

WEEK 44 31<sup>st</sup> October– 6<sup>th</sup> November 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 unless the market can get through 1.9144

Stay **SHORT** Yen while 116.98 holds

Stay SQUARE; go **SHORT** if 0.6685 breaks

### STOCKS

10 STANDARD AND POORS 500

13 EUROPEAN DJ STOXX 50

16 FTSE 100

18 NIKKEI 225

Stay **LONG** (reduced) while 1365Dec 06 holds.

Stay **LONG** while 3937 (Dec06) holds

Go **SHORT** while beneath 6195 (Dec 06)

Stay **LONG** while 16390 (Dec06) holds

### BONDS

20 TEN YEAR US TREASURY NOTE

23 TEN YEAR EURO BUND

25 TEN YEAR JAPANESE BOND

Stay SQUARE

Stay SQUARE

Stay SQUARE

### INTEREST RATES

27 DOLLAR RATES

29 EURIBOR RATES

31 STERLING RATES

Go **LONG** while above 94.92 (Dec 07)

Stay SQUARE

Go SQUARE

### COMMODITIES

32 OIL

34 GOLD

Go SQUARE

Stay SQUARE; go **LONG** on a break above \$603

### 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.

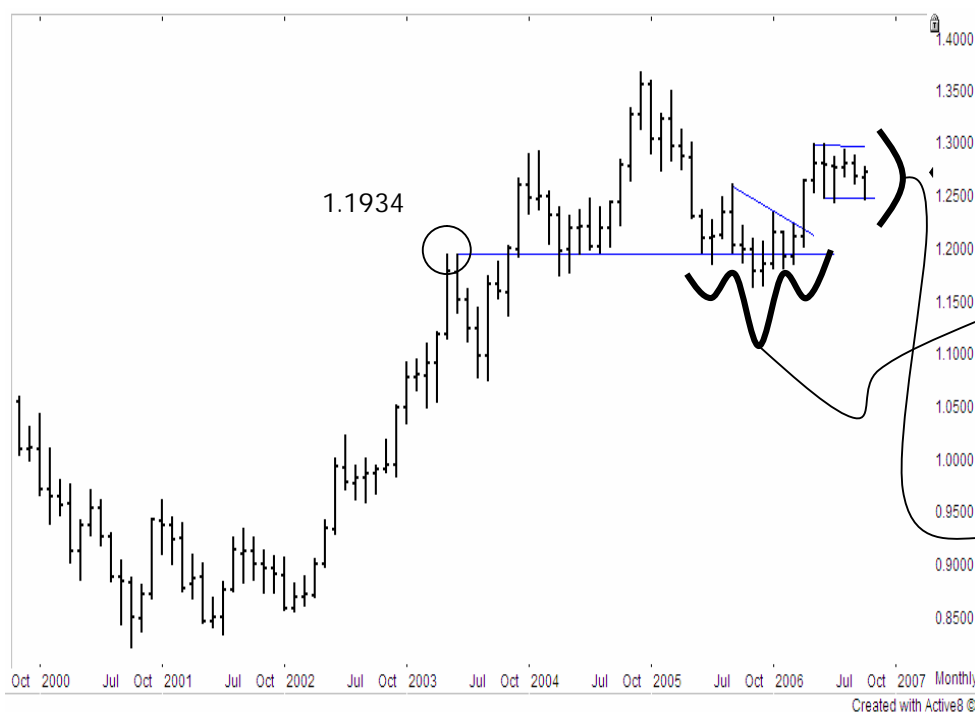
Since then he has worked extensively as a consultant technical analyst for a number of large private investors, banks and Hedge Funds.

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

# Currencies

Now Dollar weakness has set in. The Euro is in no man's land, Sterling now at the top of its range and the Dollar back on support against the Yen - so the hierarchy of strength against the Dollar is clear. But short-term there is nothing exciting to go for here. Pursue the logic of the situation though and the Sterling Yen looks a good buy as we argued in our Market Update of last week. Sterling Euro is still teasing...

## Dollar Euro



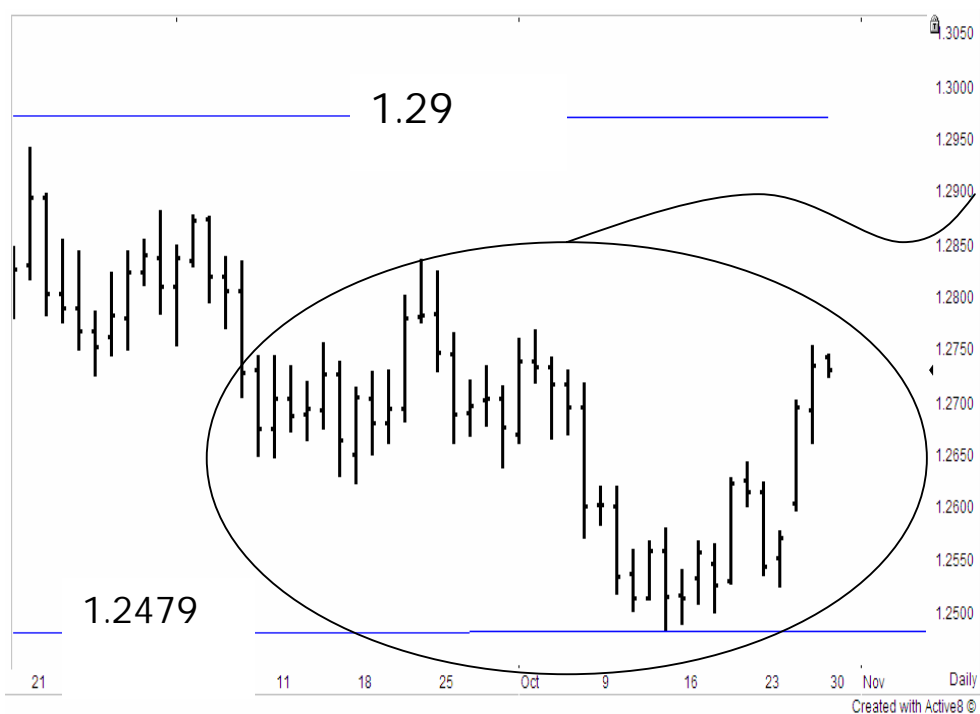
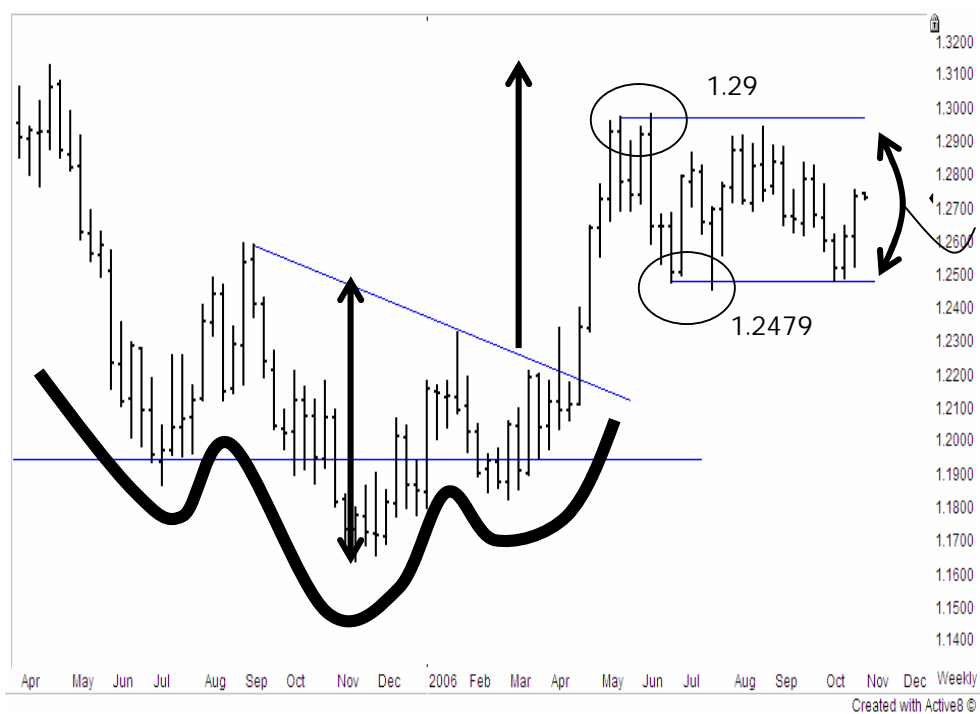
MONTHLY SPOT CASH  
CHART:

The long-term trend  
remains solidly bullish  
for the Euro.

Note the small Head  
and Shoulders pattern  
driving the market  
better from the 1.2934  
level...

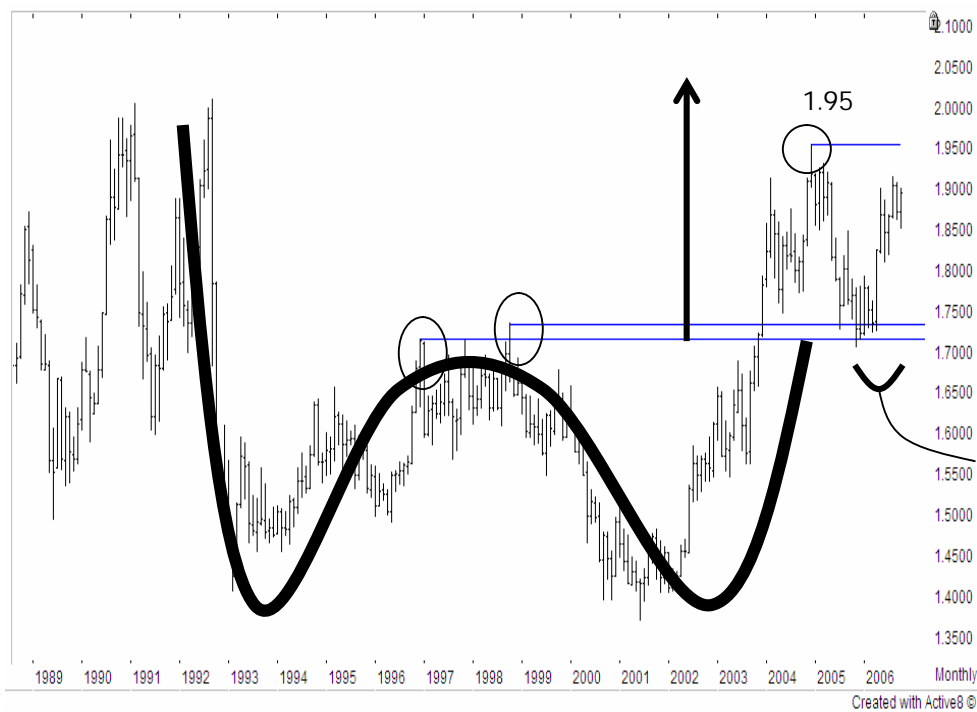
And note too the  
congestion between  
1.2973 and 1.2479.

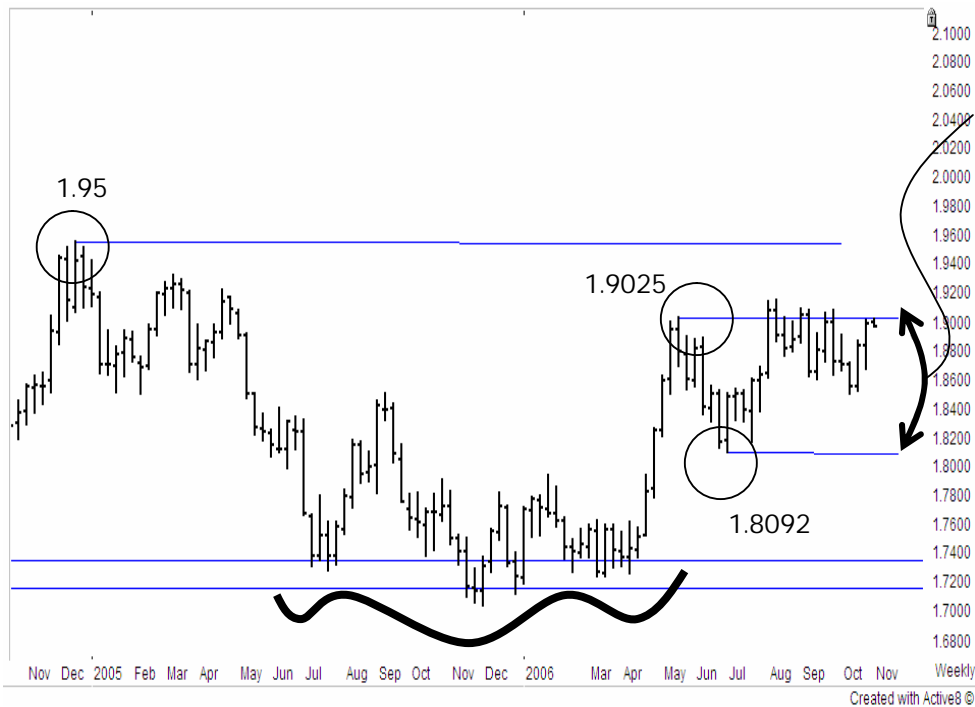
Look closer.



[Return to Contents](#)

# Dollar Sterling



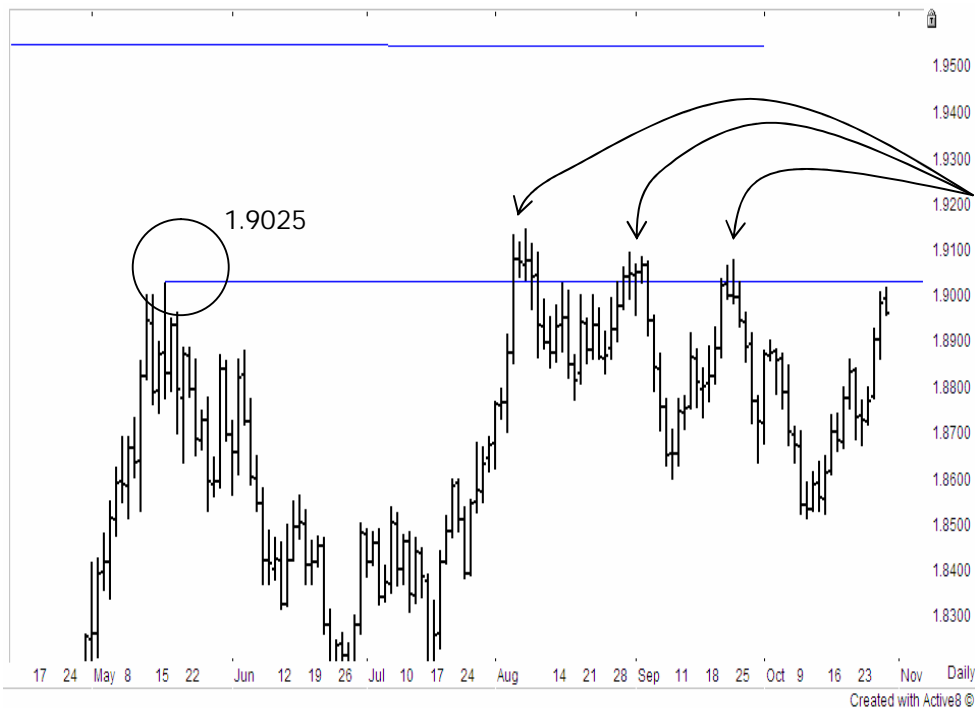


### WEEKLY SPOT CASH CHART:

But the bounce has stagnated between 1.9025 and 1.8092.

