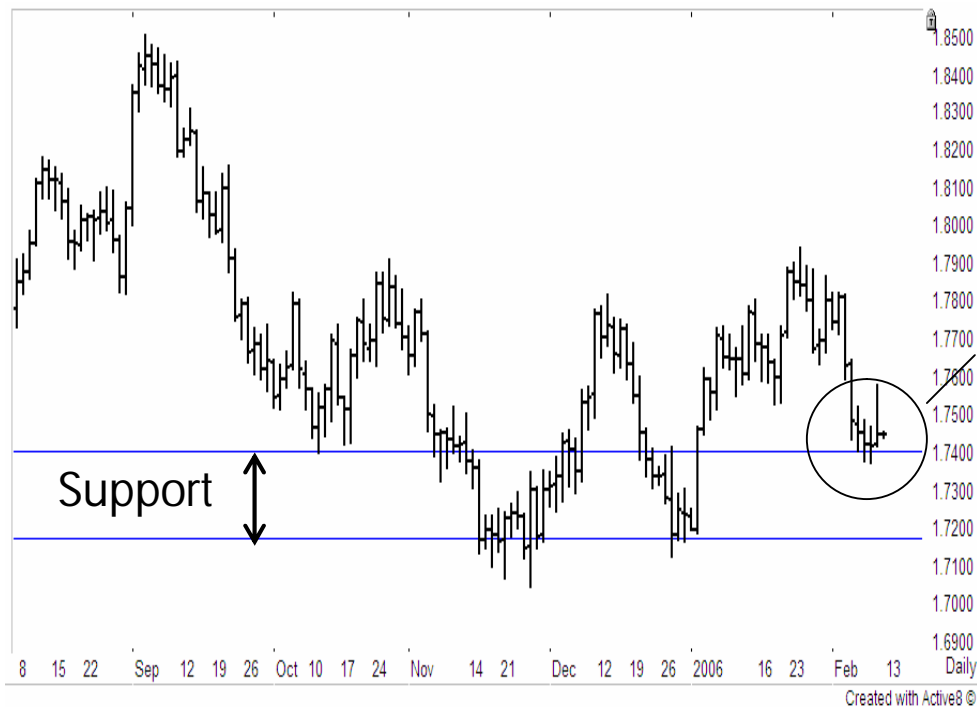
Nonetheless, the horizontals from the lows at 1.1777 and 1.1662 are more important and traders should watch the market's approach to those levels closely.

Last week we said that both bulls and bears should stand side for more clarity. That's still true. Watch our levels carefully.

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Dollar Sterling





DAILY SPOT CASH CHART:

Early signs of a short term bull move came to nothing when the market failed to sustain moves above 1.79.

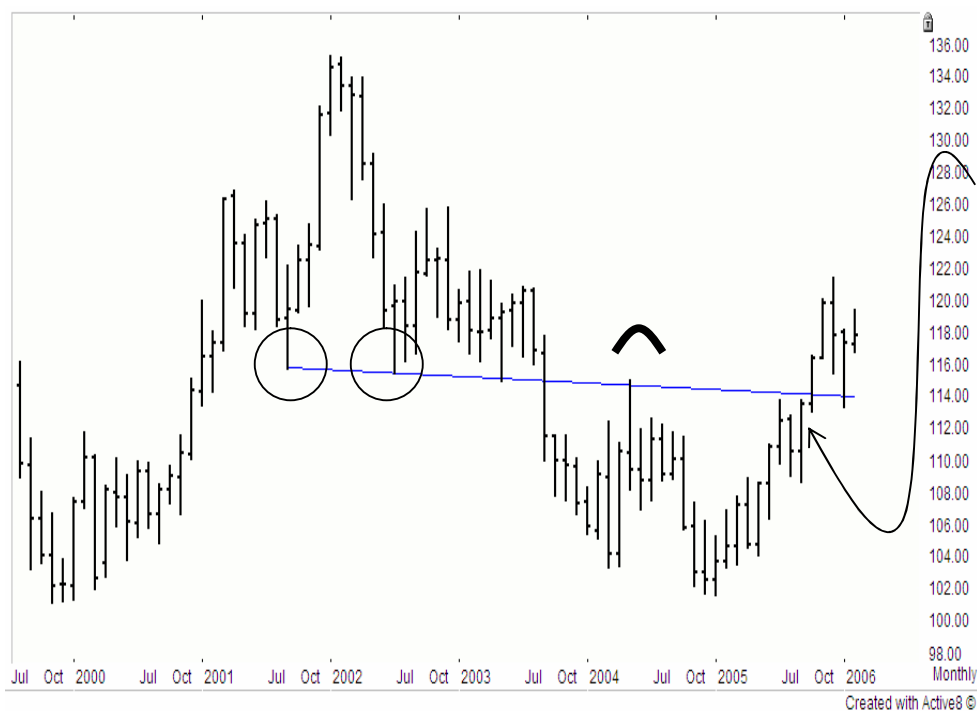
But the relapse has steadied over the last few days – resting on top of the range of support.

Last week said that short-term traders should stand aside – and that remains true.

The long-term trend remains intact for the moment but short term traders need evidence of Reversal Pattern before they can get involved.

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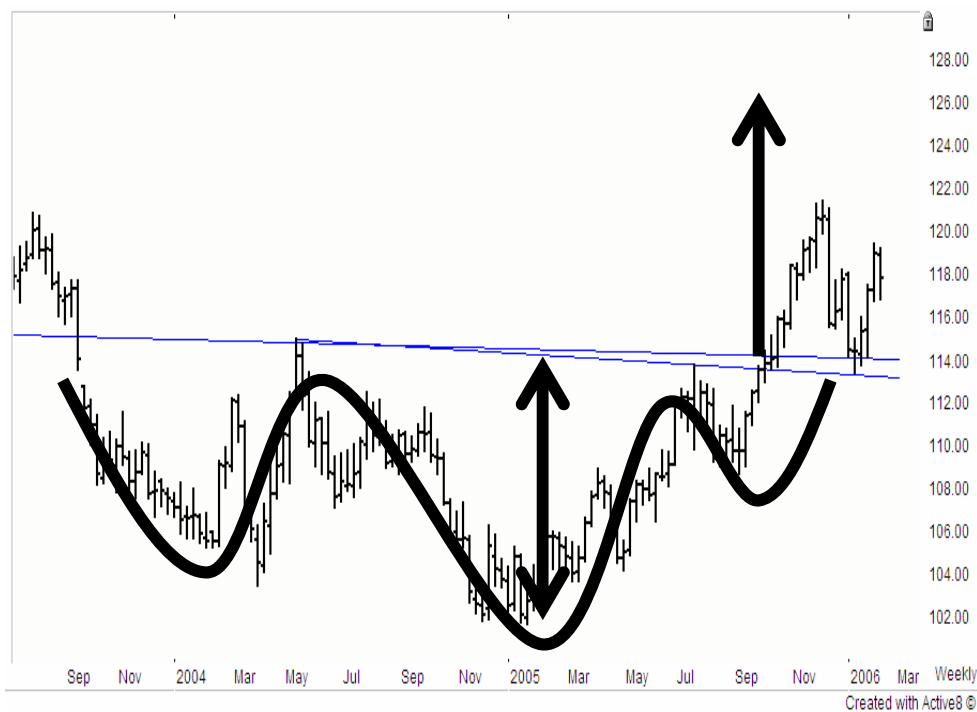
Dollar Yen



MONTHLY SPOT CASH CHART:

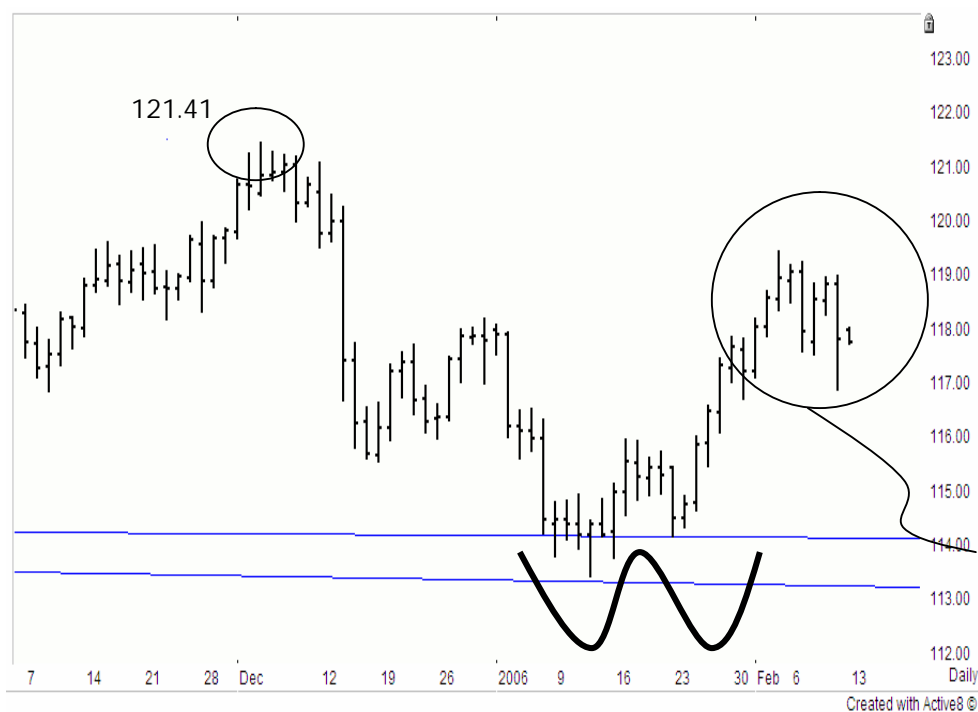
The Dollar Yen broke up through the important resistance of long-standing in October last year.

The recent pull-back has re-tested that support and then it has bounced fiercely.



WEEKLY SPOT CASH CHART:

The impetus to break through the resistance came from the completion a Head and Shoulders bottom that is set to drive the market – eventually – to 126 or so.



DAILY SPOT CASH CHART:

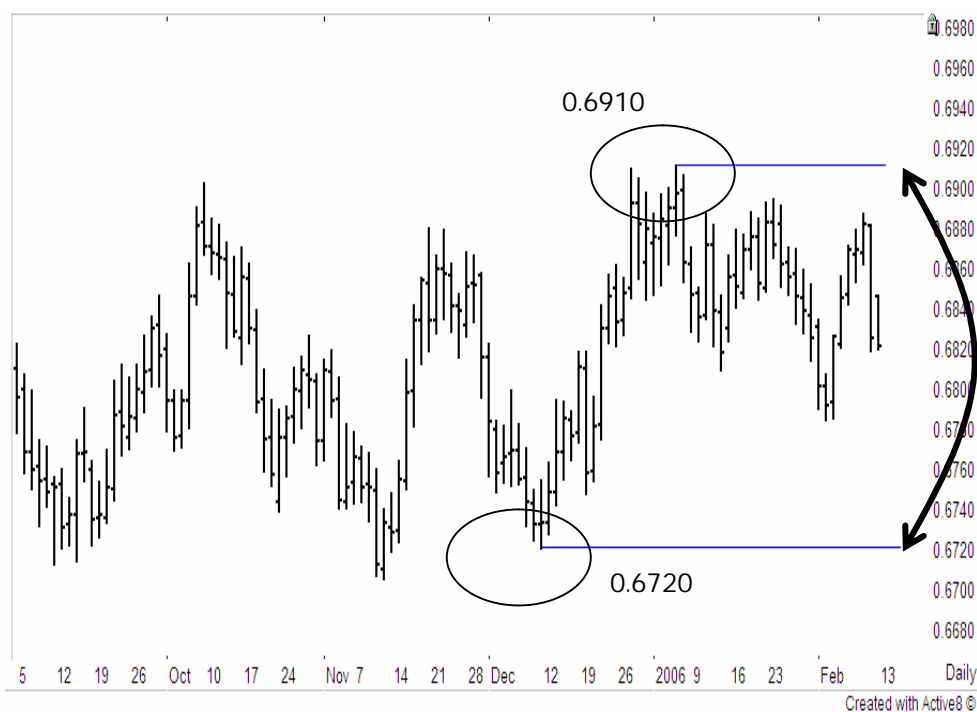
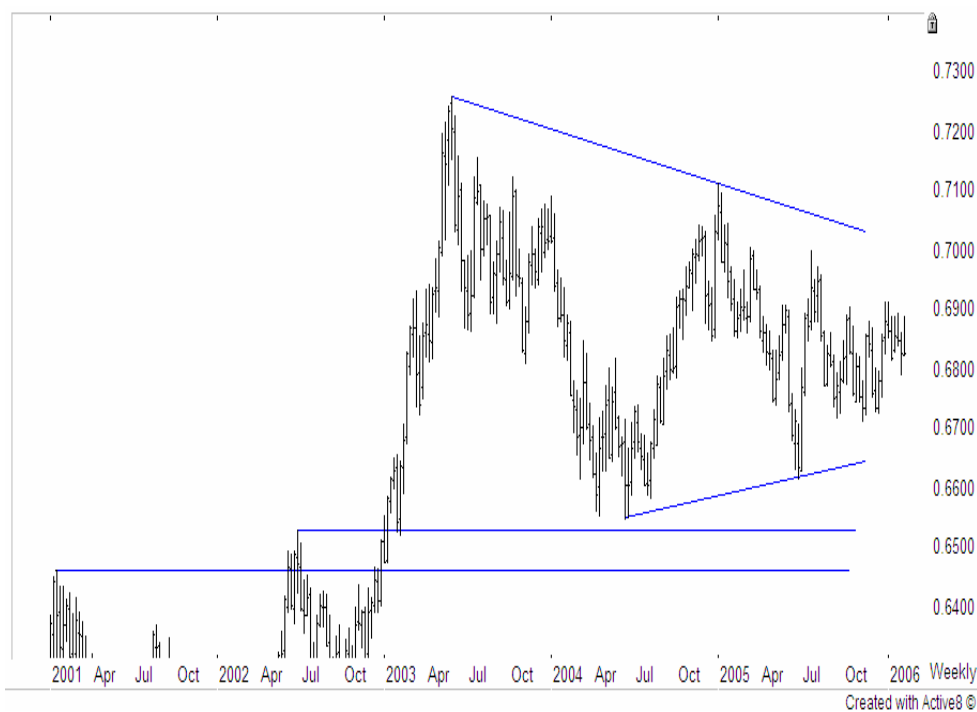
The market has bounced off the twin supports (bull H&S Neckline and long-term resistance) and climbed in the day chart with the small support of a Double Bottom.

