

WEEK 9 28th – 6th March 2006

THE TECHNICAL TRADER'S GUIDE TO MAJOR MARKETS

MARK STURDY



LINKS

CURRENCIES

03 DOLLAR EURO

06 DOLLAR STERLING

08 DOLLAR YEN

10 STERLING EURO

Stay **SQUARE**

BUY with a close stop (say 1.7250)

Stay **SQUARE**

Stay **SQUARE**

STOCKS

12 STANDARD AND POORS 500

14 EUROPEAN DJ STOXX 50

16 FTSE 100

17 NIKKEI 225

Wait for a break of **1302**.

Stay **LONG**

Stay **LONG**

Stay **SQUARE**

BONDS

19 TEN YEAR US TREASURY NOTE

21 TEN YEAR EURO BUND

23 TEN YEAR JAPANESE BOND

SELL on a break of 107-23/64

SELL on a break of 119.91

Stay **SHORT**; add on a break of 135.28

INTEREST RATES

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Stay **SHORT**; sell again on a break of 94.955

Stay **SHORT**; sell again on a break of 96.74

Stay **SQUARE**

COMMODITIES

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Stay **LONG**

Go **LONG** with a close stop say \$545

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.

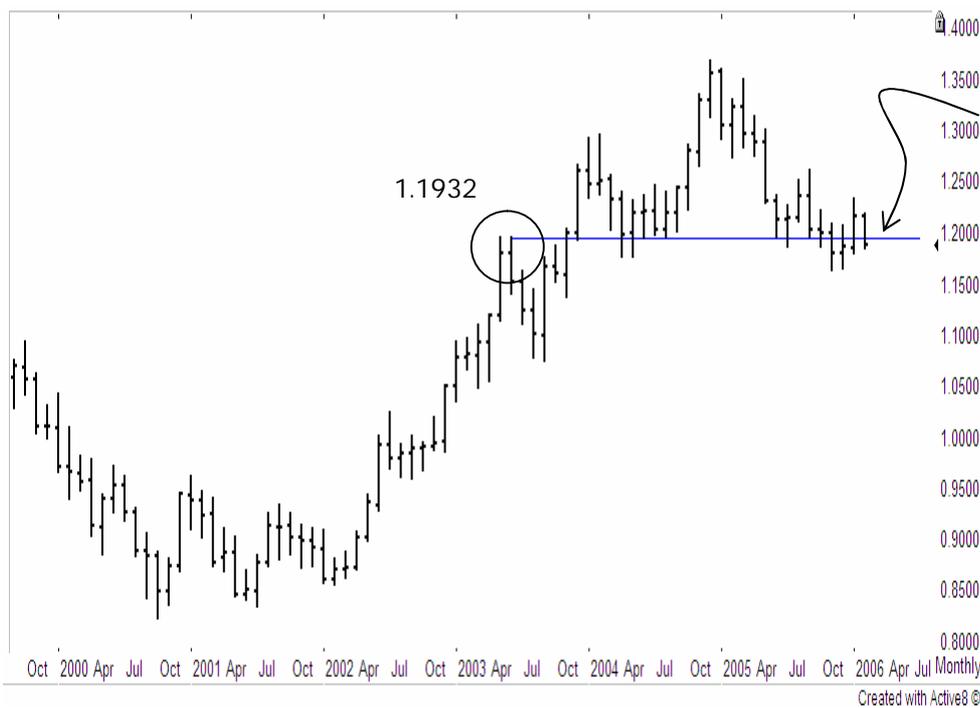
Since then he has worked extensively as a consultant technical analyst for a number of large private investors, banks and Hedge Funds.

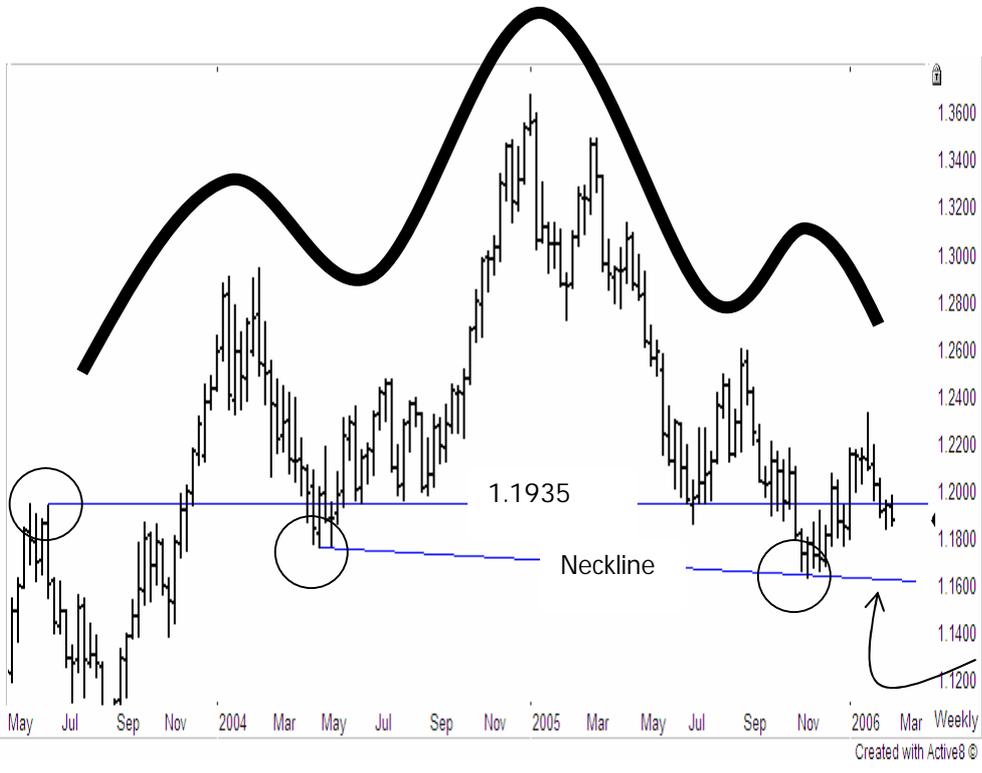
Mark has been a regular contributor to Reuters Financial Television and currently contributes to CNBC TV Europe providing chart commentary and trading recommendations

Currencies

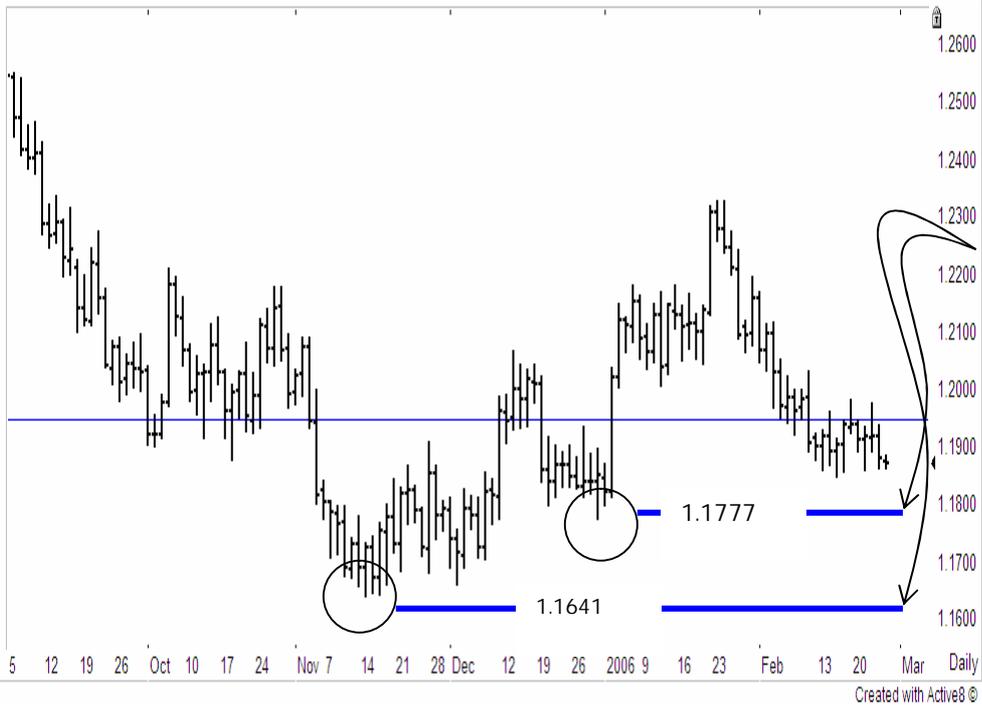
The Dollar pause continued over the week but the detailed price action still reveals the relative strength of the Sterling and the Yen. Especially Sterling, without powerful short-term structures in place yet, it nonetheless shows solid signs of emerging bullishness that fit neatly with the Double Bottom bull pattern of long-standing.

Dollar Euro

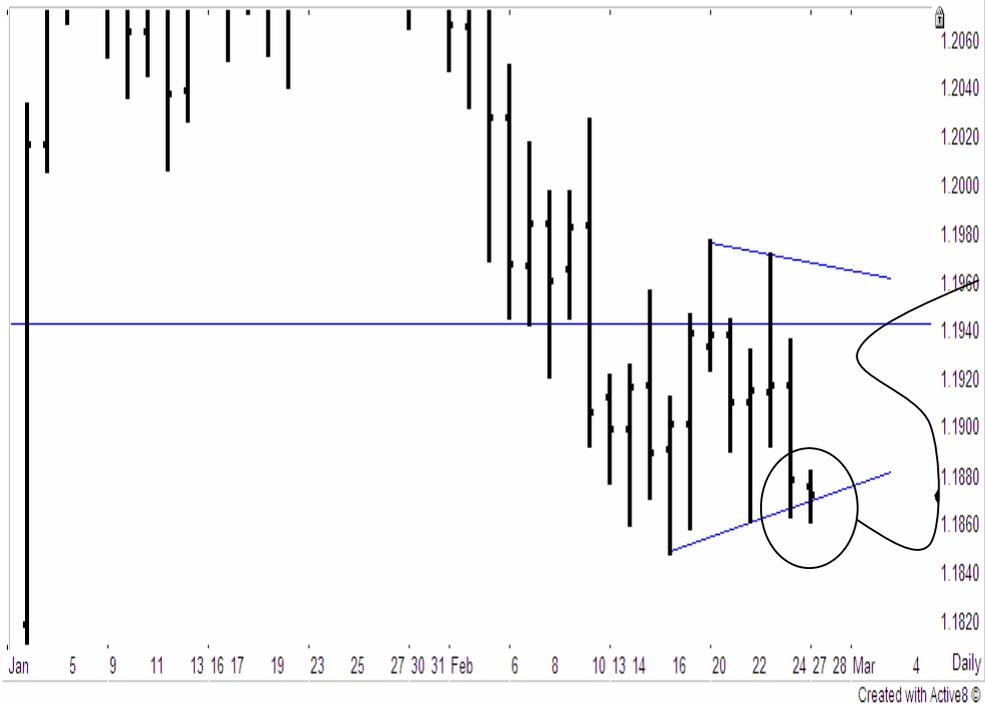




WEEKLY SPOT CASH CHART:
 The market has pulled back to that horizontal and the moment of breakdown has developed in our judgement and now we emphasize the gently falling diagonal which would be the Neckline of a massive Head and Shoulders.
 Wait for a break of that at 1.1625 before getting Long of the Dollar.



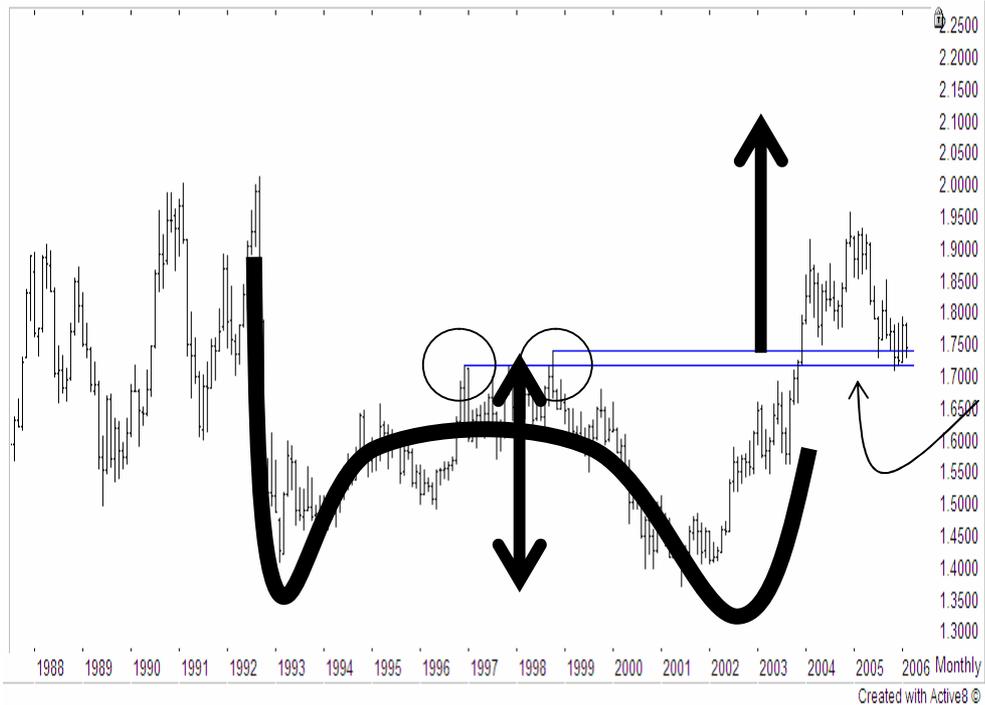
DAILY SPOT CASH CHART:
 The critical levels beneath the market are 1.1777 and 1.1641.
 They are the Pivotal levels. If the market were to break down beneath them it would gain momentum.
 But for the moment the market is stuck in a tight range.