Though the market is pressing the upper boundary ...

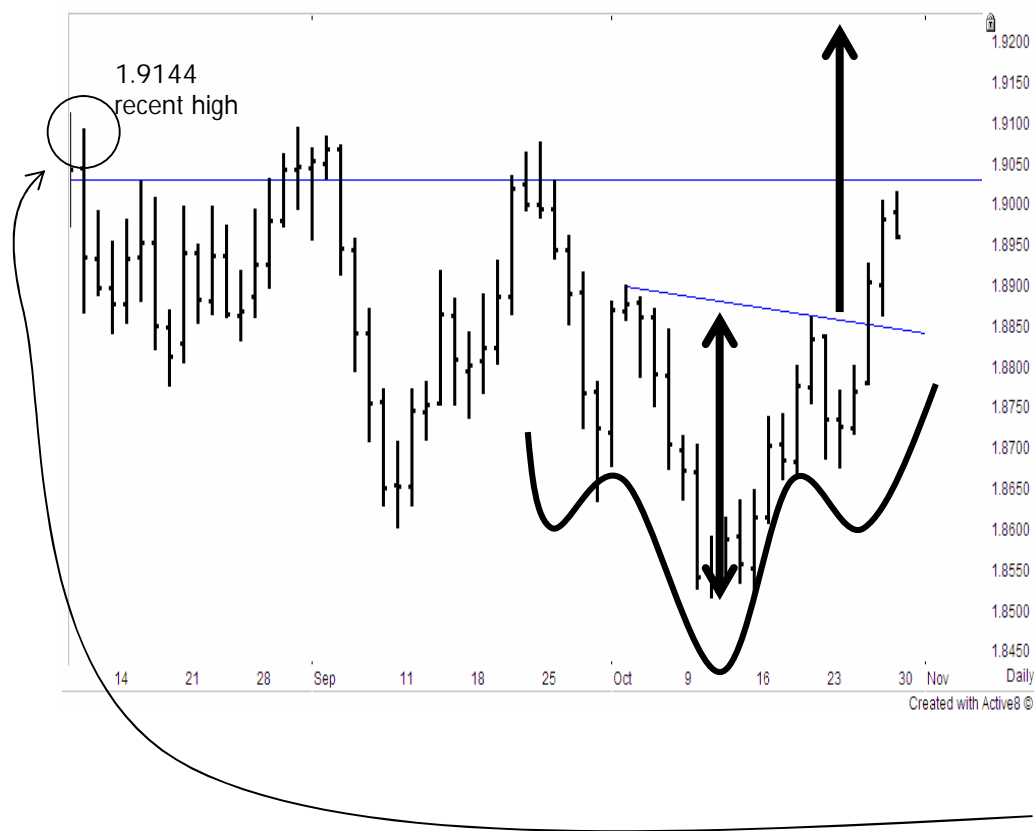
Look closer.



### DAILY SPOT CASH CHART:

Yet the market has yet to smash through.

And there have been a number of failed breakouts, so spotting a real break early is difficult.



## DAILY SPOT CASH CHART:

Yet this is worth  
noting.

The small Head and  
Shoulders Reversal has  
been completed.

And should be a solid  
catalyst for further  
upside price action.

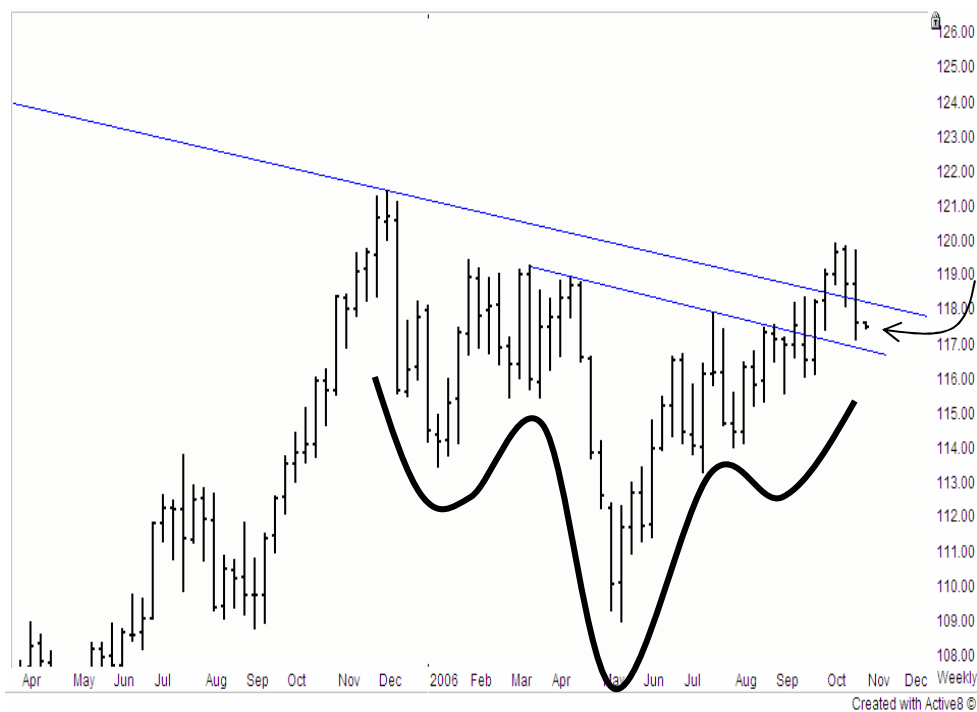
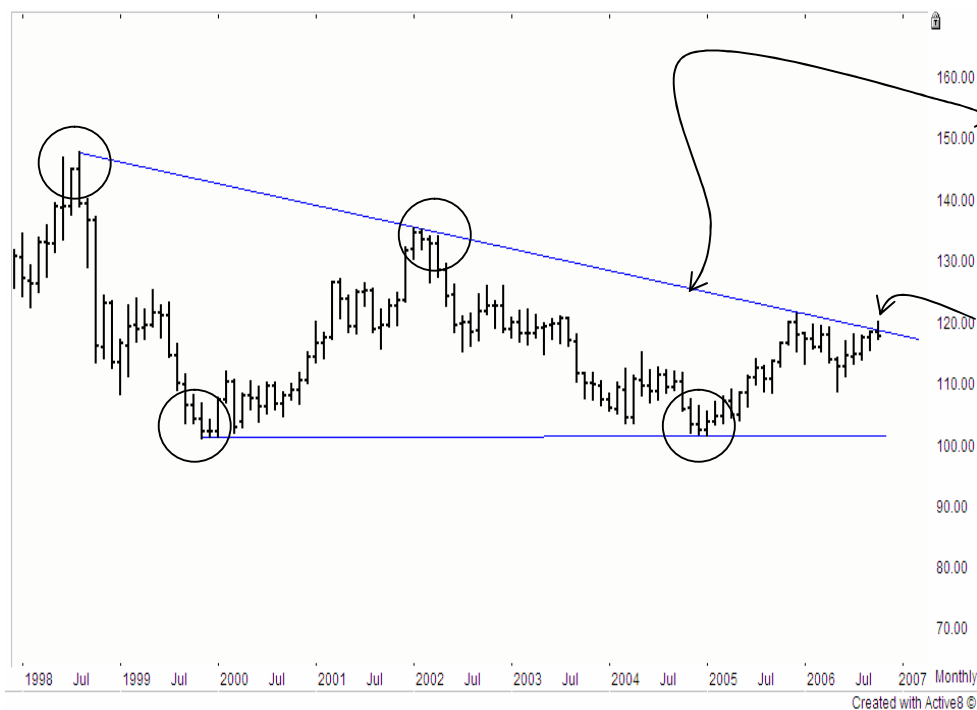
Clearly the precise  
boundary of the range  
is not at all clear.

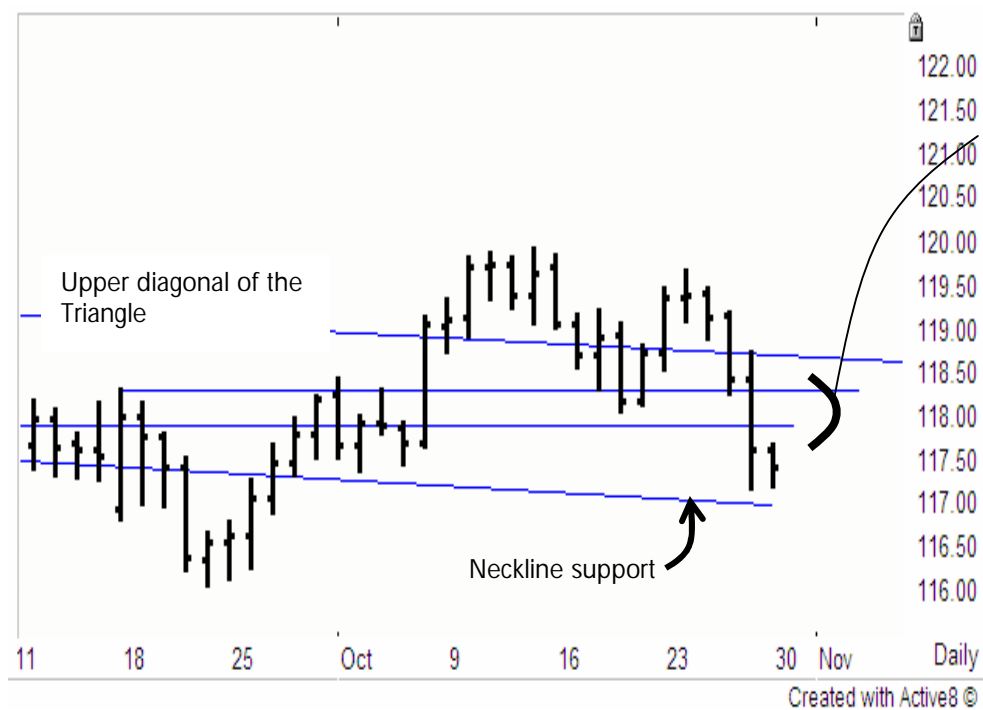
A minimum condition  
for a breakout is a  
push through the  
highest of the highs at  
1.9144.

Until then stand back.

[Return to Contents](#)

# Dollar Yen





#### WEEKLY SPOT CASH CHART:

The horizontal supports are much less important than the Neckline to the Yen Bears - currently at 116.98.....

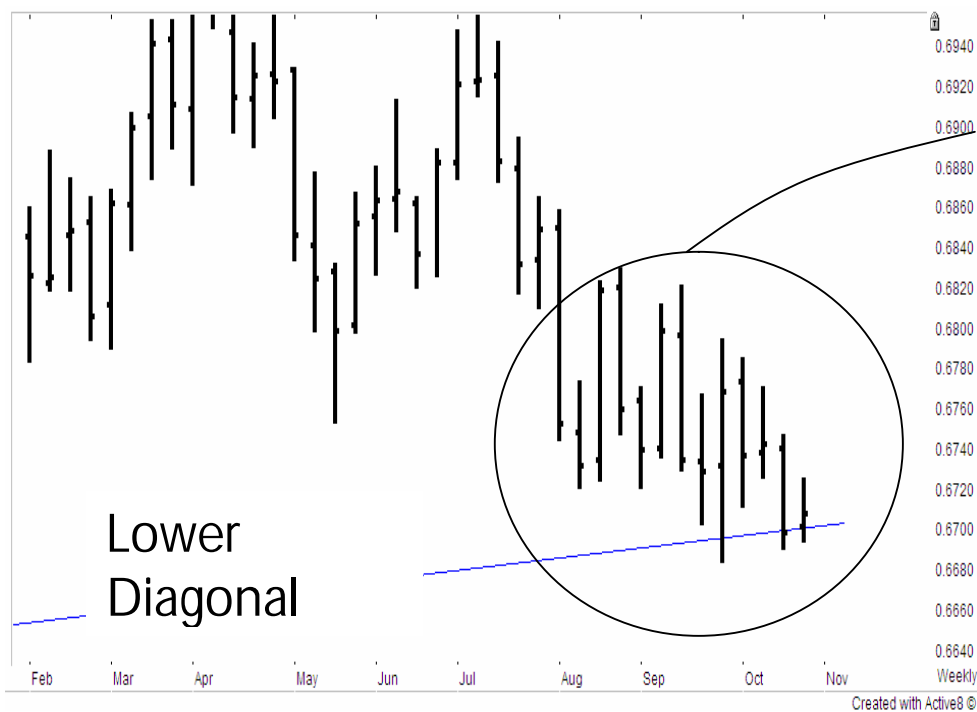
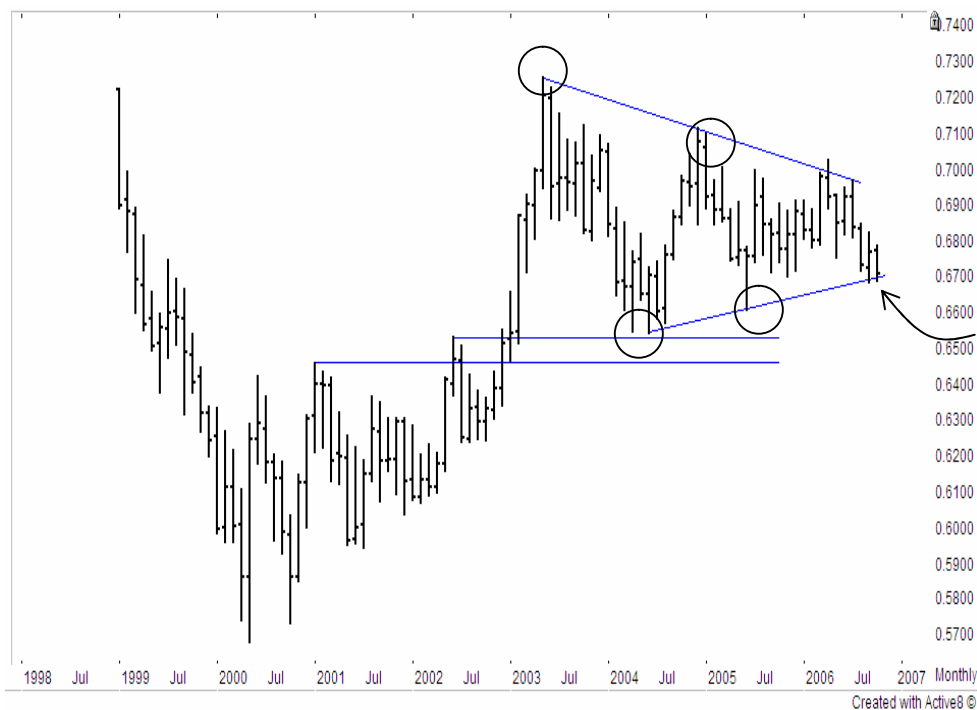
We said last week that we were sellers of Yen while the horizontal at 118.30 and 118.41 held.

