

WEEK 43 24<sup>th</sup> – 30<sup>th</sup> October 2006

# THE TECHNICAL TRADER'S GUIDE TO MAJOR MARKETS

MARK STURDY



## LINKS

### CURRENCIES

03 DOLLAR EURO

05 DOLLAR STERLING

07 DOLLAR YEN

09 STERLING EURO

Stay SQUARE

Stay SQUARE

Stay **SHORT** Yen while 118.30-118.41 holds.

Stay SQUARE; **SELL** Euro on a break of 0.6685

### STOCKS

10 STANDARD AND POORS 500

14 EUROPEAN DJ STOXX 50

16 FTSE 100

18 NIKKEI 225

Stay **LONG** (reduced) while 1353.80 DEC06 holds

Stay **LONG** while 3870 (Dec06) holds

Stay SQUARE

Stay **LONG** while 16390 (Dec 06) holds

### BONDS

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24 TEN YEAR EURO BUND

27 TEN YEAR JAPANESE BOND

Stay SQUARE

Stay SQUARE

Stay SQUARE

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Stay SQUARE

Stay SQUARE

Go **SHORT** while beneath 94.60 (Sep 07)

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37 GOLD

Go **SHORT** while beneath \$59 (Dec 06)

Stay SQUARE

## 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](mailto: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.

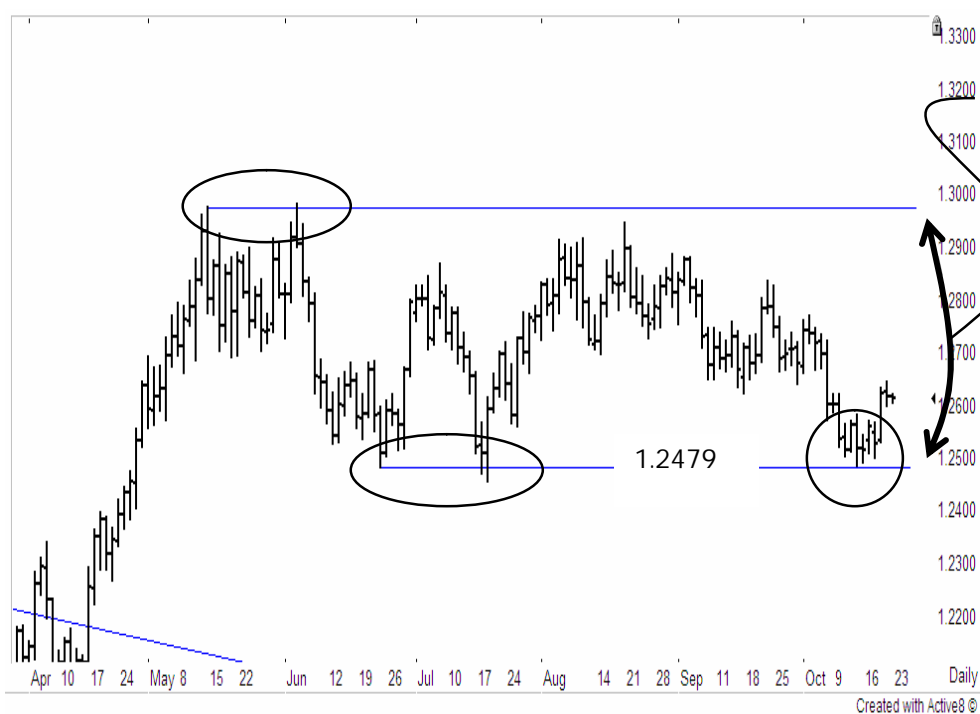
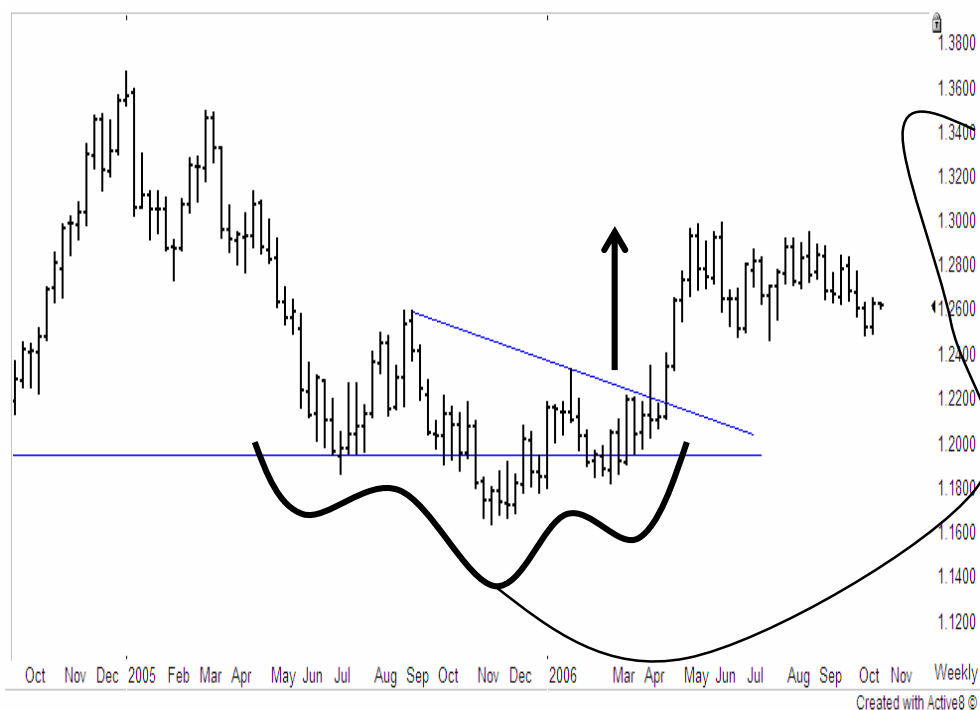
Mark has been a regular contributor to Reuters Financial Television and currently contributes to CNBC TV Europe providing chart commentary and trading recommendations

# Currencies

As the Dollar strengthened so the Euro retreated from a critical level of weakness. The upshot is that the Yen remains a sell against the Dollar but that Sterling and the Euro return to the trading ranges of the last six months. Note though, the Sterling Euro- we were keen to buy the Sterling earlier this month and were caught out. We're watching it more carefully this time, but that trade may return...

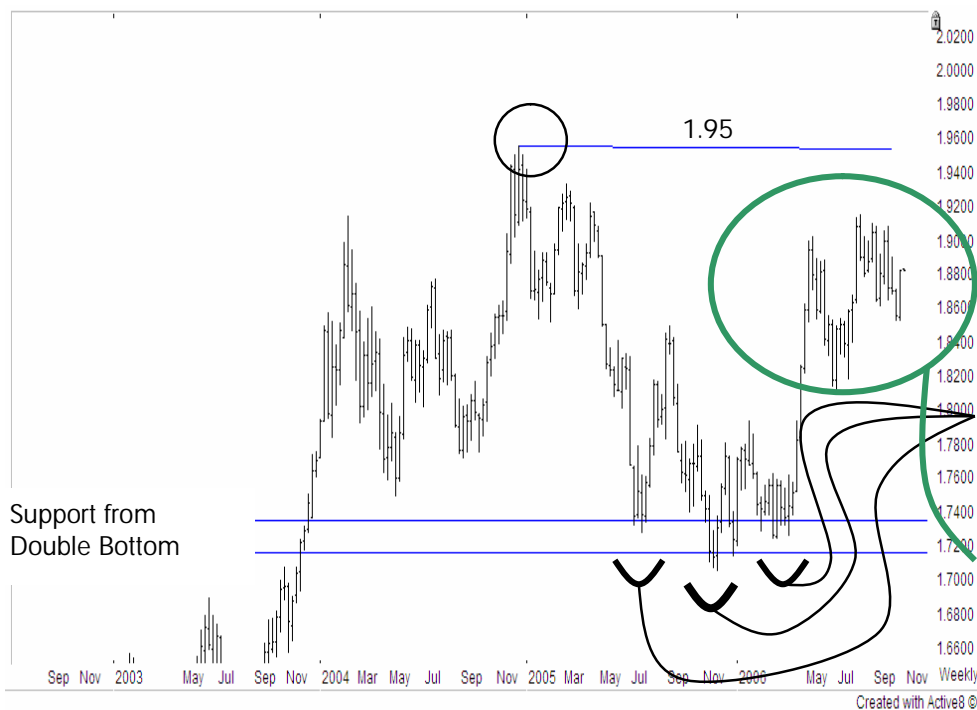
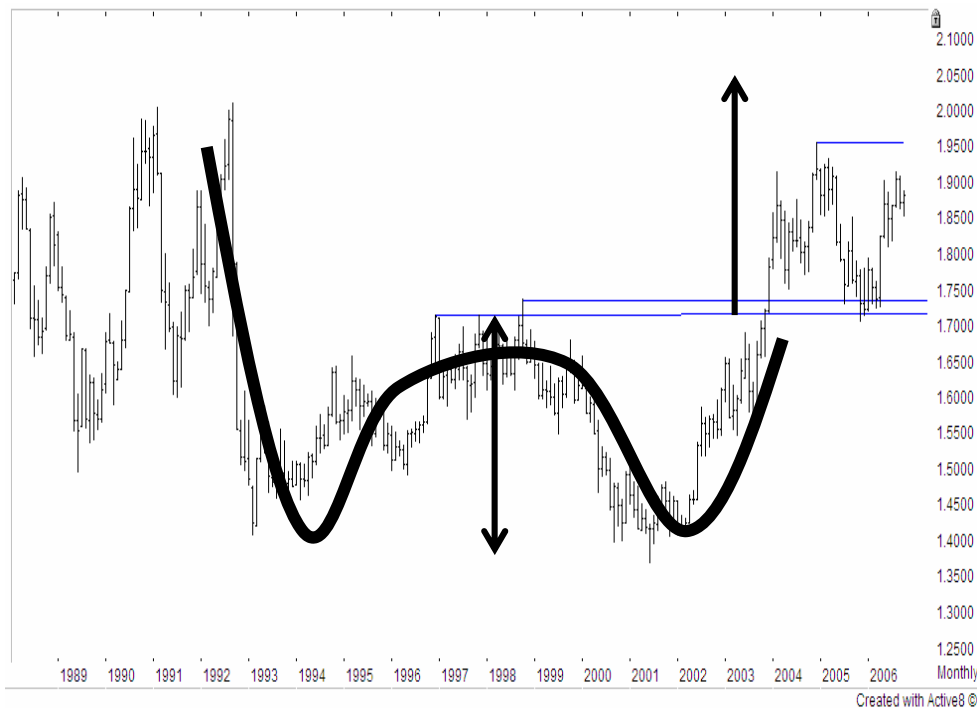
## Dollar Euro

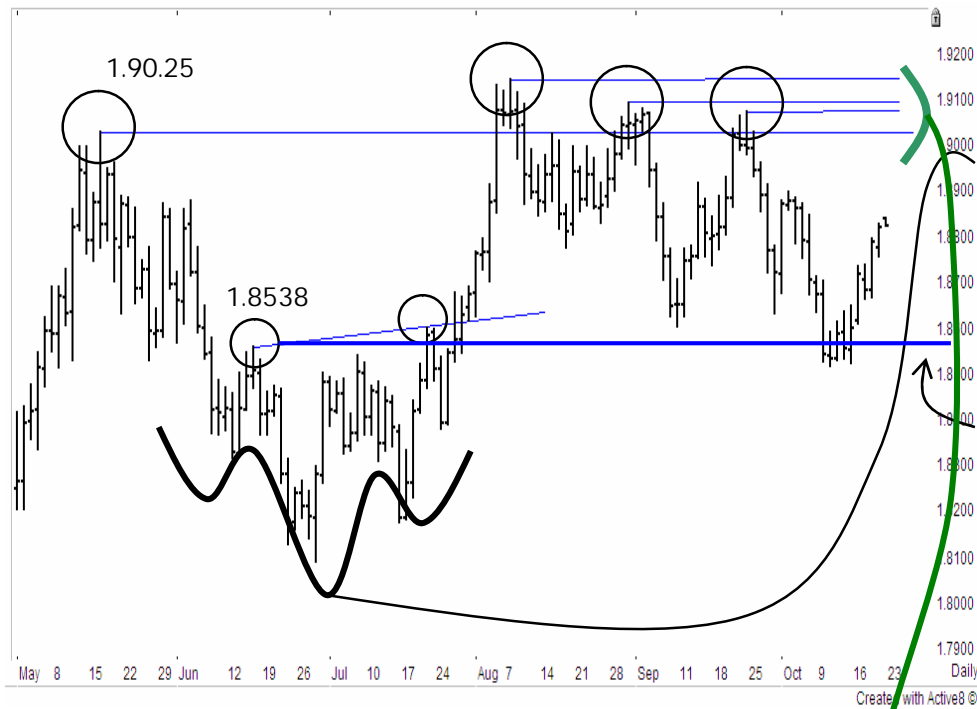




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# Dollar Sterling





#### DAILY SPOT CASH CHART:

The early formation of the Head and Shoulders Reversal in June has been good bull evidence.

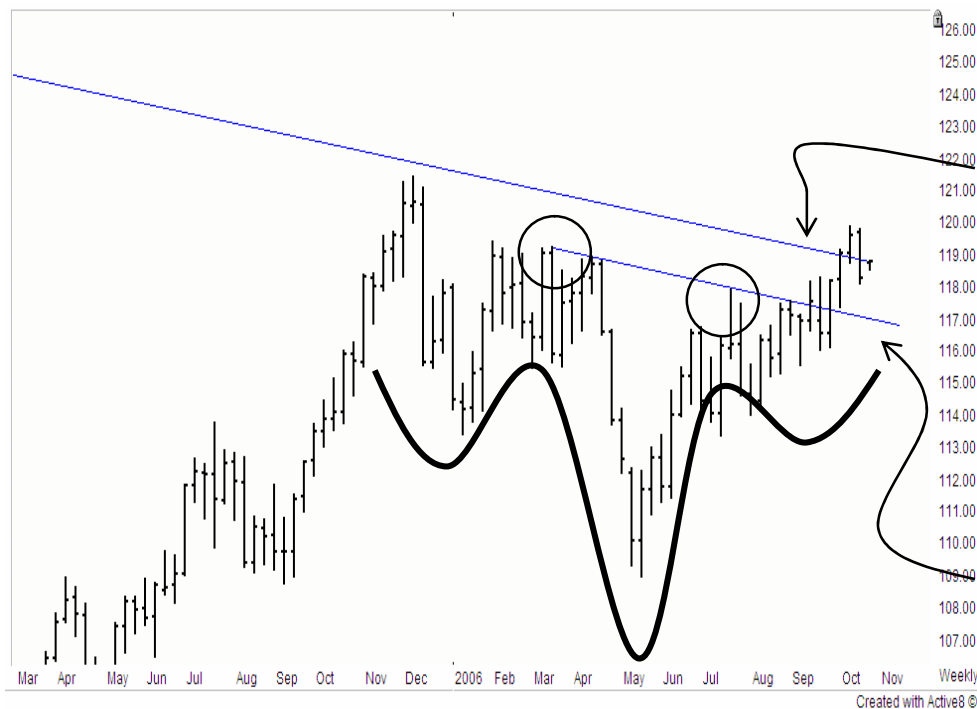
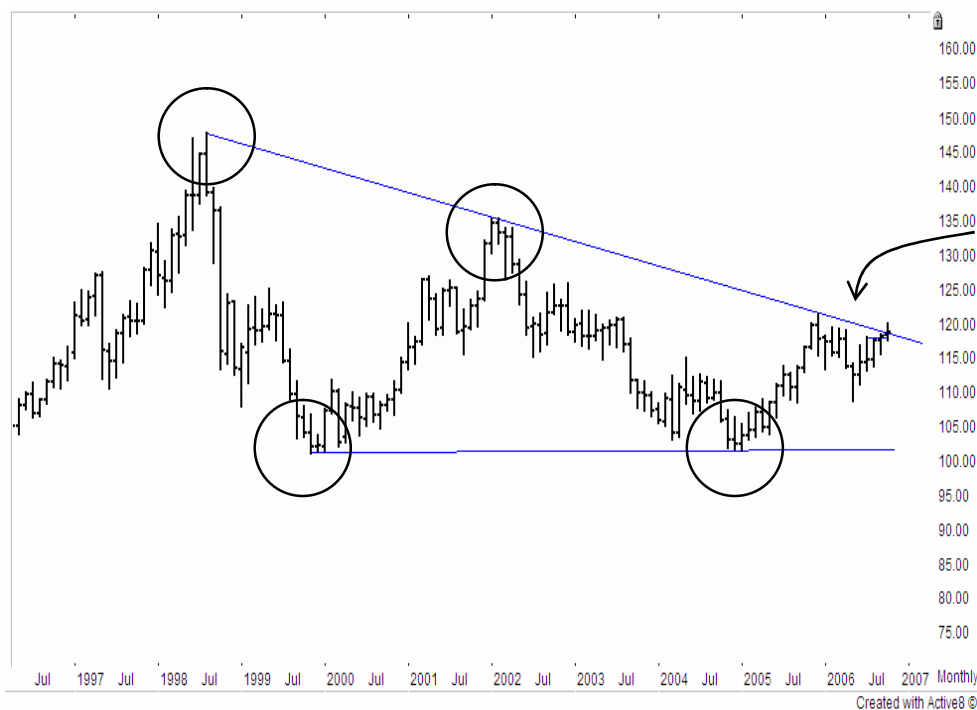
Last week we advised traders to watch the market's reaction to the 1.8538 level and sell on a break. It didn't break. Stand back!