But at these current levels there is a lack of structure to support short-term bull ambitions.

Stand aside and wait for greater short-term clarity.

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Sterling Euro



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Stocks

There was an injection of volatility over the week: Markets ranged widely but closed much the same save for the Nikkei which was down and is now testing some clear short-term levels.

Standard and Poors 500

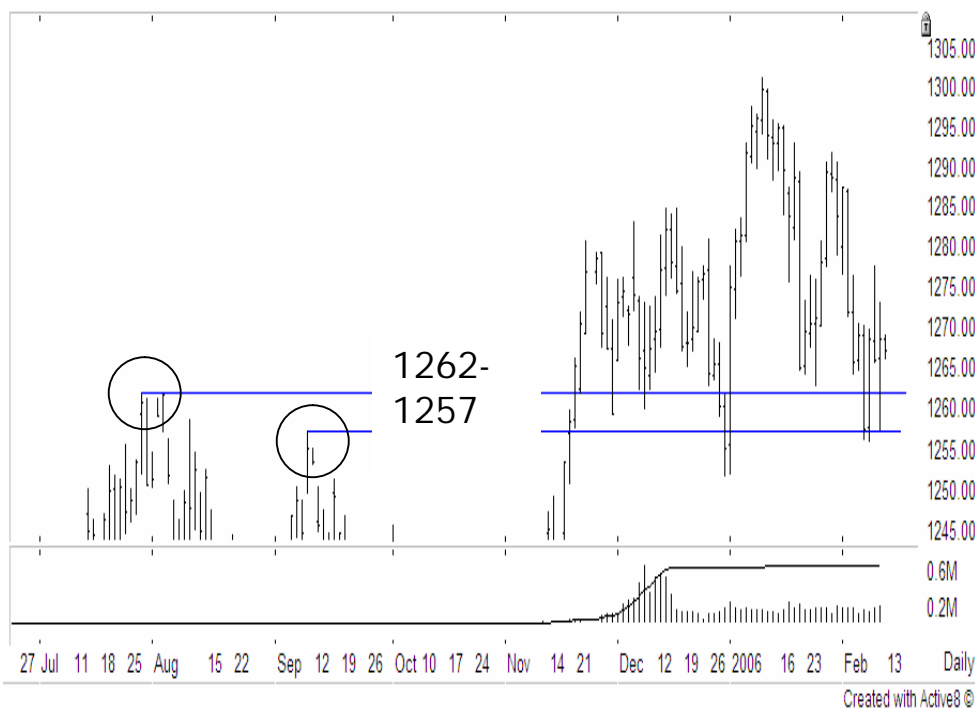


MONTHLY CASH INDEX CHART:

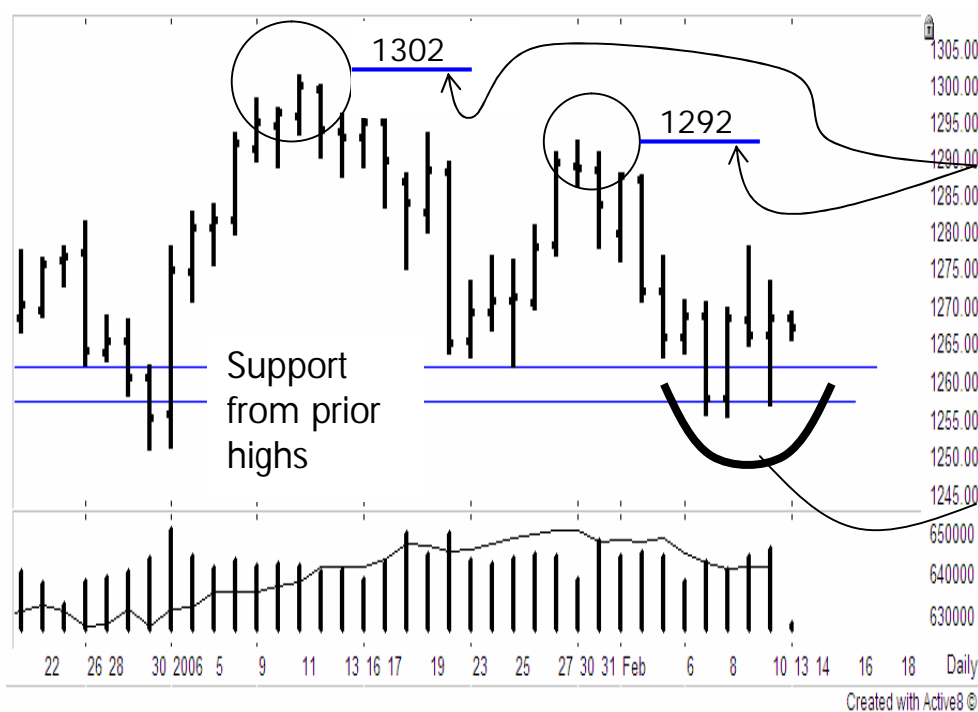
The very long-term chart is a clear Head and Shoulders Top that completed in 2004 and is set to drive the market up as far as 1750.



WEEKLY CASH INDEX CHART:
Having completed the H&S pattern the market worked sideways for a year before breaking free of the trading range late last year – pushing through the high at 1246.
That level subsequently acted as good support – helping ratchet the market higher.



DAILY FUTURES MAR 06 INDEX CHART:
The detailed daily futures charts reveal a band of support 1262-1257 beneath the market from those old highs.
The market has repeatedly tested that area of support – and found it to be good.
So far.



DAILY INDEX FUTURE MAR 06 CHART:

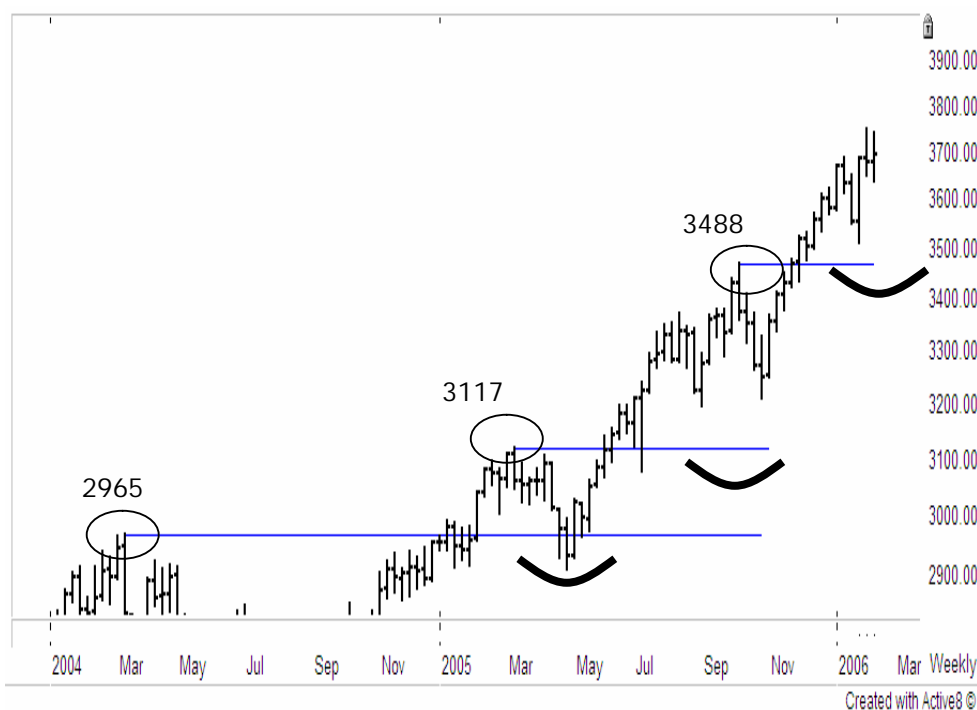
But bulls will want the market to get above the near high at 1292 and better still, 1302 before feeling sure that the market is on its way again.

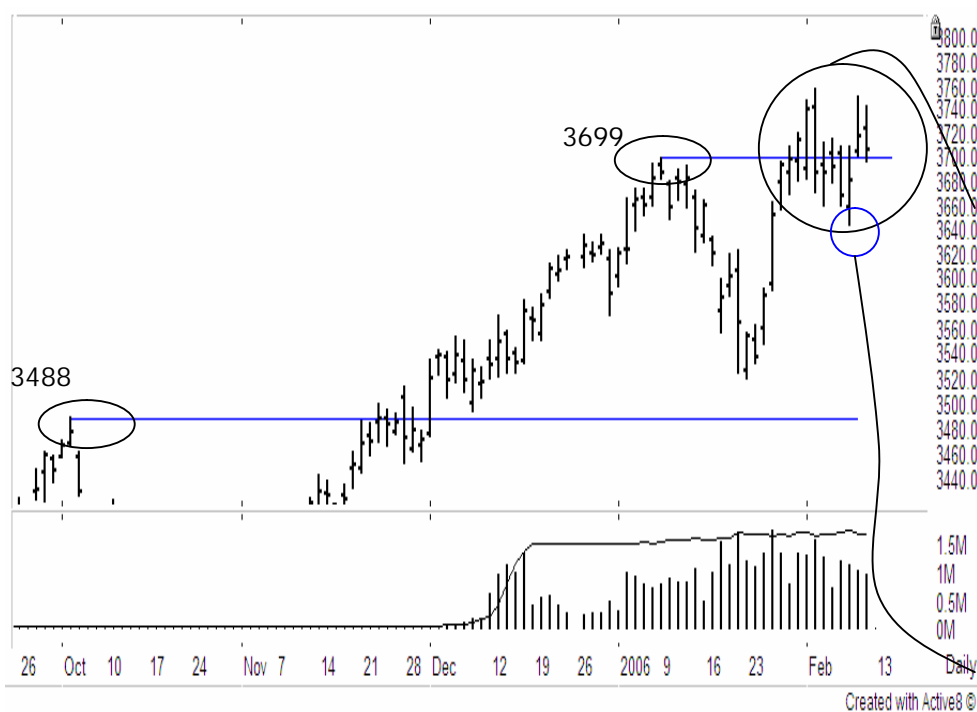
Last week we also said that the 52-67 support needed to remain intact to sustain momentum.

So far it has.

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European Dow Jones Stoxx 50





DAILY CASH INDEX FUTURES MAR 06 CHART:

But the market has
faltered recently.

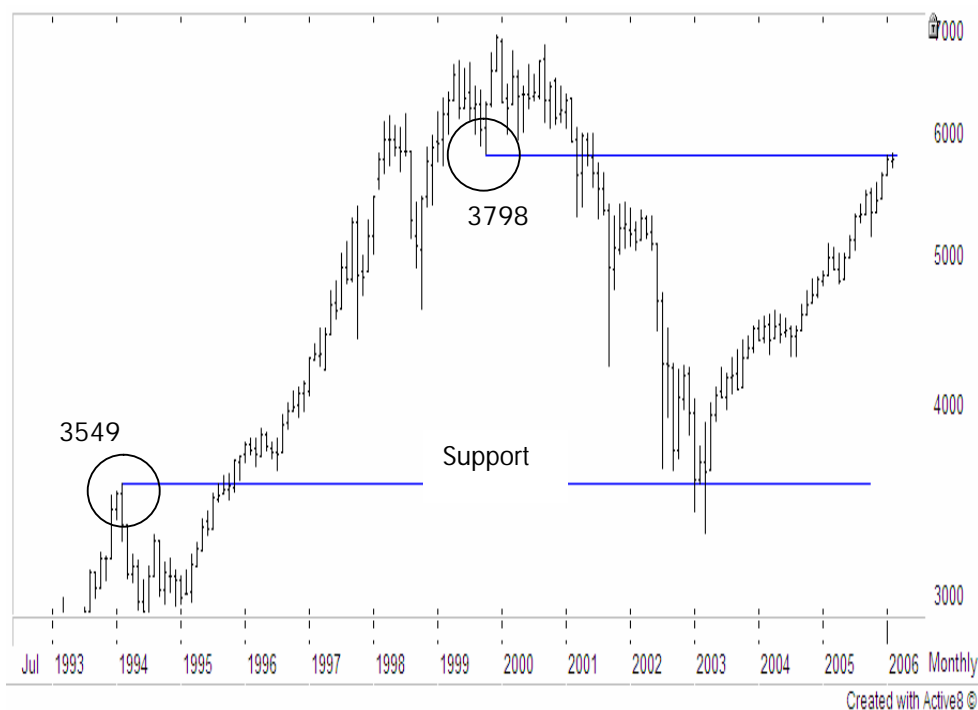
The prior high of 3699 is
Pivotal - and the market
has found it difficult to get
through that level
convincingly.