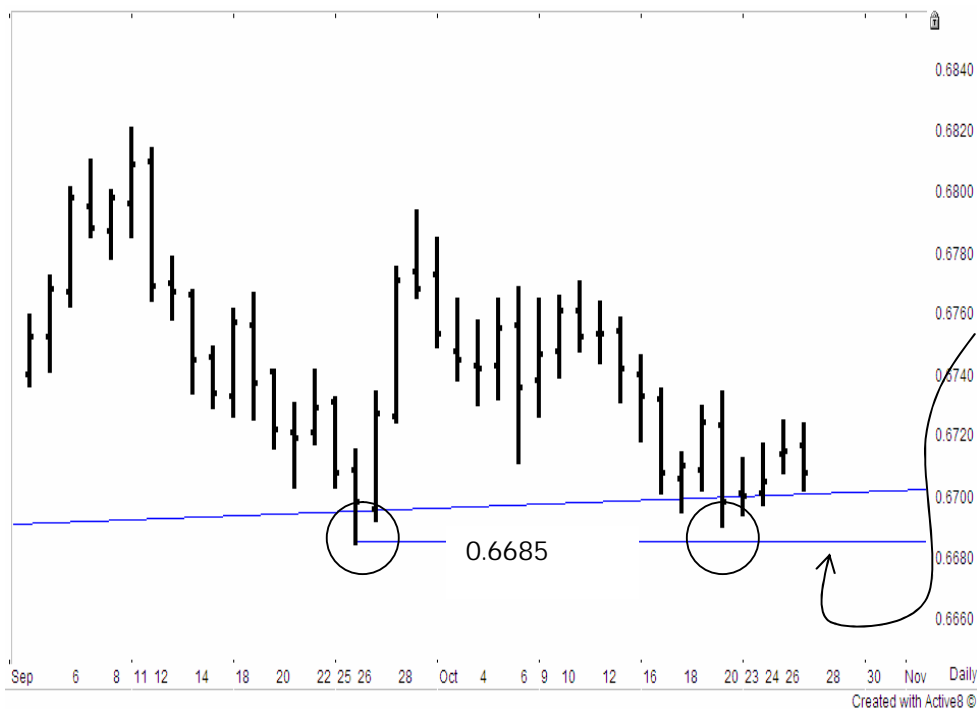
That was probably too exacting.

Though they have broken we remain short of Yen.

But the Neckline support needs to hold.

# Sterling Euro





## DAILY SPOT CASH CHART:

This makes the trade on the bear tack easier.

The Double Bottom around 0.67 is clear.

Wait for a break down through that level short-term, and trade around that level 0.6685.

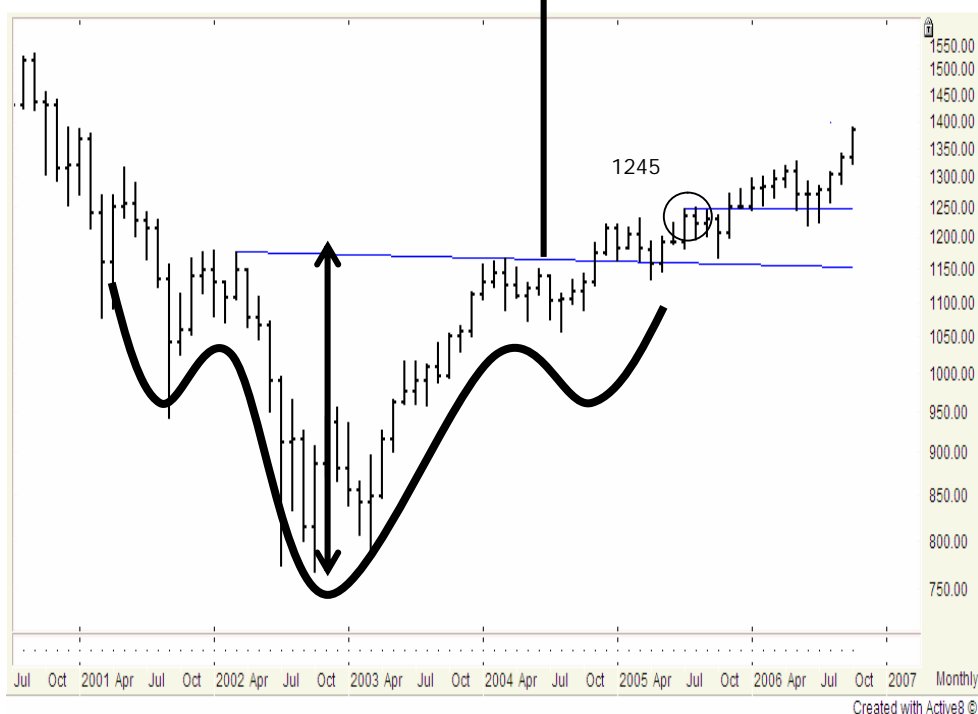
Like last week, 'stand back and wait.'

[Return to Contents](#)

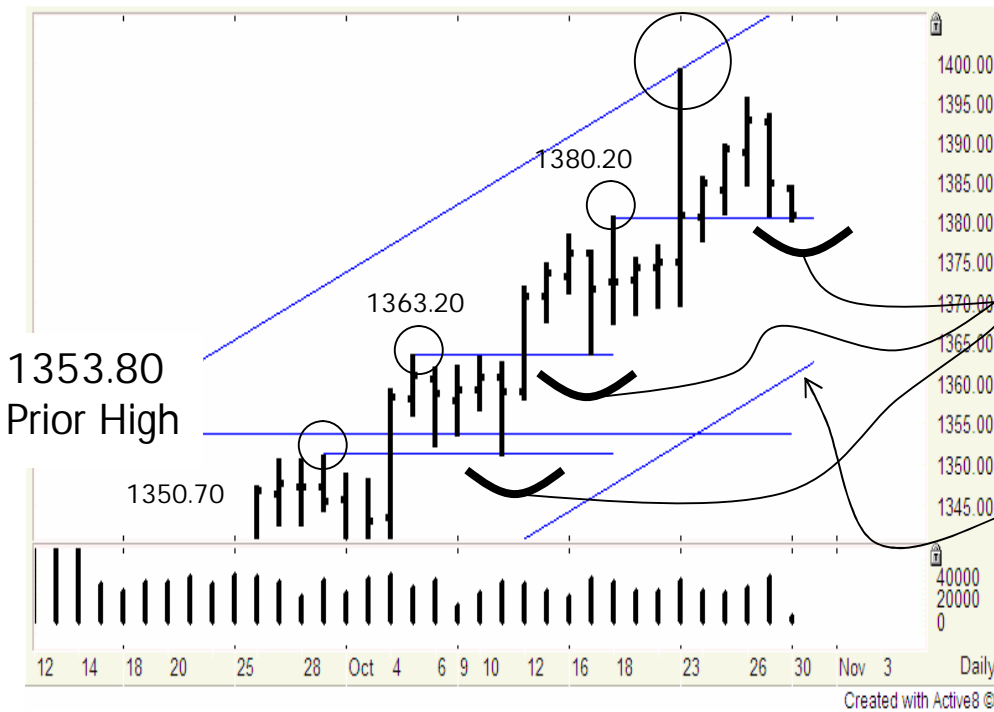
# Stocks

We took half our profits last week and haven't regretted it yet. The markets do seem to be losing momentum or worse, declining. In order of weakness: FTSE and the Nikkei, then the DJ Stoxx 50 and least weak of all, but stalled, the S&P. We remain long of S&P but see no harm in setting some shorts in FTSE with close Stops. As we correctly said last week 'there is something about that 6195 level (FTSE Dec06)...'

## Standard and Poors 500







DAILY DEC 06  
FUTURES CHART:  
The detail of the latest  
moves -

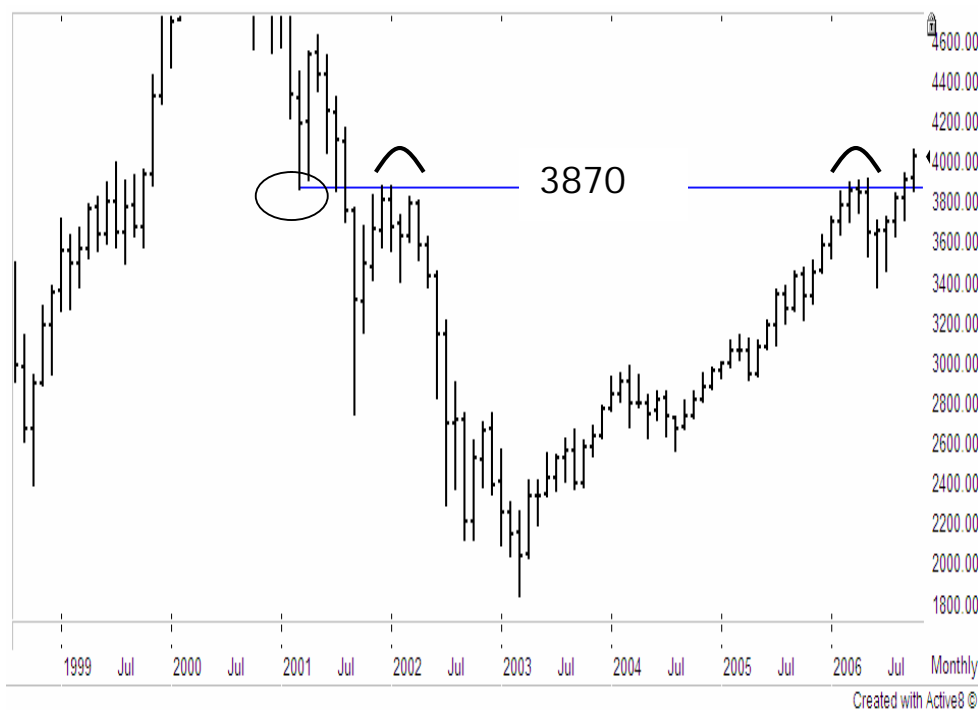
Traders should use  
these successive  
supports as pointers to  
the health of the bull  
trend.

And the lower channel  
support as a critical  
test of breakdown.

Despite the signs of a  
pause, the market is  
still emphatically intact.

[Return to Contents](#)

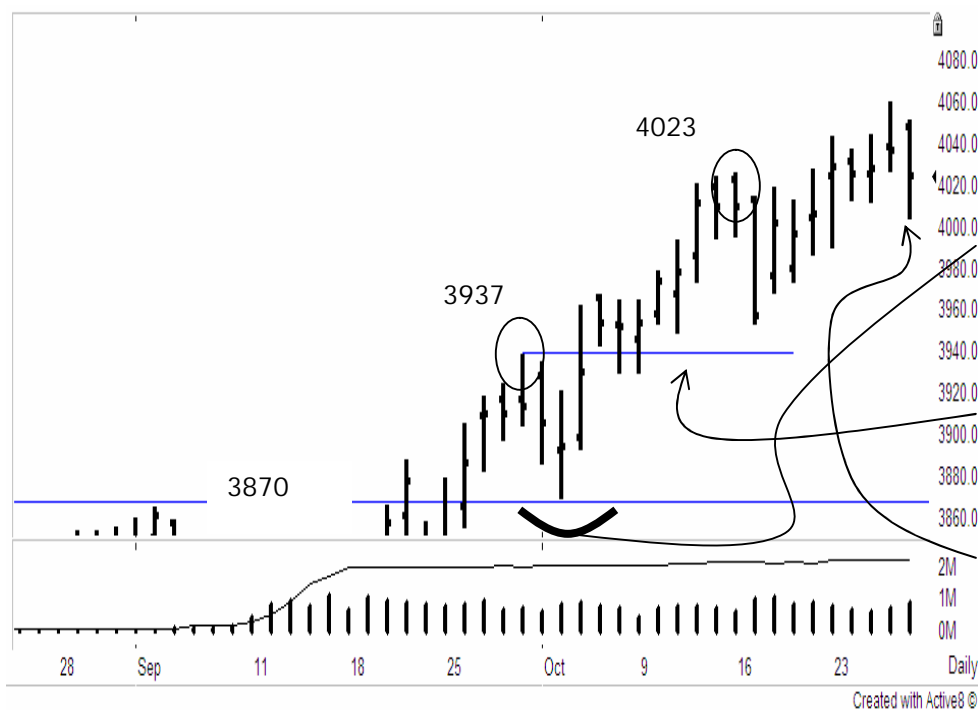
# European Dow Jones Stoxx 50



## MONTHLY CASH INDEX CHART:

The bull march of the European blue chips has penetrated the resistance from the low at 3870.

The break is vital for the bulls because the market has failed there before.



## WEEKLY DEC 06 FUTURES INDEX CHART:

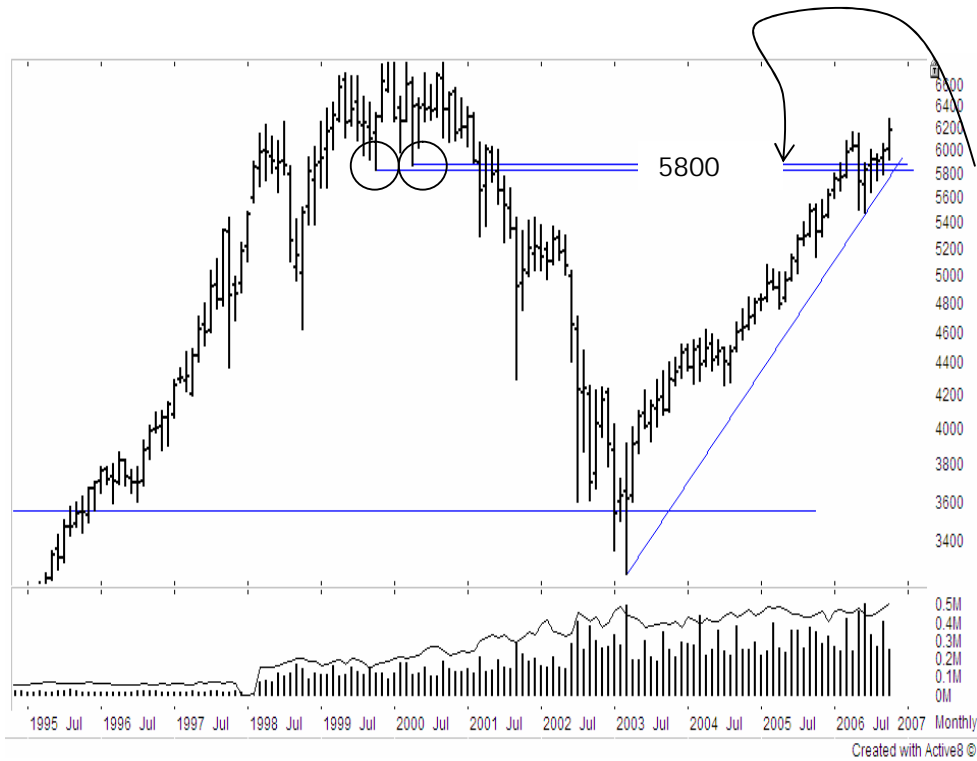
Note the progress since the break out.

First, it acted as good support. Second, highs have been fairly good support.... until recently... is the pull back through the 4023 high a sign of a flagging bull run?