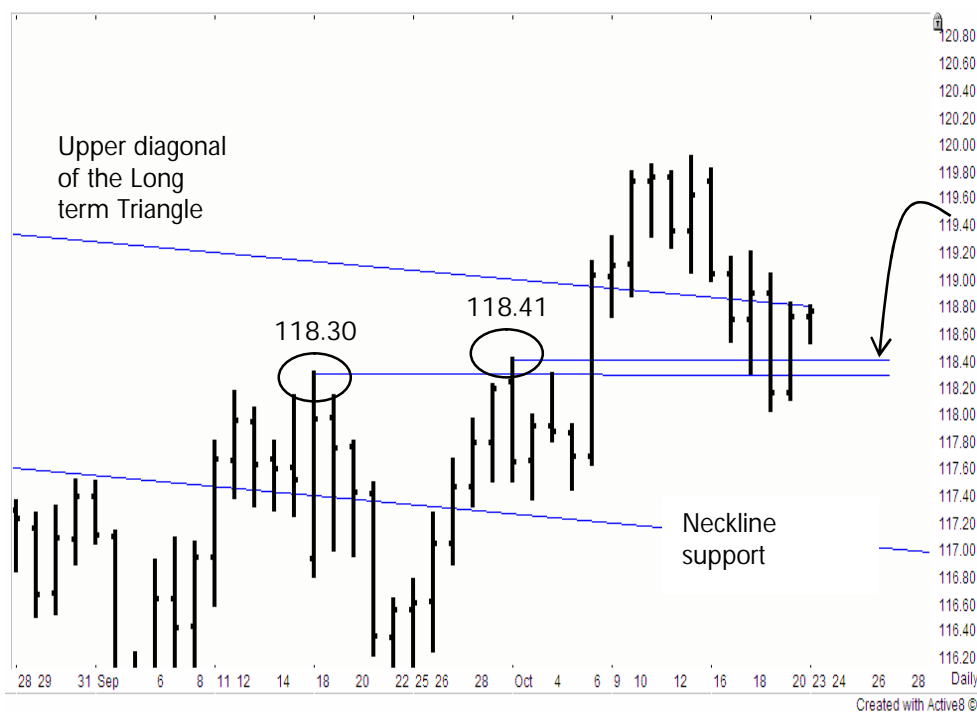
But the critical levels are the highs around 1.91.

Once through those the market will have a solid bull trigger.

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# Dollar Yen





#### DAILY SPOT CASH CHART:

Looking very closely at the market's price action, there is good support at the horizontals from the highs that we talked about last week.

Last week we were big sellers of the Yen. But the market came back.

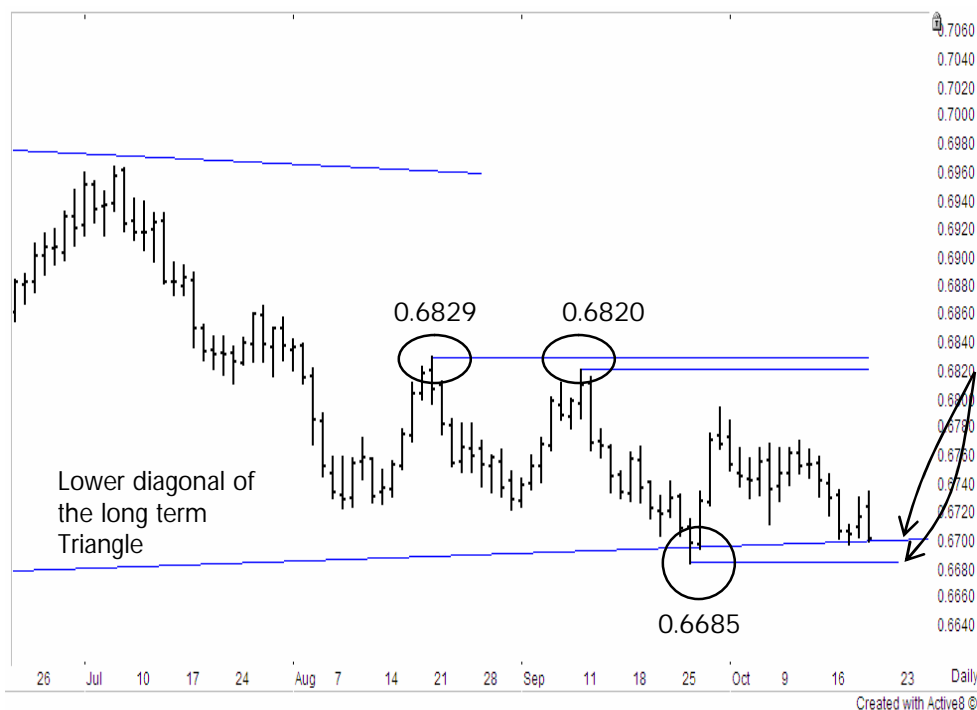
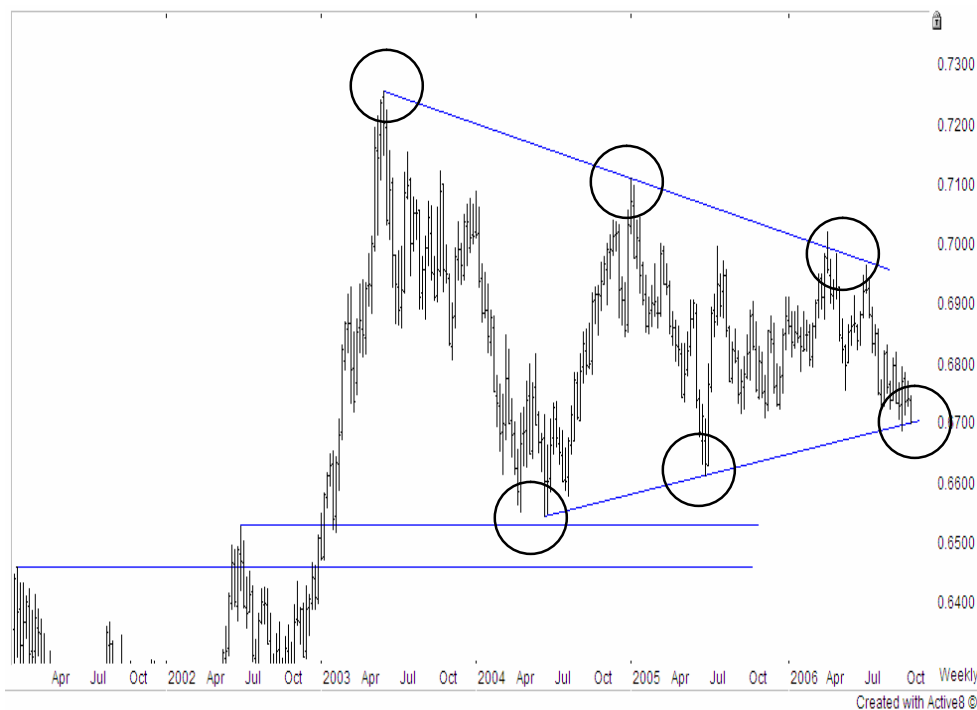
Nonetheless, while the horizontal supports at 118.30-41 remain intact we are still sellers of Yen.

This pull-back was an opportunity to add to Yen shorts.

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# Sterling Euro

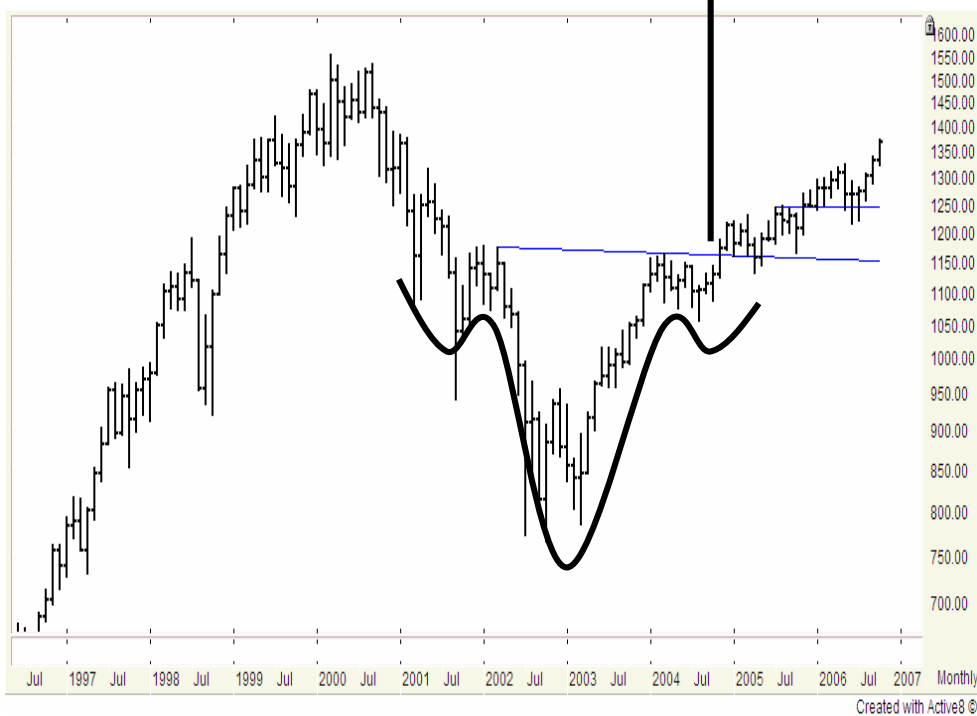


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# Stocks

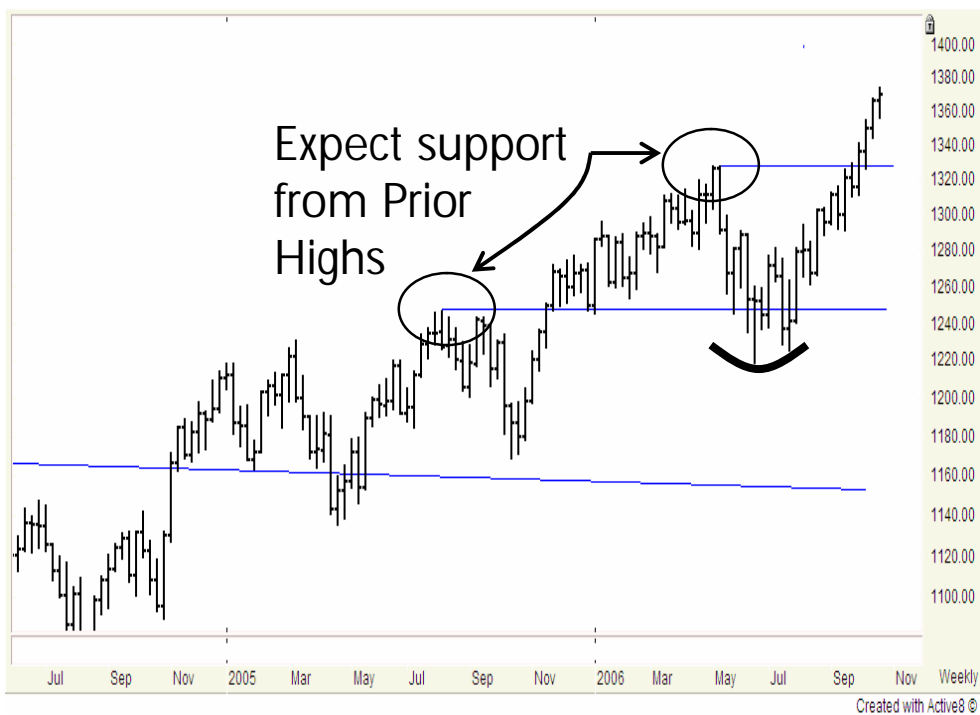
We suggested trimming bull positions last week (in our Market Update) for good technical reasons and some fundamental ones. Yet we are still bullish! Another response might have been to bring Stop losses closer. The market had achieved a clear medium-term target. It may yet go further still. There is something about the 6195 level in the FTSE (Dec06) that demands close attention. If that relatively reluctant market can get through that level convincingly, then we will buy back in again... watch our Key Trades closely.

## Standard and Poors 500



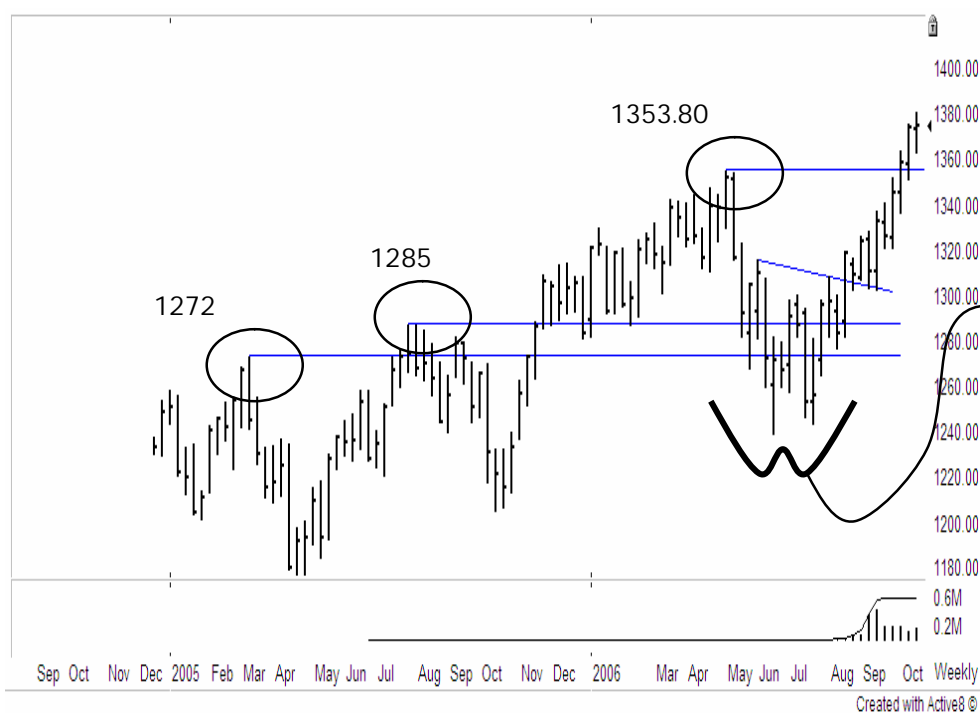
MONTHLY CASH  
INDEX CHART:  
The long chart is  
thrilling for the bulls.

The massive Head and  
Shoulders Reversal is  
set to drive the market  
up to 1700 as a  
minimum.



WEEKLY CASH INDEX  
CHART:

And the bull move since the pattern completed is well-structured for the added comfort for the bulls.