On the bear tack, we now
have a clear level to
watch (unlike last week)

A close watch should be
kept for any close
beneath the low at 3645.

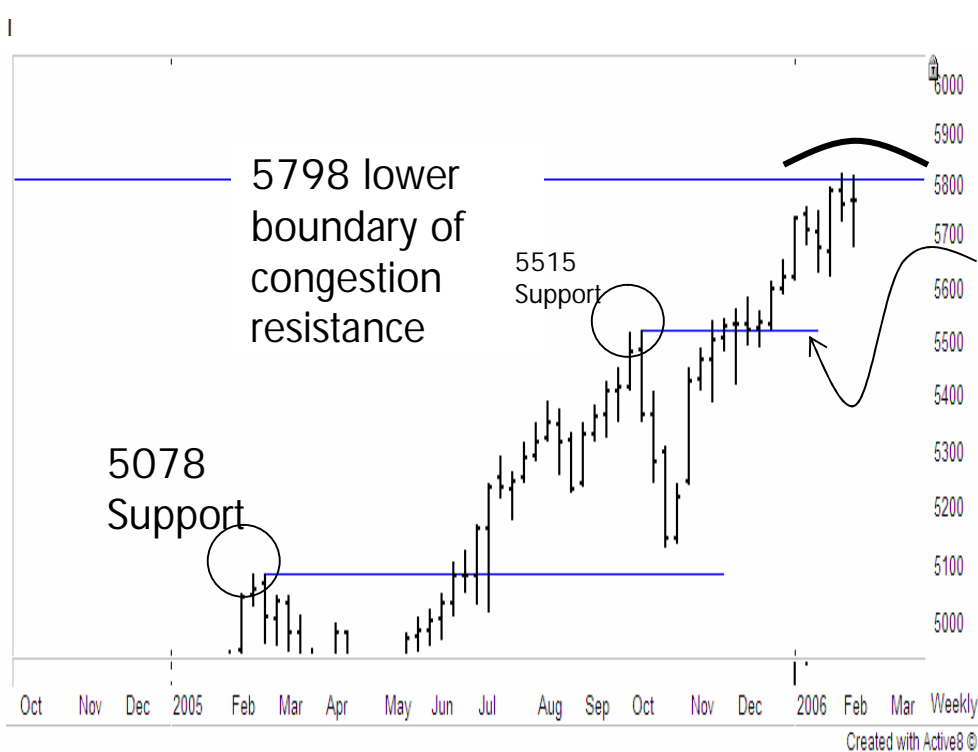
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FTSE 100



MONTHLY CASH INDEX CHART:

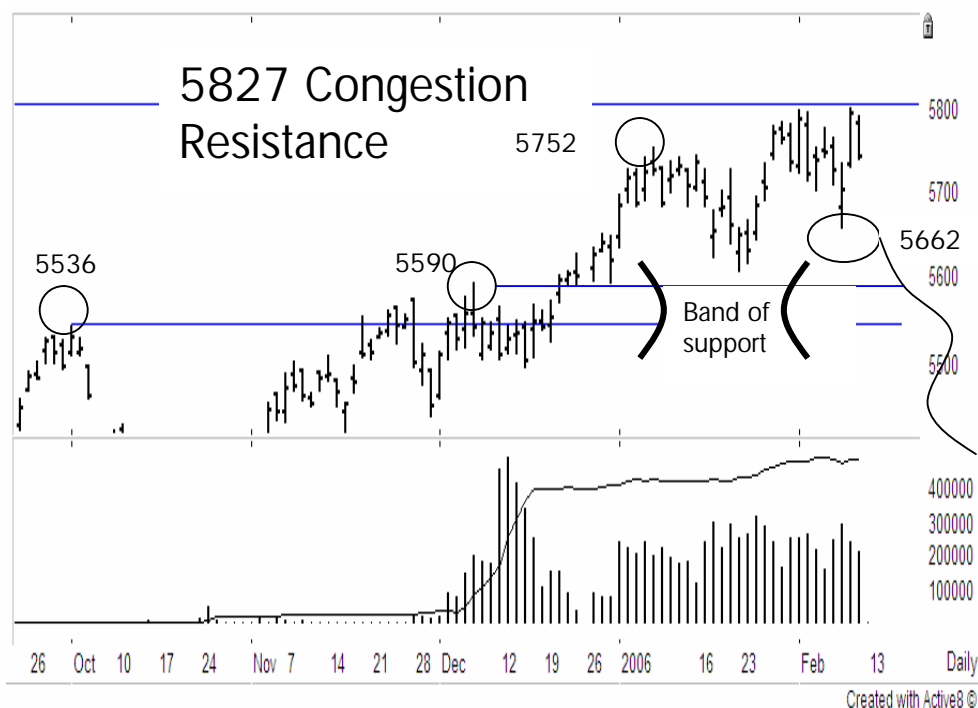
The market, having bounced off the major support from the prior high at 3549 and driven better over the last three years to find the beginning of resistance at 5798 the bottom of the area of congestion at the top of the previous major rally.



WEEKLY CASH INDEX CHART:

The market has paused there for three weeks.

On any pull-back there should be good support at 5515 on a weekly basis.



DAILY INDEX FUTURES MAR06 CHART:

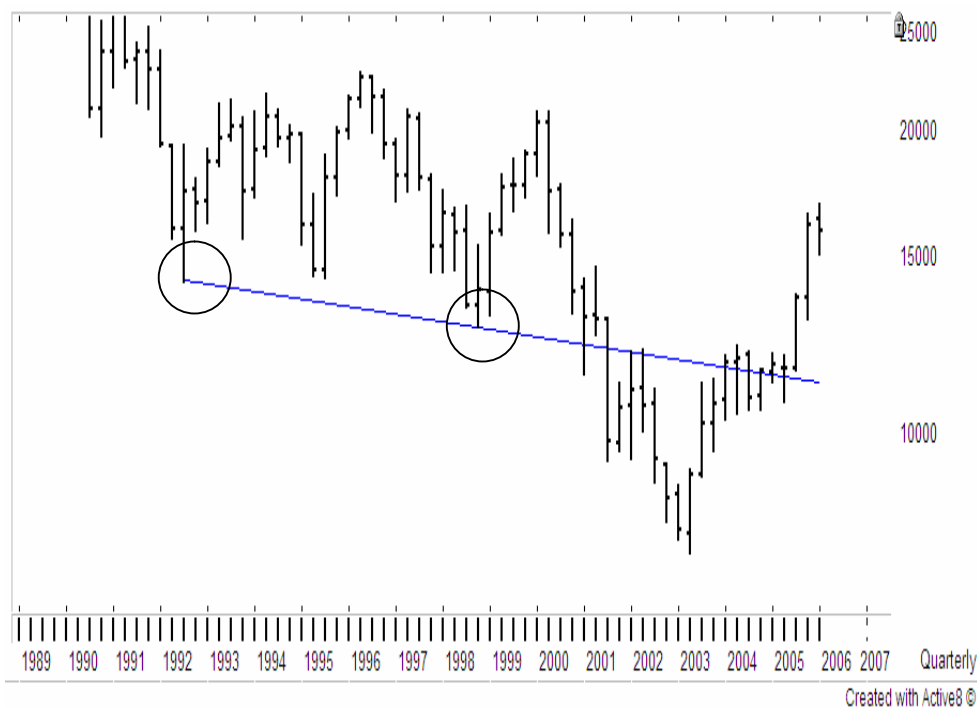
In the day chart of the March futures the support is a band beginning at 5590.

And the detail of the price action beneath the resistance is intriguing: In the very short-term - a push beneath the low at 5662 would signal a test of the band of support at 5536-5590.

Our suggestion of last week that 'traders should very close stops or go flat awaiting a break of the high' still seems right.

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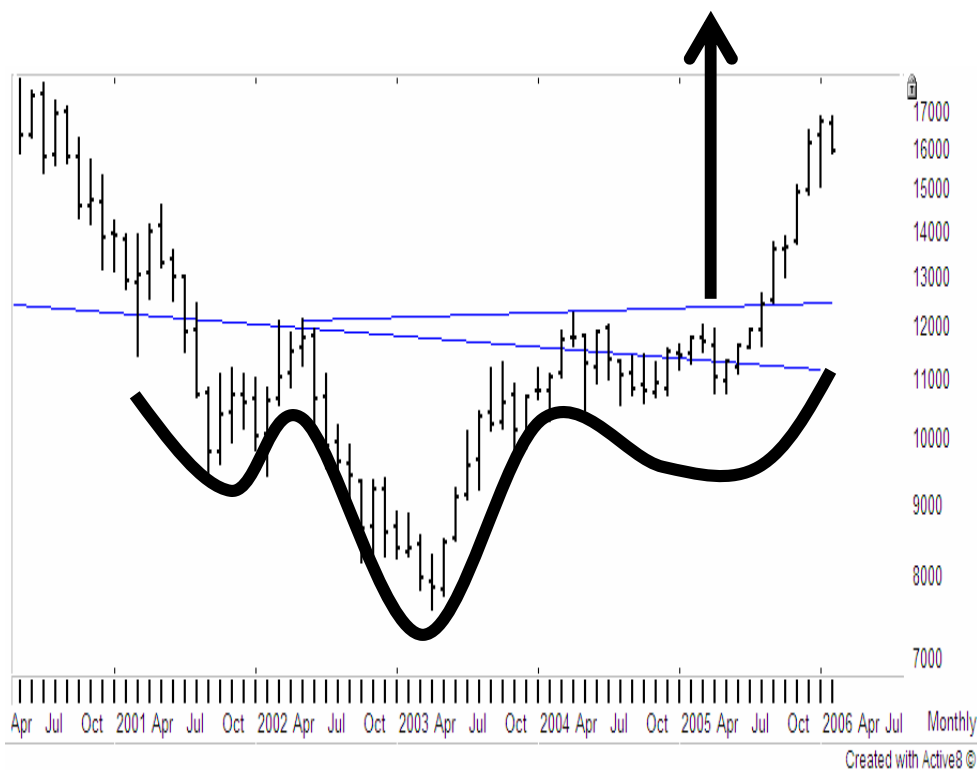
Nikkei 225



QUARTERLY CASH INDEX CHART:

The long chart is clearest of the Stock charts.

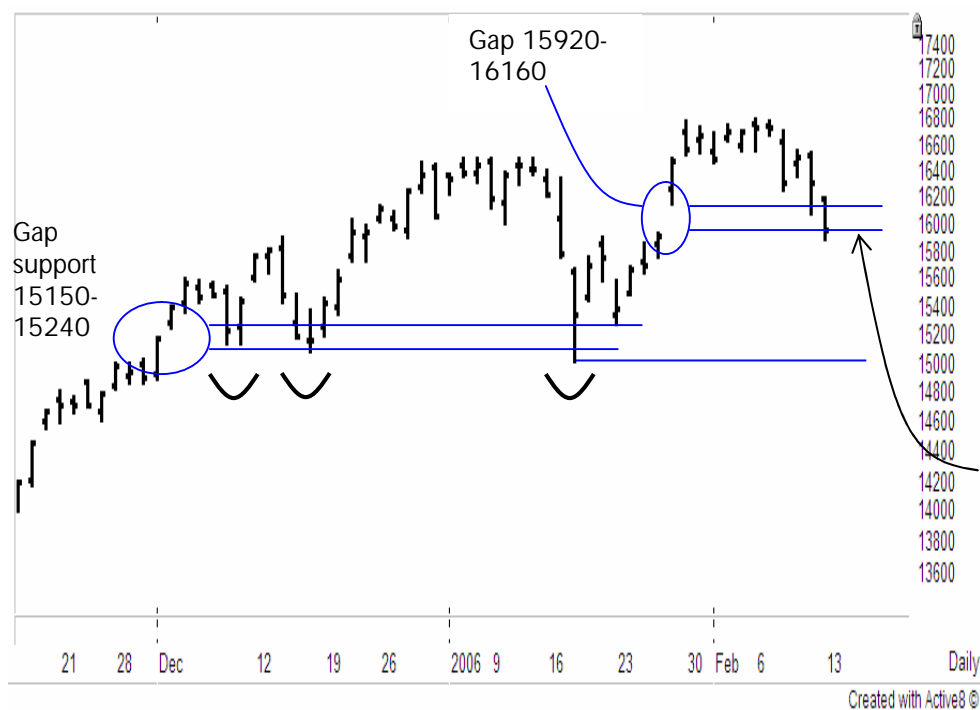
The push through the long-term resistance from the lows gained great momentum from the completion of a Head and Shoulders Bottom – which is clearer on the monthly chart:



MONTHLY CASH INDEX CHART:

The minimum target for the Head and Shoulders Bottom is 19500.