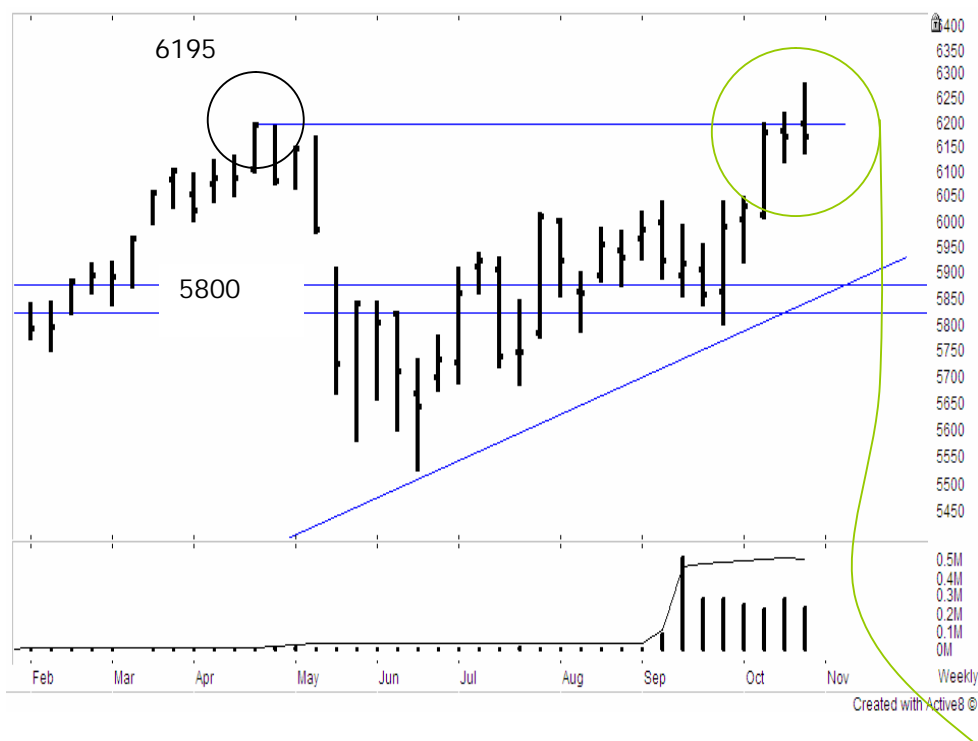
We said last week: the minimum target of the Double Bottom was 4050. Now achieved- but we're scarcely better than last week's levels. So we're not sellers but we are profit-takers.

[Return to Contents](#)

# FTSE 100



**MONTHLY CONTINUATION FUTURES CHART:**  
The market has broken through the boundary of the long-term Congestion Resistance that lay at 5800.



## WEEKLY DEC06 INDEX FUTURES CHART:

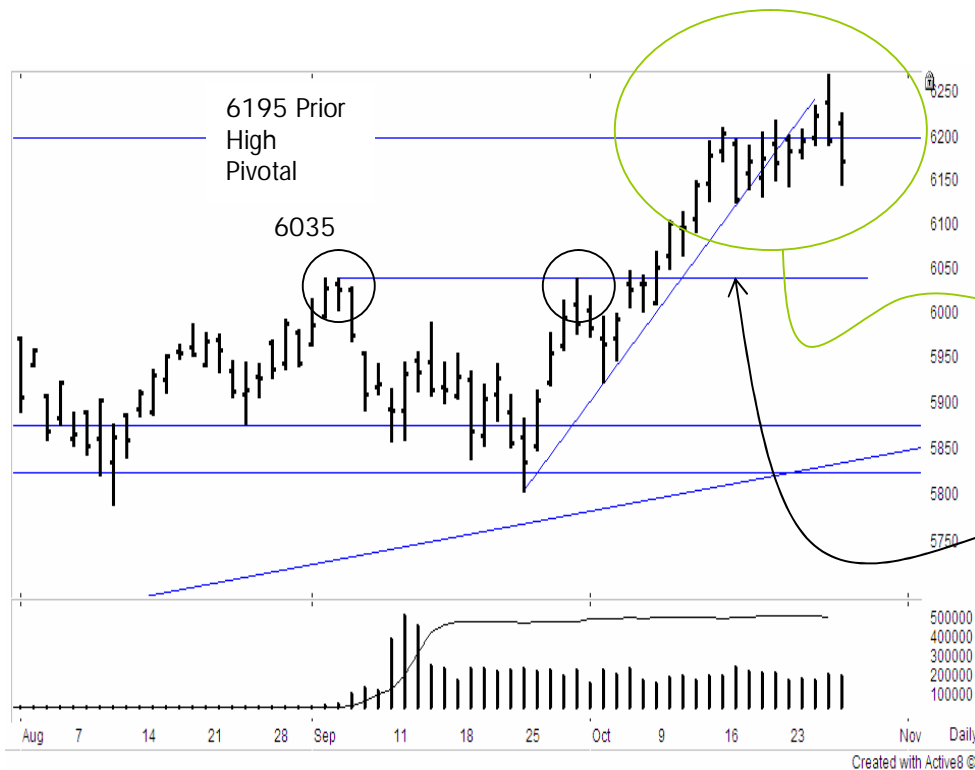
But the detail of that penetration is less convincing however...

The market broke through in April of this year, and the 6195 high made on that occasion has yet to be surpassed.

We have drawn subscribers' attention to that problematic level of 6195 before.

The continuing failure of the market to get above and stay above that level is telling - in the context of the powerful bull moves elsewhere.

The FTSE is relatively weak.



#### DAILY DEC 06 FUTURES INDEX CHART:

The detail of the recent attempt to get above that level is instructive.

The failure to sustain that level is telling.

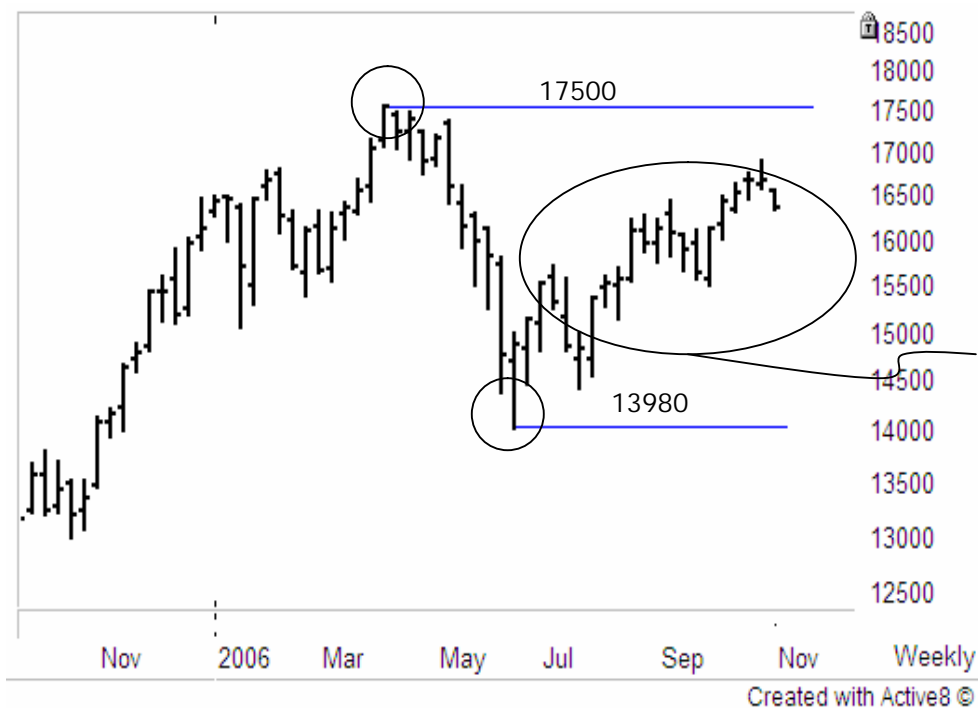
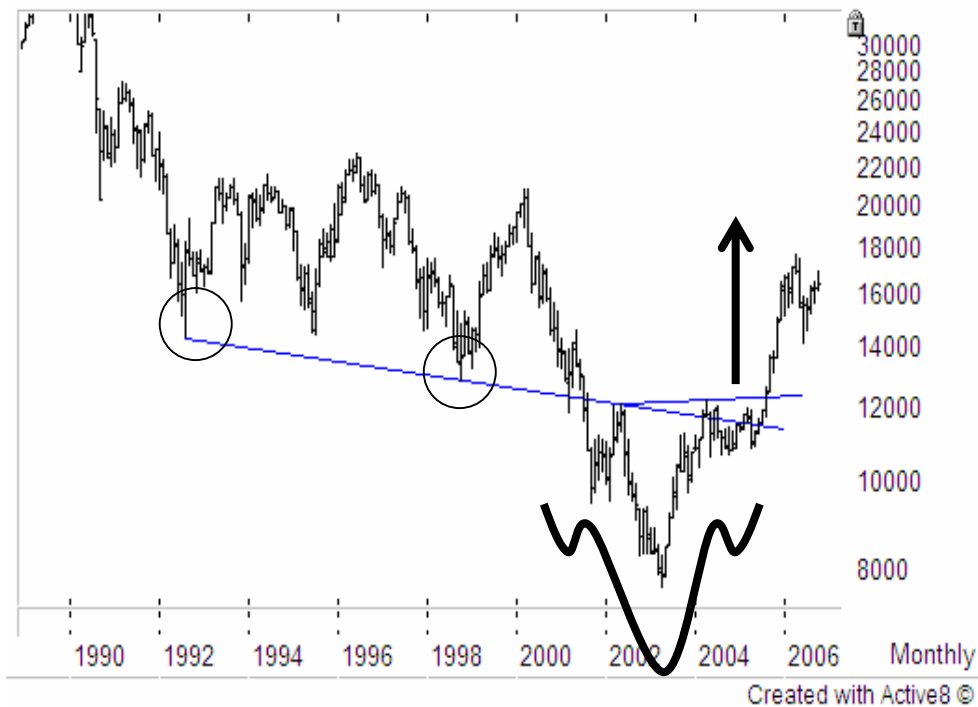
A return to the supports at 6035 is likely.

Last week we said that if 'the market pushed on it would be a clear signal'. It did push but was unable to sustain the break.

Our conviction that the FTSE is an accident waiting to happen strengthens by the day. The well-established short-term trend has been broken, the 6195 level rejected... a small short is in order with close Stops.

[Return to Contents](#)

# Nikkei 225



Well, maybe.  
In good bull markets  
prior highs are good  
support and so ratchet  
the trend higher.

That happened at  
15680.

Will it happen at 16390? Last week we said that traders should establish Stop Losses below that level. That remains right.

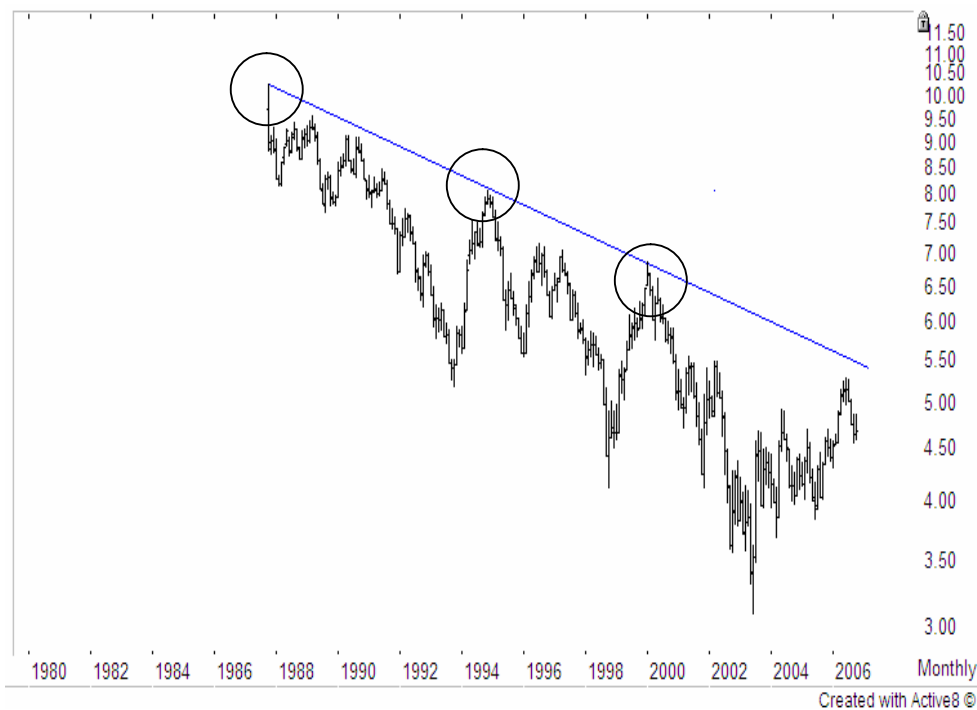
We can't know for sure, but the market's bullishness has been much less evident

[Return to Contents](#)

# Bonds

Bonds are tricky at the moment. There is a lack of congruency between the long, medium-term and short-term structures that makes trading nervous and provisional. We have shown levels to trade against in both the US Notes and the Bunds, but there is little to enthuse.