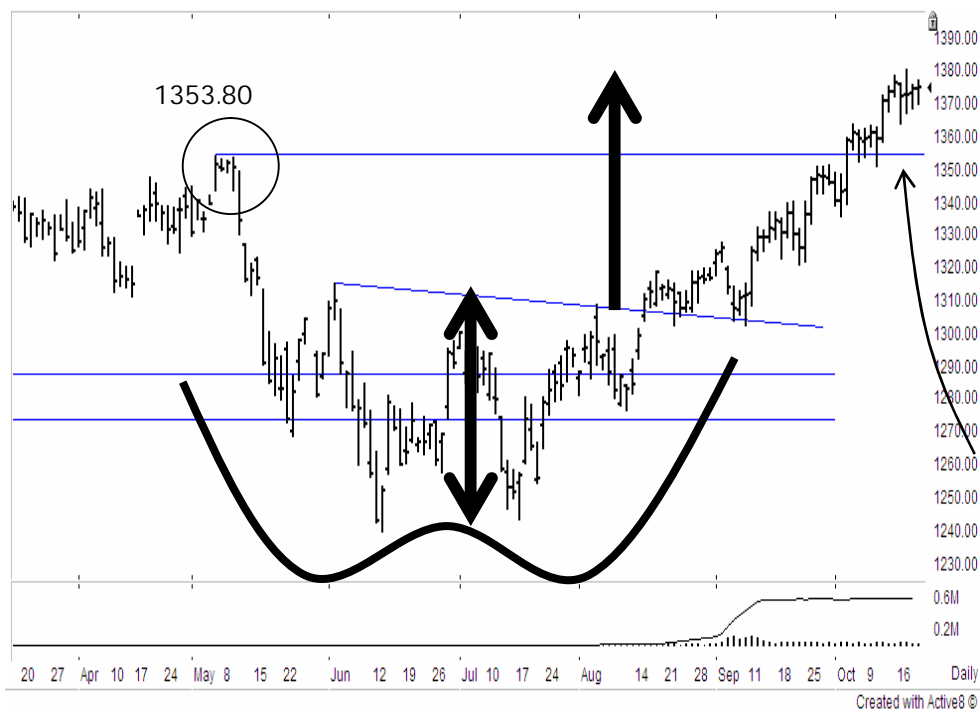


WEEKLY DEC06  
FUTURES CHART:

A slight variation on the Cash Index chart.

Note the small Head and Shoulders Reversal formed throughout June and July that drove the market up through the old May 2006 high.

Now 1353.80 should act as good support on and pull-back.

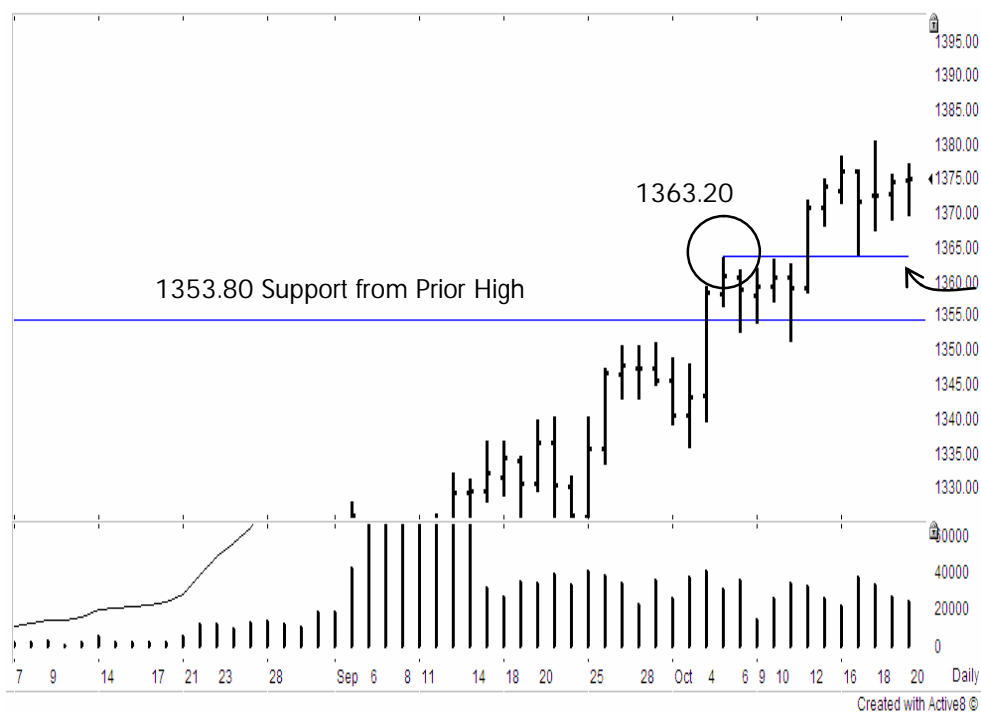


# DAILY DEC 06 FUTURE INDEX CHART:

The detail of that H&S pattern.

Note: the achievement of the minimum target at 1380.

But remember, the near High at 1353.80 should be good support on any pull-back.



#### DAILY DEC 06 FUTURES INDEX CHART:

The detail of the breakthrough the 11353.80.

Note the immediate, very short-term support at 1363.20.

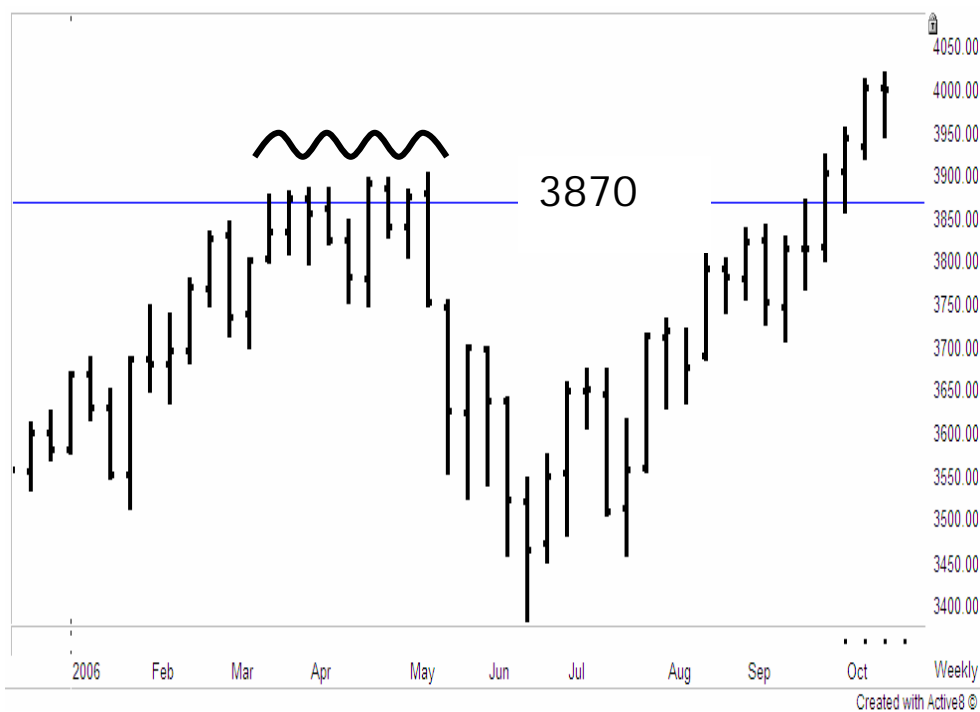
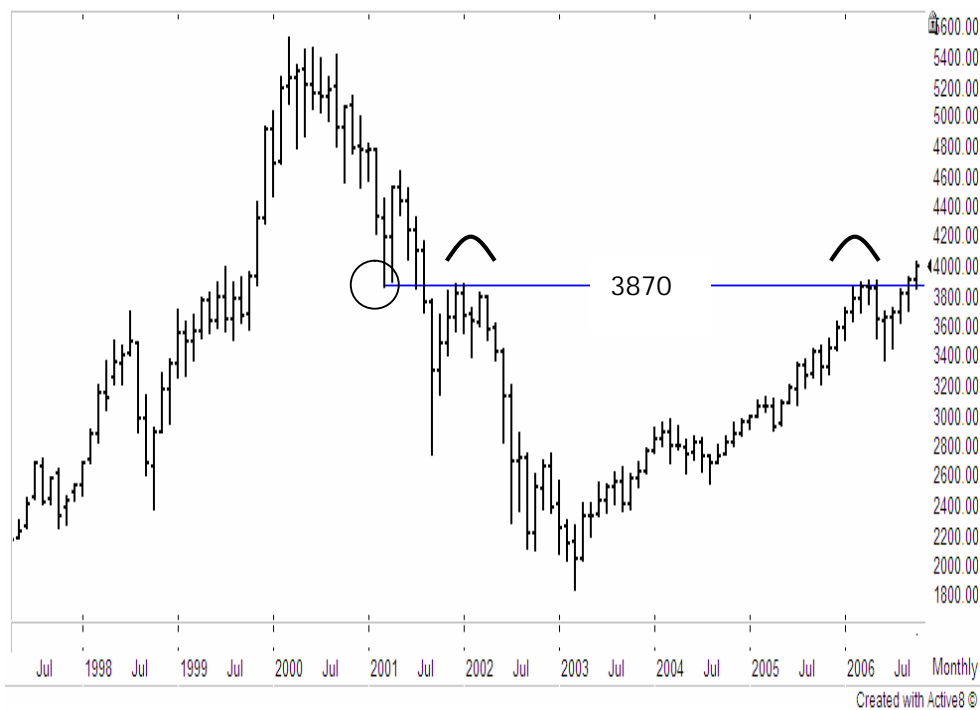
On CNBC last week we suggested that some profit-taking might be in order as the market has achieved the minimum move required by the H&S pattern in the medium-term.

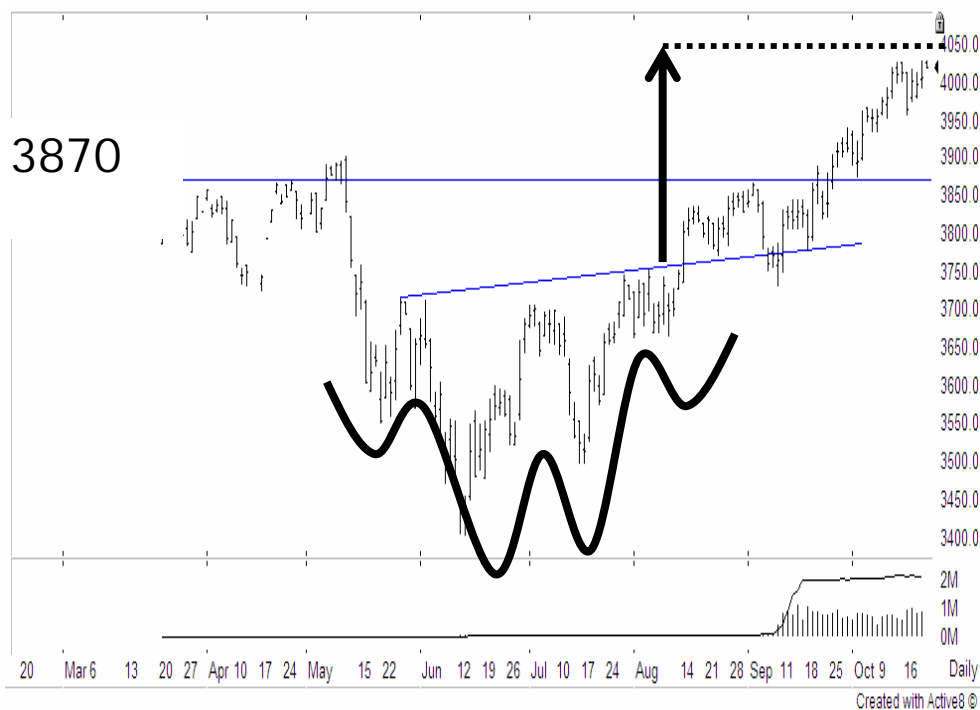
We were, and remain bulls of the market, but wanted to secure some of our recent profit.

We are still involved and feel good to have lightened up.

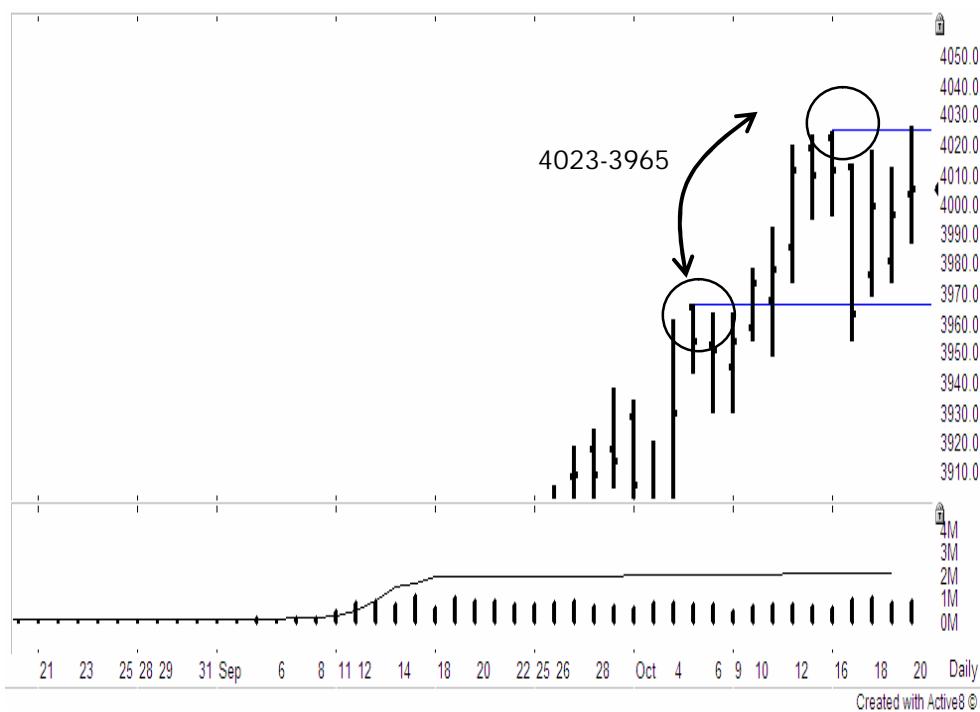
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# European Dow Jones Stoxx 50





DAILY DEC06  
FUTURES INDEX  
CHART:  
Similar to the S&P  
there is a Double  
Headed Head and  
Shoulders Bottom in  
play - its minimum  
target is about 4050 -  
we're nearly there.



DAILY DEC06  
FUTURES INDEX  
CHART:

There has been some  
hesitation recently.

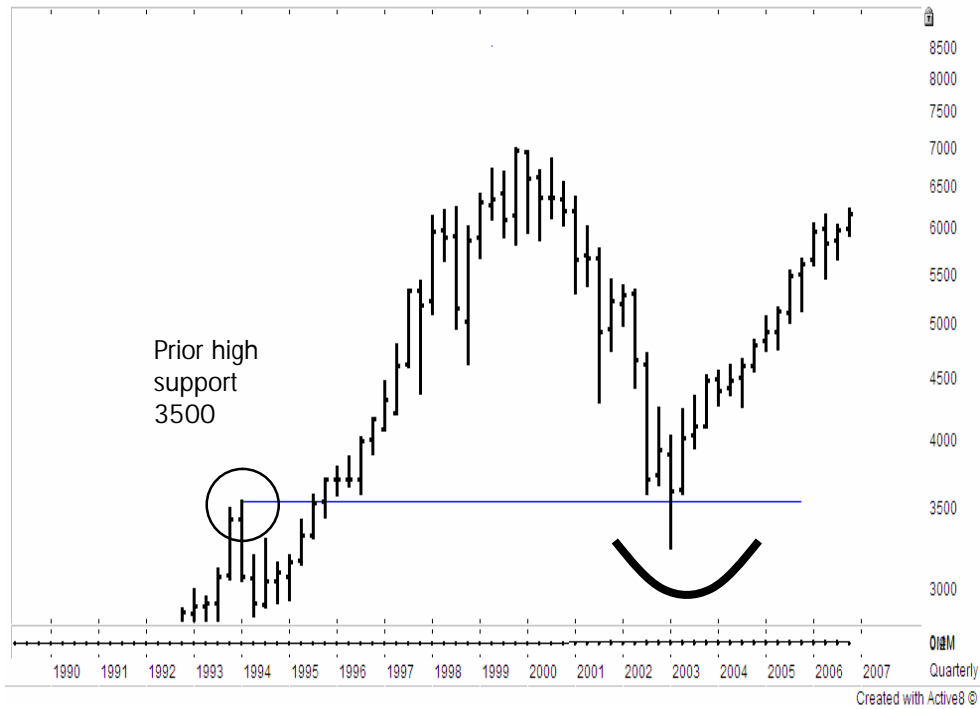
Wait for a break of the  
range 4023-3965.

We remain bulls, but  
with slightly more  
caution that last week.

Good places for stops  
lie beneath 3965.