There is a lot further to go.



DAILY CASH INDEX CHART:

The recent pause is interesting.

Old Highs are Pivotal – the market's inability to hold above that 16490 level is poor news for the bulls.

We said last week that traders should 'stay long with close stops beneath 16490'.

The recent pull-back will have triggered those stops.

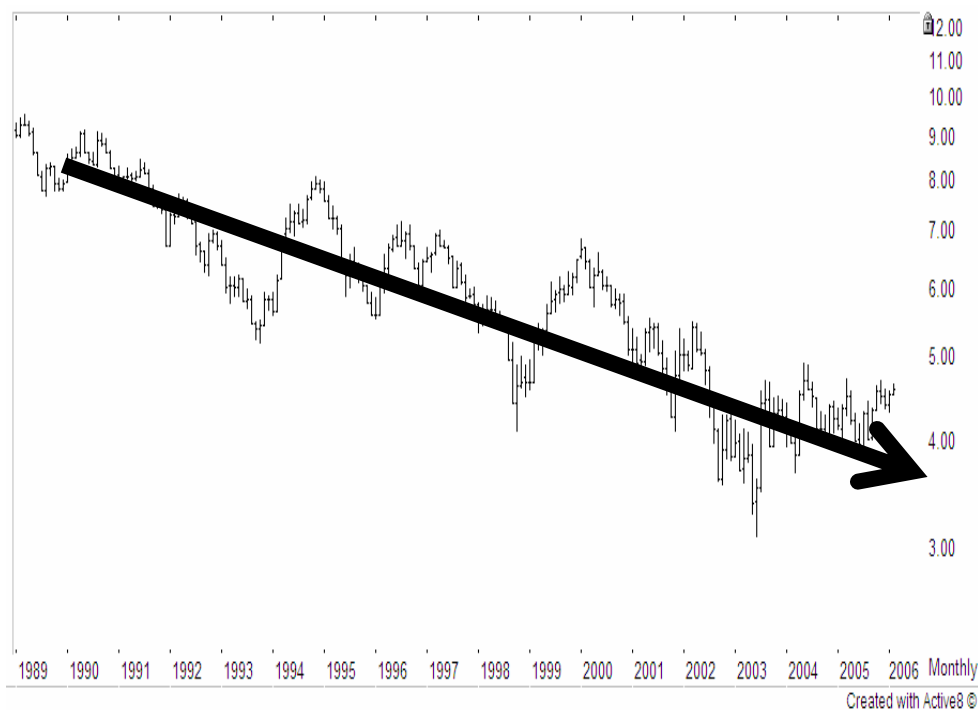
Now, if the market closes beneath the Gap at 15920-16160 then expect further progress on the downside.

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Bonds

Last week we talked about the emergence of long term bear patterns in the bonds across the board. That has continued. Both the European and US bonds seem poised to join the Yen bonds with long and medium-term bear structures.

Ten Years US Treasury Note



WEEKLY CASH YIELD
CHART:

The clear downtrend of the market over many years shows no clear signs of ending.



WEEKLY FUTURES
CONTINUATION
CHART:

And over the last year the trading range in yields is clear.

But still a little way from breaking out.



WEEKLY MAR 06 FUTURES CHART:

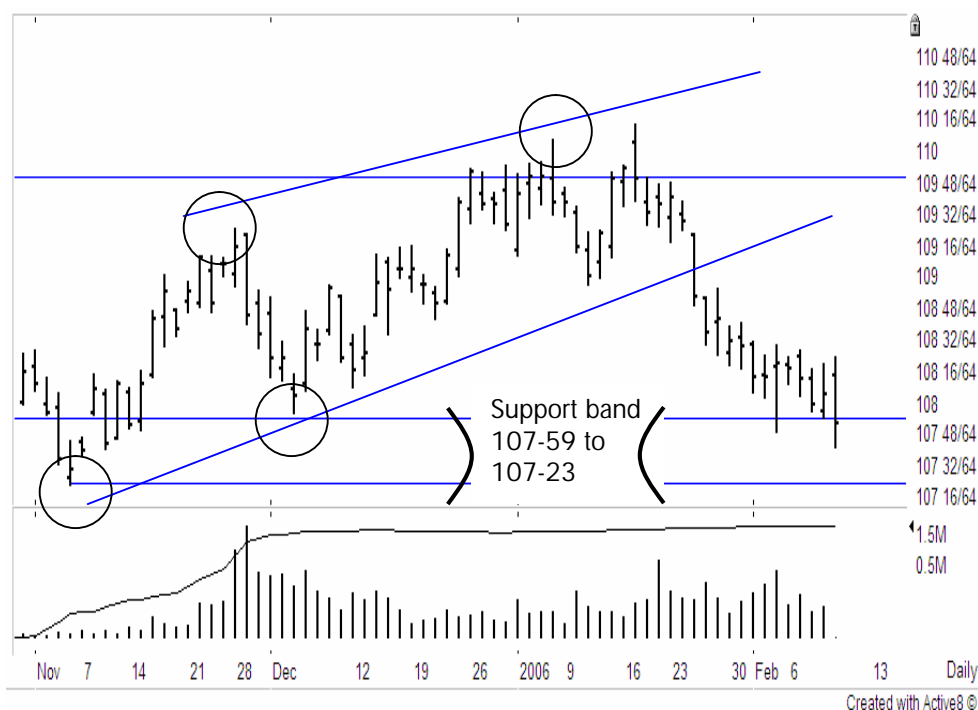
Notice first that the market has broken down from a parallel channel – although it has bounced from this level before.

So concentrate on the horizontal from 107-55.

Watch for a clear break and close beneath the lows on a weekly basis.

Look closer.

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DAILY MAR 06
FUTURES CHART:
The Mar 06 future
suggests the critical
lower boundary is 107-
23.

The move down has
been propelled by a
Double Top... (and the
completion of a Bear
Rising Wedge)...

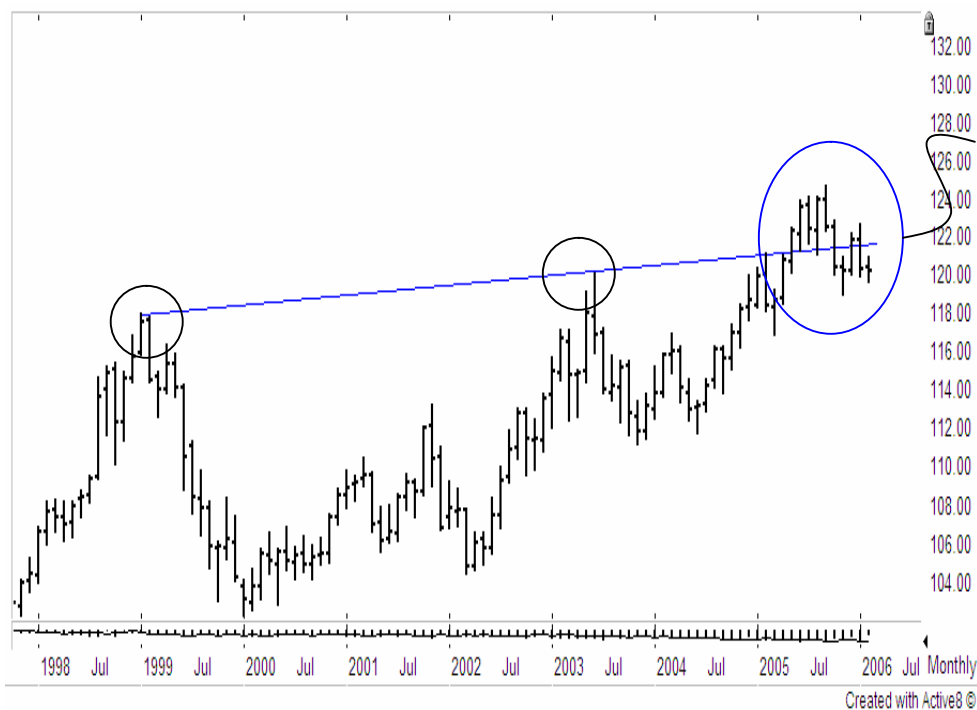
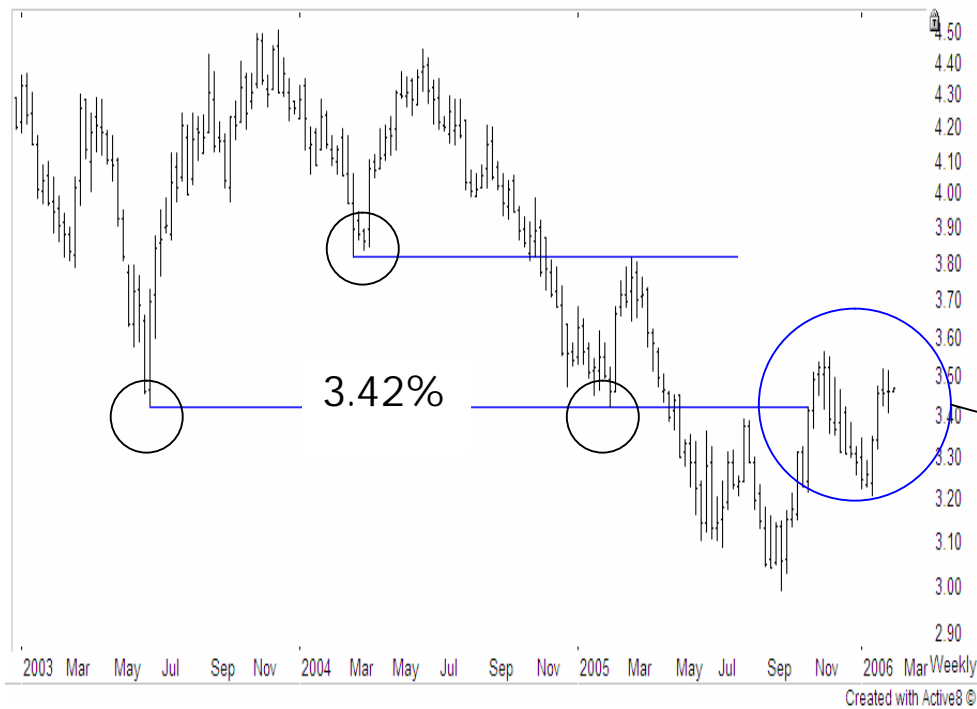
We said last week that:
'there is more to come
on the downside'.

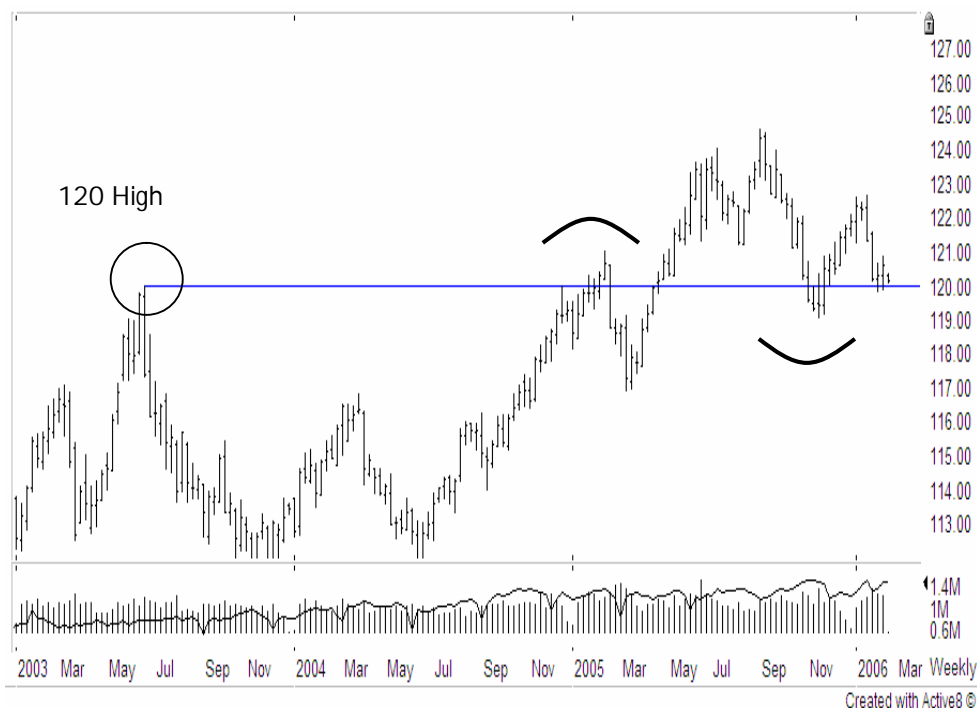
And there was. But now,
we are right on support.

And note that the price
action on top of the
supports – the volume
has been very low
down there -
supporting the bulls.
Wait for a close
beneath 107-23 before
adding to shorts.