DAILY SPOT CASH CHART:
 But a Triangle has arisen in the day spot chart
 Wait for a clear daily break beneath the low diagonal at 1.1871.
The Triangle would then drive the market on down.

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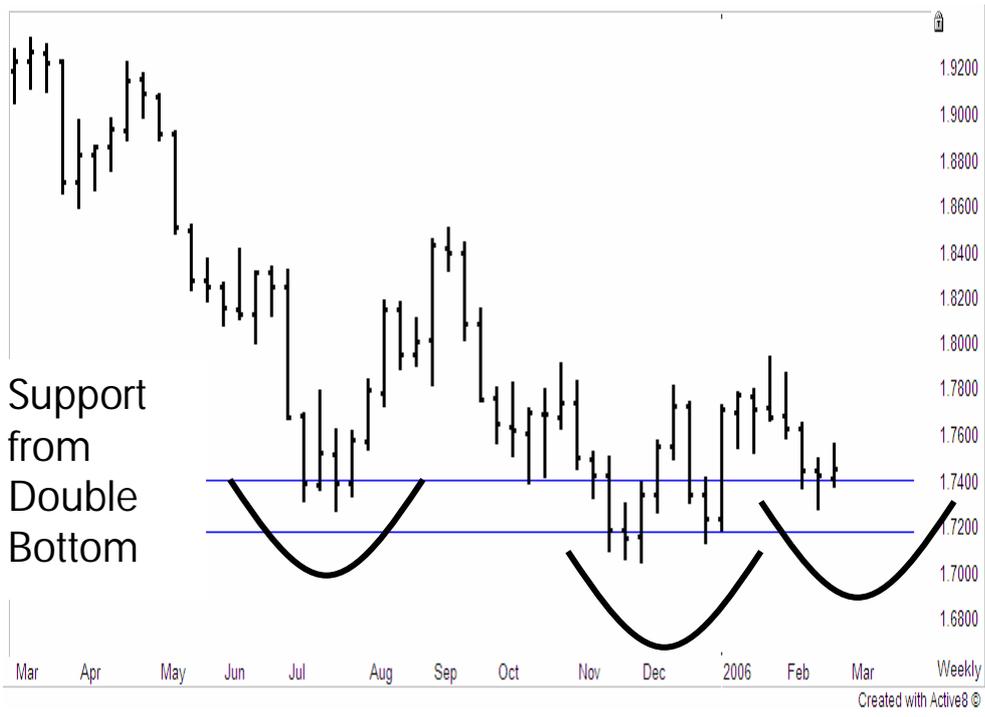
Dollar Sterling



MONTHLY SPOT CASH CHART:

The market has returned to the completion level (a band) of the large Bull Double Bottom that is set to drive the market up to 2.10 or so.

There should be good support between 1.7163 and 1.7392.

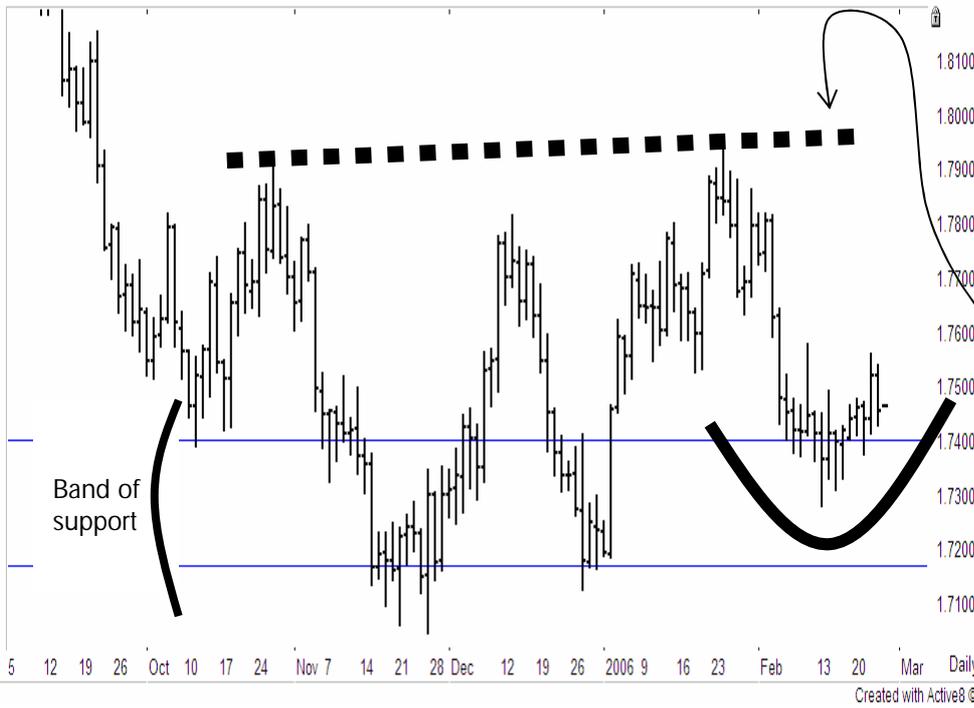


WEEKLY SPOT CASH CHART:

The market has already tried hard to get down beneath that band of support.

And failed.

Now look closer.

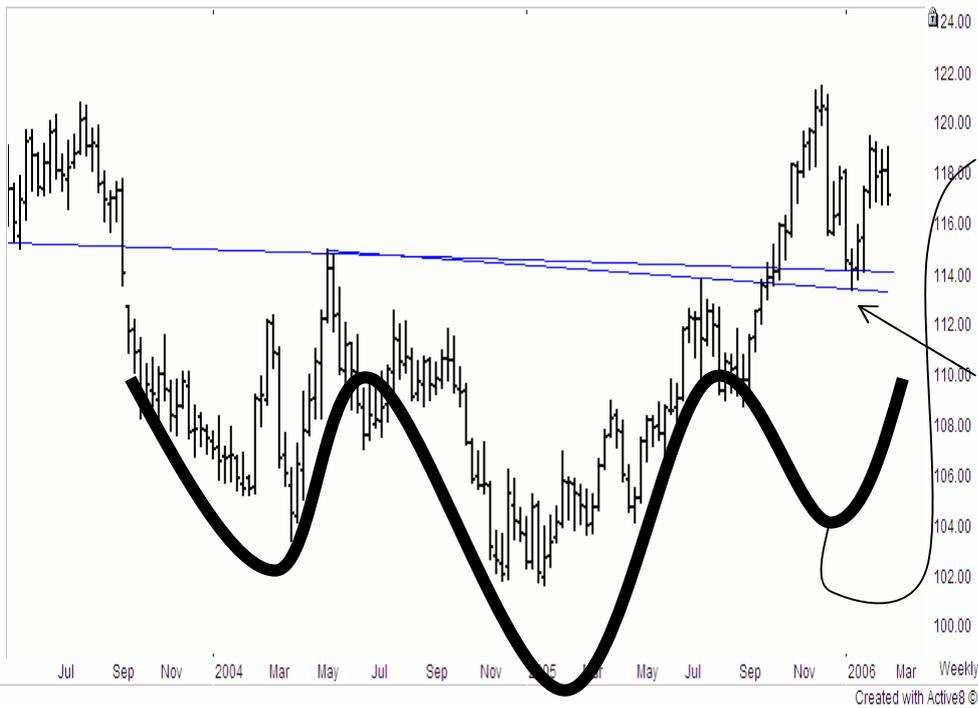
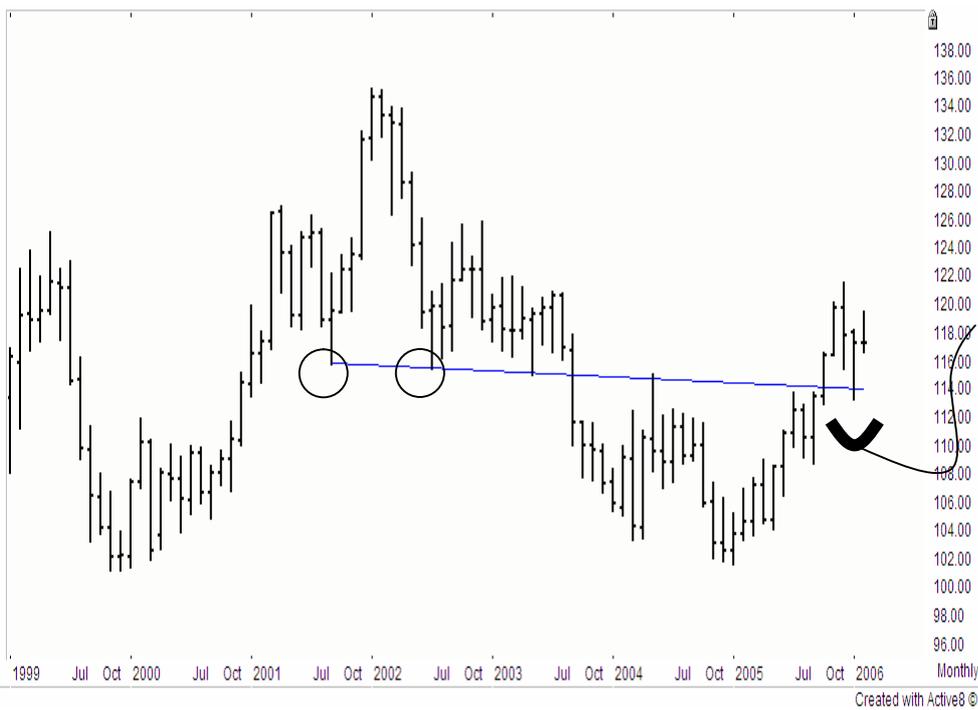


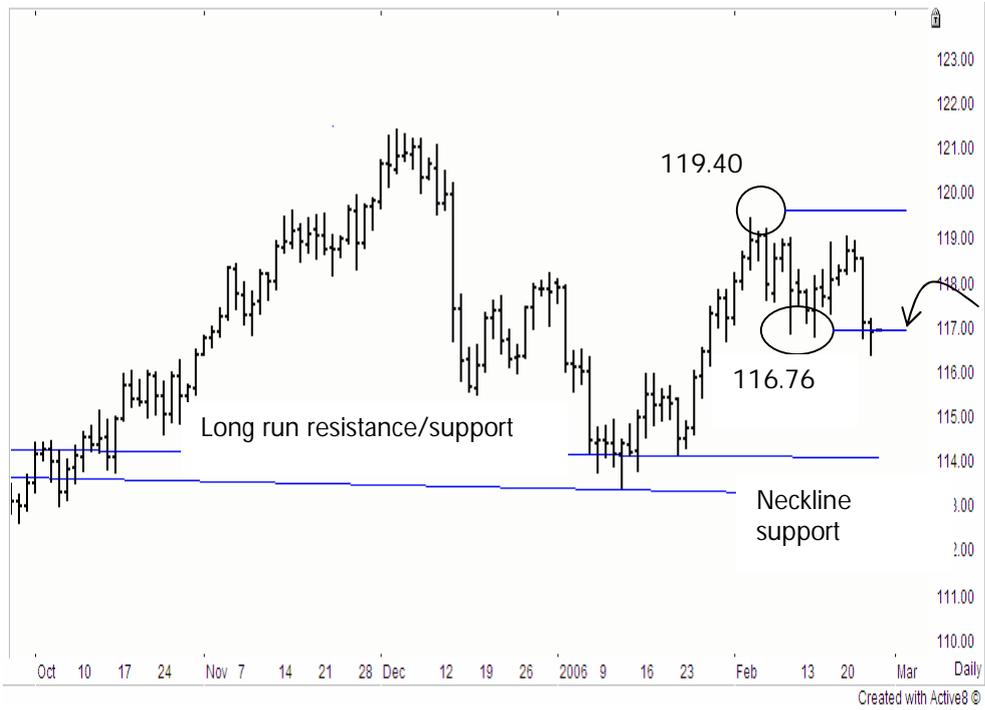
DAILY SPOT CASH CHART:
The detail is even more encouraging.
Short-term 1.74 looks to be good support.
(Note the exciting possibility of breaking up through the gently rising diagonal at 1.80.... that would complete a Double-Headed Head and Shoulder Bottom.....if it happened. We are far from that at the moment though.)

Last week, we advocated standing aside until better short-term structures arose, there's something of a small rounded Bottom developing, and so bull positions with close stops beneath the near low at 1.7282 would be reasonable.

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Dollar Yen

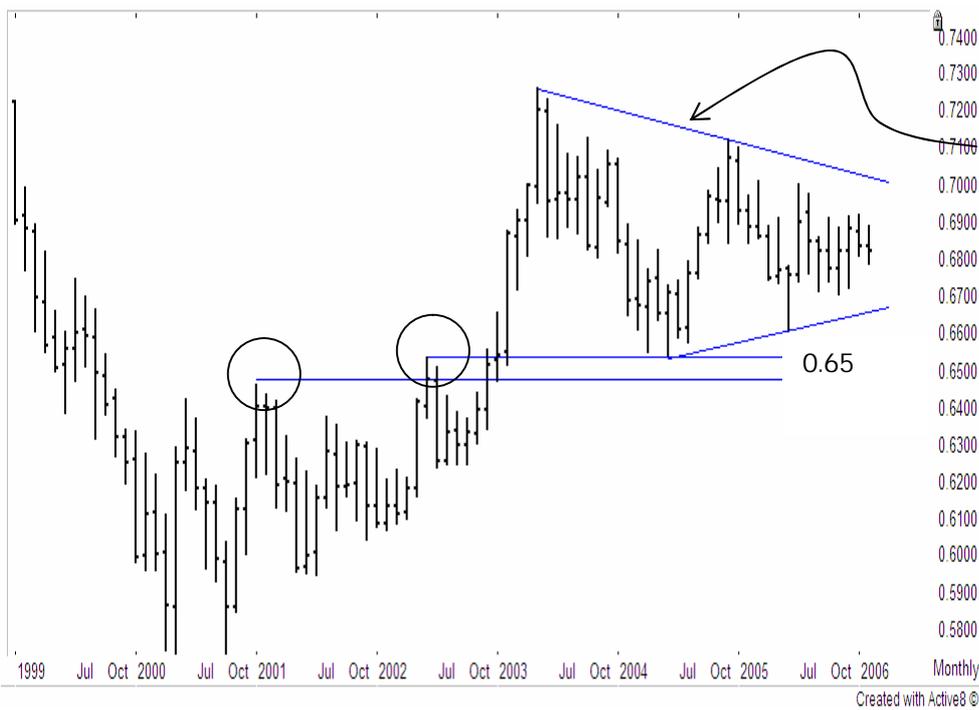




DAILY SPOT CASH CHART:
 Last week we suggested that traders should wait for the range 119.40-116.76 to be broken.
 The market has yet to close beneath 116.76... But the market is testing lower.