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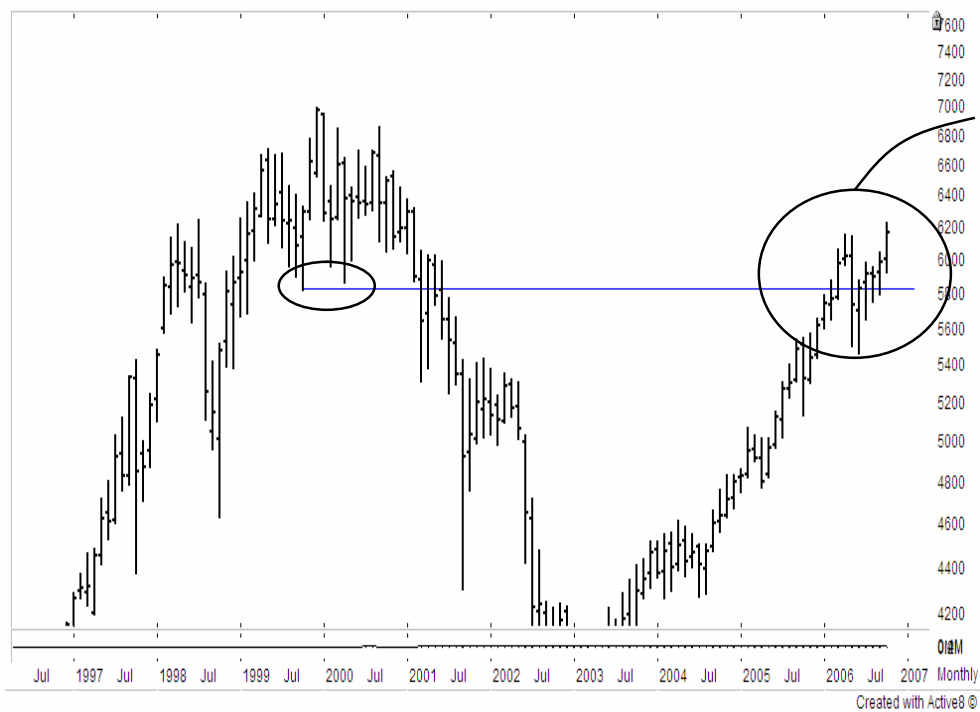
# FTSE 100



## QUARTERLY CASH INDEX CHART:

The market found support at the horizontal from the prior high at 3500.

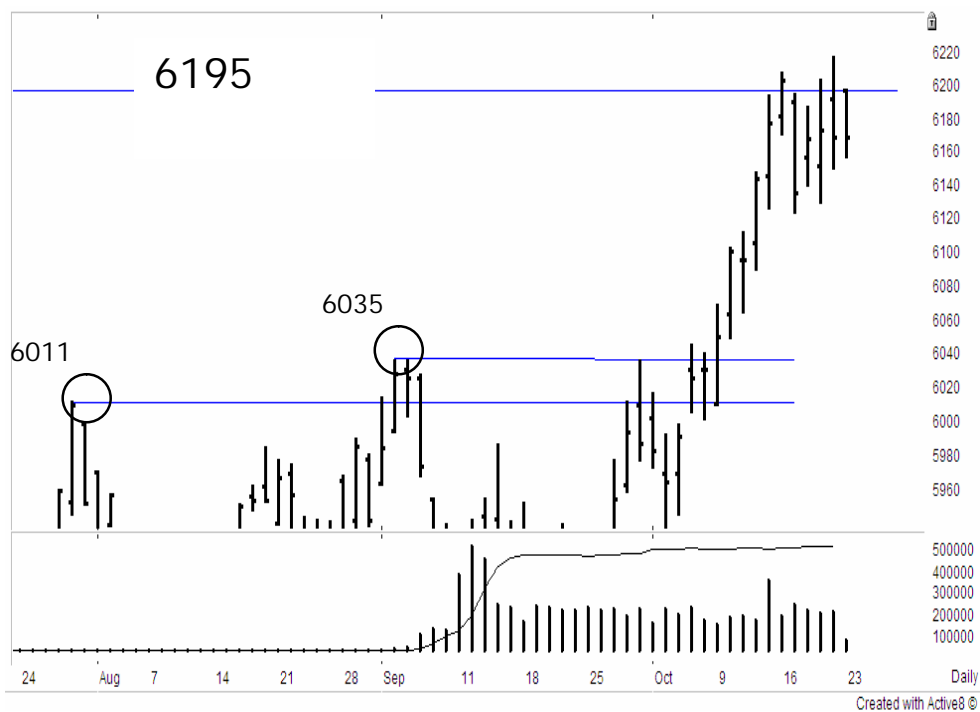
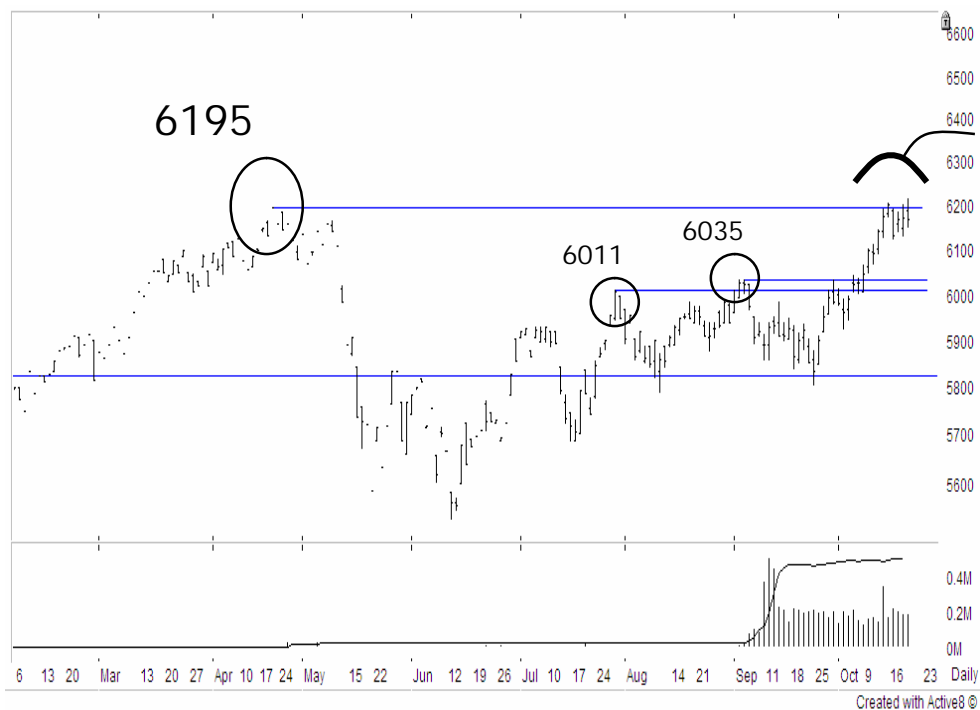
And then bounced.



## MONTHLY CASH INDEX CHART:

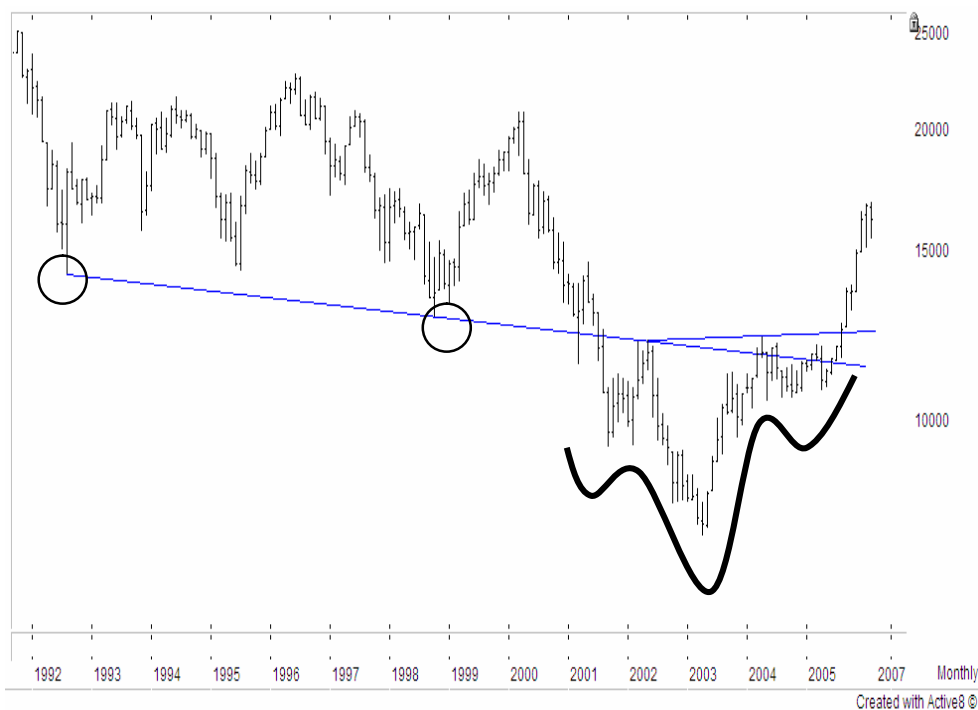
The congestion resistance above 5800 has been penetrated.





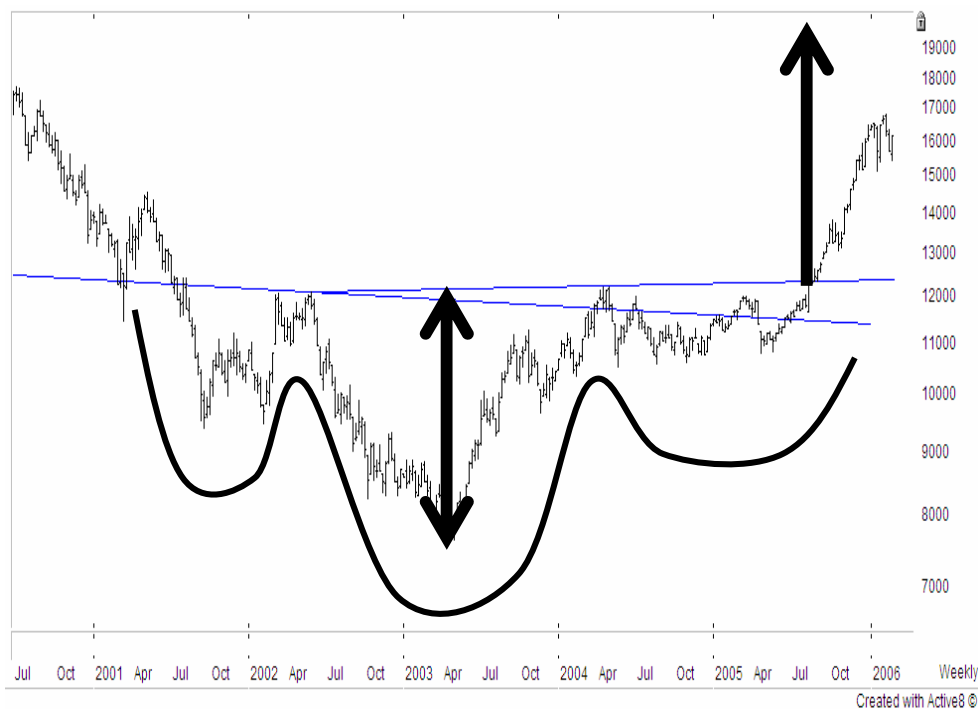
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# Nikkei 225



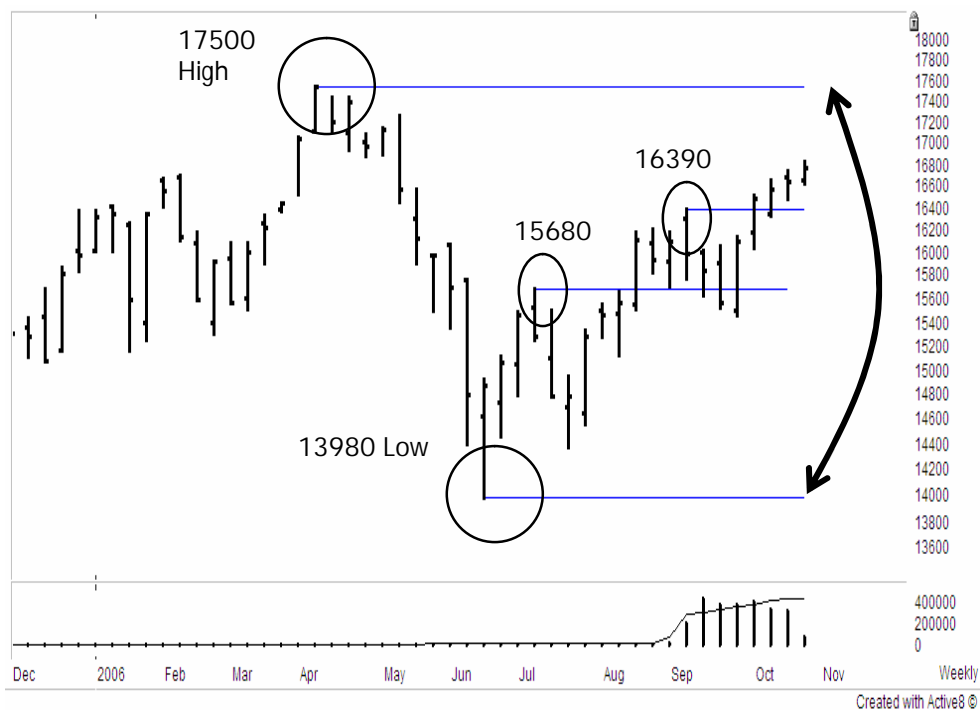
## MONTHLY CASH INDEX CHART:

The long chart has been very exciting for the bulls, partly through the overcoming of the long term resistance diagonal and second through the completion of a clear Head and Shoulders Reversal.



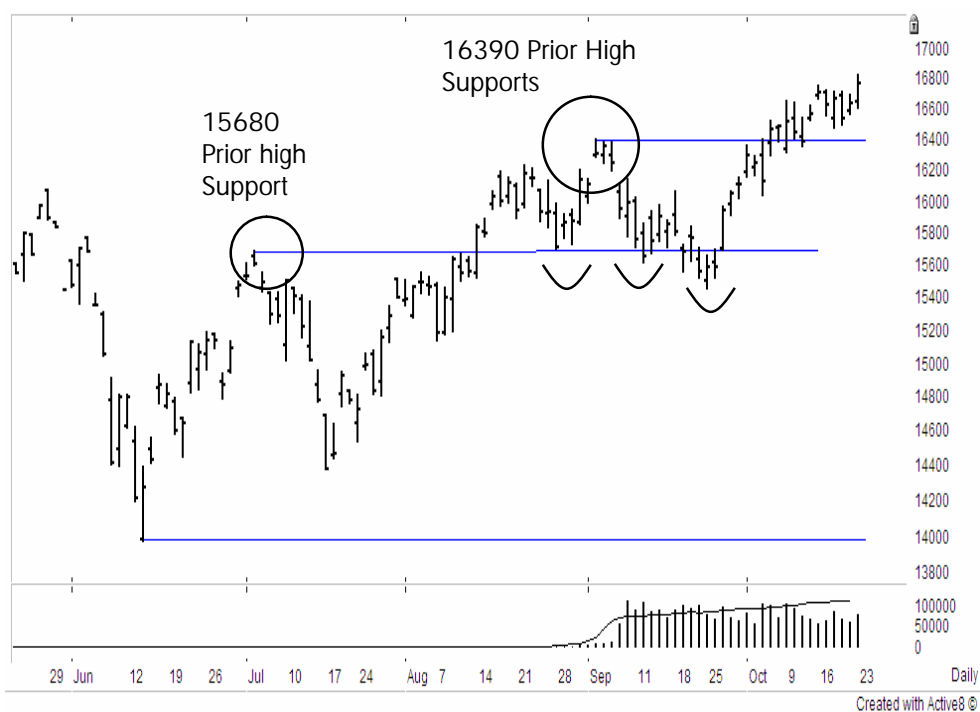
## WEEKLY CASH INDEX CHART:

That Head and Shoulders Reversal in greater detail.



DAILY DEC06  
FUTURES INDEX  
CHART:  
But here is the ranging  
market of 2006.