## Ten Years US Treasury Note

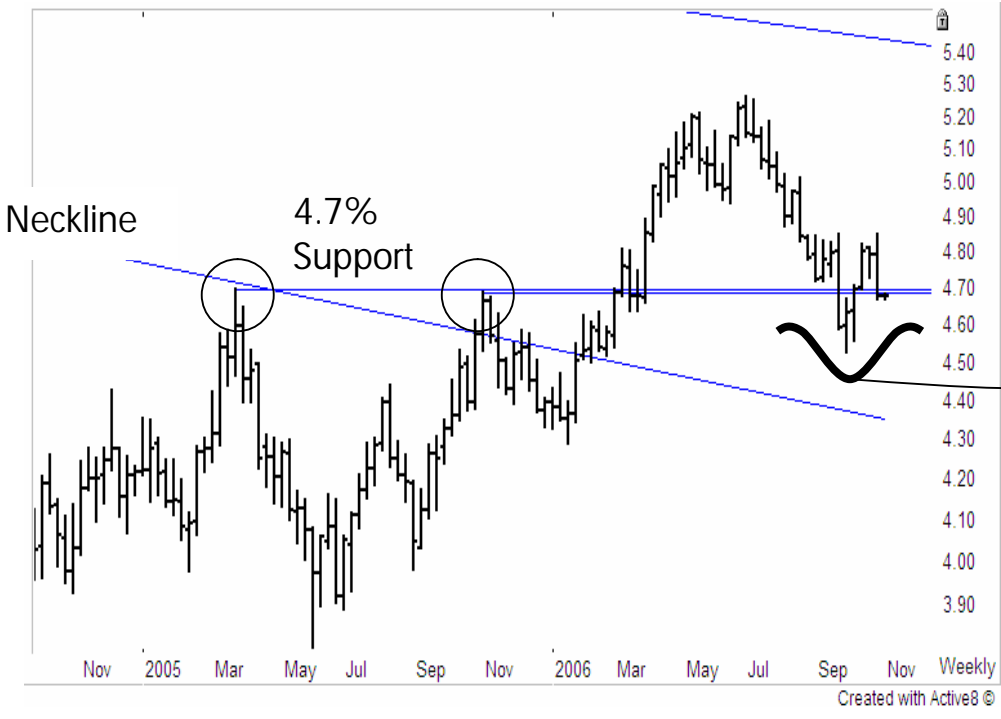


MONTHLY CASH  
YIELD CHART:

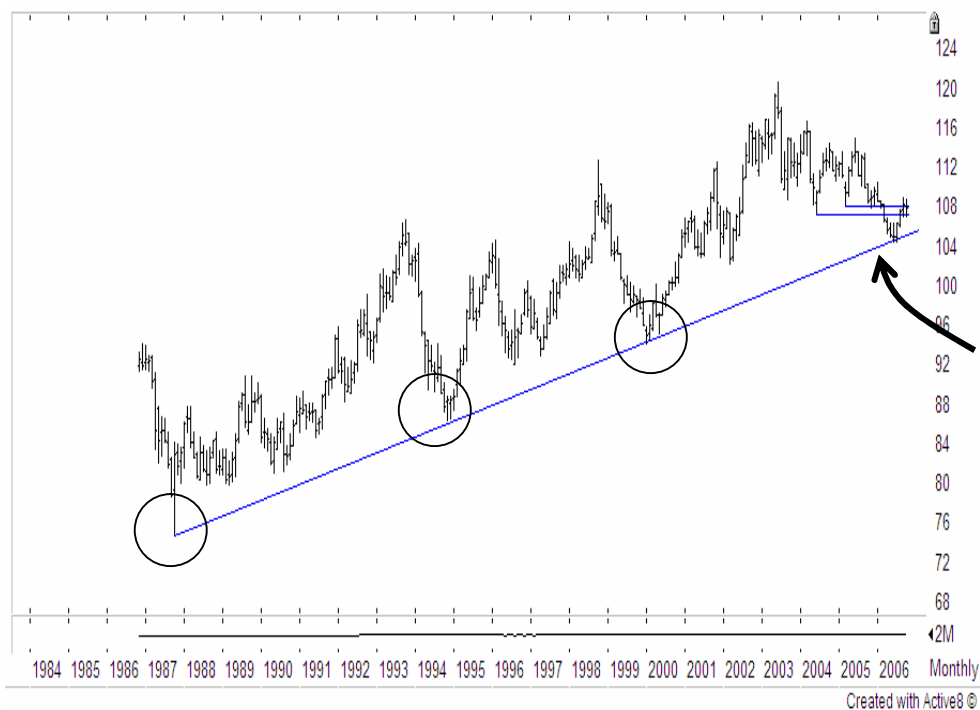
The long trend remains  
in place.



WEEKLY CASH YIELD CHART:  
We have watched the completion of a large scale Head and Shoulders Reversal Bottom driving yields higher toward the long-term downtrend...



DAILY CASH YIELD CHART:  
And on a pull-back the market has found support at the horizontal from prior highs at 4.70%.



### MONTHLY FUTURES CONTINUATION CHART:

The futures market has a clear trend too - for rising prices. But this trend has been recently challenged (unlike the yield trend).

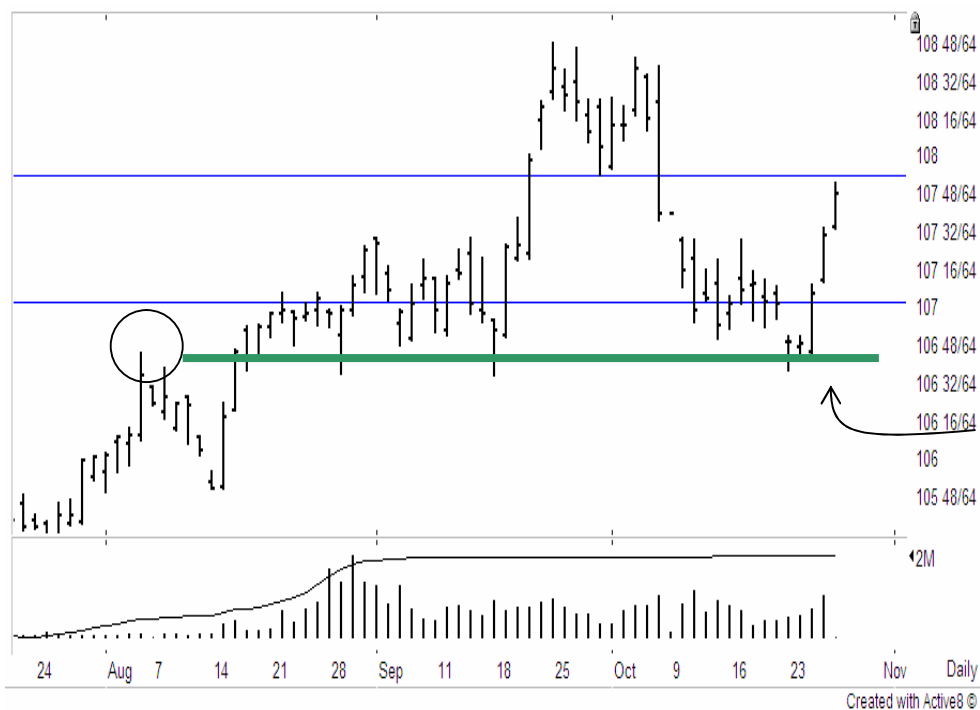
Look closely at that challenge.



### WEEKLY FUTURES CONTINUATION CHART:

The trendline support held firm.

And like the yield chart (but in mirror-fashion of course) the market found good resistance from prior lows between 107 and 108.



DAILY DEC 06

FUTURES CHART:

The detail of this price action has no clear structure yet, so in the short-term ...

Stand back!

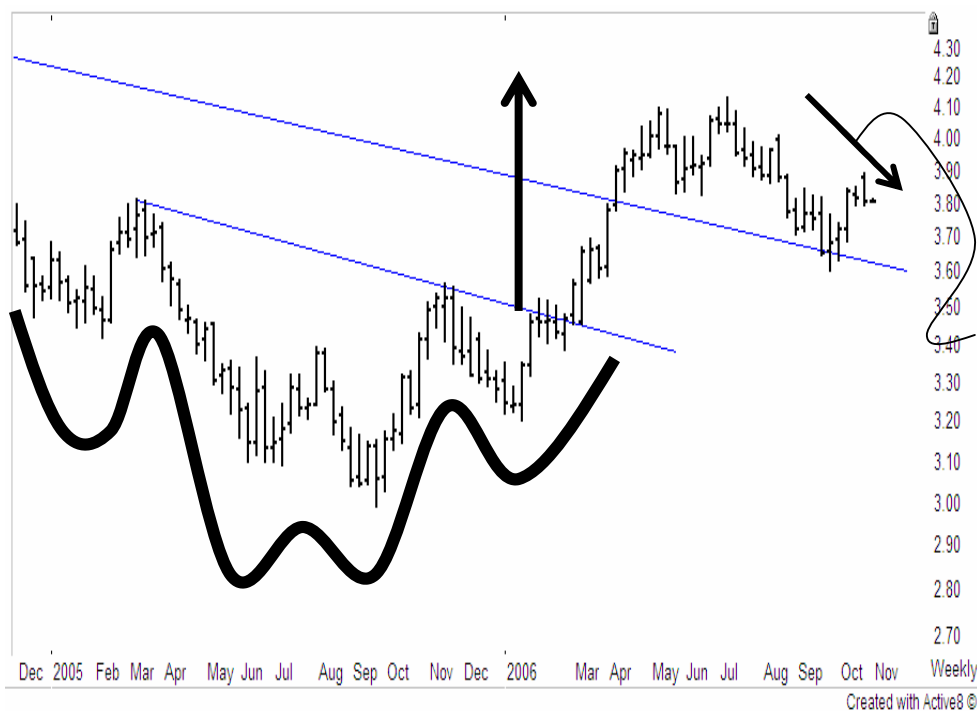
(Last week we said that bears should wait for a close down beneath the old high at 106 44/64 - the market tested lower but couldn't close beneath)

[Return to Contents](#)

# Ten Year Euro Bund

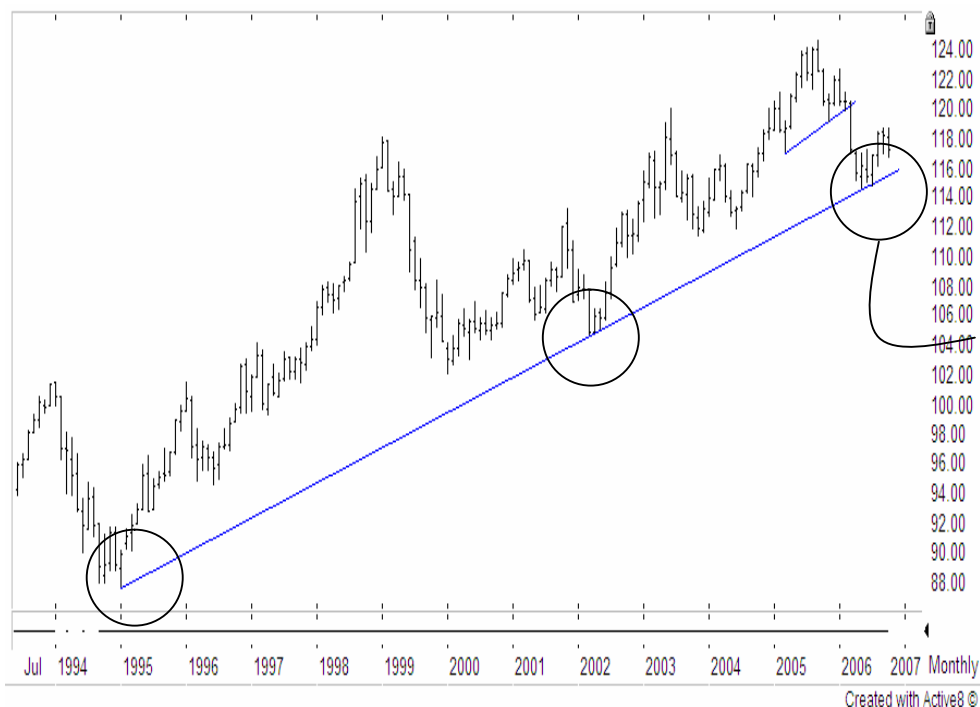


MONTHLY CASH  
YIELD CHART:  
There's no clear long-  
term yield trend here.



WEEKLY CASH YIELD  
CHART: But there is a  
Reversal pattern that  
has been driving the  
market better.

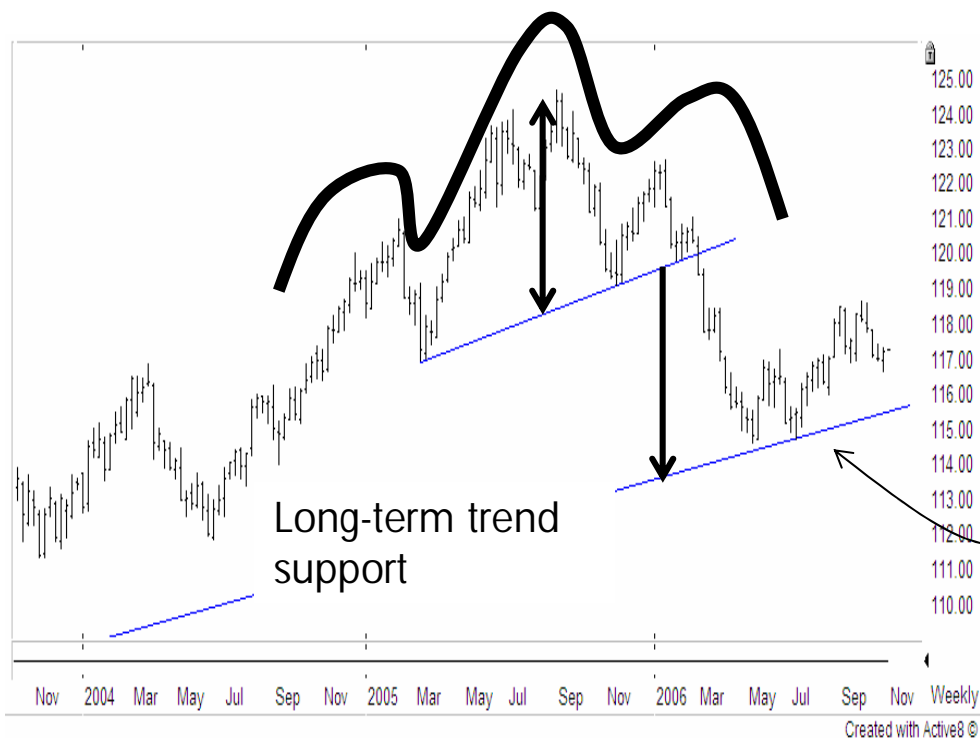
But the recent drift  
back has disappointed  
the bulls (yield-wise).



# MONTHLY CONTINUATION FUTURES CHART:

Here's the long-term price trend.

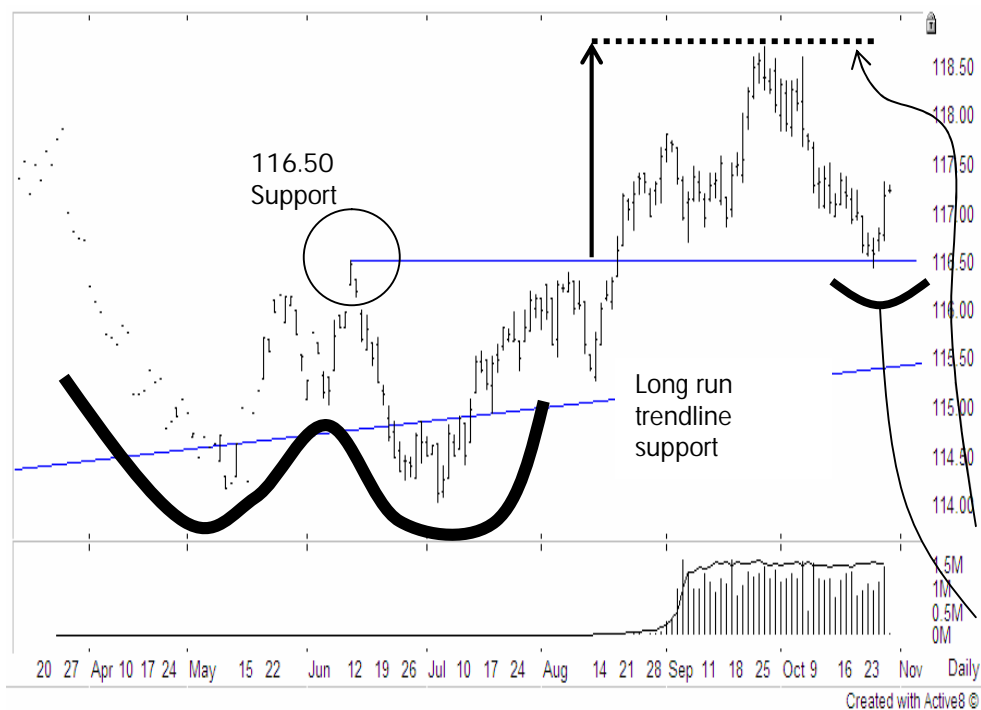
Like the US Note's price trend it has challenged the support recently...