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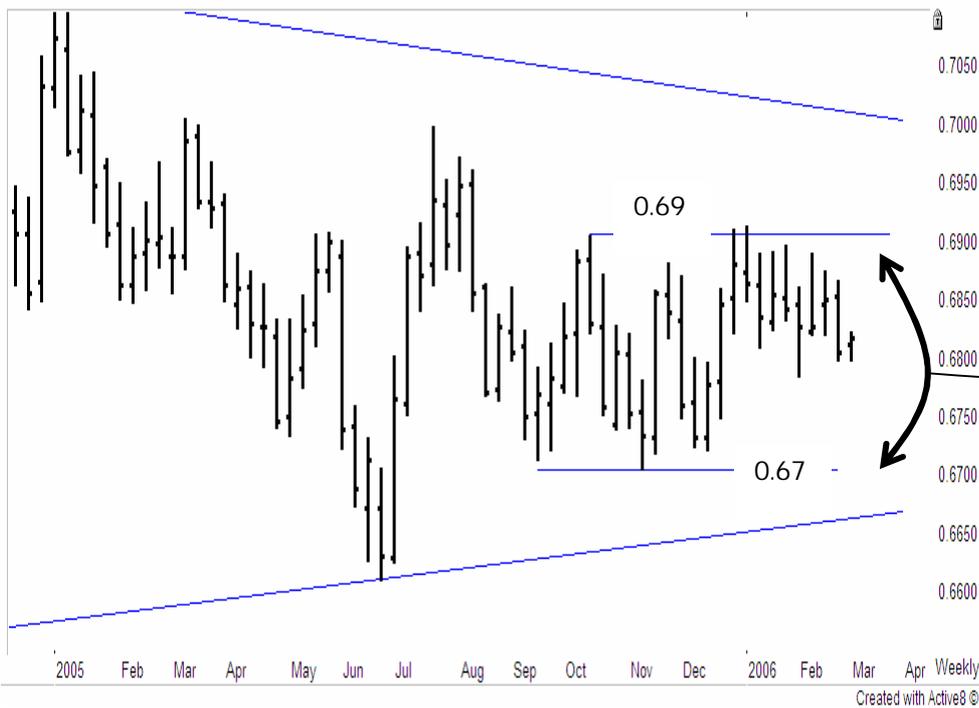
Sterling Euro



MONTHLY SPOT CASH CHART:

The market has been tracking sideways for three years – within a Triangle.

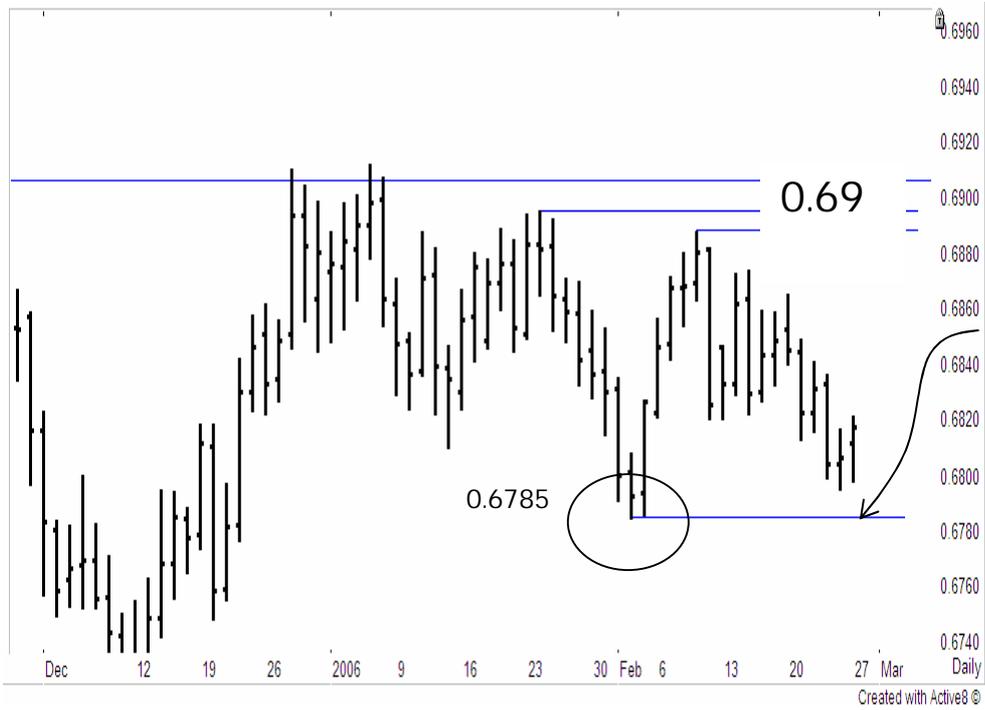
But remains far from either extremity.



WEEKLY SPOT CASH CHART:

And recently has found itself within a tight range 0.67 to 0.69.

Once again the market is far from either boundary.



DAILY SPOT CASH CHART:
 There is a succession of highs that have established important horizontal Pivots around the 0.69 level.

But closer still is the Pivot on the downside at 0.6785.

A

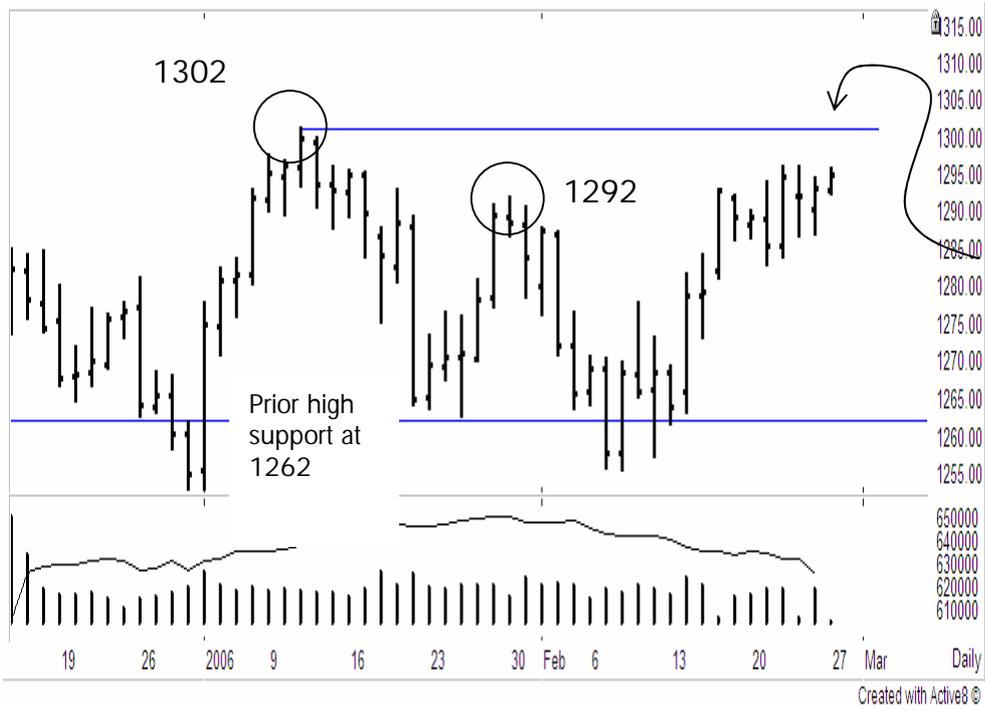
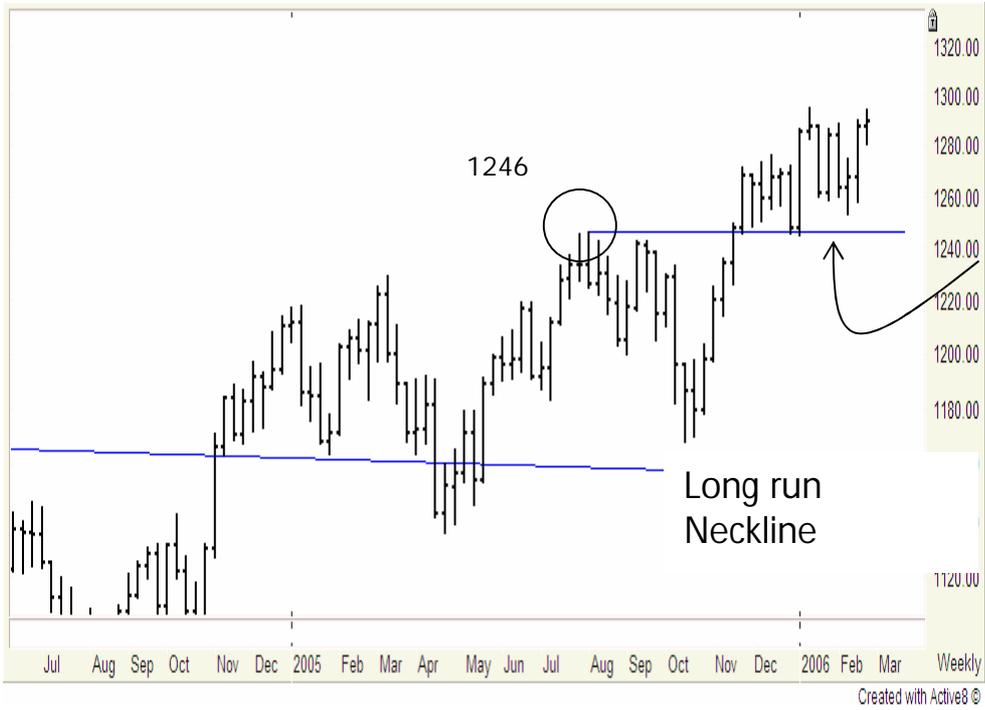
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Stocks

We anticipated that European Japanese stocks would push ahead strongly and they did. More surprising was the rally in the Japanese market. But that might not be sustained. Others stood still. But they remain in bull trends.

Standard and Poors 500





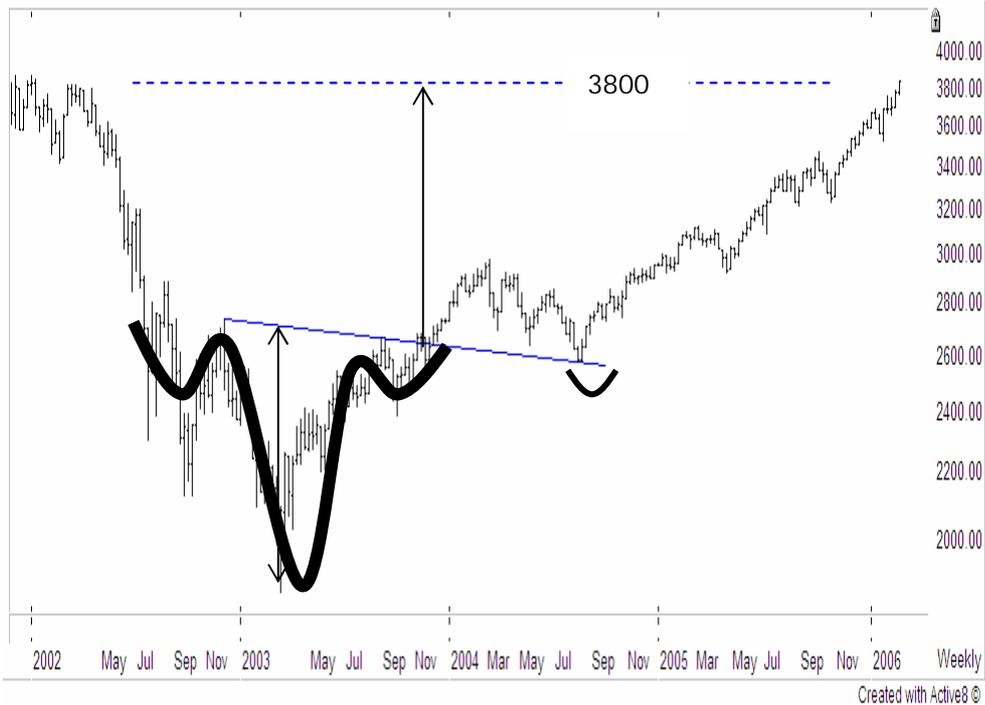
WEEKLY CASH INDEX CHART:
 Recently, after driving up through the high at 1246, the market found support there on pull-backs....

DAILY MAR 06 INDEX FUTURES CHART:
 We see no clear structure to that sideways price action, and so suggest traders should wait for a break of the high at 1302.