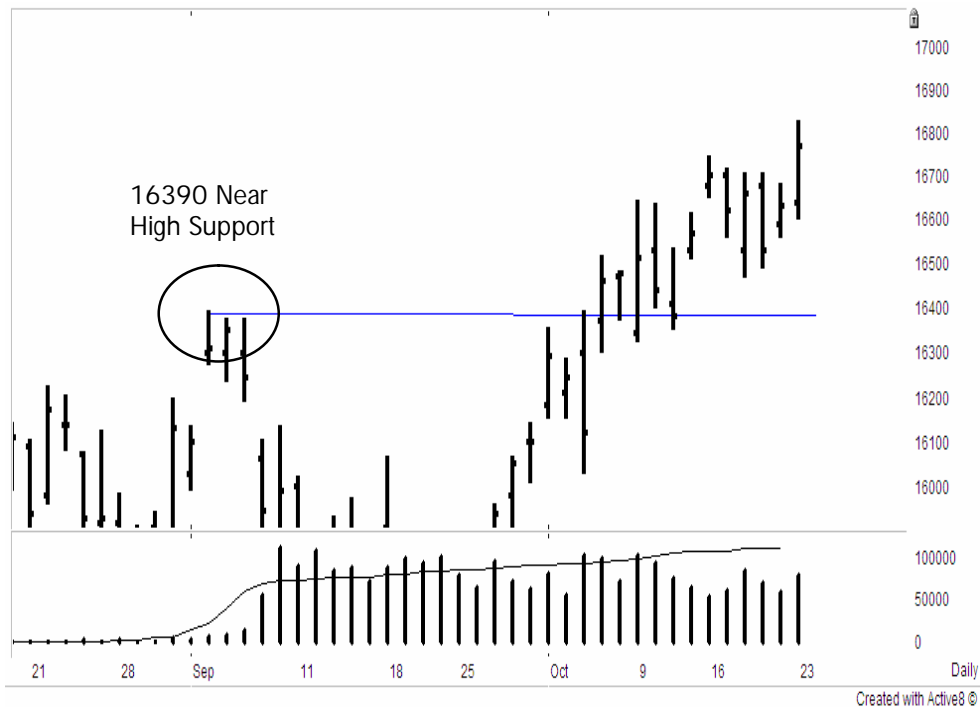
The wide range is  
clear, and inside it  
there is a good bull  
trend....



DAILY FUTURES  
DEC06 INDEX CHART:  
Well-constructed too,  
so expect the near  
high at 16390 to be  
good support on any  
pull-back.

Last week we were  
disappointed that the  
market hadn't gone  
better and suggested  
watching for any drift  
back through the  
support at 16390.

It didn't drift. Though  
cautious (because we  
think there are better  
longs elsewhere) the  
market remains bullish.



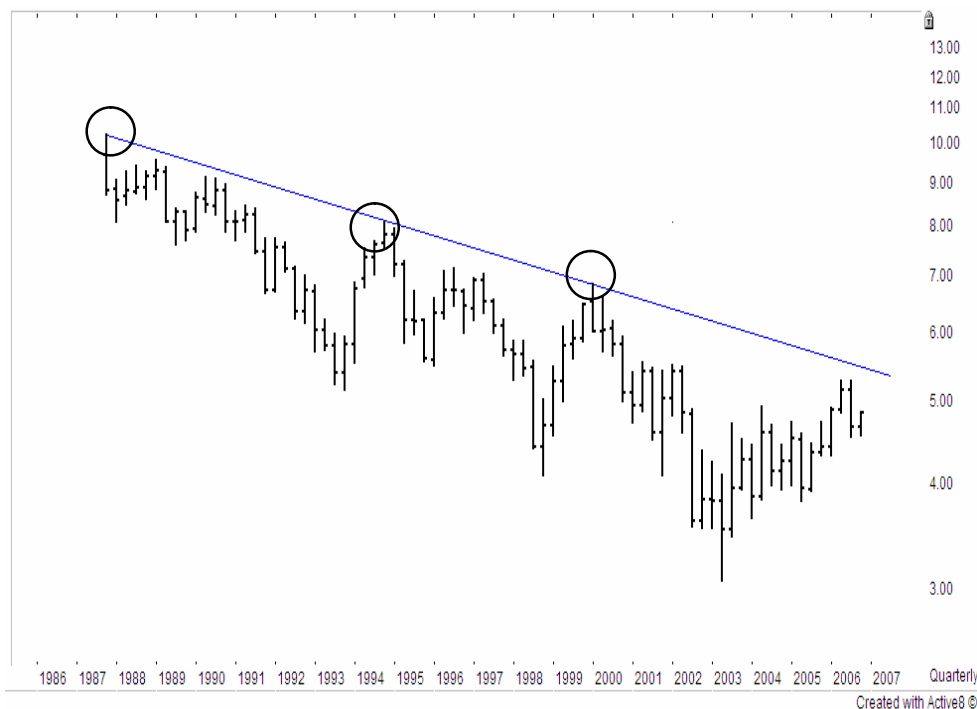
DAILY DEC06  
FUTURES INDEX  
CHART:  
Stop losses should be  
beneath the 16390  
near support.

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# Bonds

We have been out Bonds for a while. That remains the case. There are few clear structures except in the longer-term. Nearer-term, watch the Bund for inspiration - there are critical levels close by.

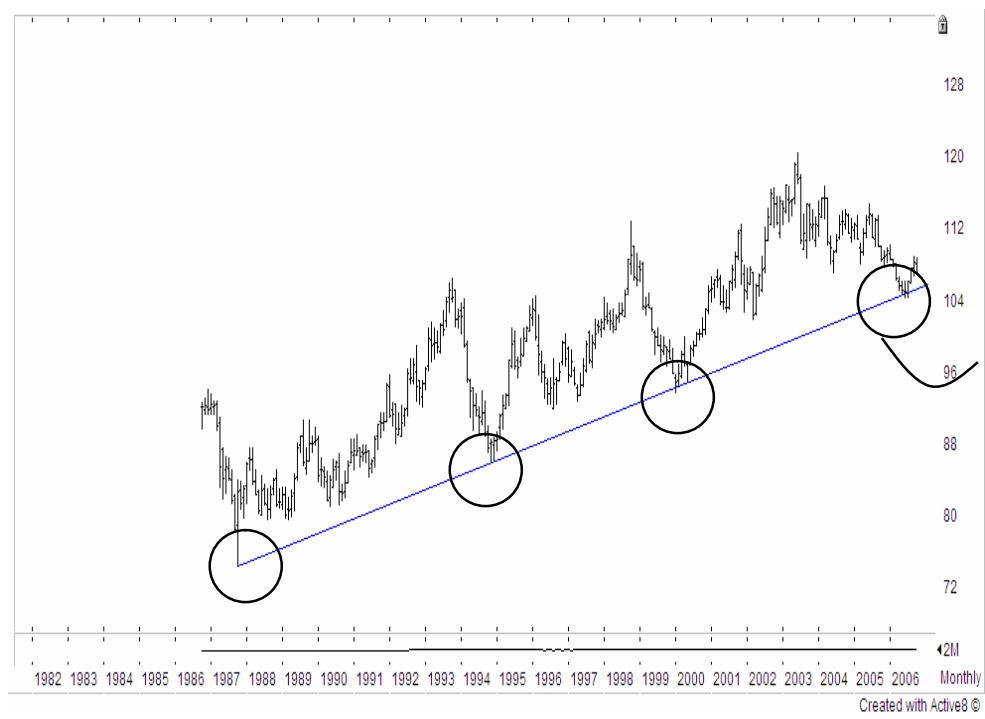
## Ten Years US Treasury Note



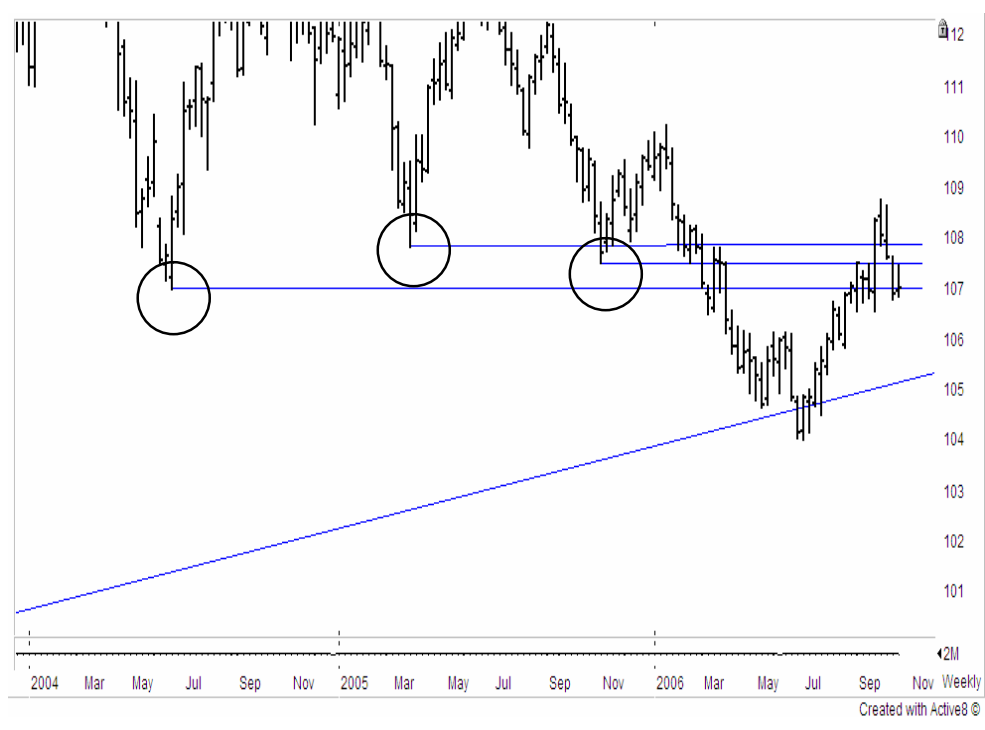
### QUARTERLY CASH

### YIELD CHART:

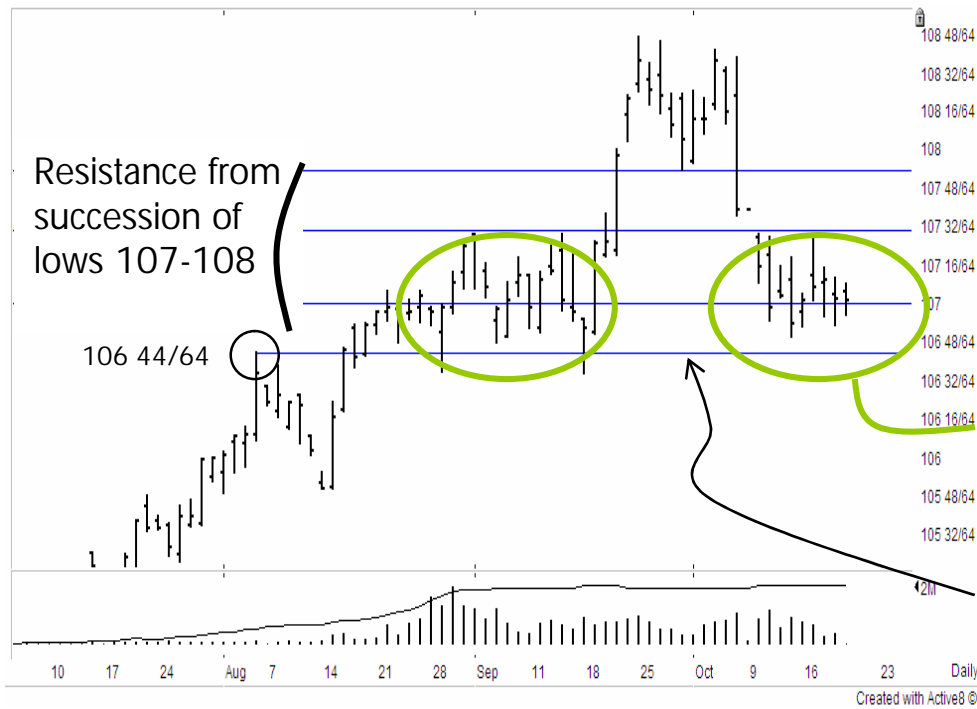
The market remained fixed in the downtrend from the late Eighties.



**MONTHLY FUTURES CONTINUATION CHART:**  
The Futures Continuation chart has an even better defined trend - but in this case, note how close to breaking the support line the market is ...



**WEEKLY DEC 06 FUTURES CHART:**  
The market bounced away from that trendline support but found resistance from the succession of lows between 107 and 108.



#### DAILY DEC06 FUTURES CHART:

We had been impressed by the depth of the penetration - but it didn't last.

The market tracked back, and now is in an historical congestion area apparent before the move up.

Watch the small support from the previous high at 106-44/64.

Bears should wait for a break down through the high at 106-44/64.

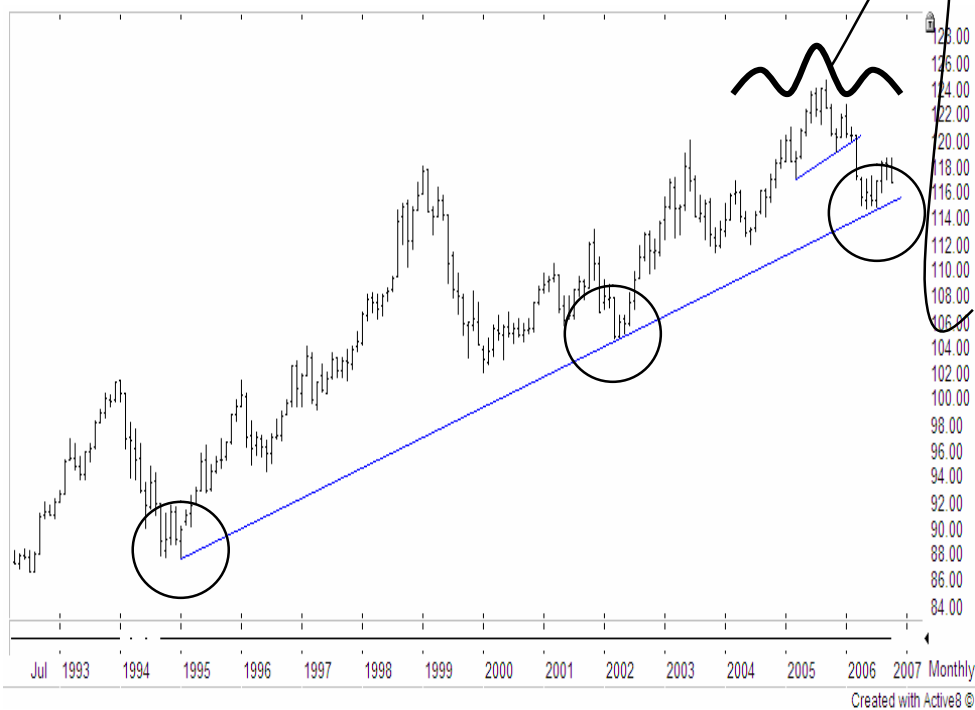
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# Ten Year Euro Bund



**MONTHLY CASH  
YIELD CHART:**

The trend is not well-established in the yield chart.

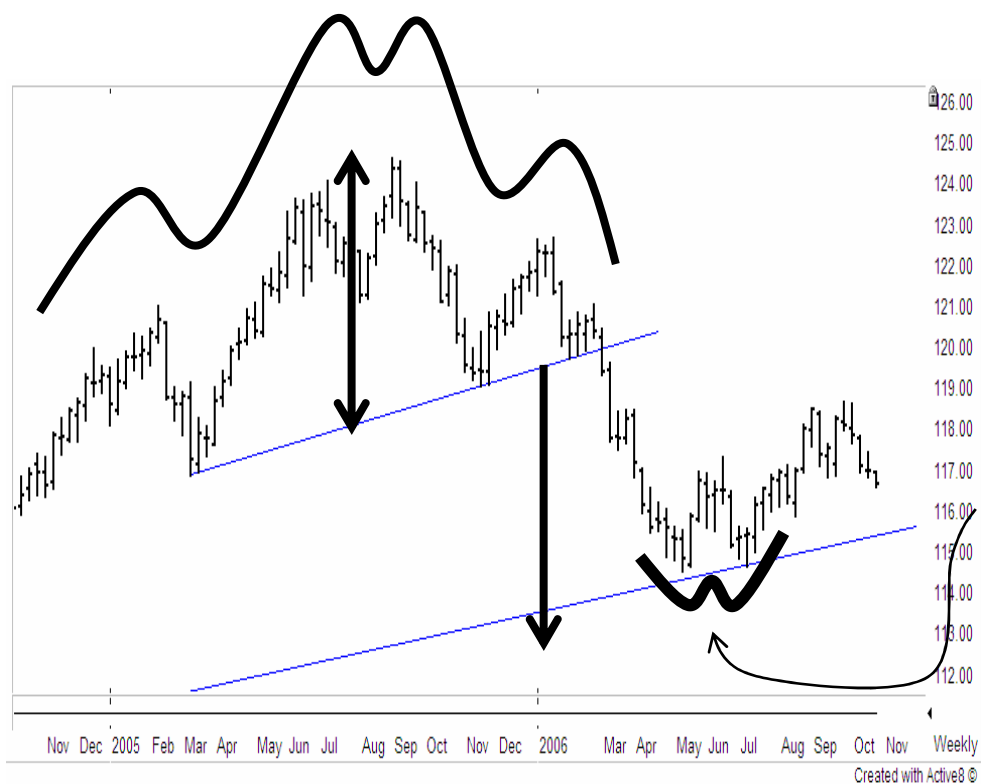


**MONTHLY FUTURES  
CONTINUATION**

**CHART:** The Futures Continuation chart is more clearly defined.

And note that the recent close approach has been achieved by a small Head and Shoulders pattern ...