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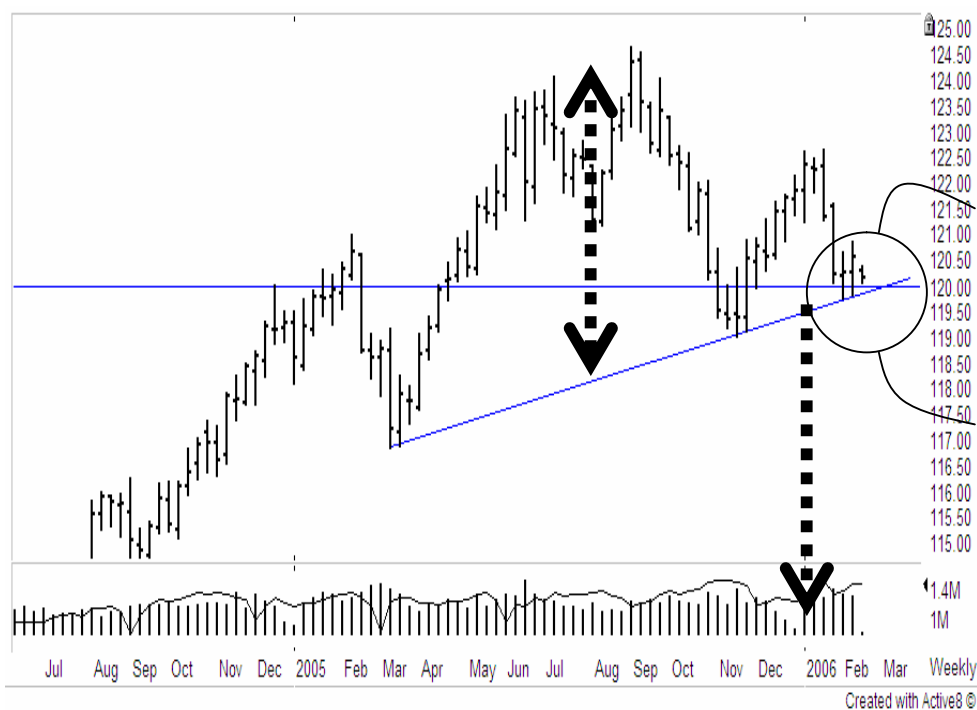
Ten Year Euro Bund





WEEKLY CONTINUATION FUTURES CHART:

Although the horizontal support from the prior high at 120 may be the most effective support currently operating....



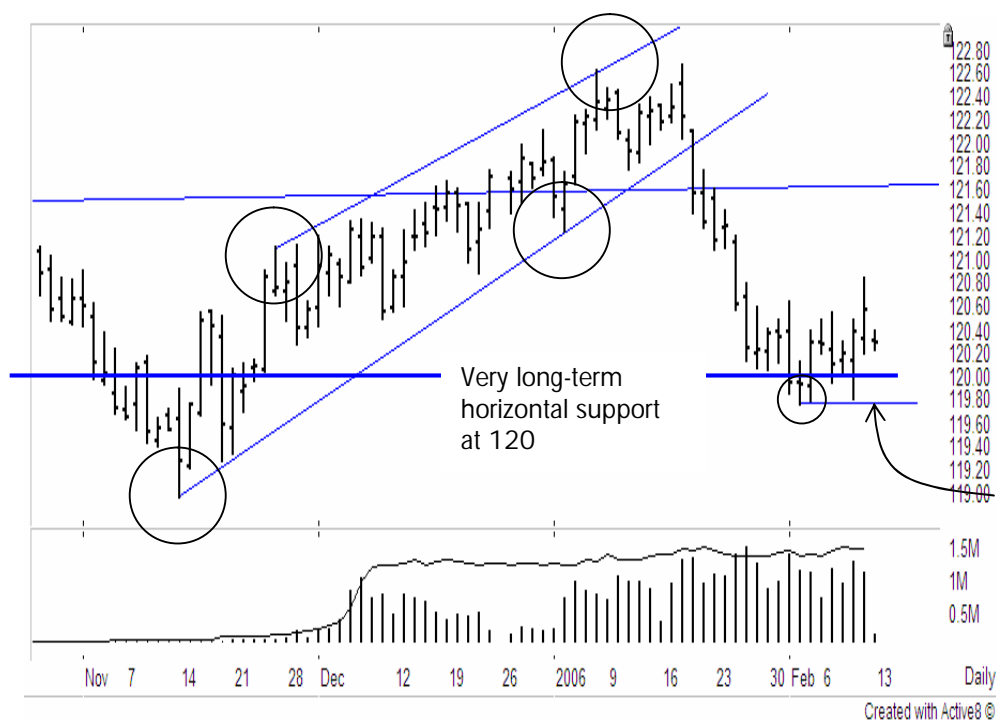
WEEKLY MAR 06 FUTURES CHART:

And note that that horizontal coincides with an interesting possible Neckline of a Head and Shoulders Top in the Continuation chart.

The two levels are 119.98 and 119.88.

A weekly break and close beneath those would send the market on down a good deal further.

The target for the H&S top is about six big figures lower.



DAILY MAR 06 FUTURES CHART:

Either way, the short-term chart shows the completion of a Bear Rising Wedge that drove the market down to its present level.

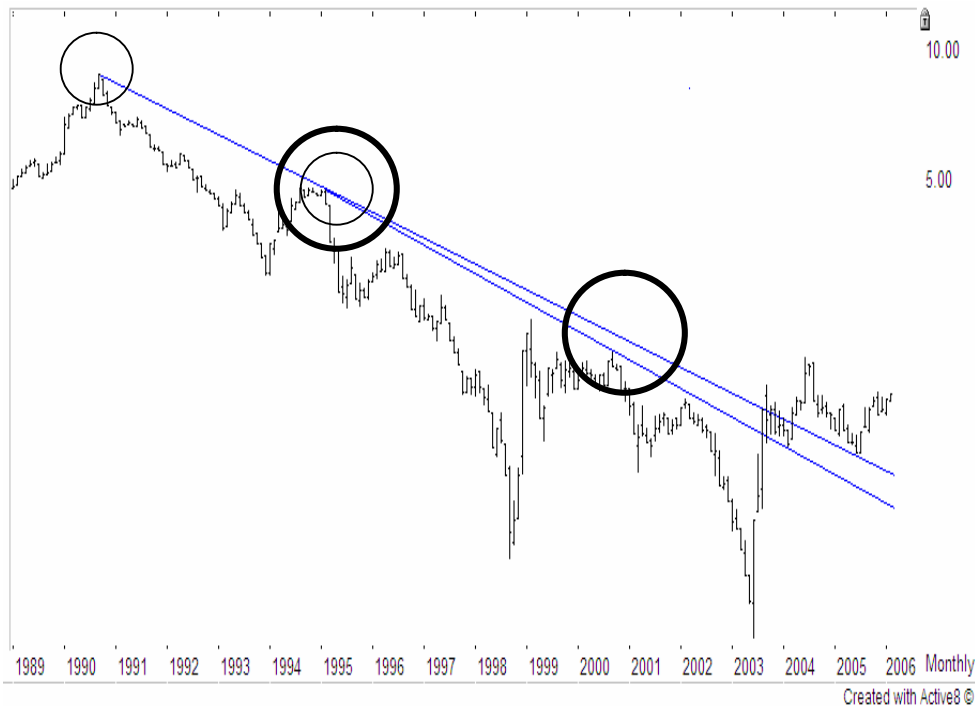
Watch and wait in the short term for a daily close beneath the near lows of 119.77.

Last week we said that 'dealers should stand back for the moment'

That's still true.

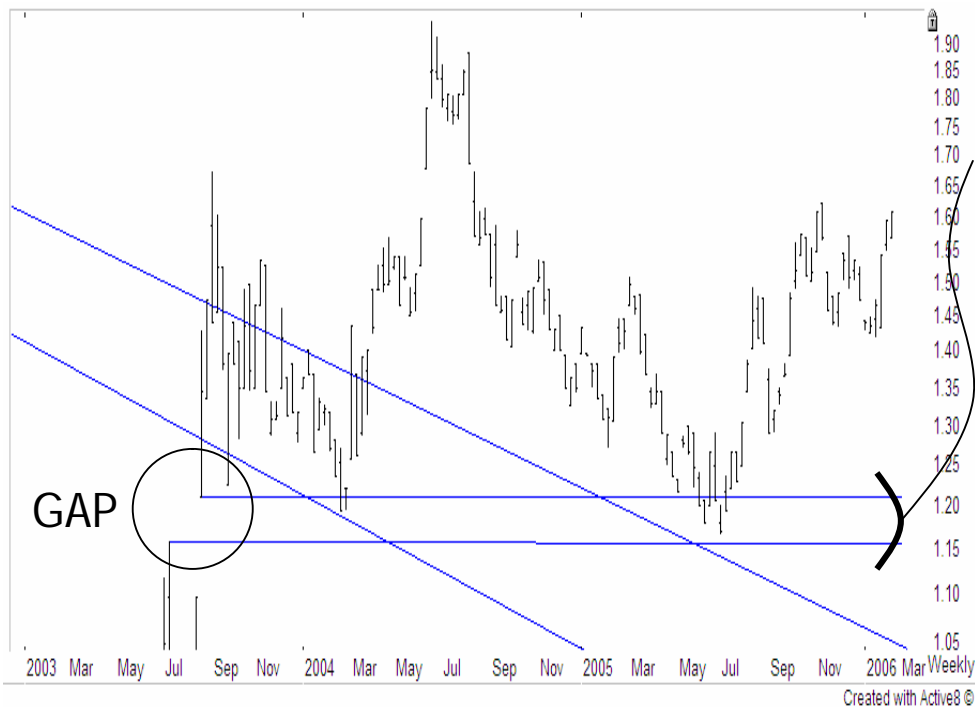
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Ten Year Japanese Bond



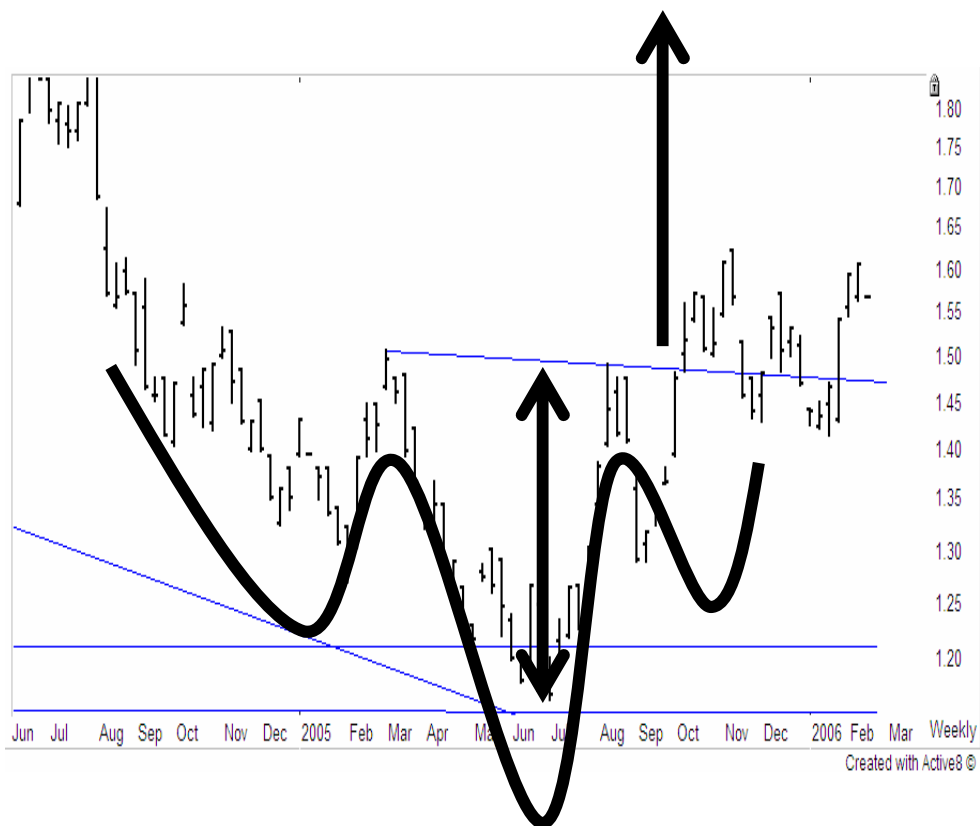
MONTHLY CASH
YIELD CHART:

It looks as if the long-term trend for falling yields has been broken.