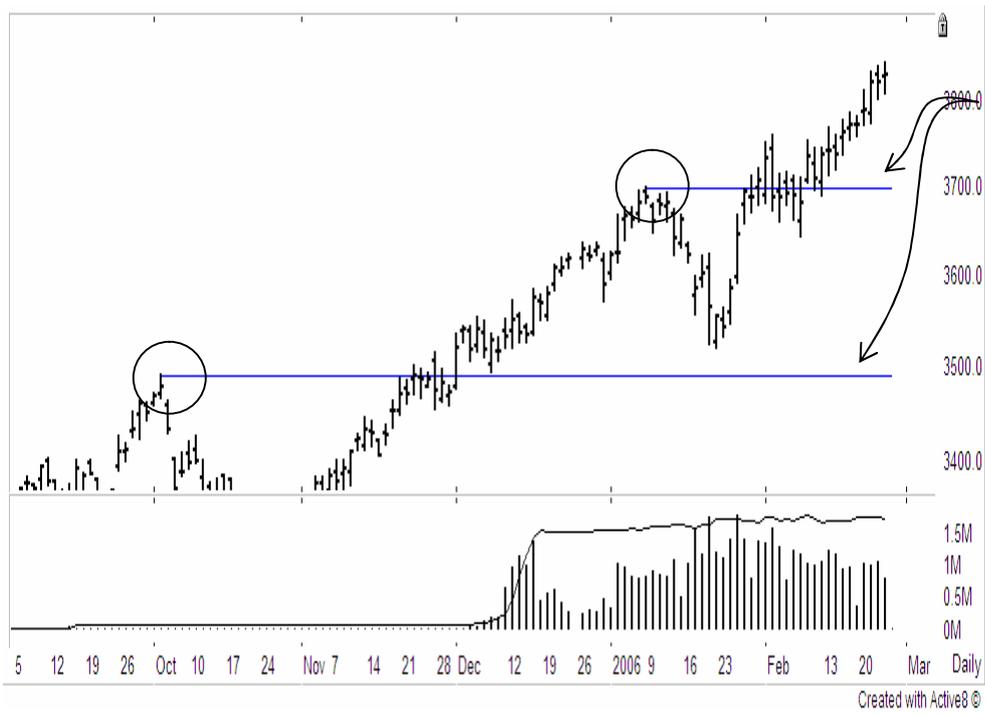
(Last week we wanted to see a push through the pivot at 1292, that happened, but without a clear sense of a breakout)

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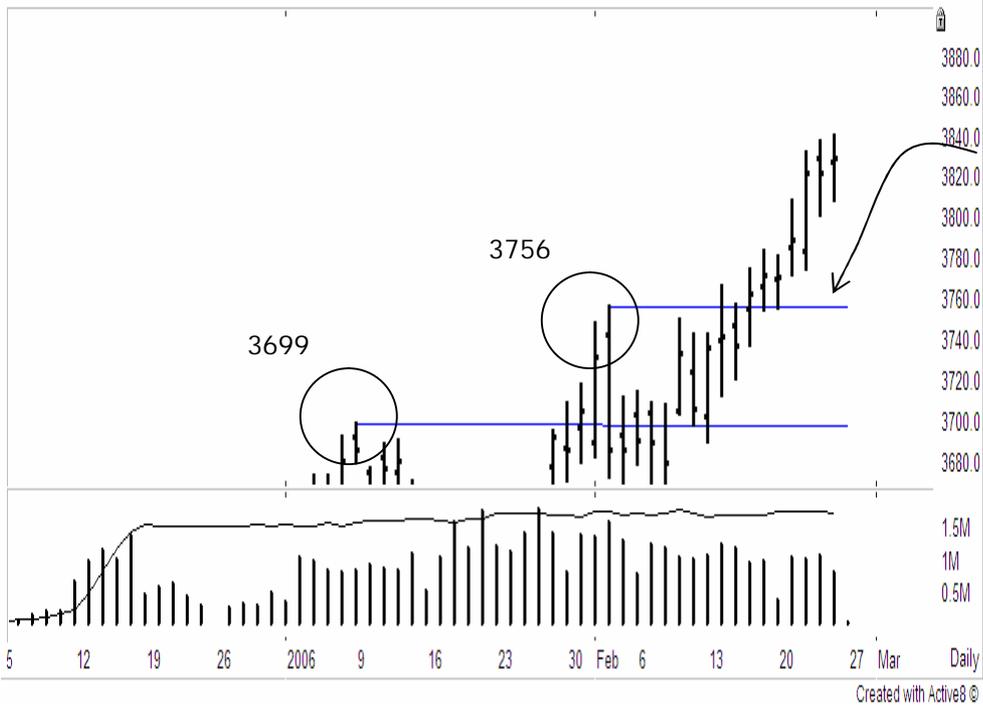
European Dow Jones Stoxx 50



WEEKLY CASH INDEX CHART:
 The bull market is supported by the (rather contorted) Head and Shoulders Reversal pattern formed in 2002 and 2003.
 The minimum target for that pattern is 3800 – just about where we are.
 But that is a minimum target. This suggests that the market can continue, but perhaps with lessening impetus.



DAILY CASH INDEX CHART:
 Note the ratcheting-up of the market, each high giving good support to the market as it retraces.



DAILY MAR 06 INDEX FUTURES CHART:

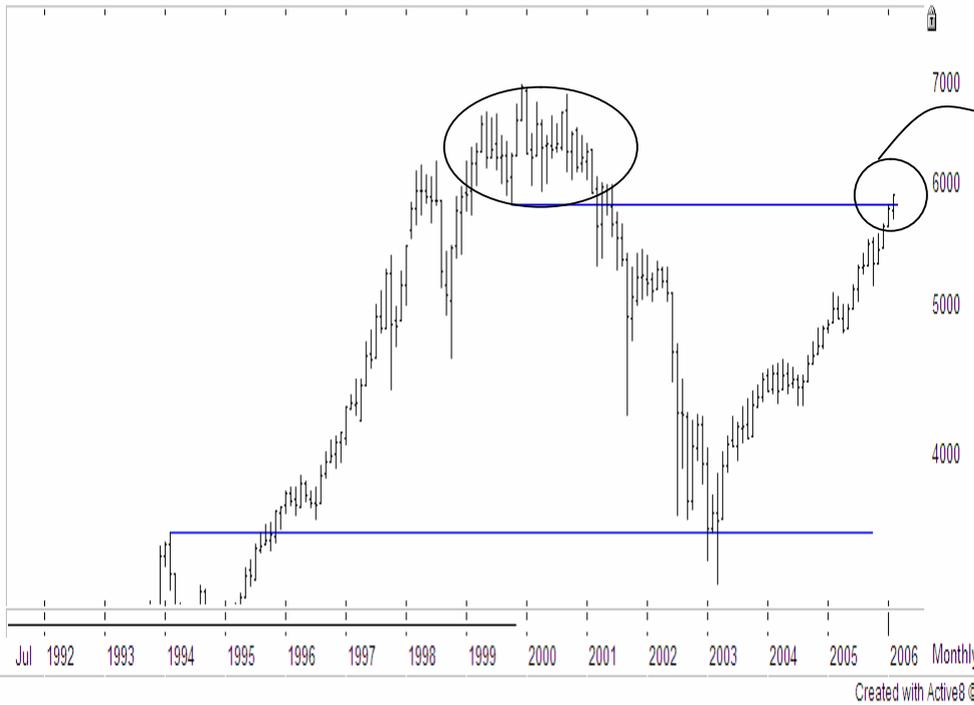
We felt last week that the push up through the prior high of 3756 might lead to a bull drive and that was right.

The bull run is intact and powerfully underpinned.

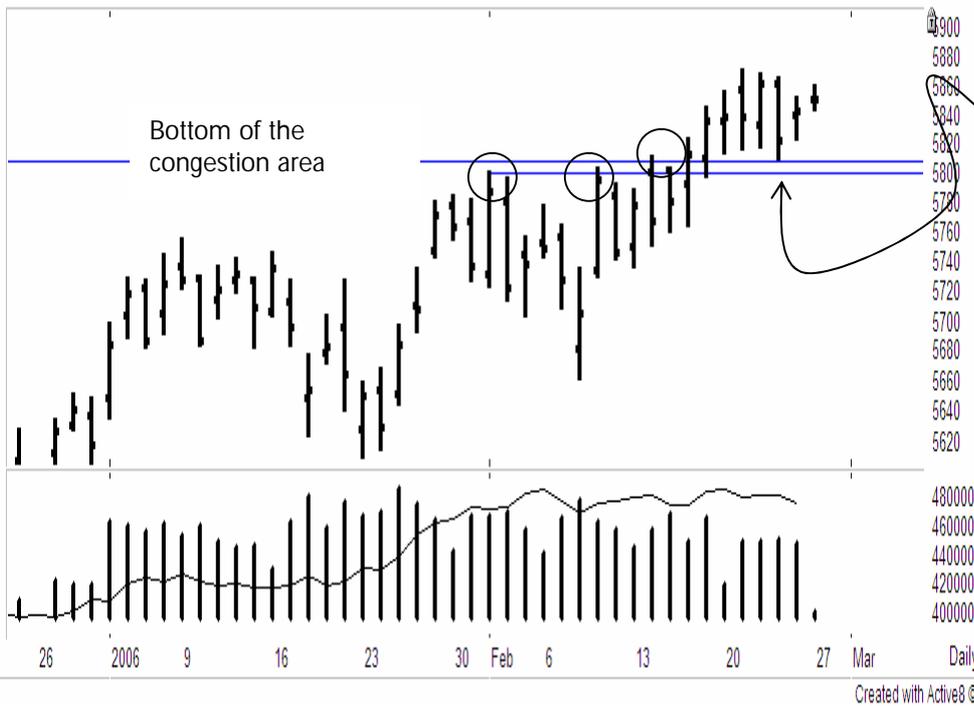
The nearest support is that horizontal from the high at 3756.

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FTSE 100



MONTHLY CASH INDEX CHART:
The market has begun to push into the congestion area at the top of the last run up.

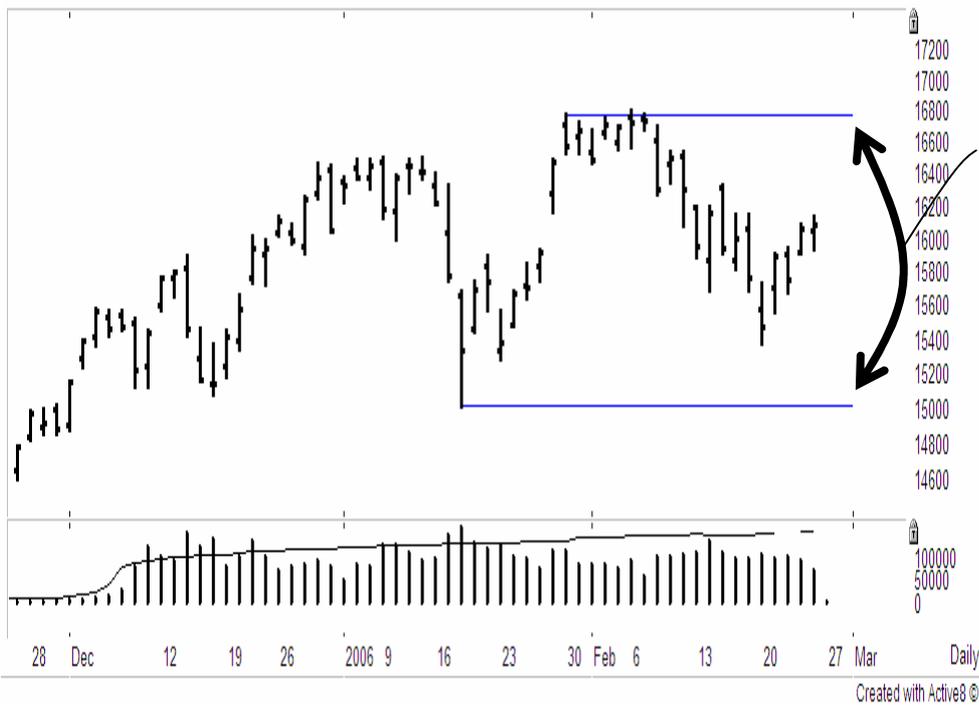
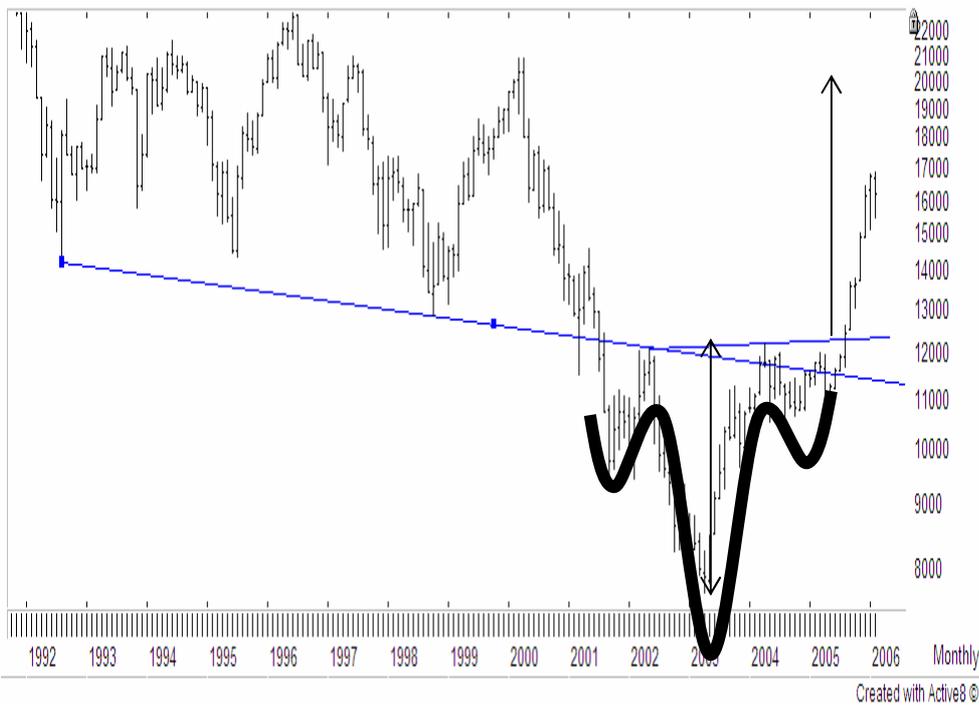