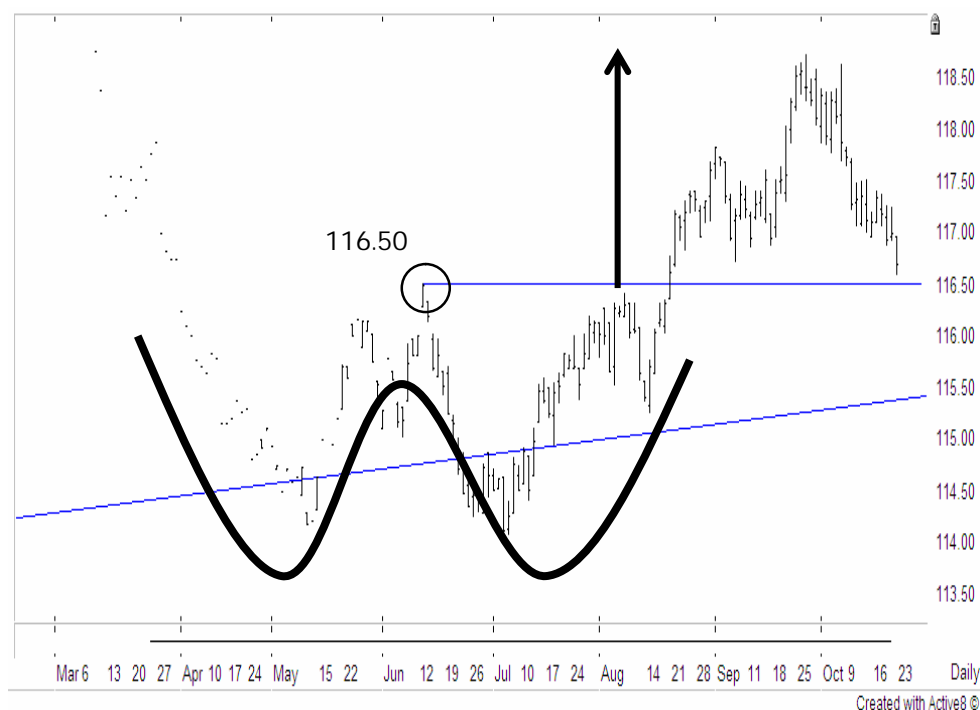


### WEEKLY DEC 06 FUTURES CHART:

Which, is looked at more clearly, is well-defined and set to drive the market down to 113 or so.

But the market found good support from the long-term trend line before that.

It bounced off it twice.



#### DAILY DEC 06 FUTURES CHART:

When the market bounced twice it formed Double Bottom which completed on a push through 116.50.

We thought the minimum target was about 119, but we were perhaps over-enthusiastic - it nearly got there.

But since has fallen back.

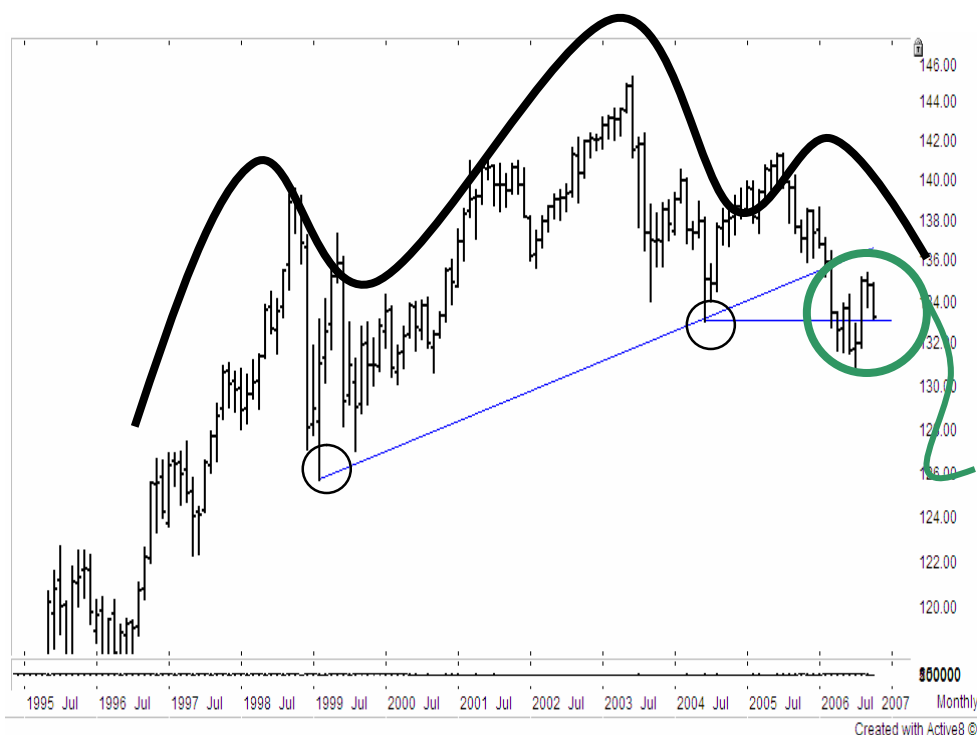
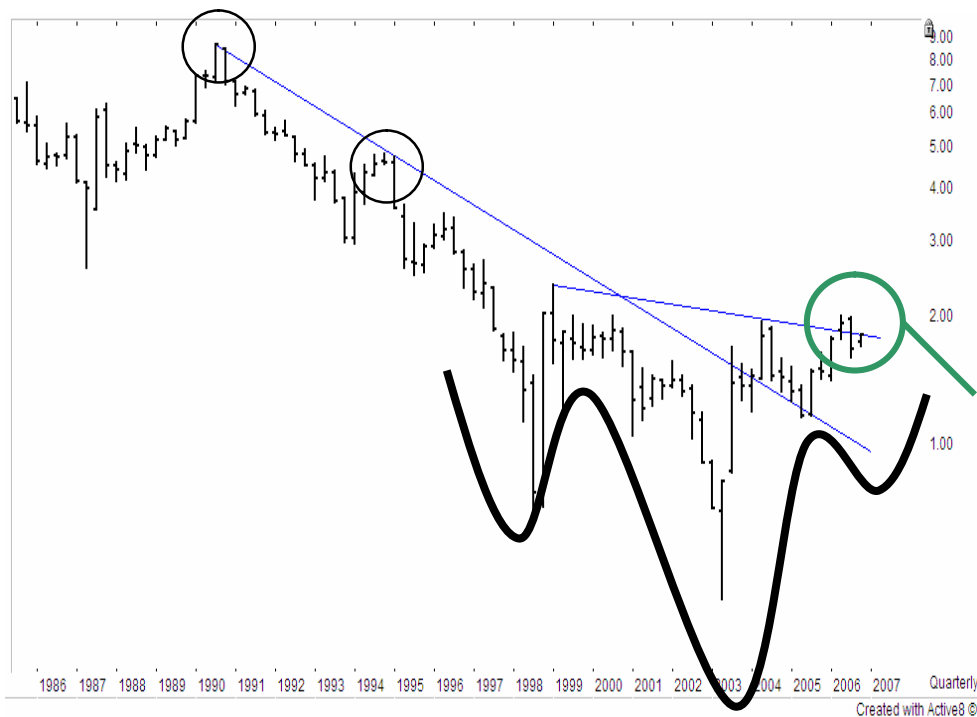
Now watch the market's reaction to the support at 116.50.

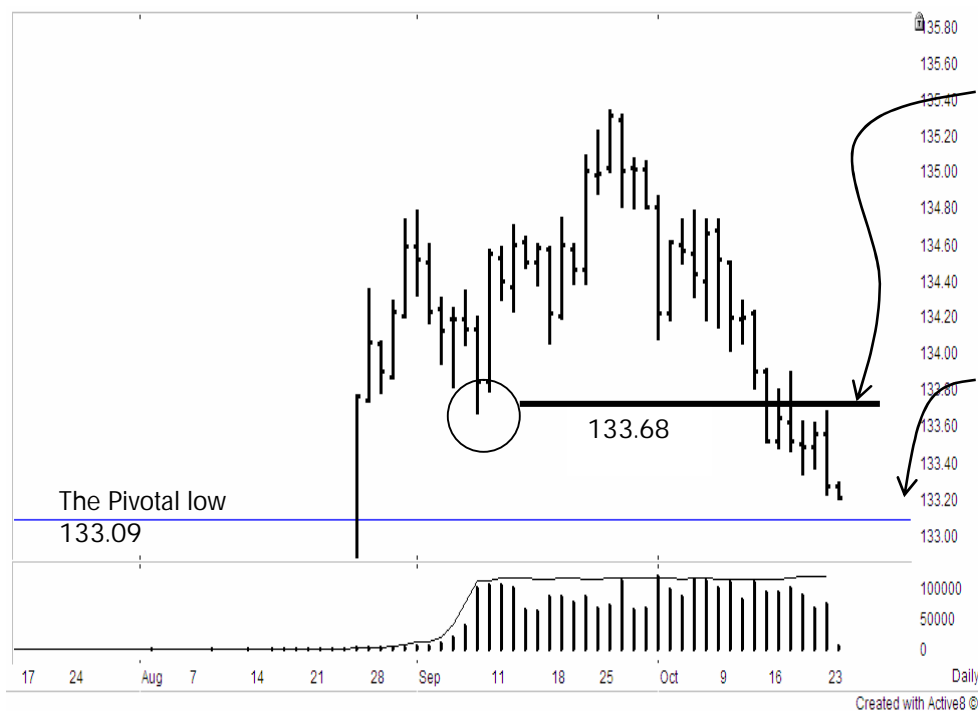
It should be strong if the bull case has any substance.

If it breaks, expect a retest of the long-term trend support, but until then the bears should sit on their hands.

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# Ten Year Japanese Bond





#### DAILY DEC 06 FUTURES CHART:

The pull-back through the low at 133.68 proved bearish though we didn't rate it as a particularly bearish signal.

And we also find the Pivotal Low at 133.09 of limited predictive value.

It's altogether a disappointing chart without clear signals or critical levels.

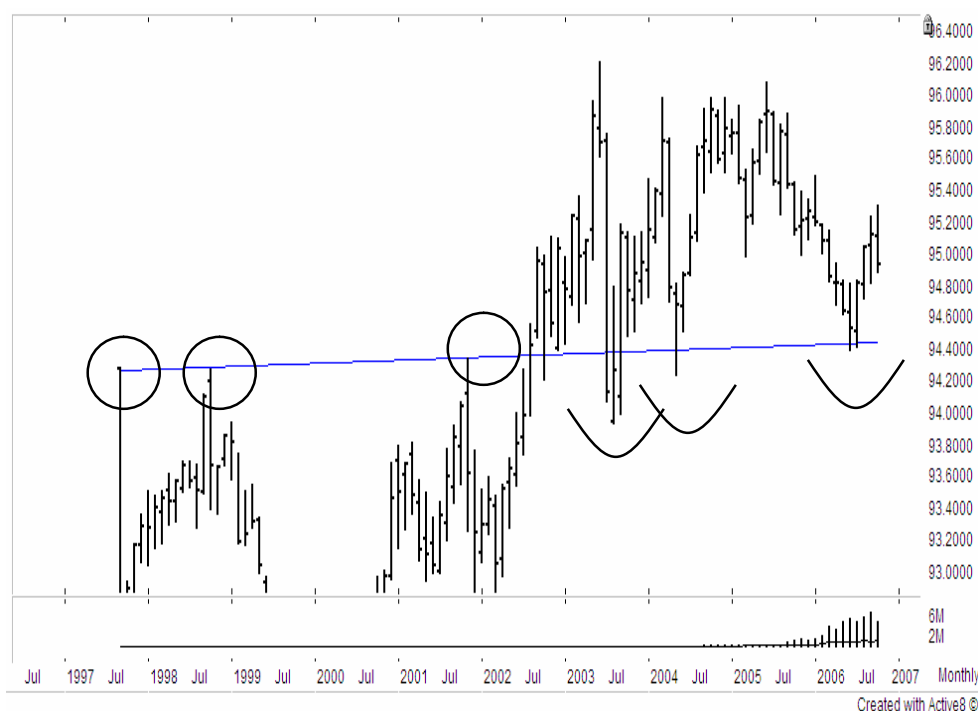
Like last week, stand back.

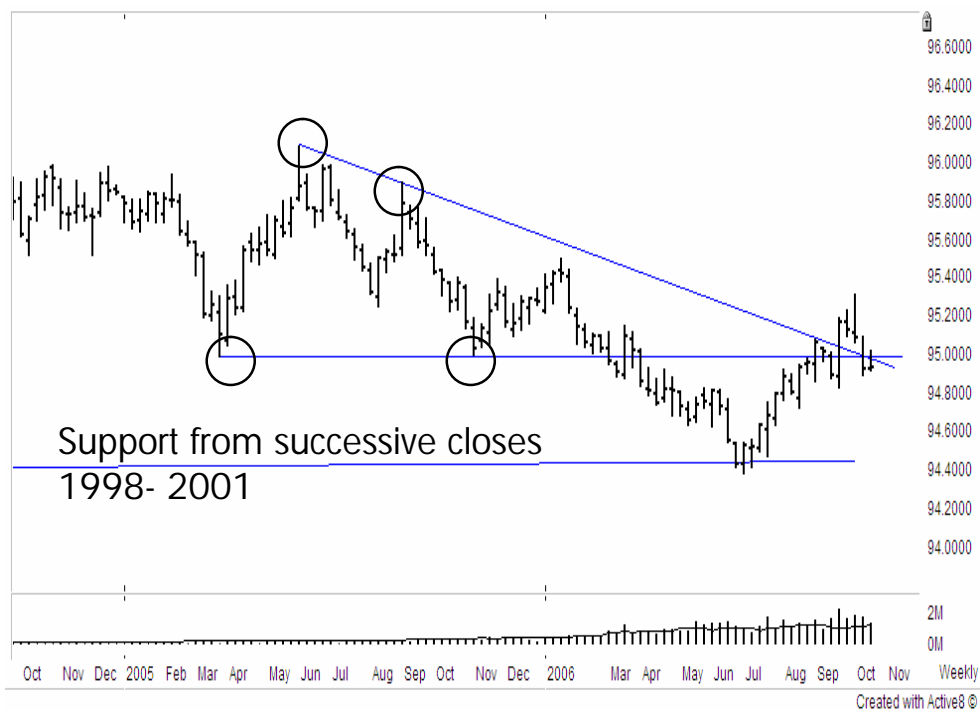
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# Interest Rates

The Euribor and Dollar markets remain in a dangerous state of flux. But watch the Short Sterling closely. It has broken out of a good short-term structure. The medium-term is not quite so clear. Watch for confirming price action.