# WEEKLY CONTINUATION FUTURES CHART:

Driven by the completed Top.

But the trend support has held so far.



#### DAILY DEC 06 FUTURES CHART:

The bounce off that long-term trendline support was, in fact, a Double Bottom.

The subsequent bull move after the push through 116.50 was thus predictable.

We felt the minimum target was achieved.

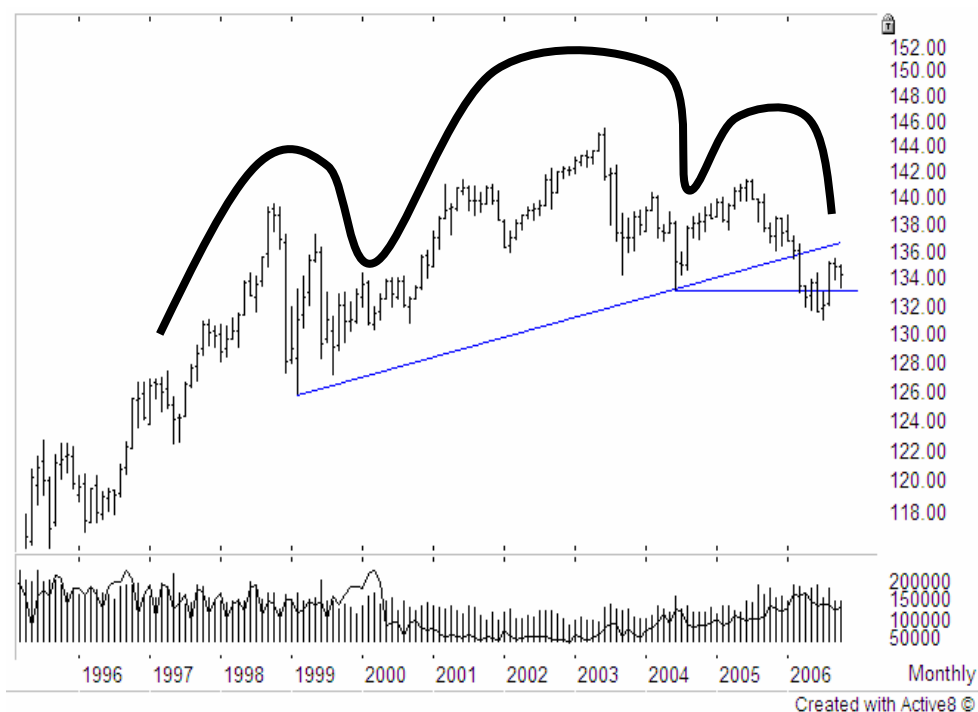
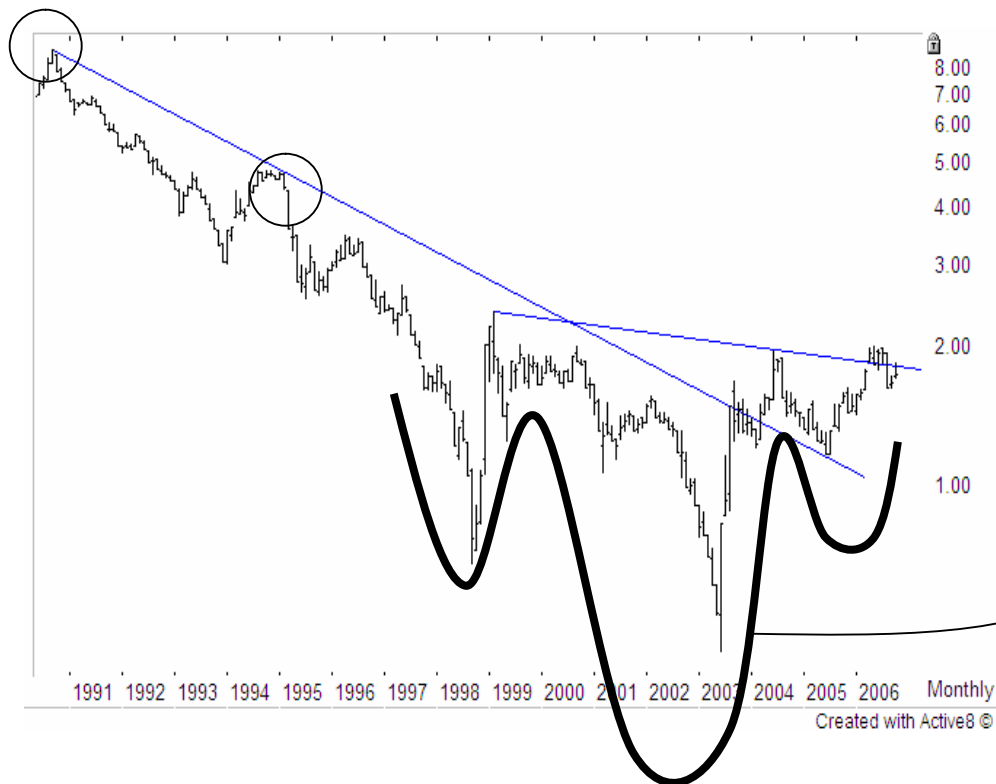
A pull-back to the support followed.

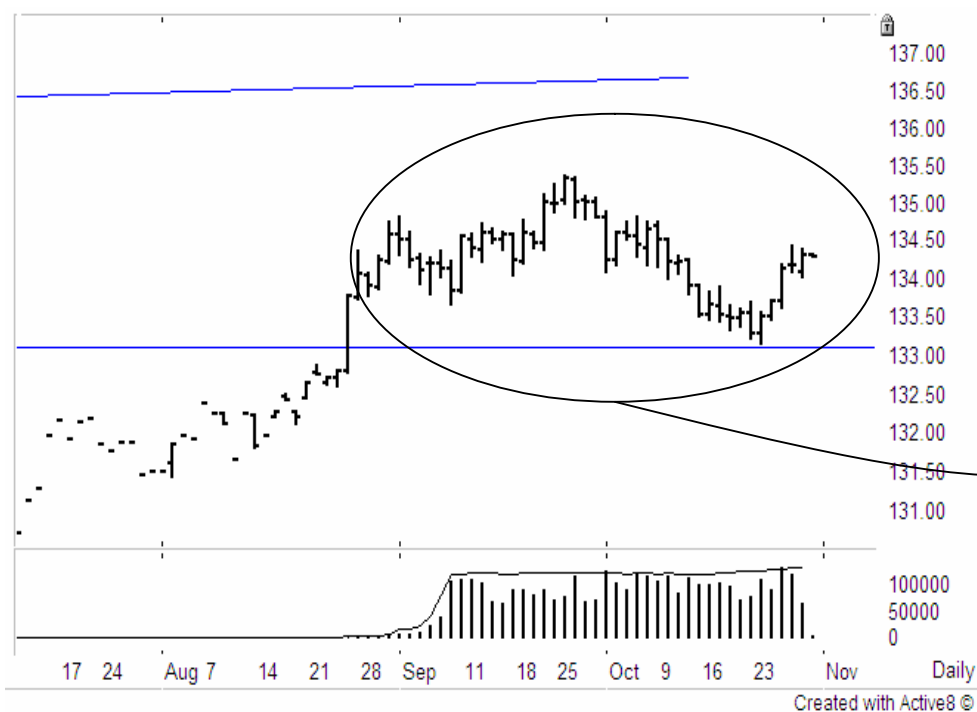
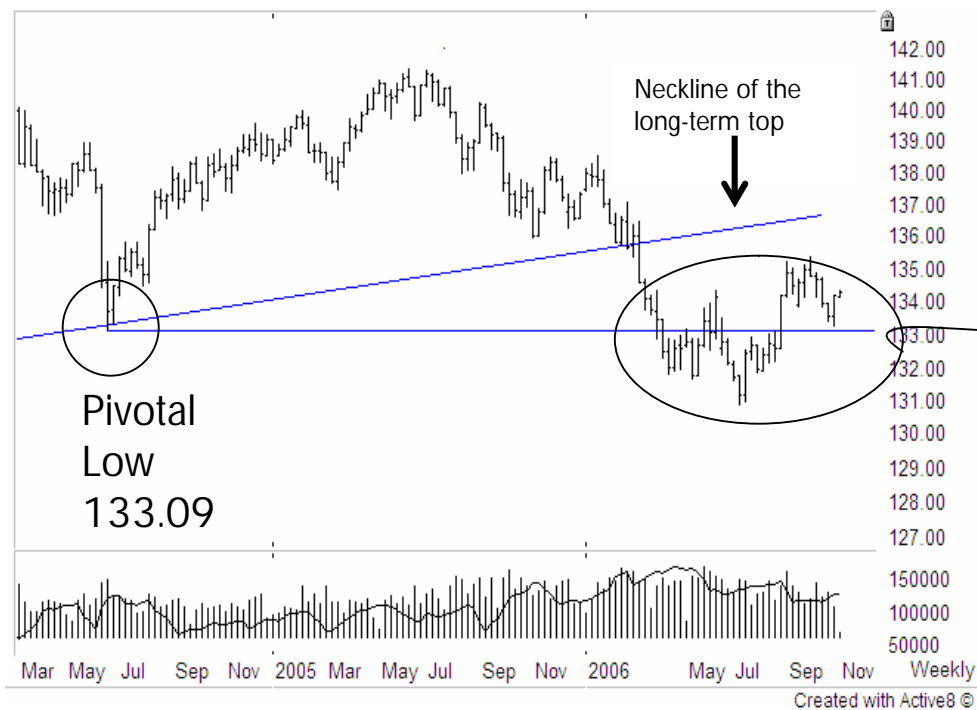
We correctly anticipated the importance of the 116.50 level.

Nonetheless, stand back.

[Return to Contents](#)

# Ten Year Japanese Bond



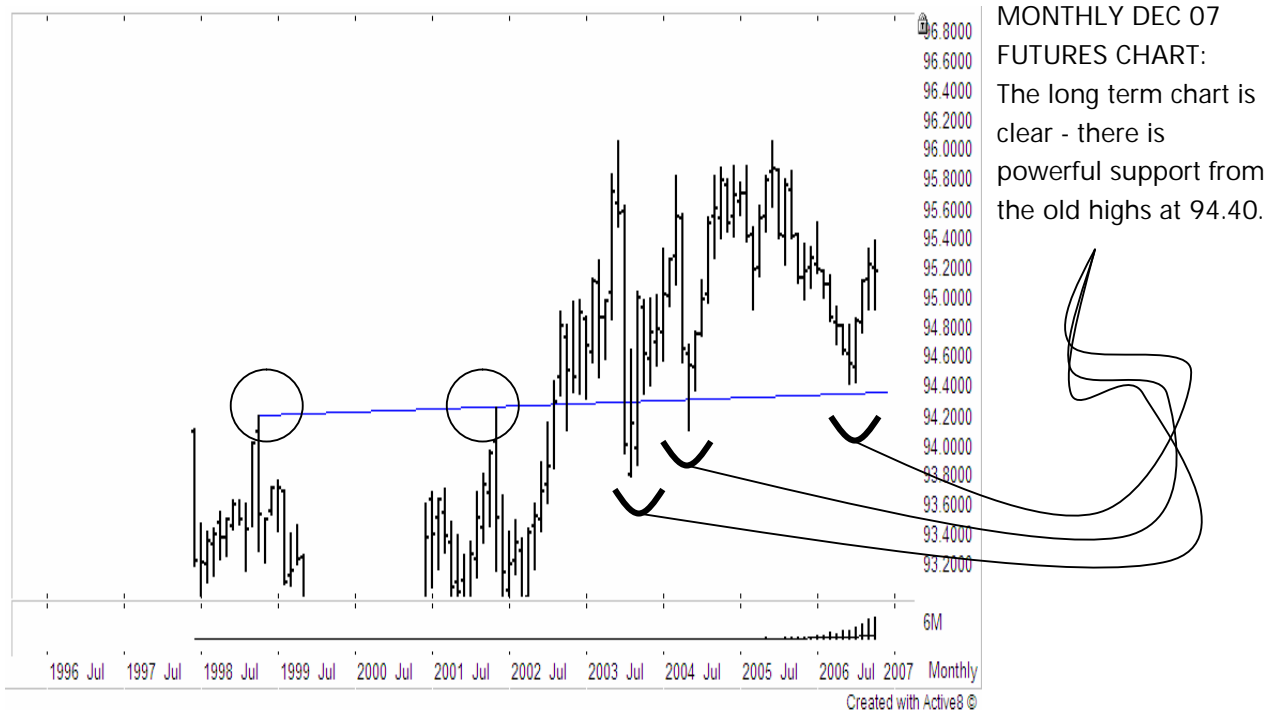


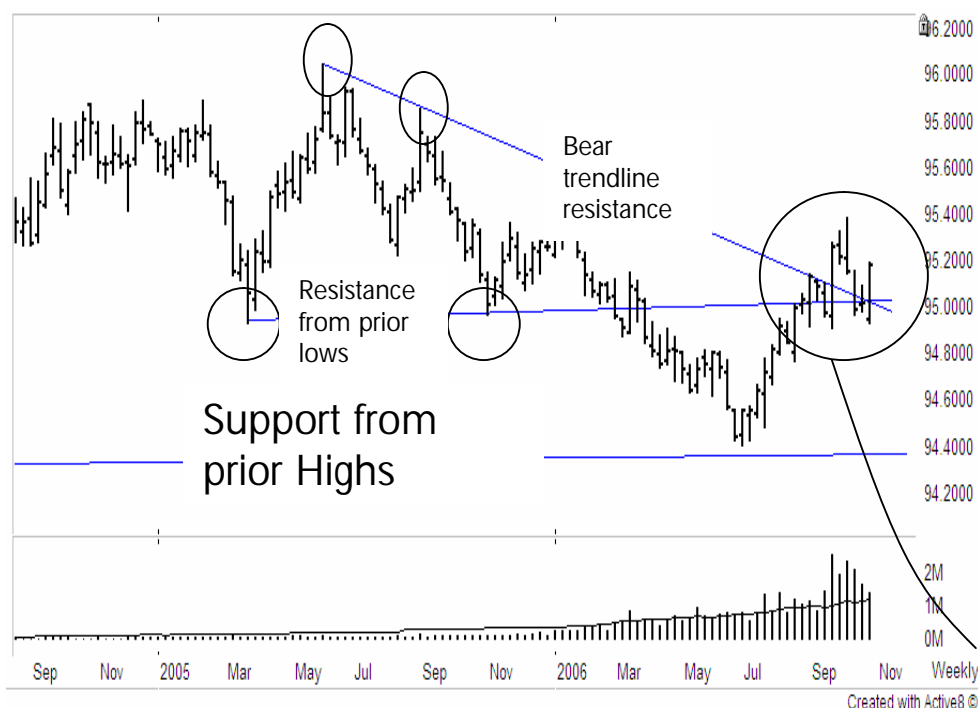
[Return to Contents](#)

# Interest Rates

The bears were thwarted and the bulls now have a glimpse of exciting possibilities in the Eurodollar market. We advocate getting involved there, with generous Stops to cope with the high volatility. As to Euribor and Sterling, stand aside. (N.B. we have rolled contracts to DEC07)

## Dollar Rates





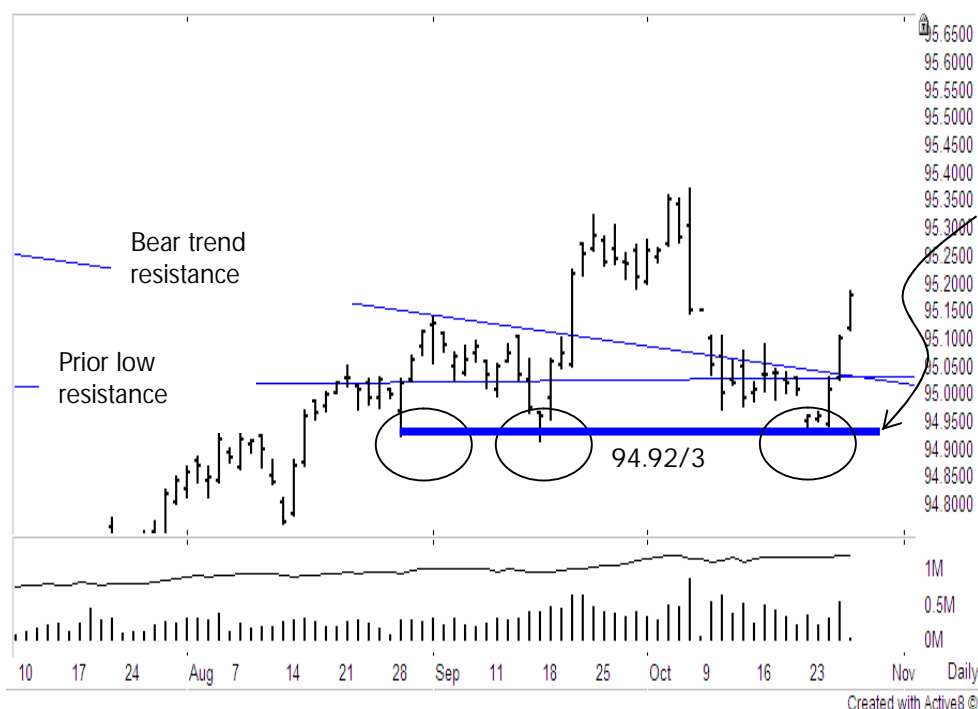
WEEKLY DEC 07  
FUTURES CHART:  
The bounce has been  
strikingly powerful.