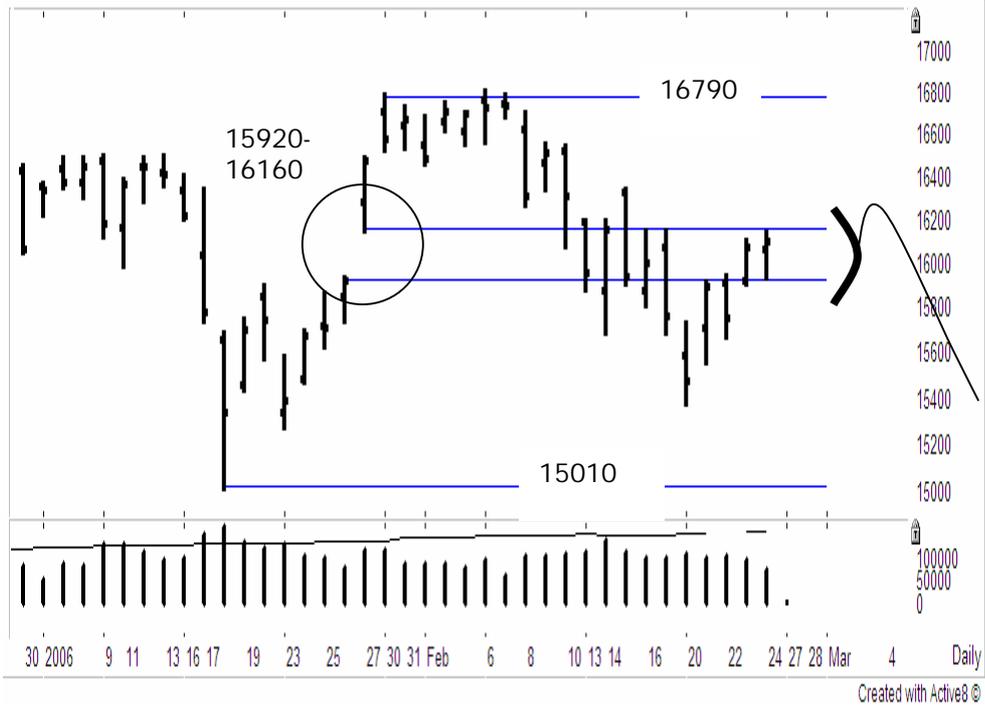
DAILY CASH INDEX CHART:
And that horizontal is now good support – in conjunction with the support from the nearer highs just beneath.

Last week we though the market looked steady, and though it hasn't pushed ahead fast, the underpinning from the band of support at 5799 and 5807 has set the market up for further advances still.

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Nikkei 225





DAILY MAR 06 INDEX
FUTURES CHART:

Last week we argued that the Gap was a critical level and that once the market had dropped beneath it the lower boundary was likely to be tested.

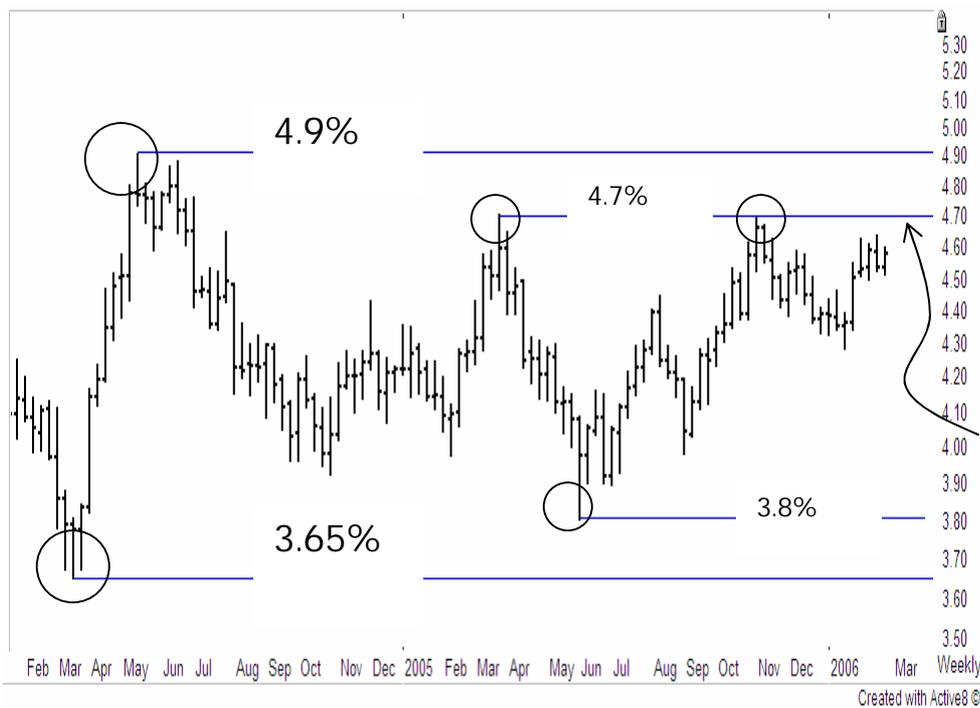
Not yet! But the Gap should act as some resistance to the bull move of the last five days.

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Bonds

Bonds drifted sideways and down – except for our favoured bear, the Nikkei, which sold off hard. The rallies had all looked insubstantial last week and so it proved. The boot remains on the bear foot all over. And if our clear levels break in the Europe and US markets there is a good deal more to come on the downside.

Ten Years US Treasury Note

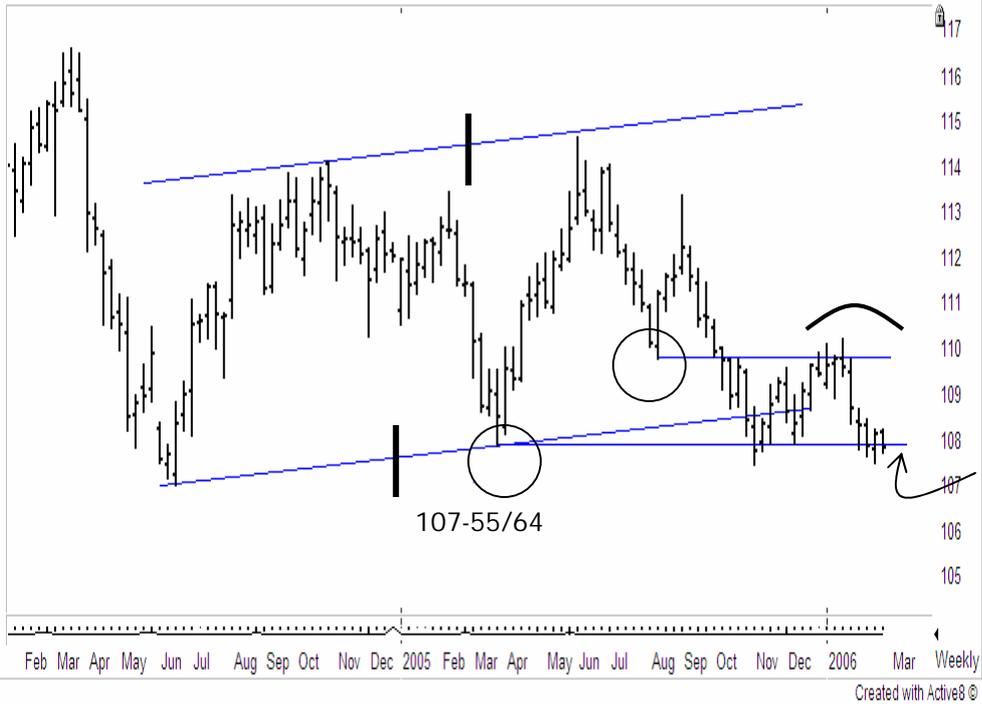


WEEKLY CASH YIELD CHART:

The market has gone nowhere for two years.

The boundaries of the range are 4.70%-4.90% and 3.65%-3.8%.

But the market is nearing the upper boundary.... look at the price charts.



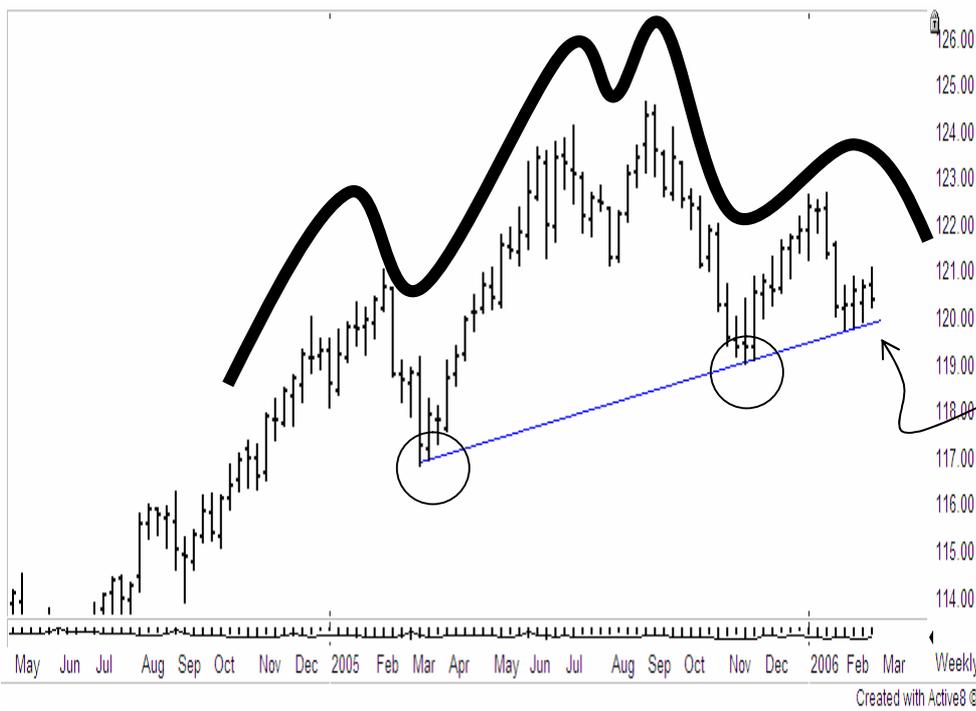
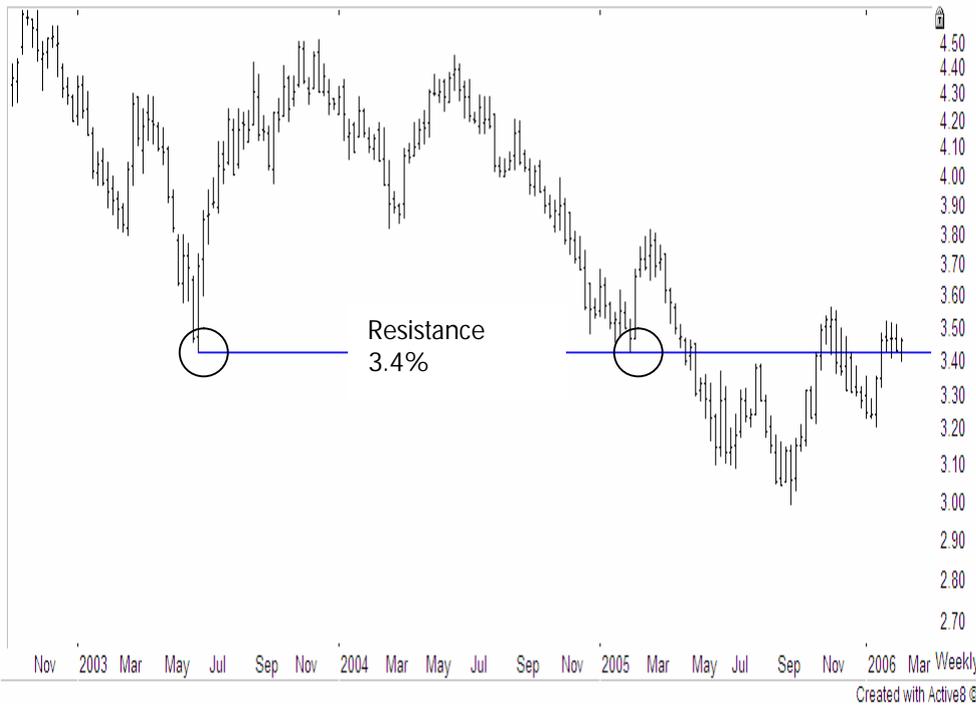
WEEKLY FUTURES CONTINUATION CHART:
 The futures Continuation chart shows the market breaking down out of a channel that has been constricting the market for the last year and a half.
 Watch and wait for a breakdown through the horizontal from the low at 107-55/64.
 We are on the point of that...