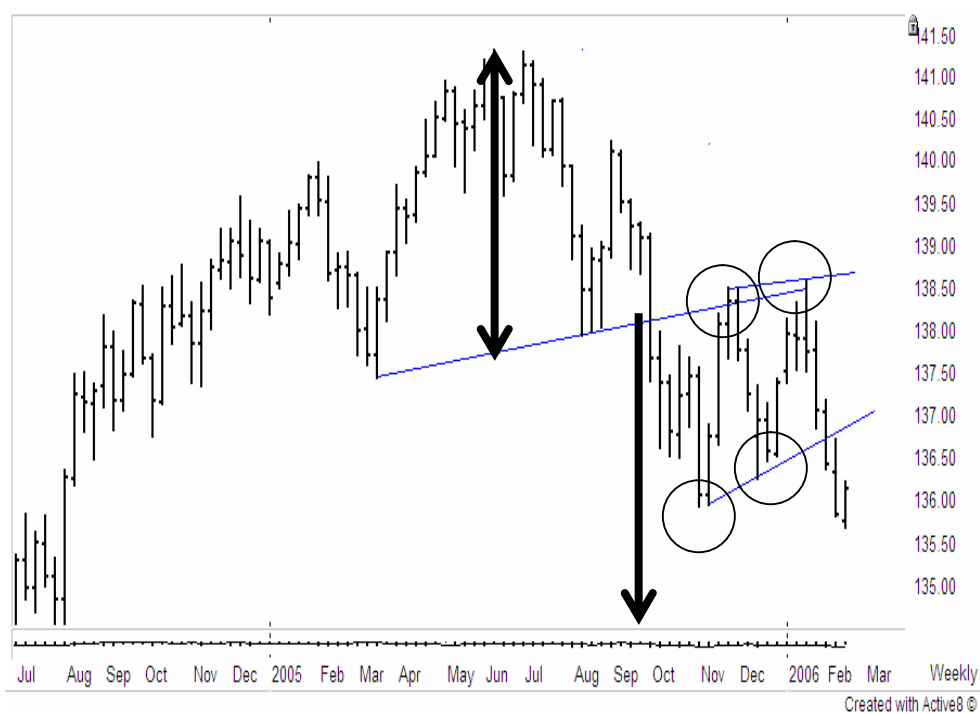


WEEKLY FUTURES
CONTINUATION
CHART:

In particular, the Gap at 1.15%-1.21% has shown itself to be good support.



WEEKLY MAR 06
FUTURES CHART:
And the weekly yield
chart has a completed
Head and Shoulders
Bottom that is set to
drive the market up to
about 1.85%.

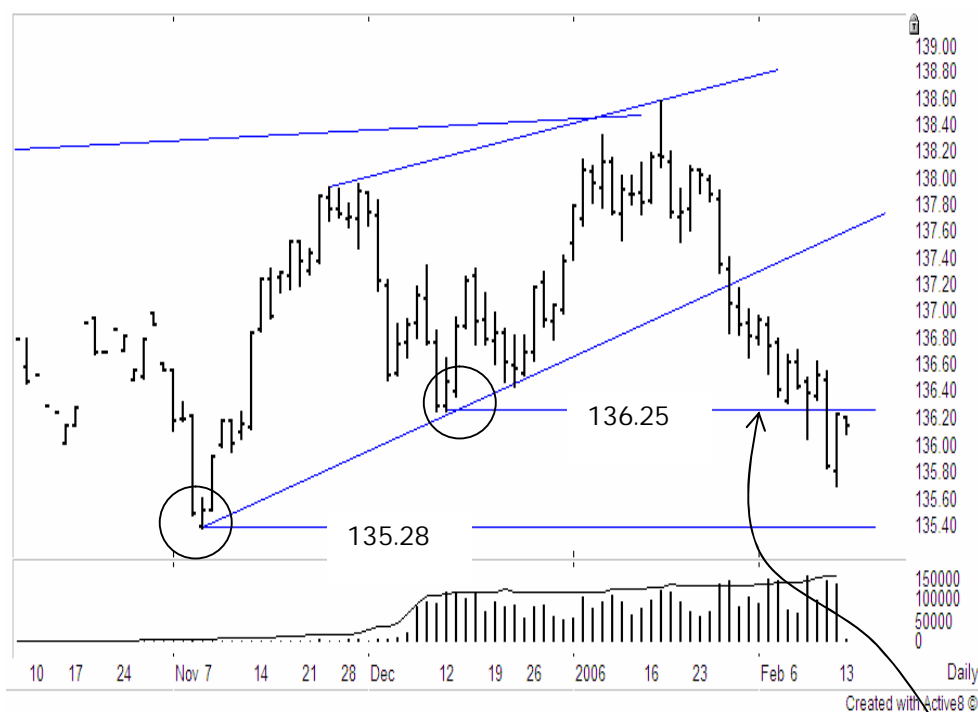


WEEKLY FUTURES
CONTINUATION
CHART:
The Continuation chart
shows the same pattern
even more neatly
completed.

The measured target for
the H&S pattern is about
134.50.

Note too, the Bear Rising
Wedge which completed
two weeks ago.

That too is adding to the
bear impetus.



DAILY MAR 06

CHART:

The Mar 06 contract is more accurate – the push down through the Pivot at 136.25 was important – that will now be resistance to any attempted bounce (which it has already been).

And so the market will be pressured lower still.

Last week, we said: 'use any break of the horizontals to add on.'

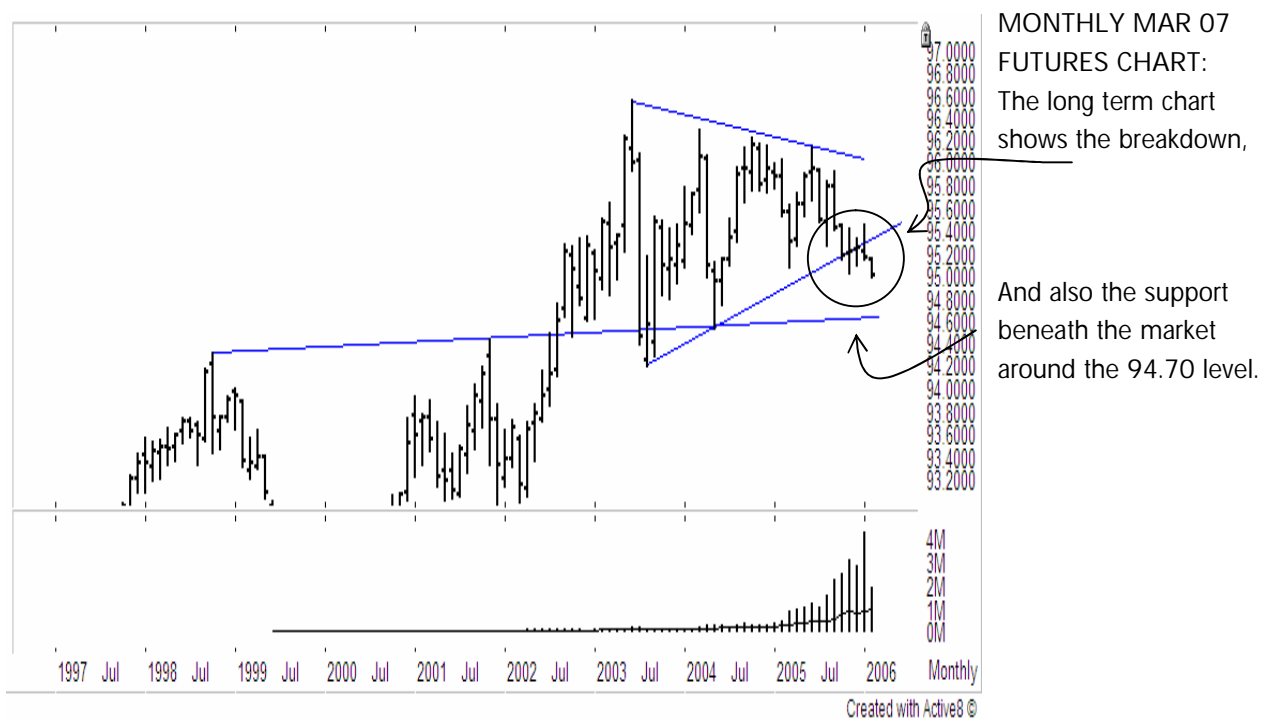
136.25 certainly broke.... and it feels as if there is still more to come in the short-term.

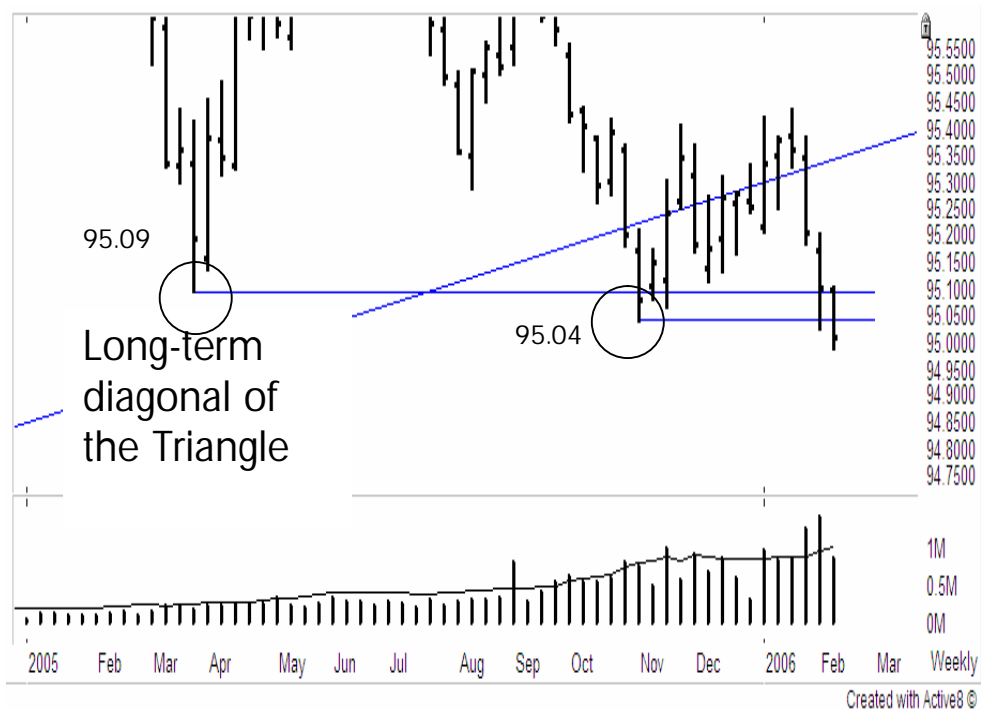
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Interest Rates

Our concentration on the Euribor has missed the action in the Eurodollar which now looks very vulnerable to further bear selling down the futures strip (and so we have closed our spread trade recommendation). Euribor has disappointed on the bear front but the bear structure remains intact. Short Sterling remains unclear.

Dollar Rates

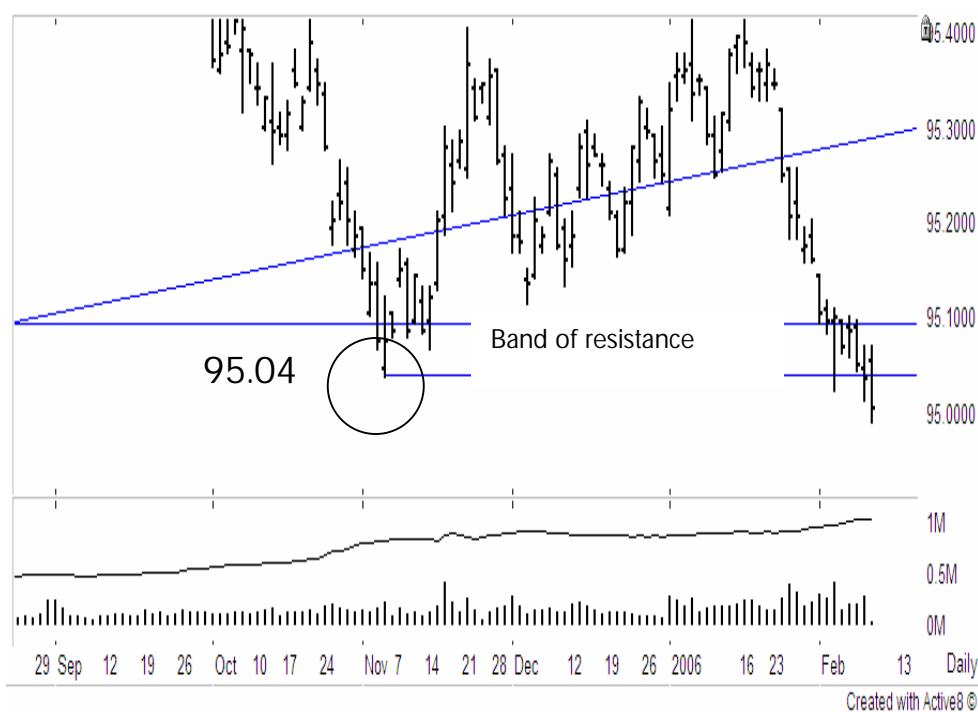




WEEKLY MAR 07 FUTURES CHART:

The breakdown through the rising diagonal has been greatly compounded by (1) the creation of a Rising Wedge which completed three weeks ago, and (2) the push beneath the Pivotal lows at 95.09 and 95.04.

Now there is powerful resistance above the market, it will be pressured lower.