See how the market  
drove up through the  
resistance from the  
lows at 95.00, and  
through the diagonal  
resistance.

Certainly when the set-  
back came it was  
fierce.

But notice it hasn't  
been sustained.

There's great volatility,  
but the strength of the  
bull is evident.



DAILY DEC 07  
FUTURES CHART:  
Trading this volatility  
has been difficult - but  
on the downside we  
now have a useful  
level of 94.92/3.

Last week we said:  
'only a bounce back  
up could re-ignite the  
bull stance.'

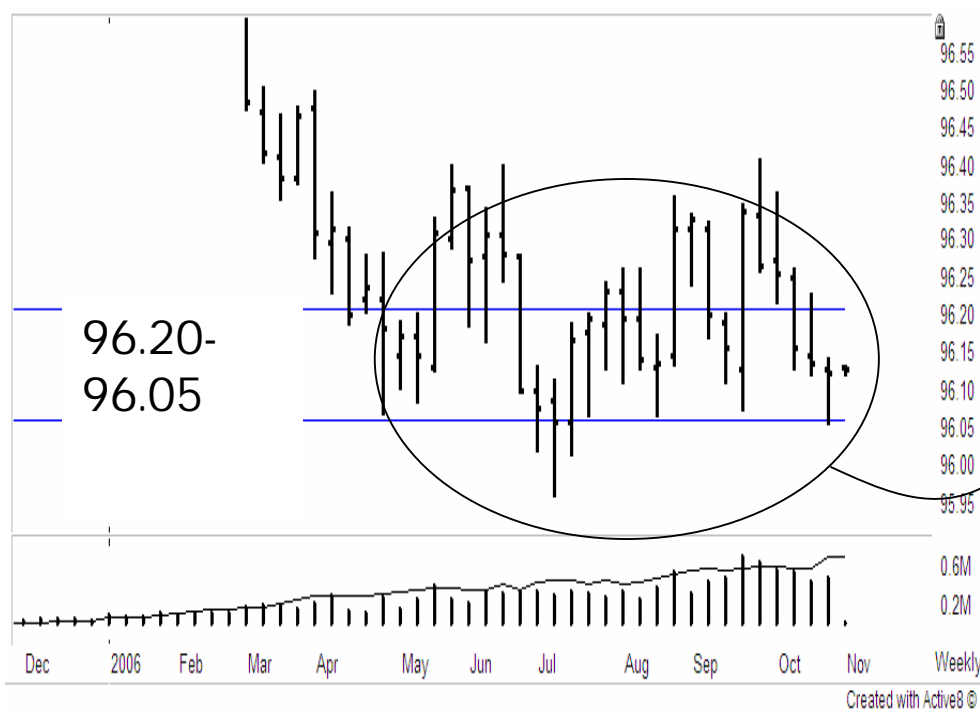
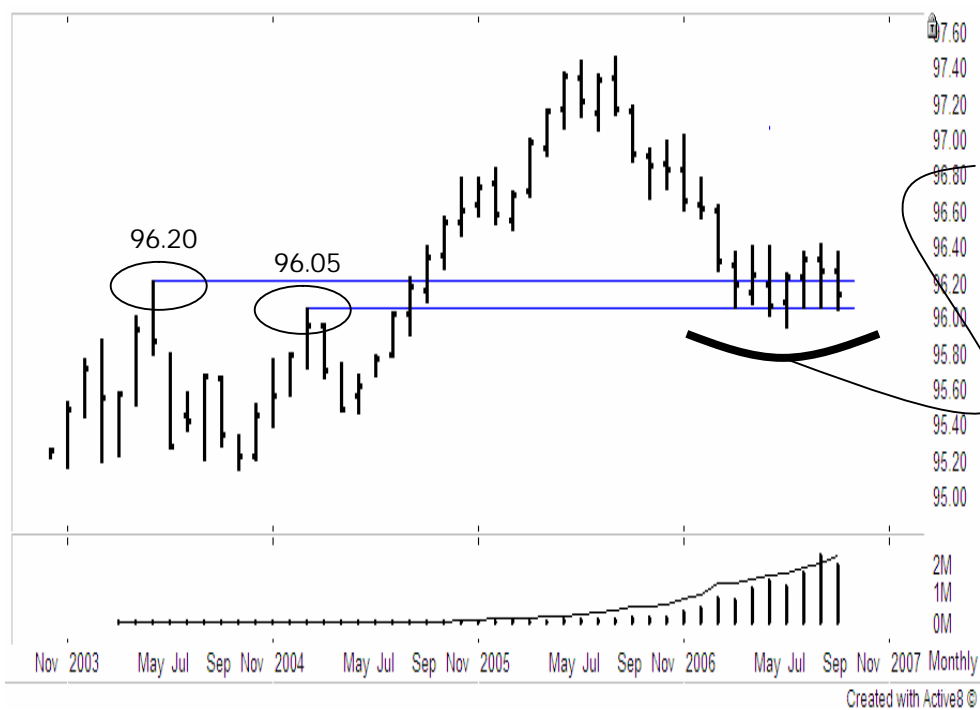
That's what we have.

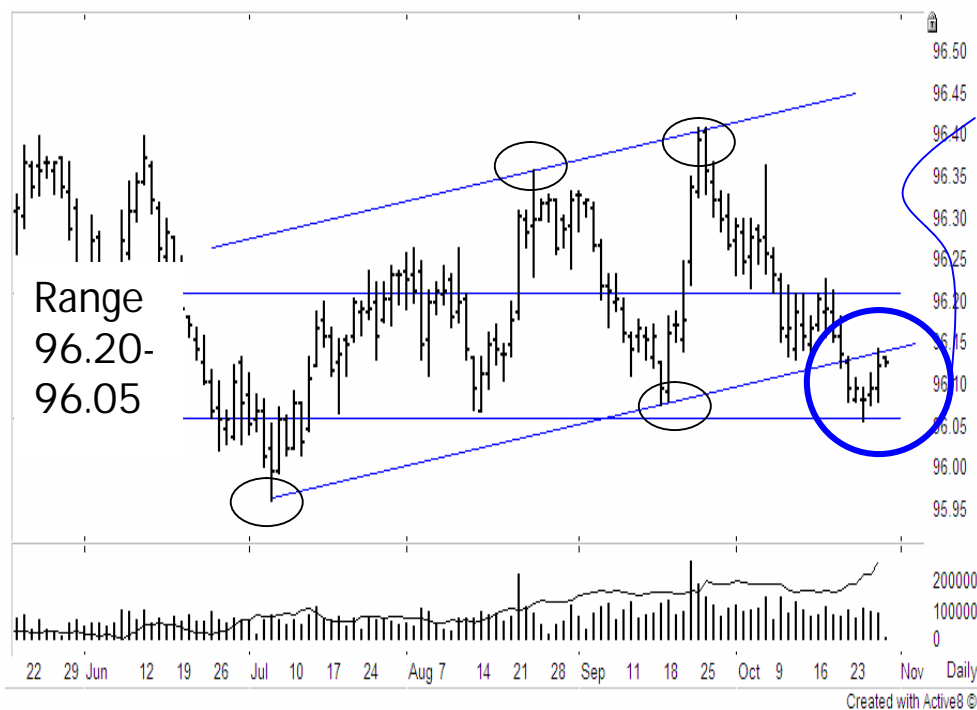
Buy small with a long  
stop beneath 94.92.

The average in.

[Return to Contents](#)

# Euribor Rate





#### DAILY DEC07 CHART:

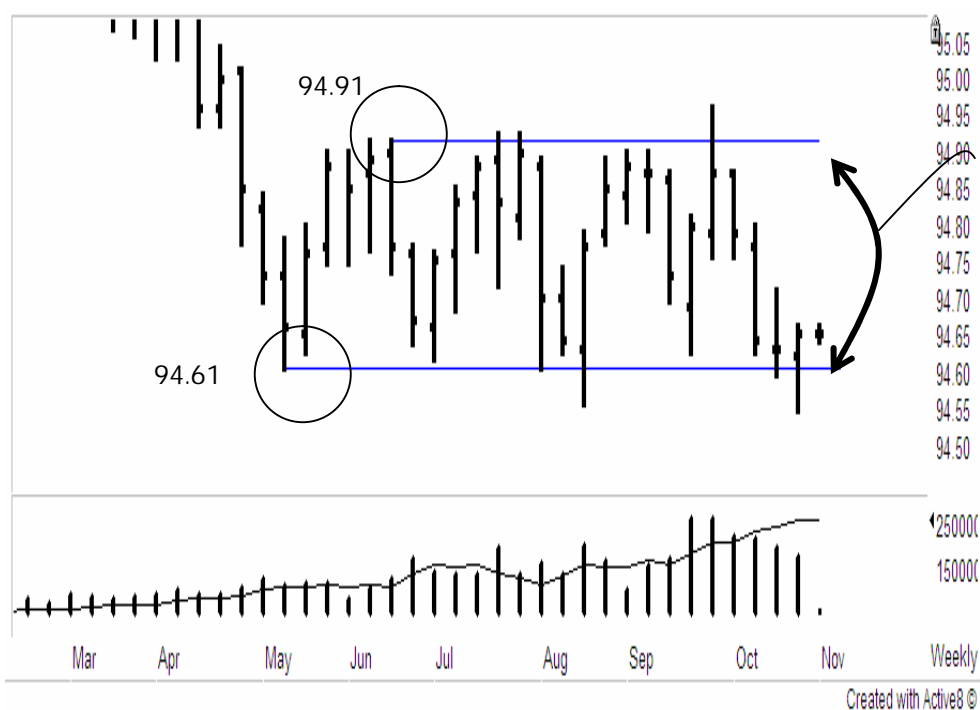
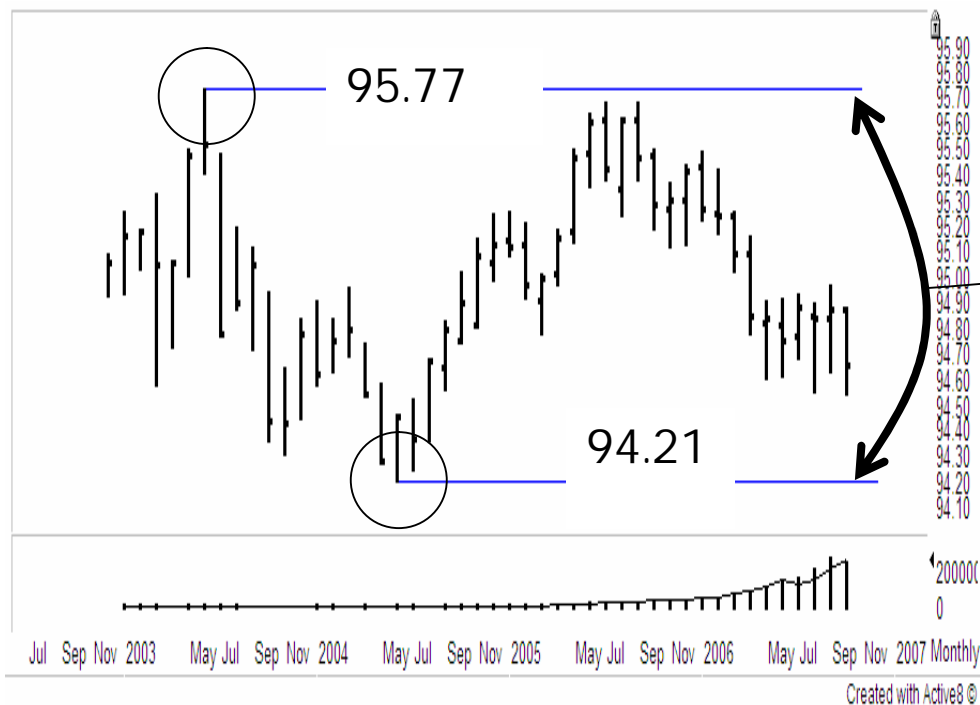
Though we were excited last week about the possibility of a breakdown last week - we wanted a 'clear' break - has that been achieved? It has on the day chart, - while the market stays beneath the rising diagonal currently at 96.14.