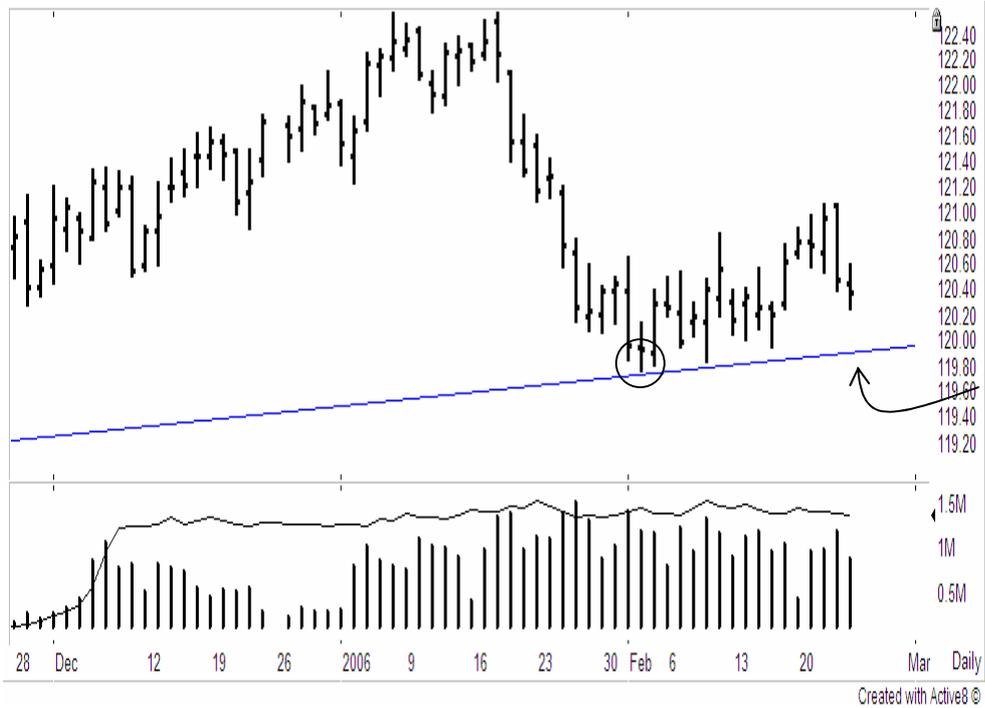


DAILY MAR 06 FUTURES CHART:
 Check out this March 06 contract. The breakdown from that larger channel was achieved by the market breaking out of a small channel within that larger one.
 The critical Pivotal low lies at 107-23/64.
 Last week we said 'stand aside'. That's still true: Wait for a break of the horizontal at 107-23/64.

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Ten Year Euro Bund





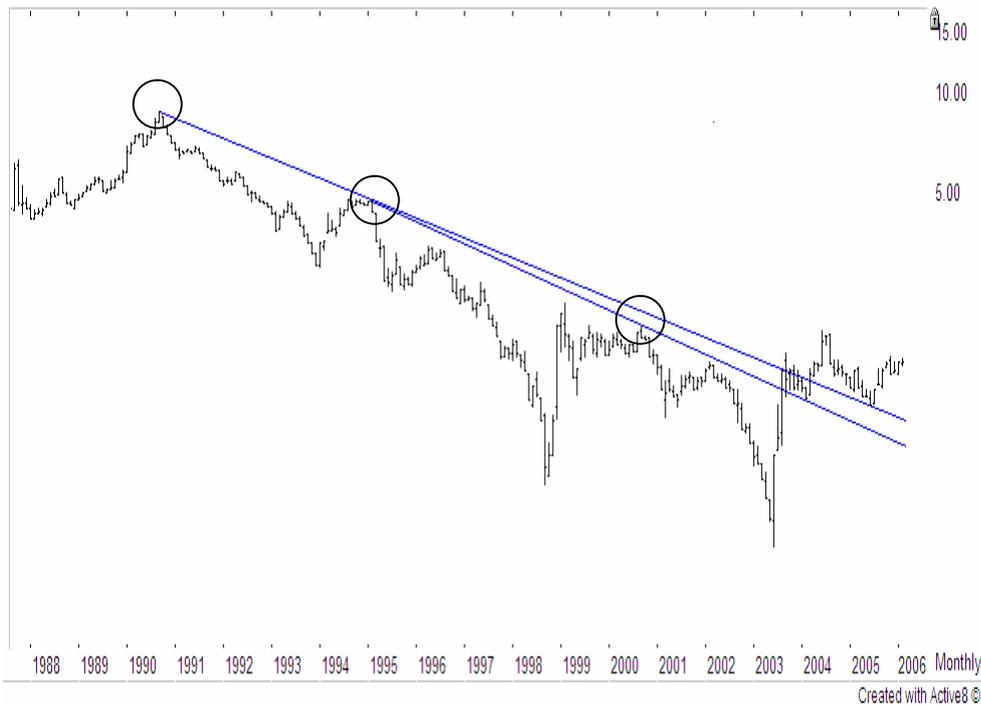
DAILY MAR 06
FUTURES CHART:

In the Mar 06 contract watch carefully the market's approach to the rising diagonal at 119.91.

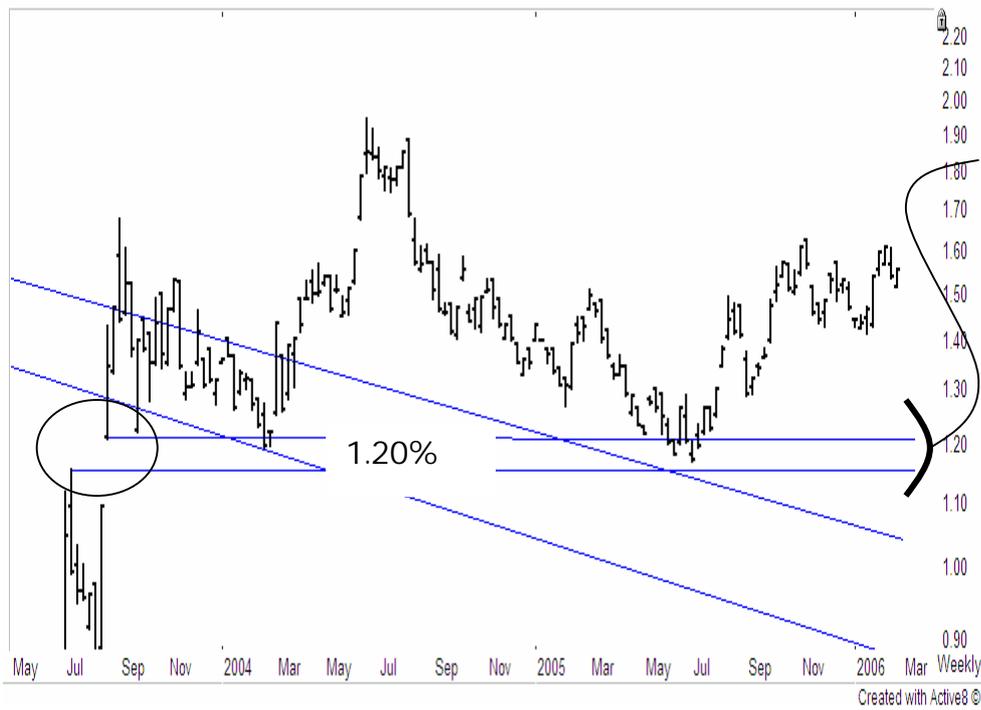
Stand back until it breaks. Like last week.

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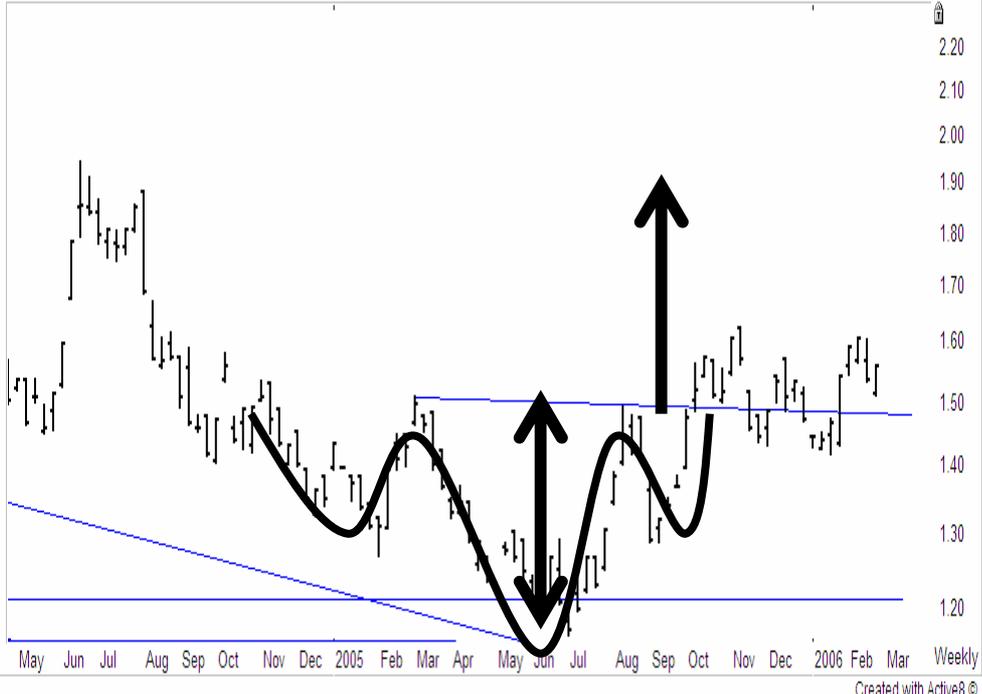
Ten Year Japanese Bond



MONTHLY CASH YIELD CHART:
The long trend of falling yields looks to be over.



WEEKLY CASH YIELD CHART:
The yield chart is supported by the Gap around 1.20%.

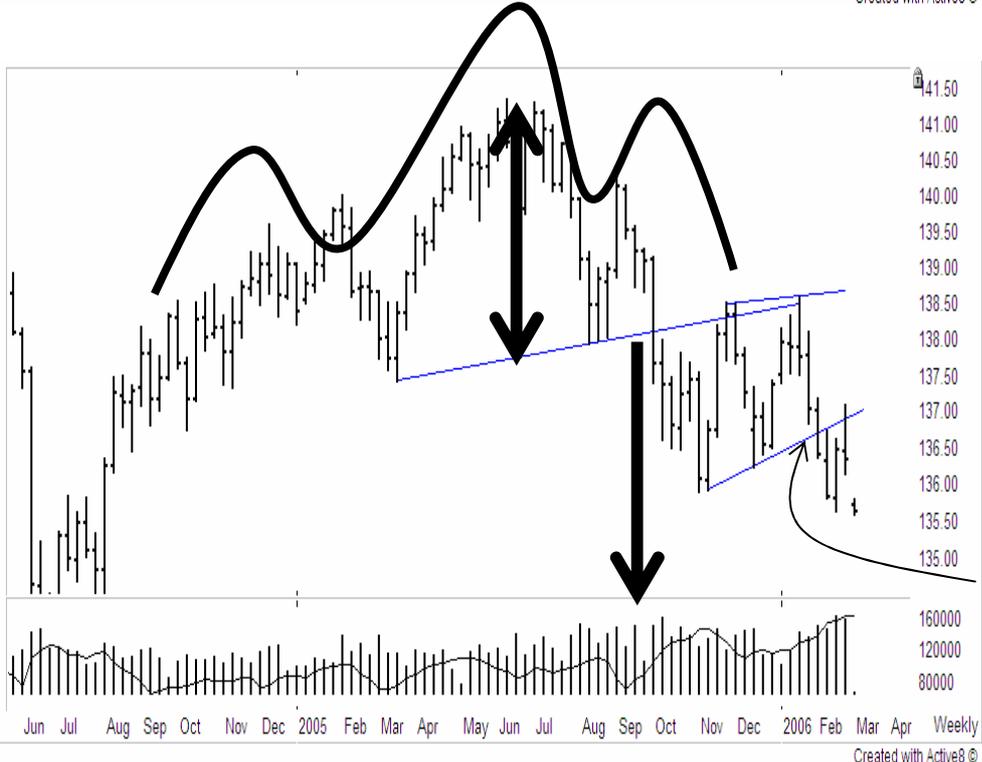


WEEKLY CASH YIELD CHART:

And the week chart emphasises a bull Head and Shoulders bottom.

The Neckline support has been violated, but nonetheless, has remained broadly intact.

The target? 1.85%



WEEKLY FUTURES CONTINUATION CHART:

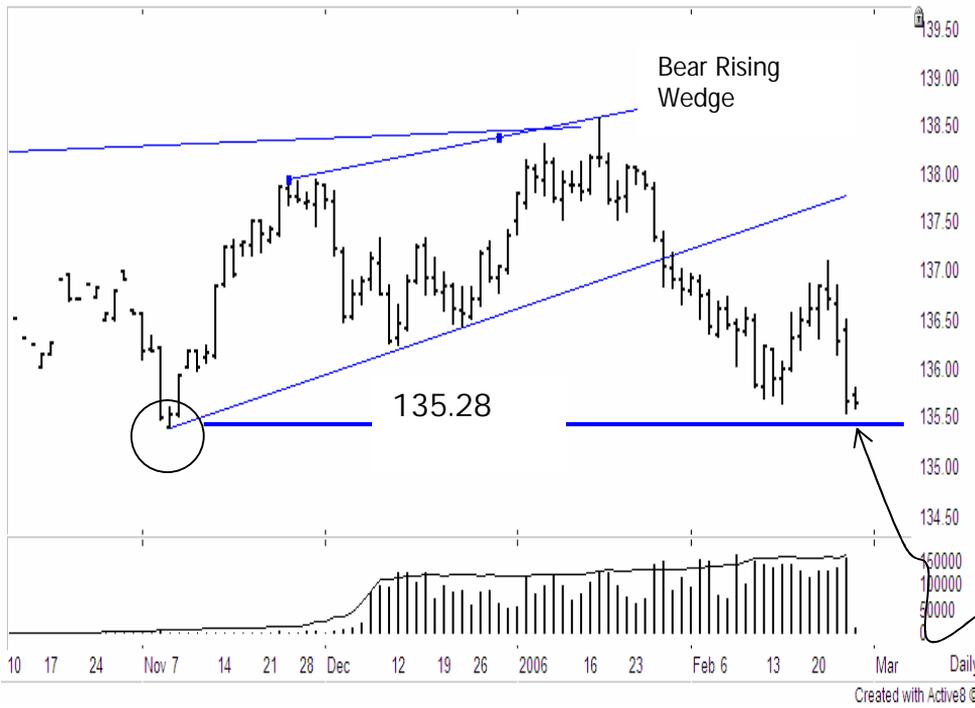
The Continuation futures chart is even clearer. The market has completed a Head and Shoulders top that is even more complete than the yield chart.

The minimum target is 134.50.