MONTHLY MAR07 FUTURES CHART:

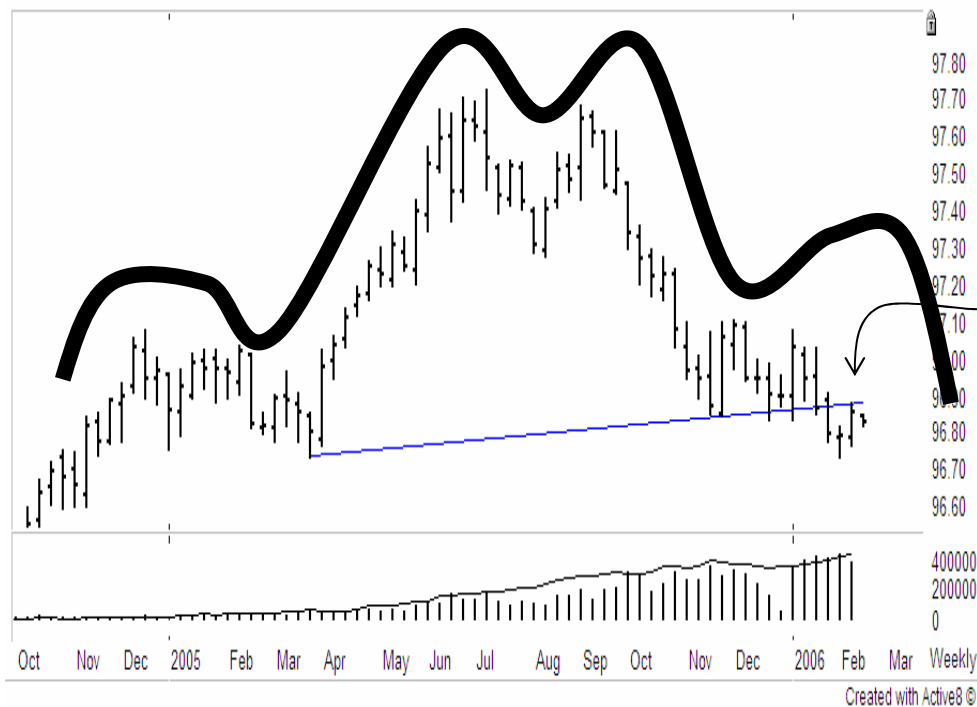
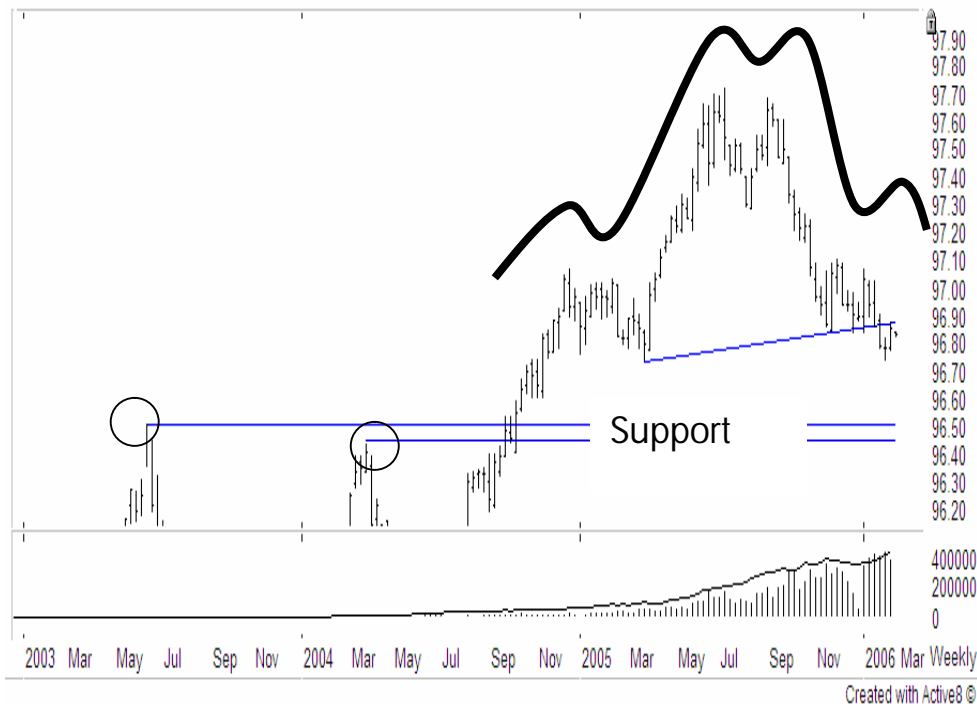
Last week we noted how the market had tried to push beneath the old Pivot at 95.40 but failed. And then said; 'only sell again on a break of the 95.04 low'.

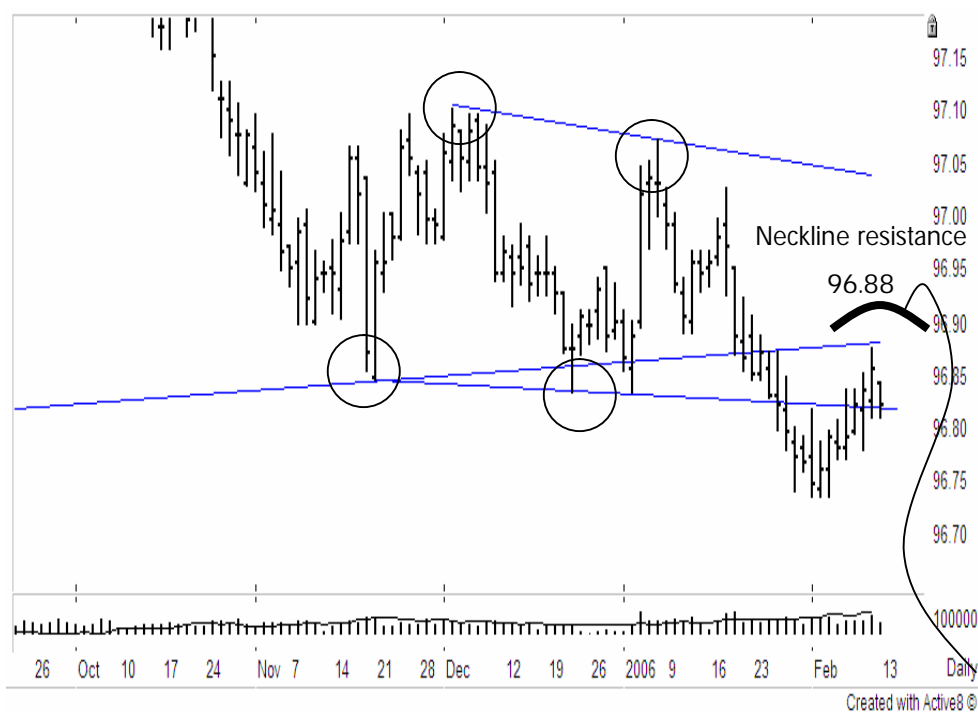
Well, that happened. Traders should get short. There is now good resistance above the market.

(In our Update of two weeks ago we were sellers of the June 06 – March 07 spread at -11.5 bps and that has narrowed to -8 bps as the data pushed the pessimism further forward. Accordingly, we have cut the spread position at -8.5 bps)

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Euribor Rate





DAILY MAR 07
FUTURES CHART:
That Neckline has been
good resistance.

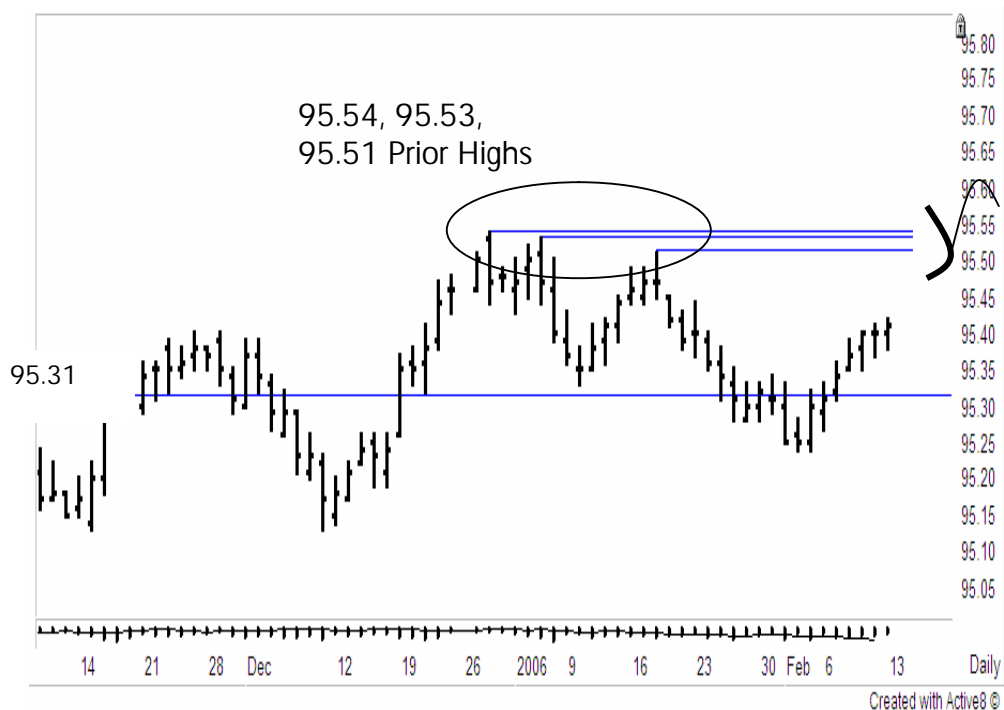
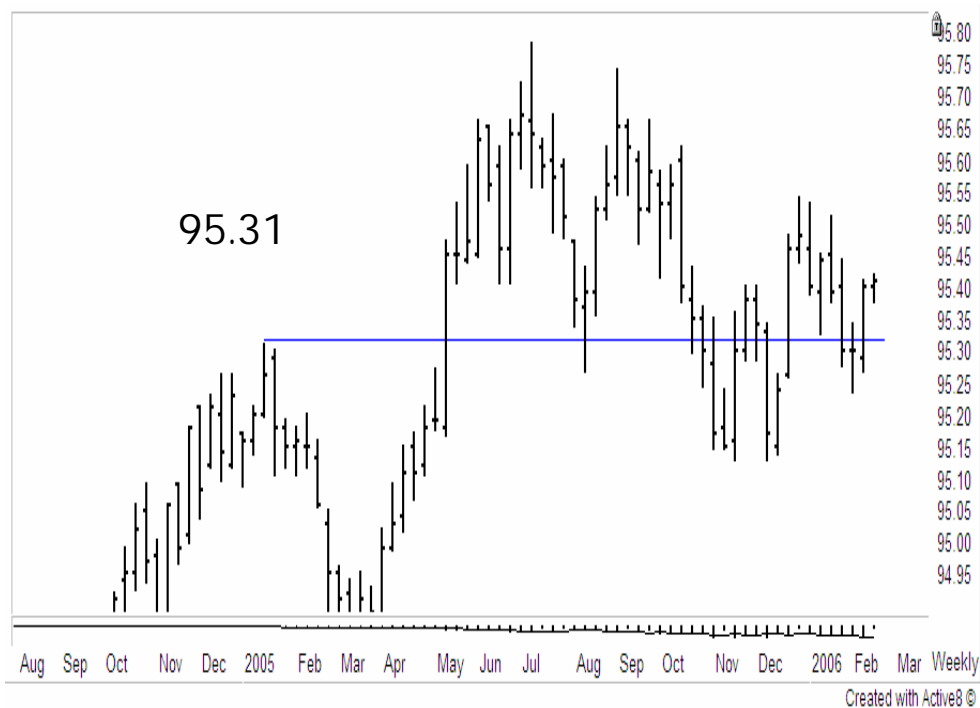
This is a good selling
level with stops above.

Last week we
emphasised the lower
diagonal of the Triangle
that completed soon
after the Completion of
the Head and Shoulders
pattern. That first
resistance was
penetrated, (which was
disappointing) but the
larger resistance at the
Neckline has proved
resistant.

We remain short.