## Dollar Rates



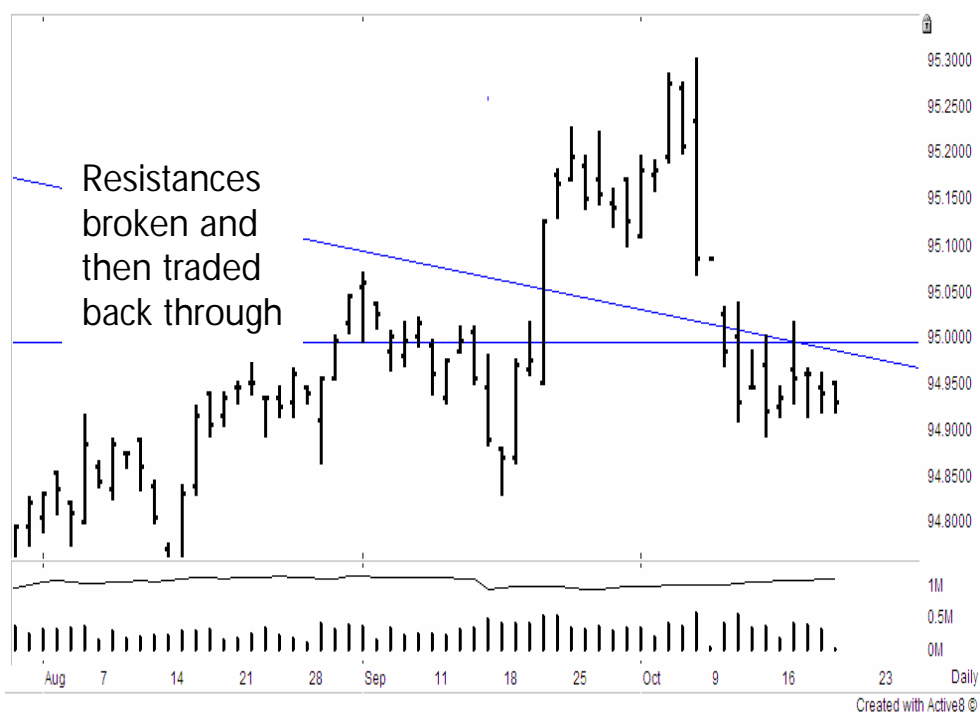


#### WEEKLY SEP 07 FUTURES CHART:

The latest bounce from the support was powerful - and drove the market through two resistances.

We thought that was a good signal.

But clearly it proved false.



#### DAILY SEP 07 FUTURES CHART:

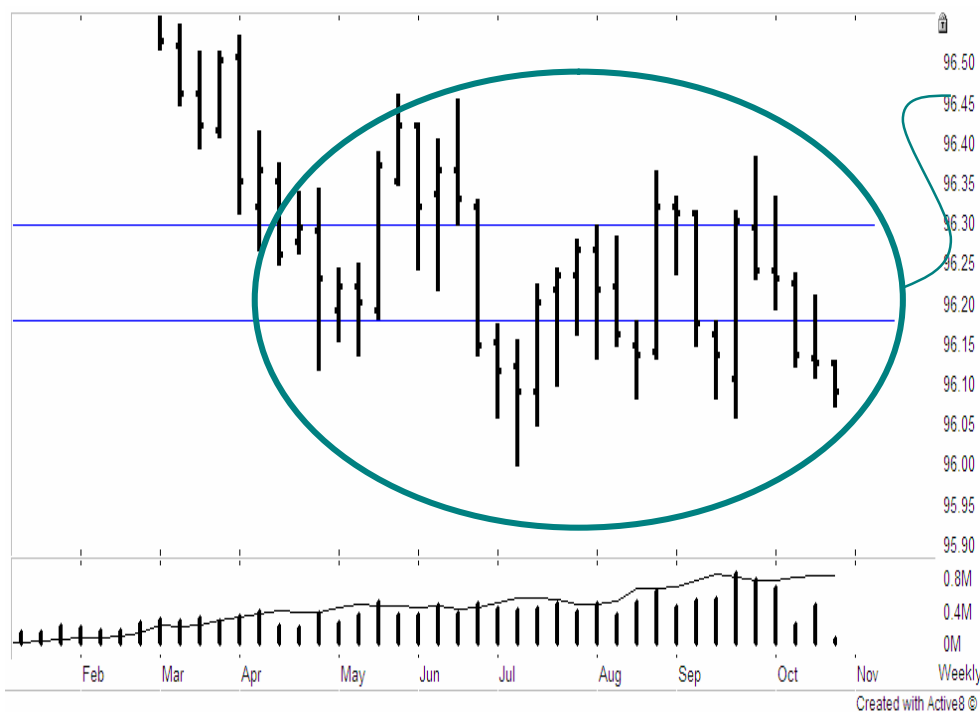
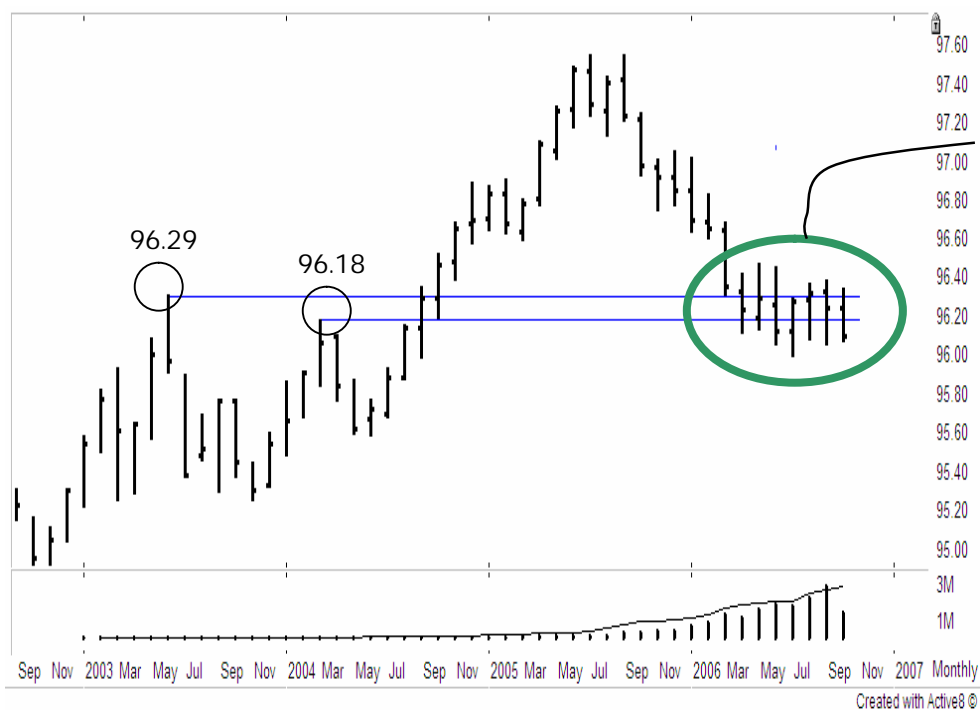
The pull-back was fast, and so far, without much indication of a Reversal.

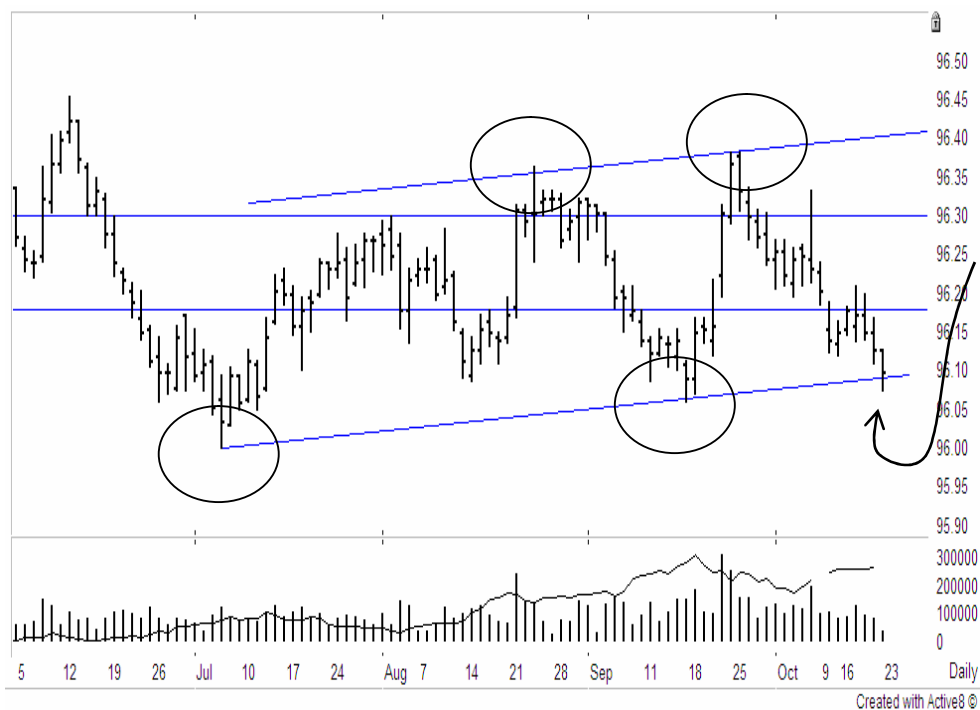
Only a bounce back up could: 're-ignite the bull stance'.

Until then stand back: it's too uncertain.

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# Euribor Rate





DAILY SEP 07 CHART:  
But here, in the day  
chart, there is  
something of interest.

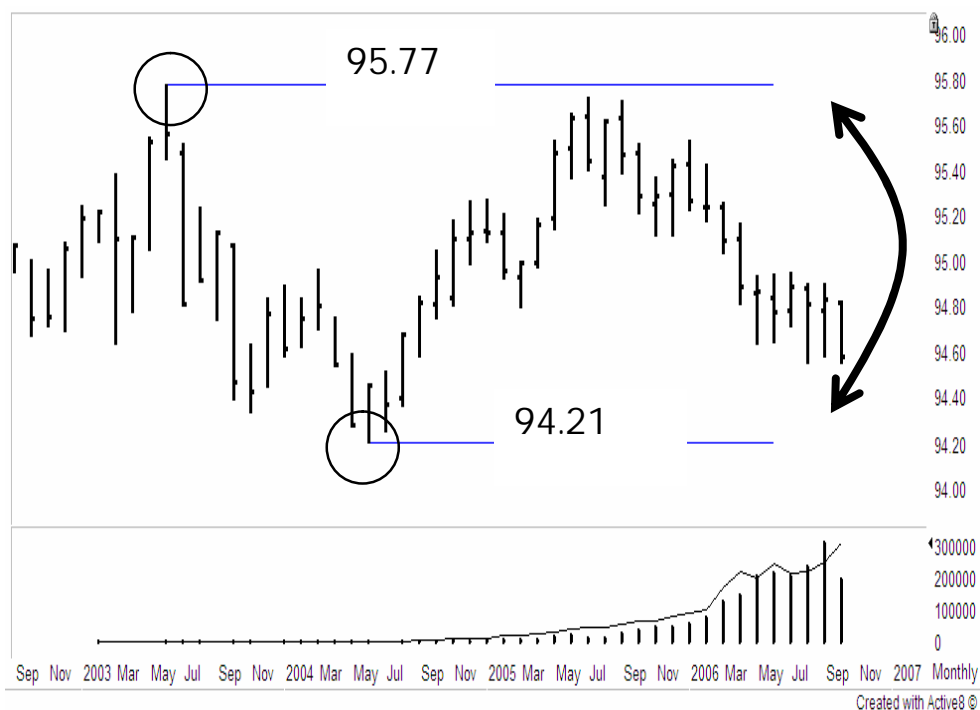
A parallel channel,  
whose lower diagonal  
is being tested right  
now.

Sell on a clear break -  
as we said last week.

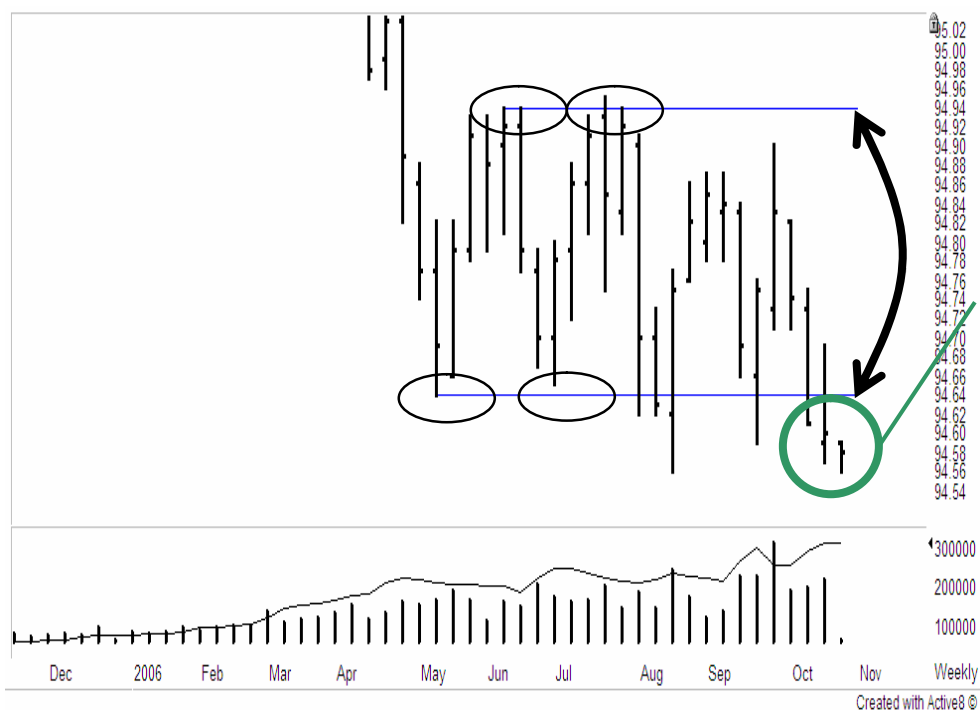
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# Sterling Rates



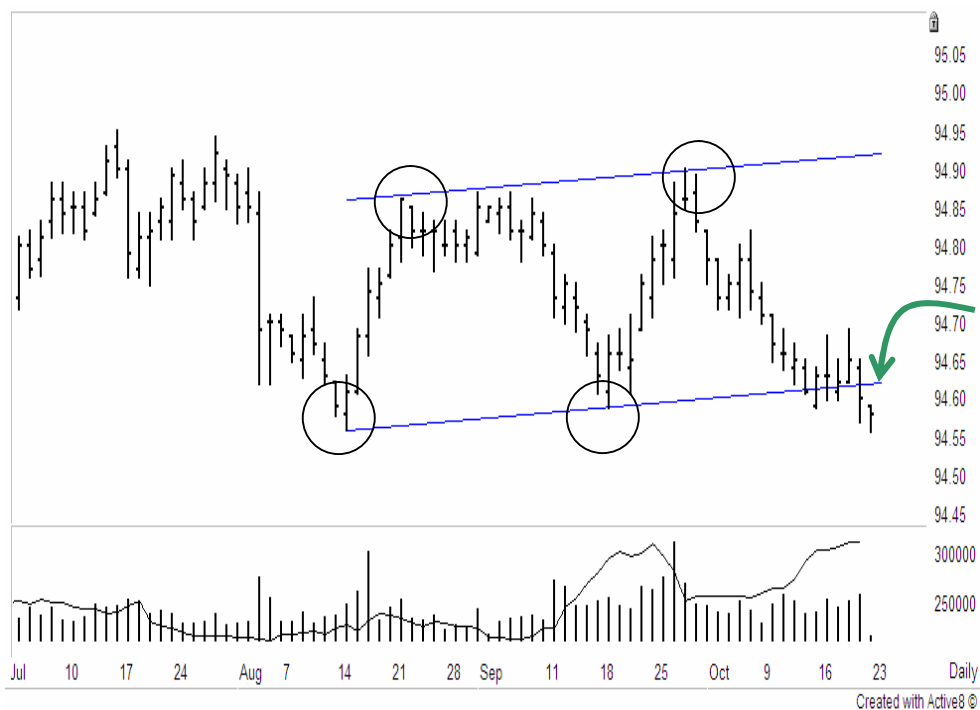
MONTHLY SEP 07  
FUTURES CHART:  
The market is ranging  
widely.



WEEKLY SEP 07  
FUTURES CHART:  
And since May has  
been in a rather tight  
range.

But, as we remarked  
last week, the close of  
that week was poor  
and that looks right.

Check out the detail.



DAILY SEP 07

FUTURES CHART:

But since the middle of August there has developed a clear parallel channel which has now broken.

The break out level of 94.60 should now be good resistance.