Note that the lower diagonal of the Rising Wedge that formed beneath the Neckline of the H&S has been good resistance and driven the market on down again.

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DAILY MAR 07
 FUTURES CHART:
 That rising wedge more clearly in the March futures chart.

Last week we said 'the bear signs are all still in place'

That was exactly right.

But the market turned very fast.

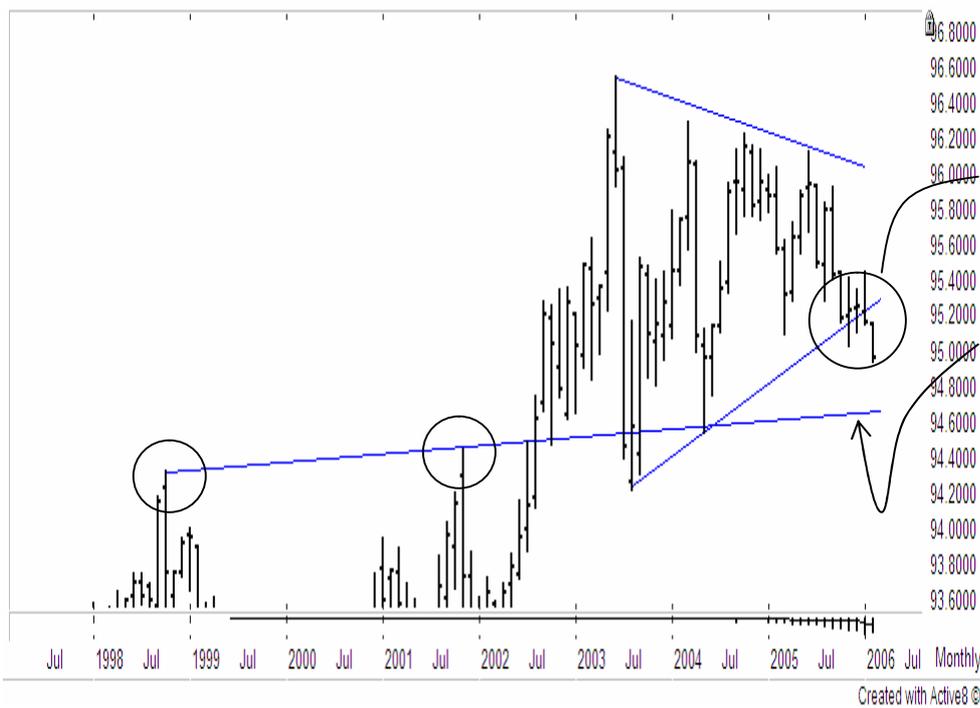
For those not already short at this level, wait for a break of the Pivot at the low of 135.28 before adding on.

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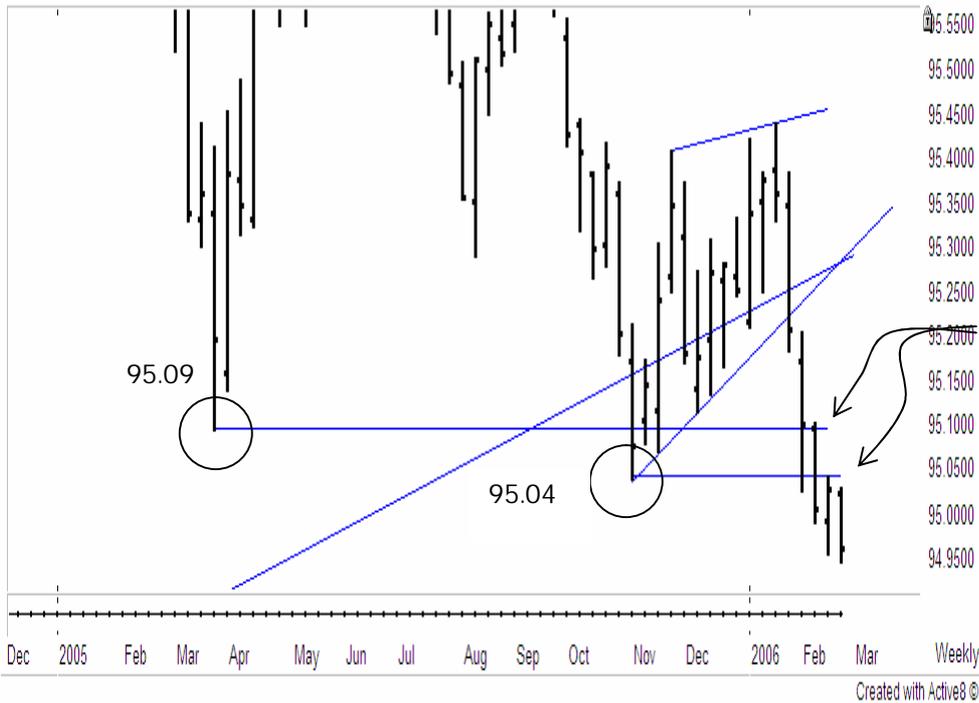
Interest Rates

Futures moved quickly lower. With the exception of Short Sterling there's a good deal more to come for the bears.

Dollar Rates

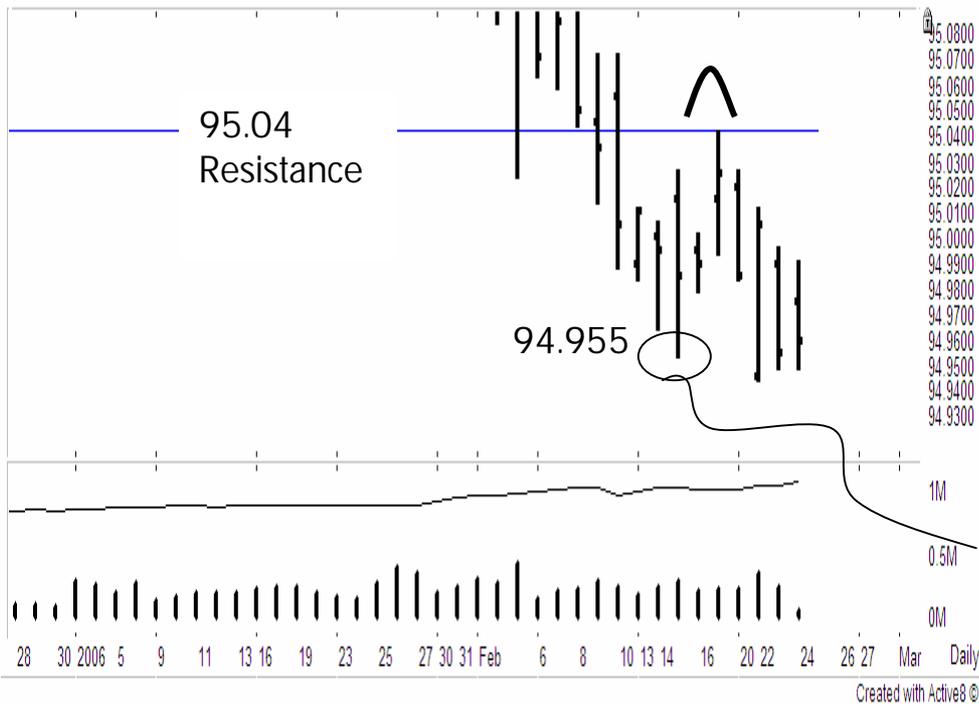


MONTHLY MAR 07
FUTURES CHART:
The long term chart shows the market dropping beneath the diagonal support - but also emphasizing the proximity of the long term support beneath the market at 94.65.



WEEKLY MAR 07
FUTURES CHART:
A Rising Wedge was the
catalyst for the break
out...

The market has pulled
beneath the critical
Pivotal lows of 95.04
and 95.09 and should
find them to be good
resistance now.



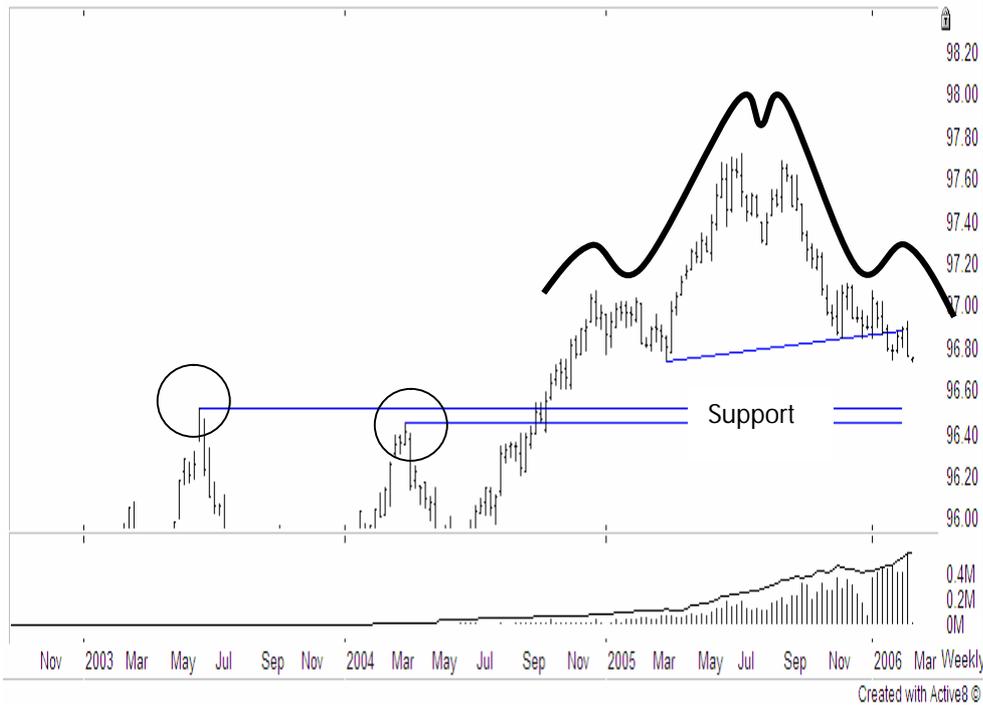
DAILY MAR 07
FUTURES CHART:
The market found the
95.04 resistance
powerful and fell back.

Last week we argued
that traders should get
short there and that was
spot on.

Now, add on to shorts
on a confirmed close
beneath the low at
94.955

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Euribor Rate



WEEKLY MAR 07
FUTURES CHART:
The market has tested the strength of the Neckline of the massive Head and Shoulders Top and found it strong.

The presence of support from the highs at 96.50 or so suggests the first clearly achievable target.



WEEKLY MAR 07
FUTURES CHART:
The H&S pattern in clearer detail.

The weekly Key Reversal of last week accelerated a move that was already likely because of the strong resistance to be expected from the Neckline.

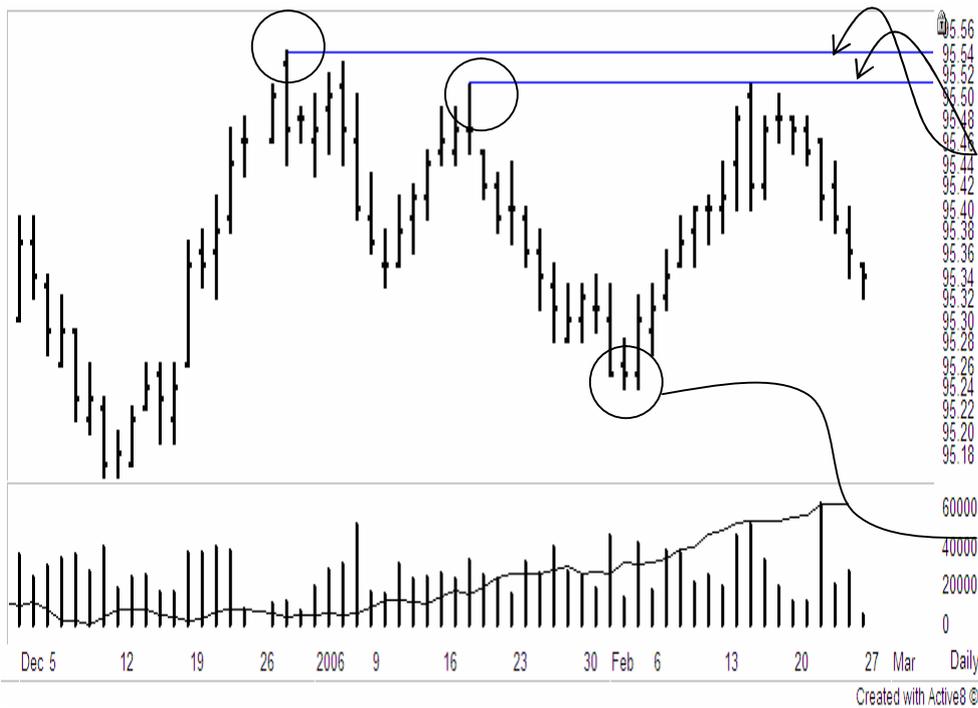
The Key Reversal is a good signal that here's more to come on the downside.



DAILY MAR 07
 FUTURES CHART:
 But at these levels, wait
 for a clear break beneath
 the Pivotal low at 96.74
 before adding on.