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Sterling Rates

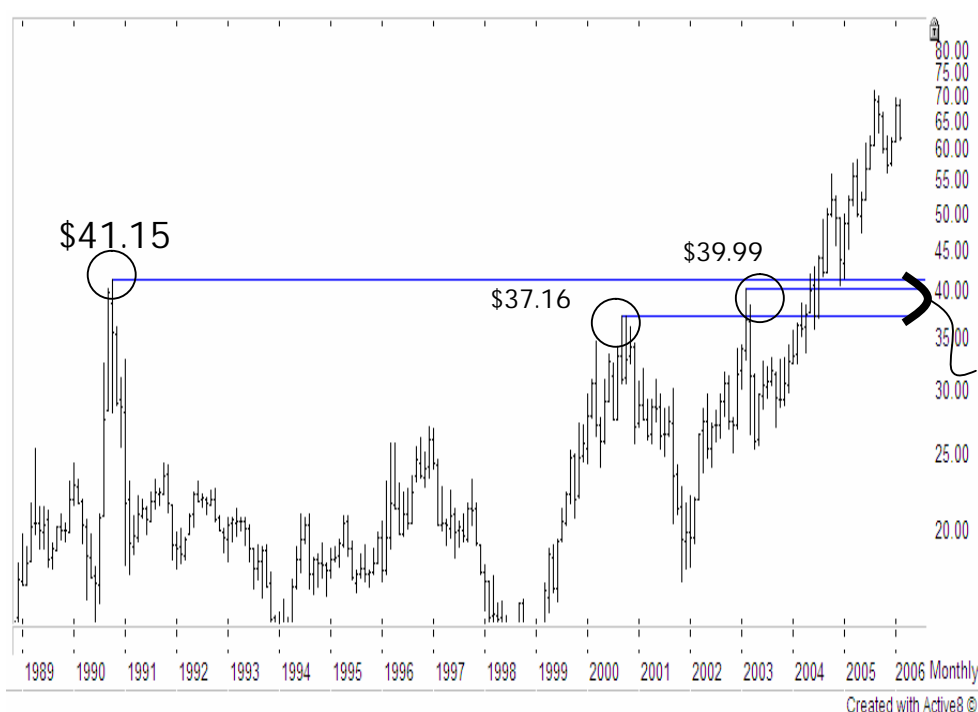


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Commodities

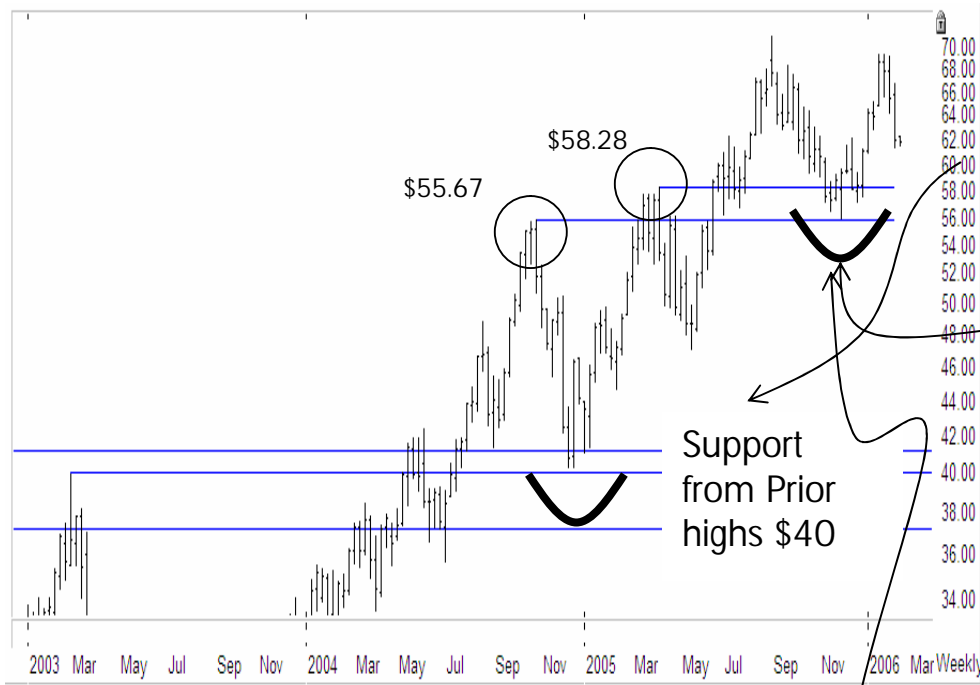
Oil has moved down further, breaking some supports that we have been watching. It is now set for more bear selling. Gold sits on short-term supports.

Oil



MONTHLY FUTURES CONTINUATION CHART:

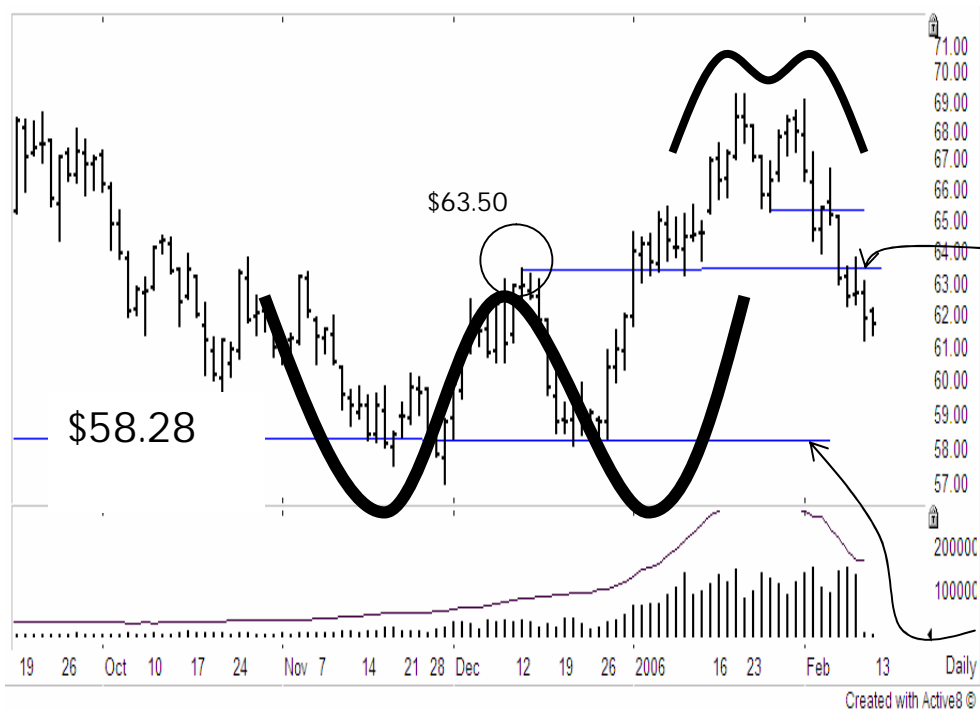
The market's fast bull run of the last two years has been made possible by the existence of the powerful support from the Prior highs in the 1990s around \$40.



WEEKLY FUTURES CONTINUATION CHART:

Those were clearly important support – since the bounce in November 2004 the market has found other prior highs good support too.

The recent failure to get above \$70 (and stay there) has disappointed the bulls, but in the medium-term, they should only really be anxious if the band of support at \$55.67-\$58.28 were to be broken.



DAILY MARCH 06 FUTURES CHART:

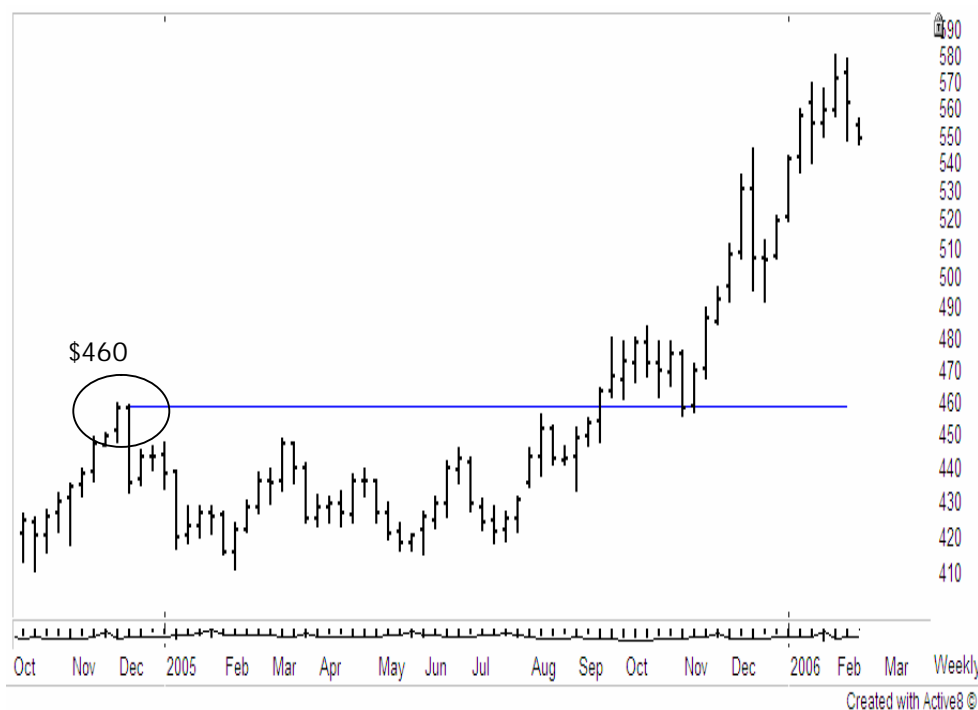
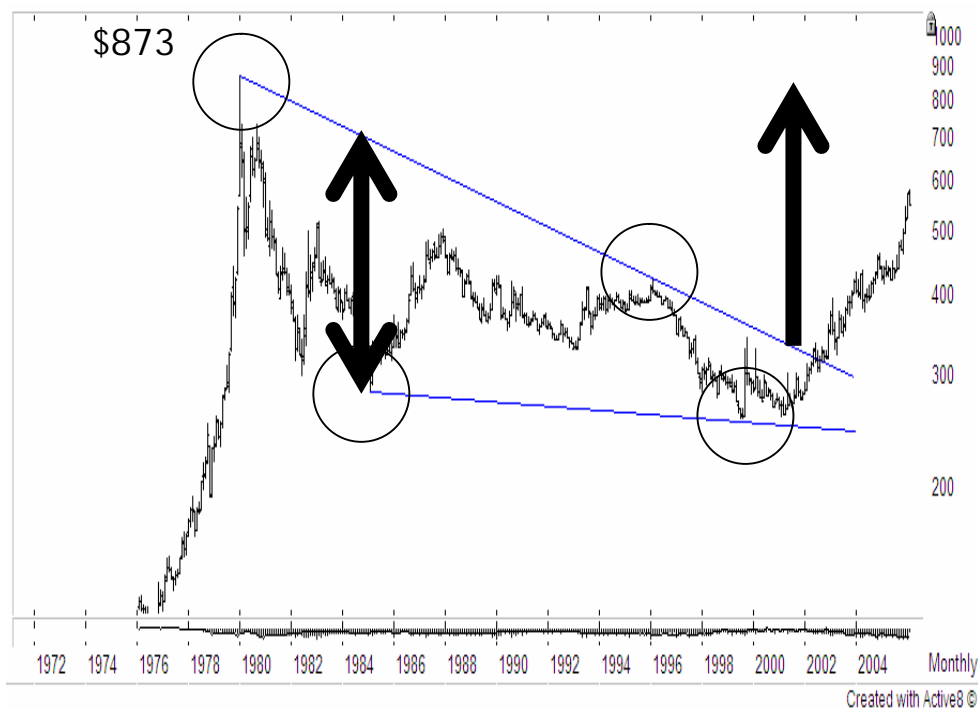
Bulls will have noticed the small Double Top that formed and began the recent pull-back- and which drove the market down through the short term support at \$63.50.

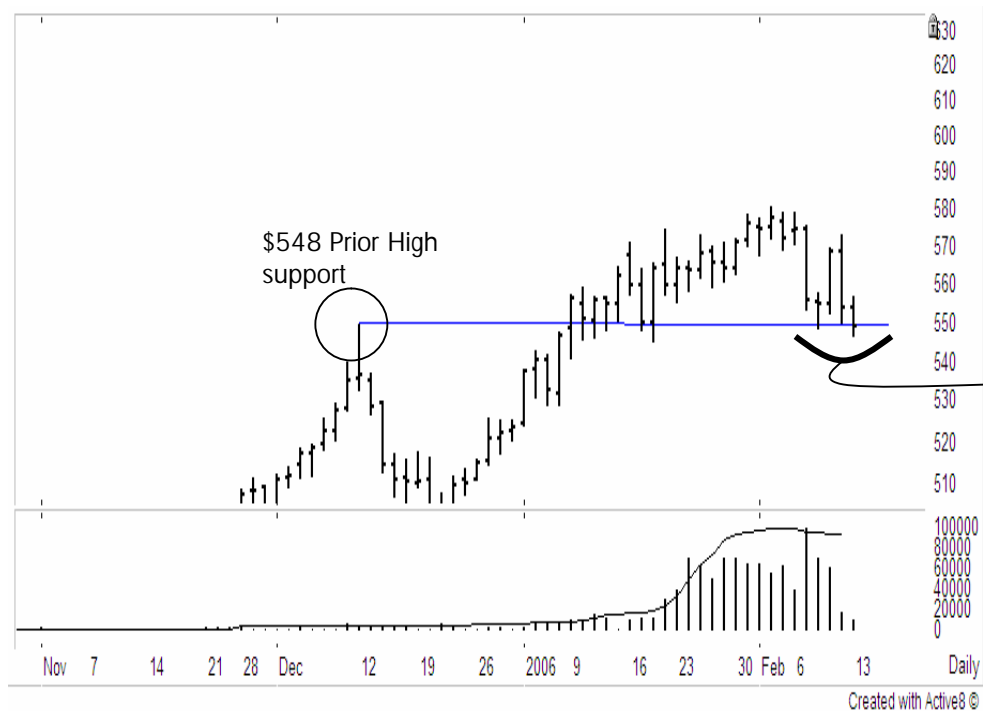
We said last week 'judge the health of the market by the support of the \$63.5 high.'

That alone suggests a test of the \$58.28 boundary.

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Gold





DAILY APRIL 06

FUTURES CHART:

Now watch the price action carefully as the support from the prior high at \$548 is being tested.

A clear break would send the market on down towards the \$520 at least (which we warned about last week).

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