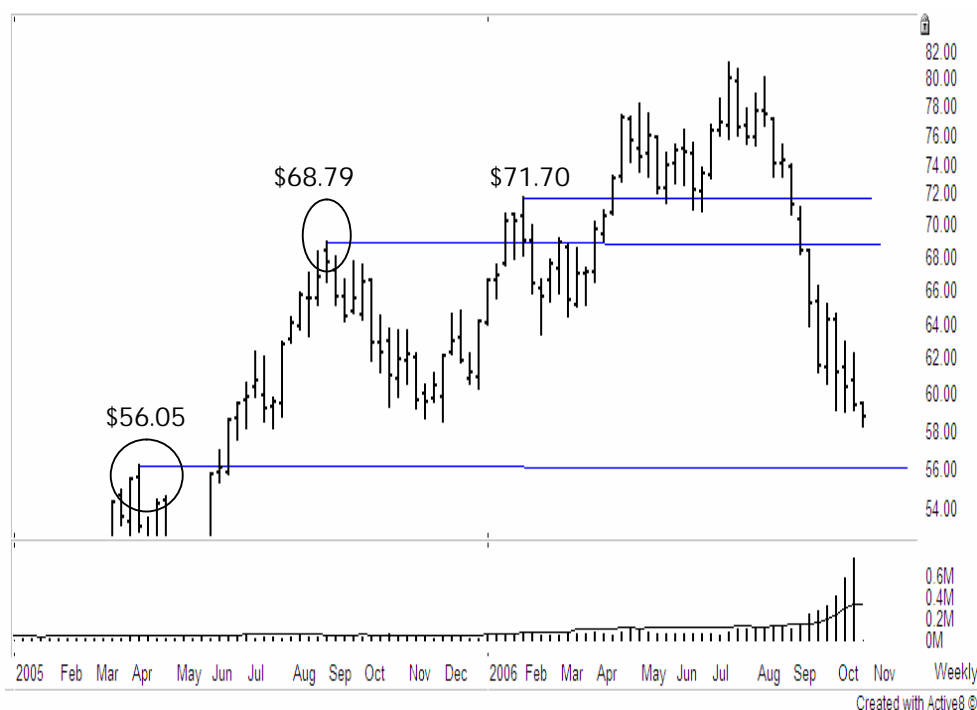
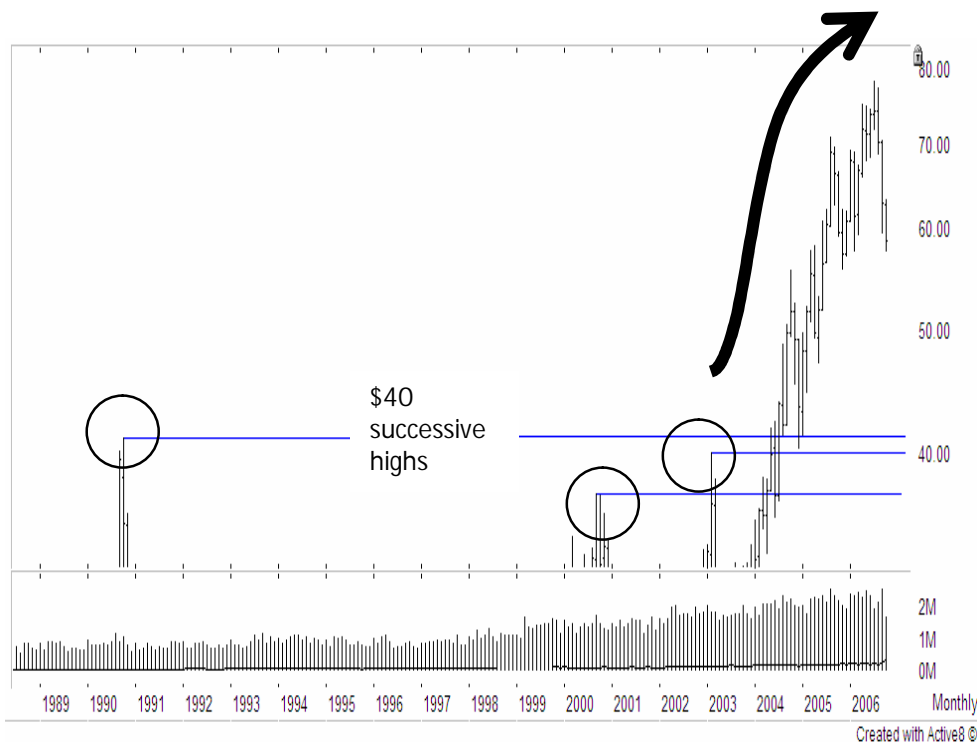
Shorts with close stops above that level look good trades.

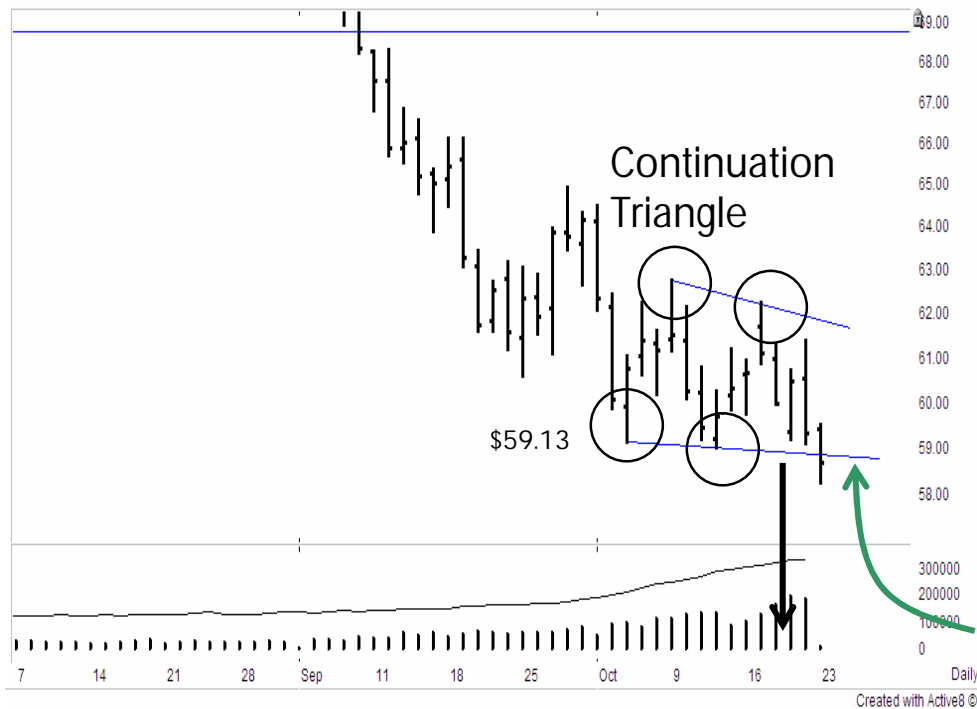
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# Commodities

Oil is on the run again. It's a good short-term signal in well-established medium-term bear trend. Gold remains dull.

## Oil





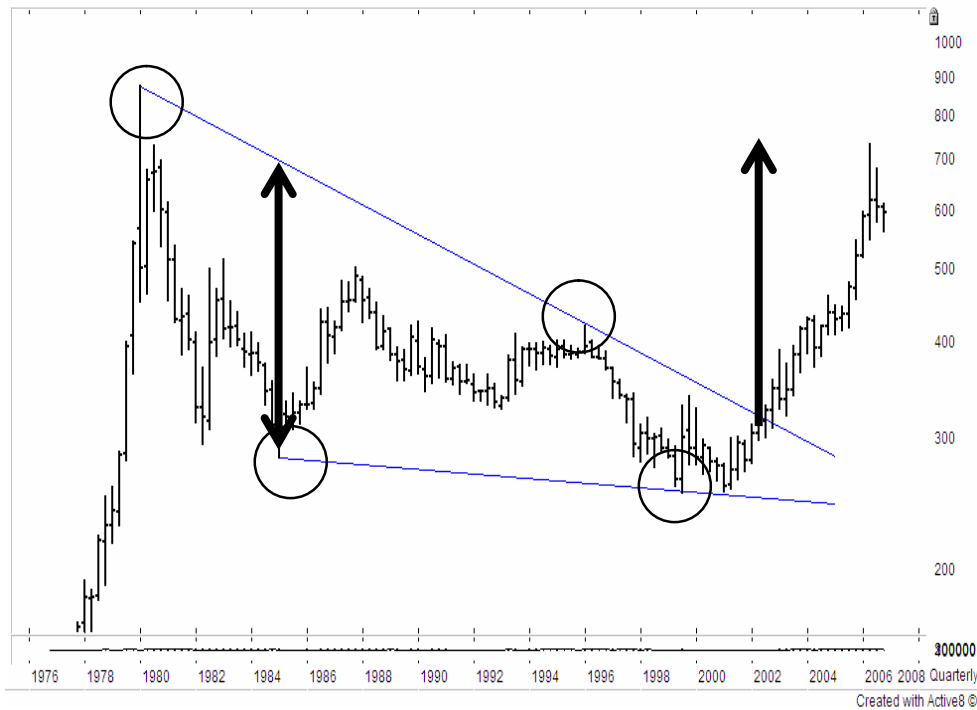
DAILY DEC 06  
FUTURES CHART:  
Now look carefully at  
the breakdown from  
the sideways price  
action from the  
beginning of October.

Last week we studied  
the horizontal from  
\$59.13 - but now the  
price has progressed a  
Continuation Triangle  
has resulted and  
completed.

If the push down  
through the lower  
diagonal at \$59 is  
sustained a move  
lower of \$3 minimum  
is likely.

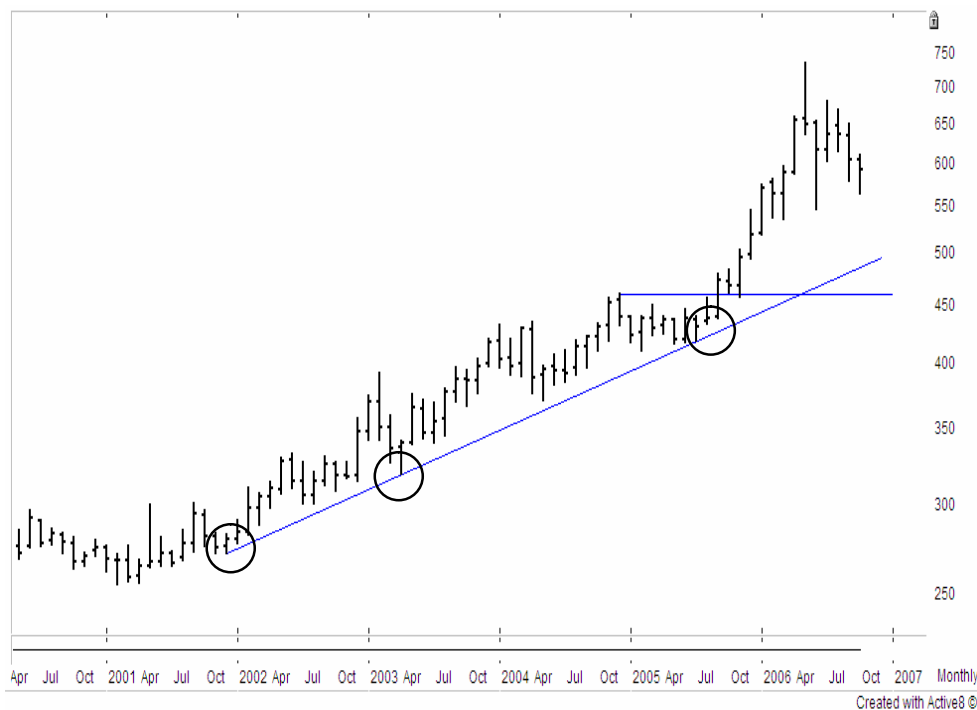
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# Gold



## QUARTERLY FUTURES CONTINUATION CHART:

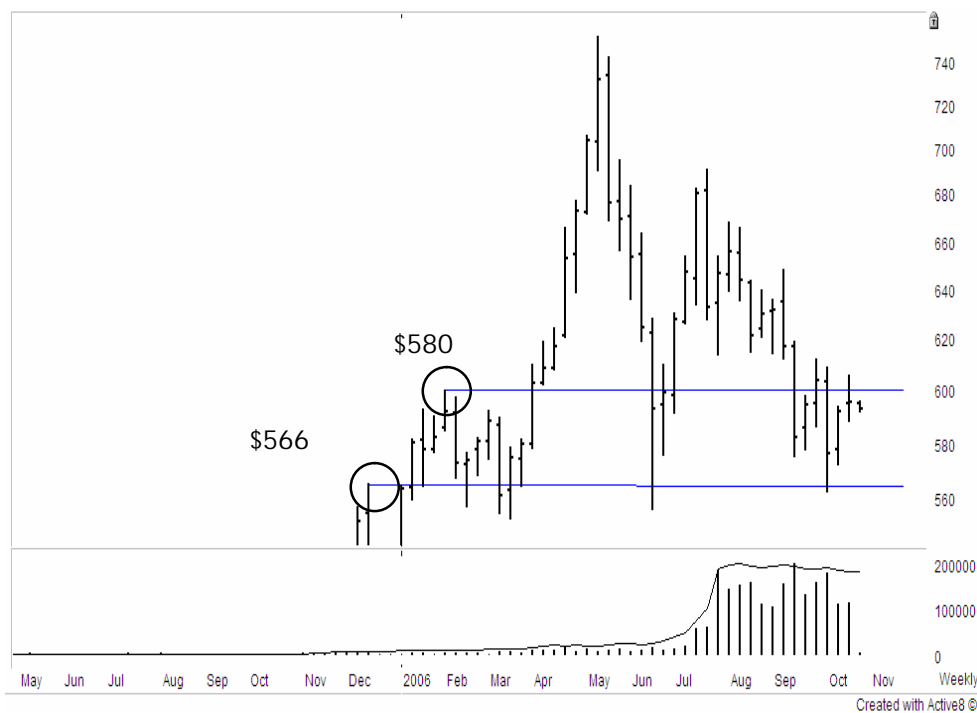
The long chart has been a Continuation Triangle - but the influence of that Triangle may be diminishing as the minimum target has been achieved.



## MONTHLY FUTURES CONTINUATION CHART:

The bull run from 2001 has gone well.

The market has obviously paused, and there's no support really until \$459.

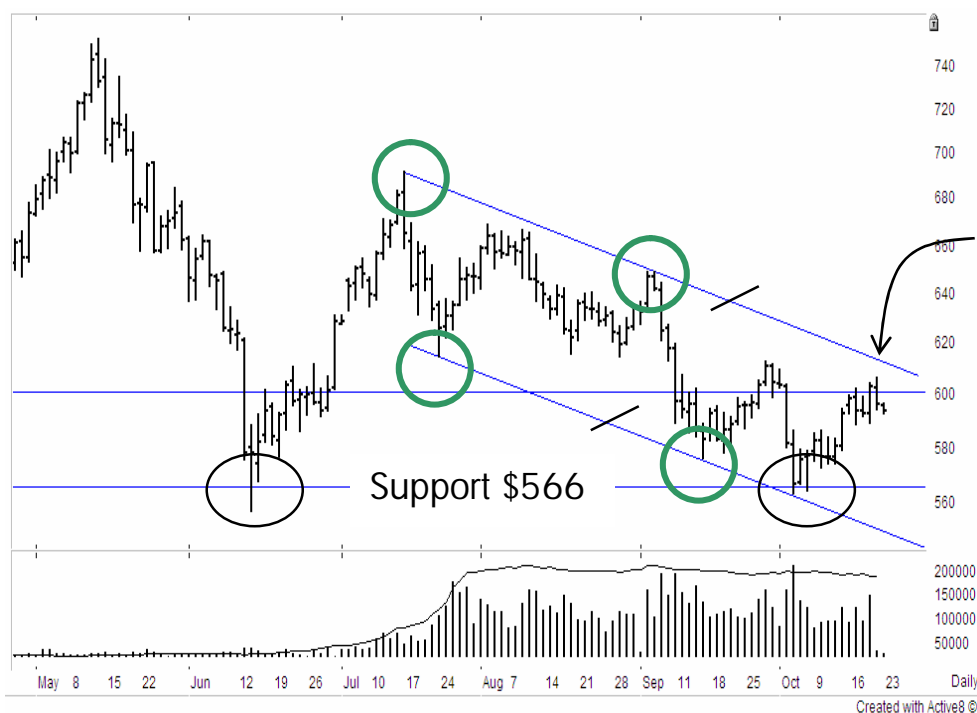


### MONTHLY FUTURES CONTINUATION CHART:

The bull run has ground to a halt over the last year.

The broad band of support between \$566 and \$600 has so far held.

We argued last week that there was a case for a Top Formation in the making.... but there's nothing there yet.



### WEEKLY FUTURES CONTINUATION CHART:

The \$566 horizontal has worked well twice recently.

There is a channel that traders should watch closely, especially the upper diagonal at \$612 or so.

Until then, stand aside.

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