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Sterling Rates

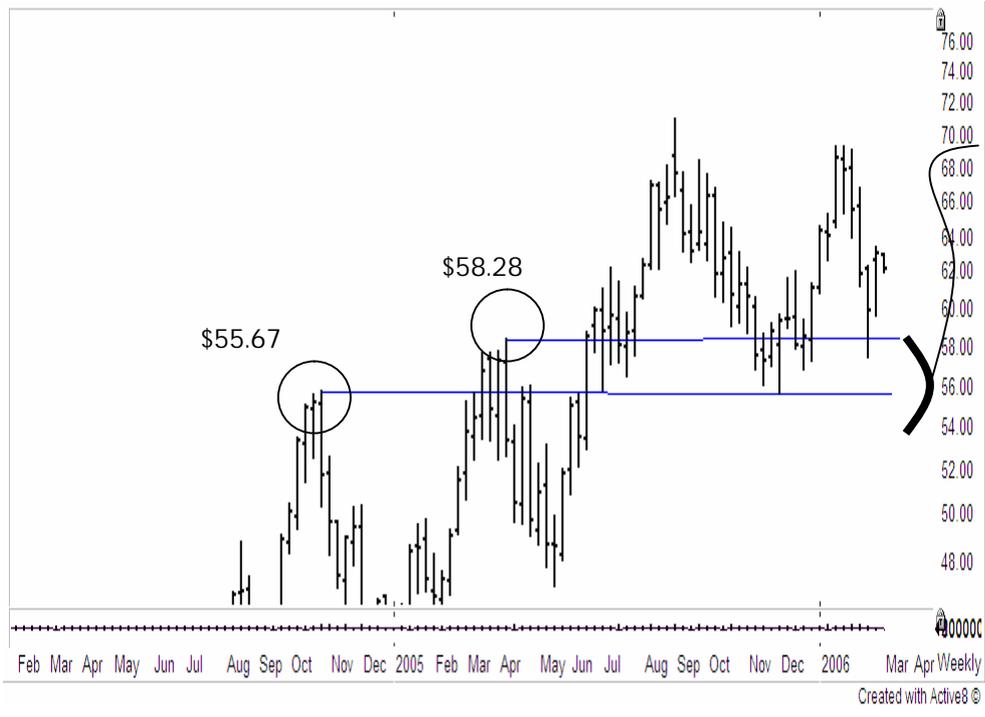
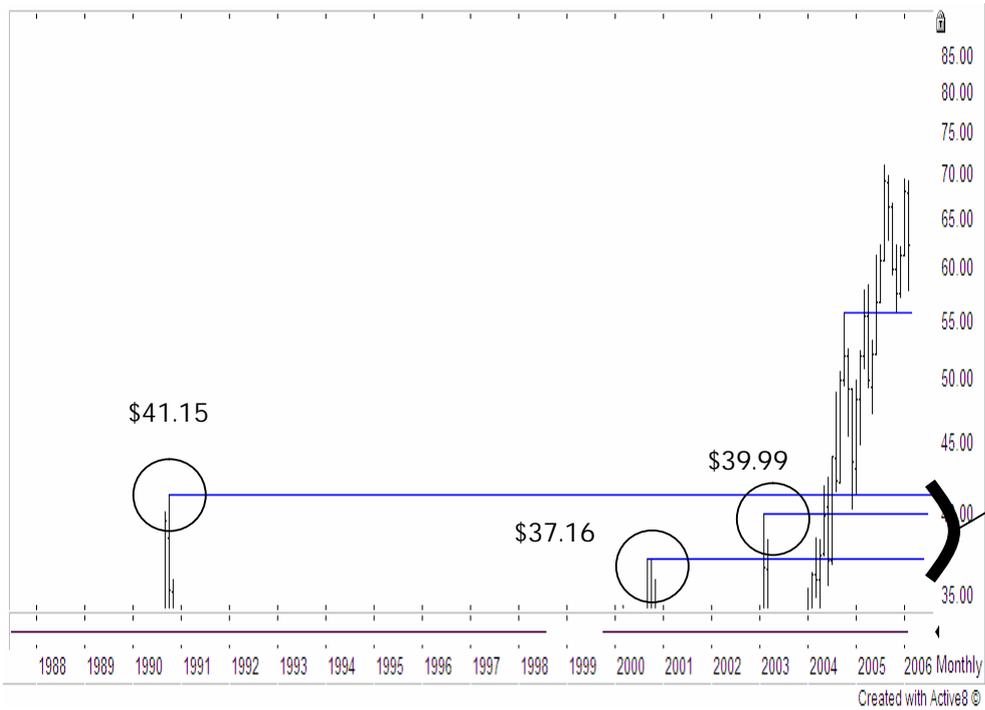


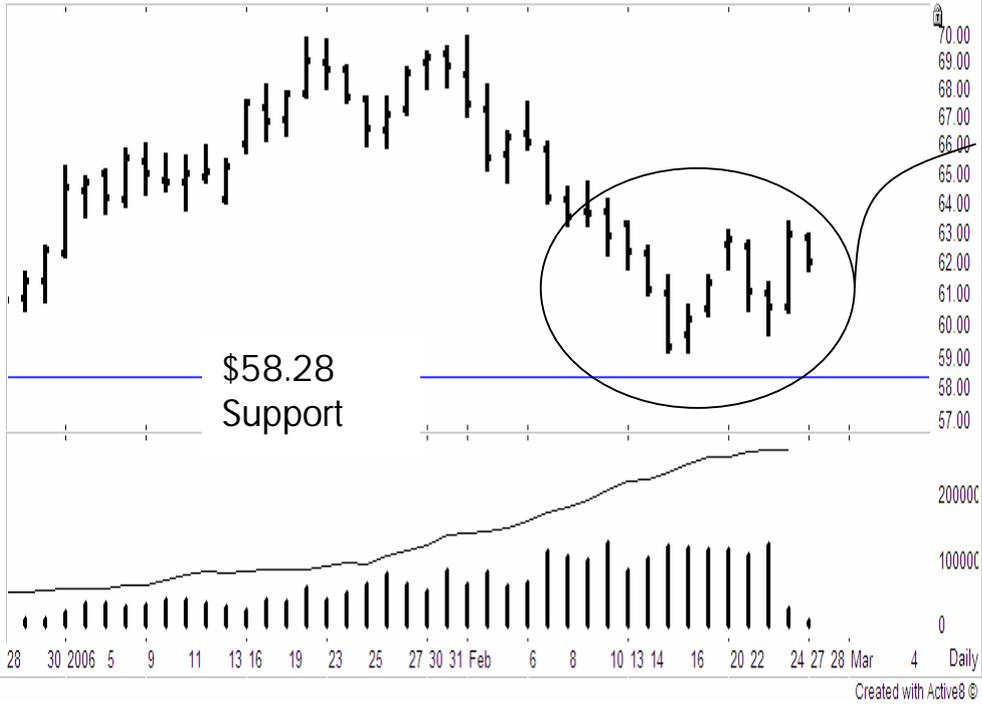
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Commodities

The bounce in Oil was expected, that of Gold less so. But the result is that good supports have held in both cases, and so their bull trends are still firmly in place.

Oil





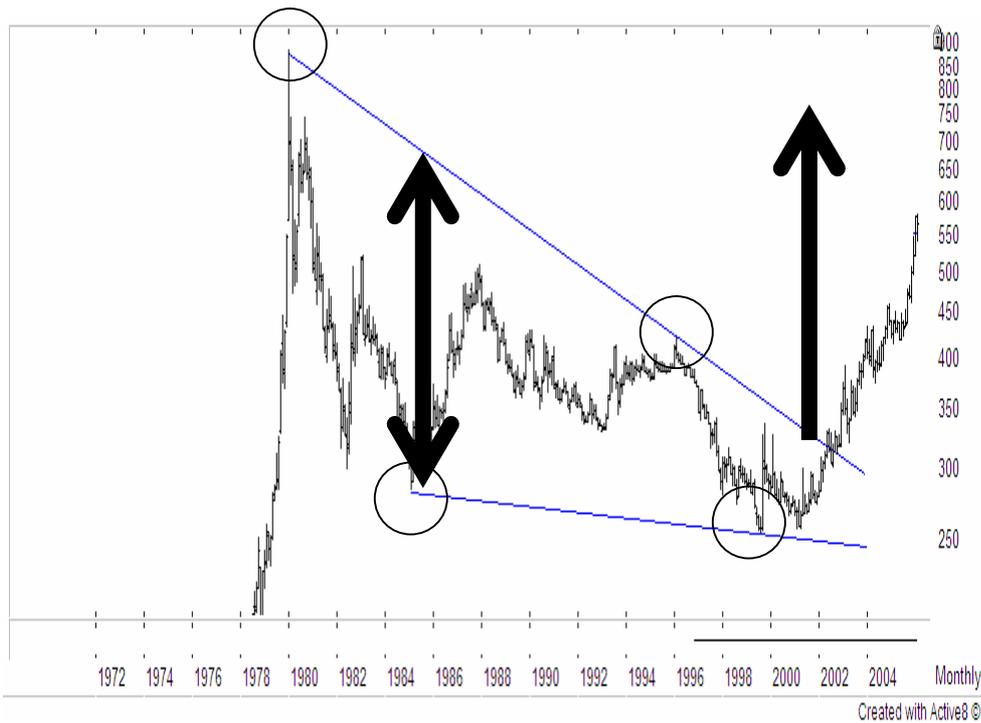
DAILY APRIL 06
FUTURES CHART:
The price action is pushing higher above the support, so we were correct last week to encourage buyers.

And this is still a good level to buy with stops beneath the low at \$59.20.

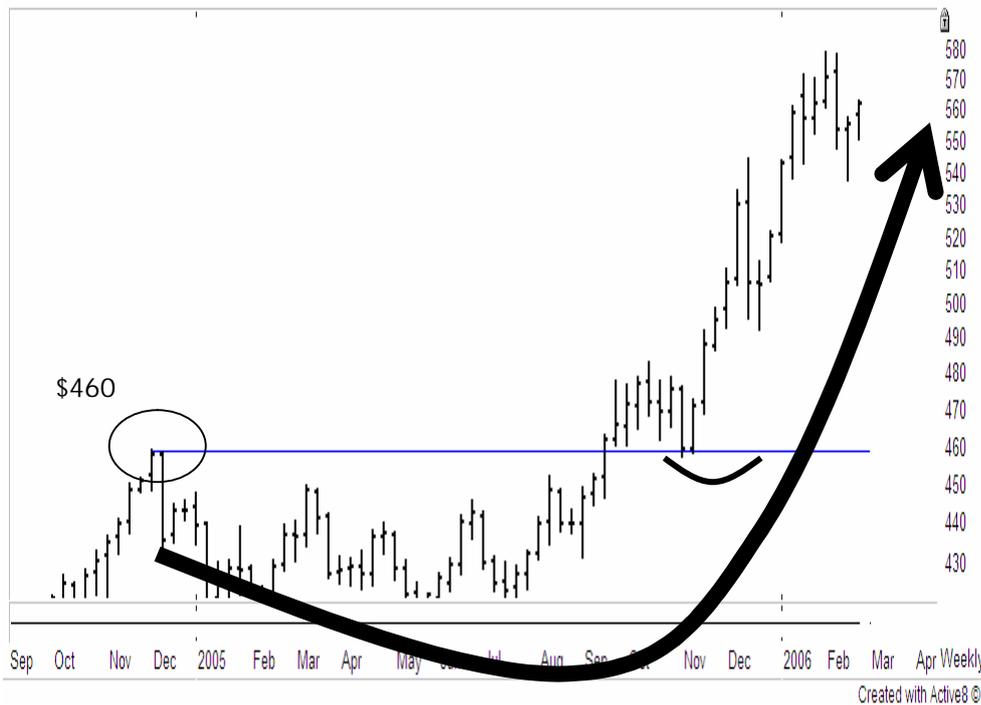
(But note that as yet there is no clear structure driving the market better.)

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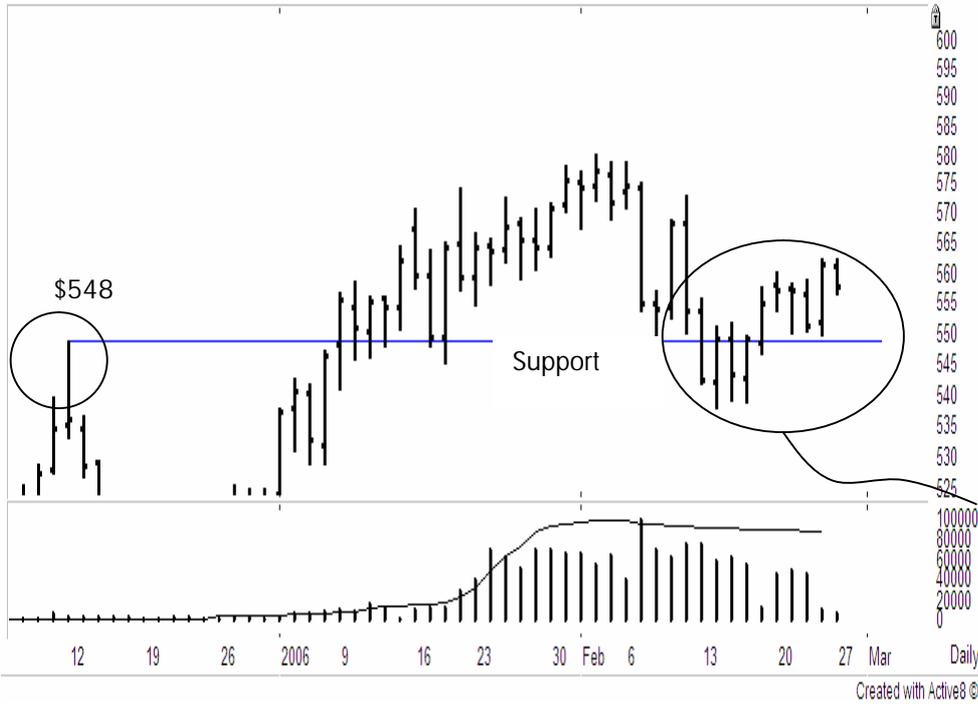
Gold



MONTHLY FUTURES CONTINUATION CHART:
 The long chart a massive continuation Triangle driving the market better – with a target of \$793.



WEEKLY FUTURES CONTINUATION CHART:
 The bull run accelerated when the market broke through the old high at \$460.



DAILY APR 06

FUTURES CHART:

Note how the old high at \$548 has acted as good support – making the market perform like a classically healthy bull trend.

Last week we were lukewarm buyers and the market went ahead.

In the absence of a clear bull structure, we remain lukewarm buyers with close stops.

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