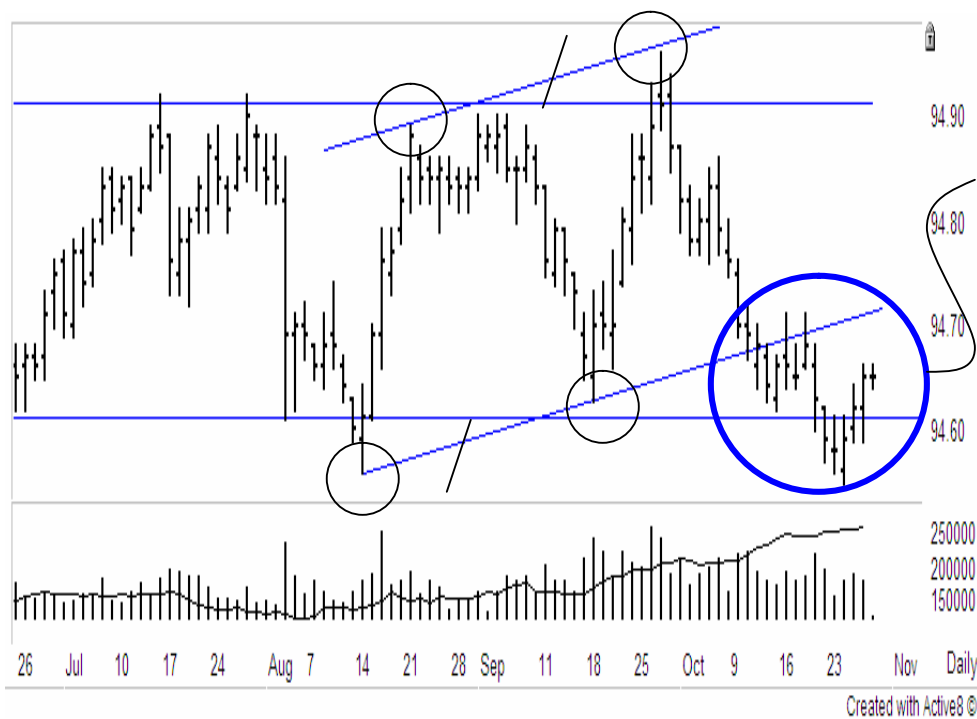
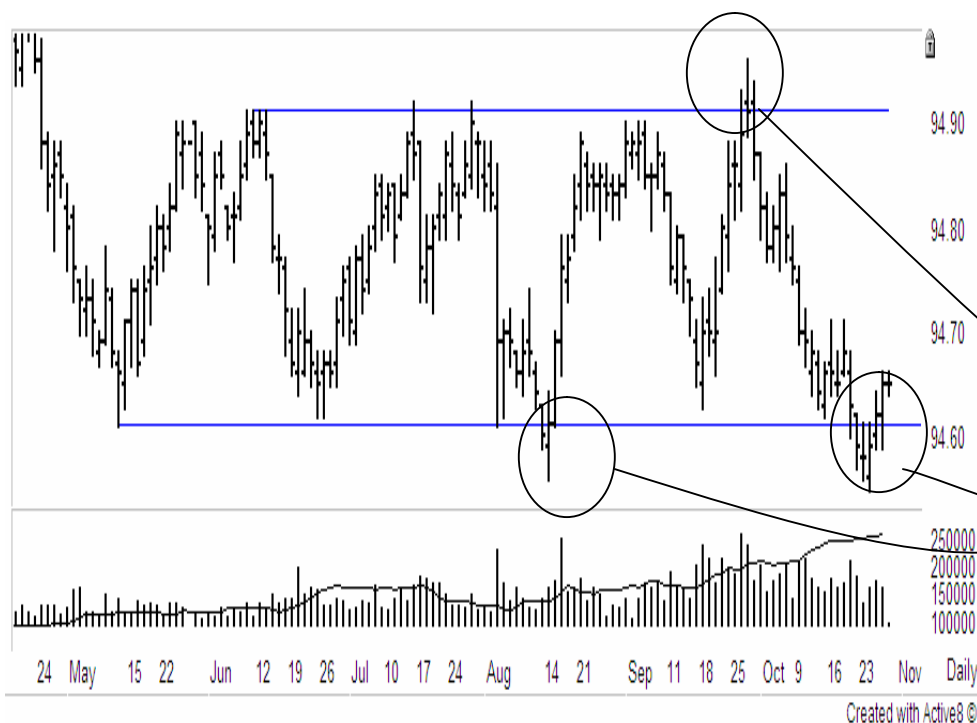
But the market remains within those wider medium-term boundaries.

Anxious bears (which includes us) should wait for a break down beneath the 06.05 level before setting shorts.

[Return to Contents](#)

# Sterling Rates





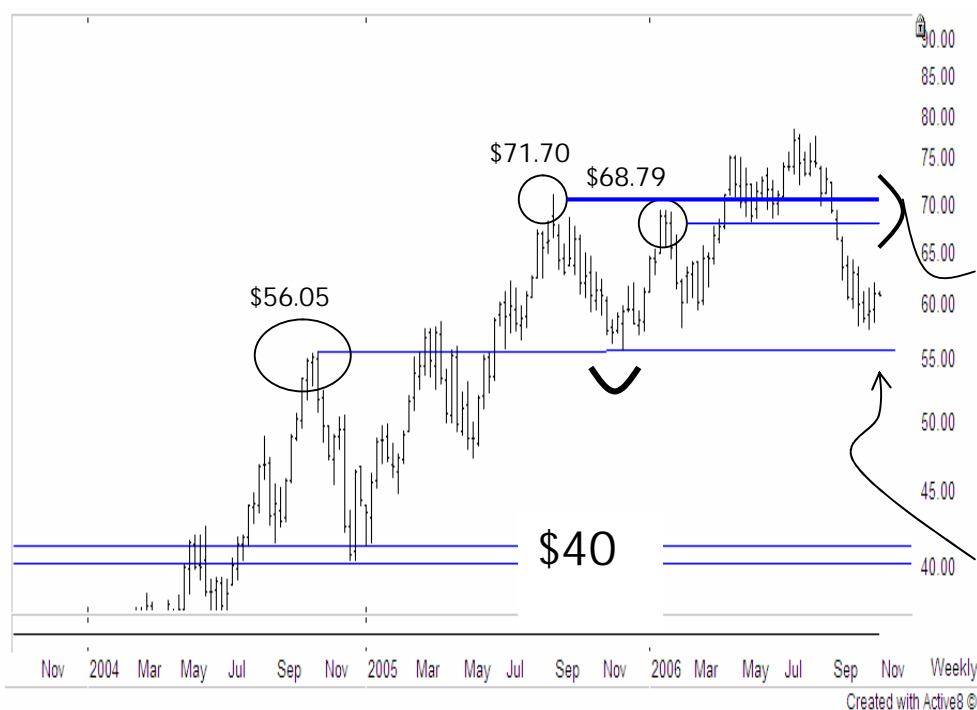
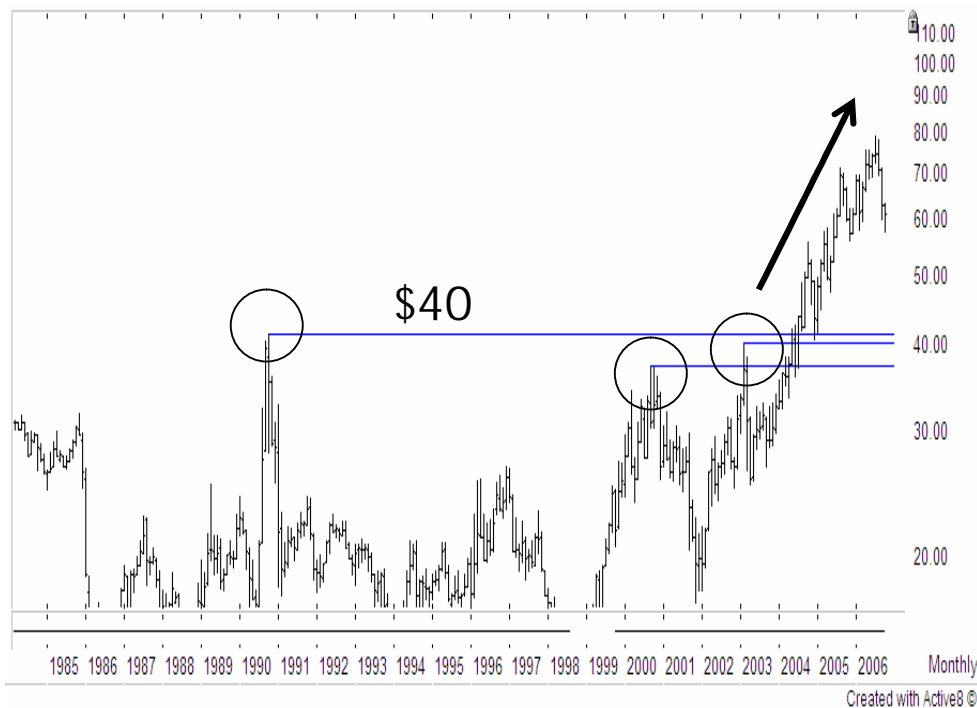
But the false break serves to emphasis the tricky character of the short end at the moment.  
Stand aside.

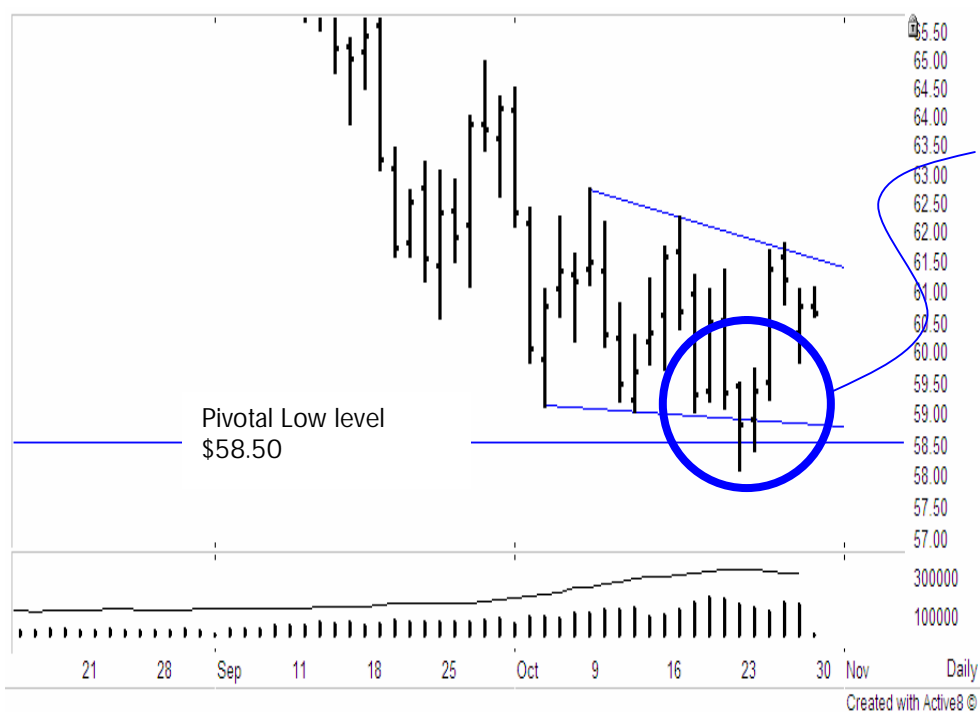
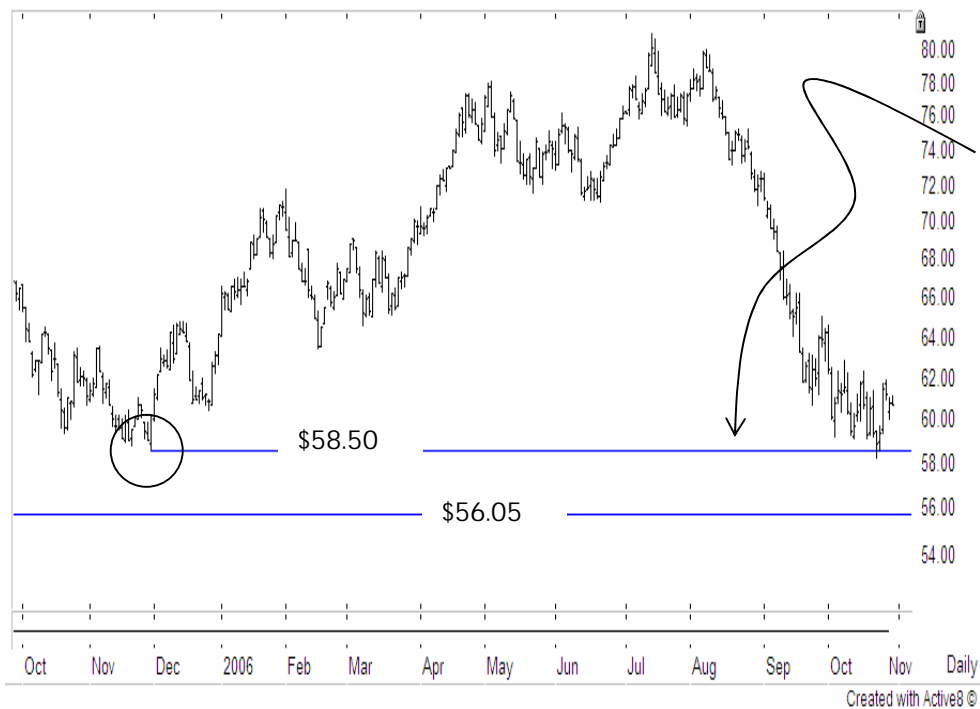
[Return to Contents](#)

# Commodities

Our Oil breakout was a failure. And Gold, which we thought dull, is on the point of a break to the upside. Gold really does look good if a break can be sustained....

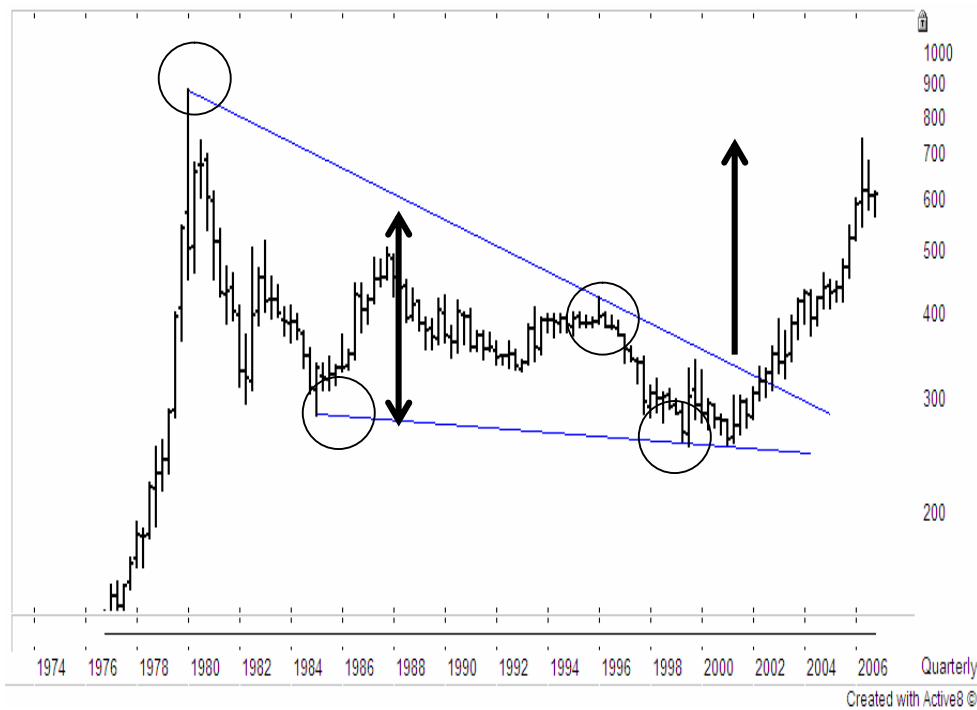
## Oil





[Return to Contents](#)

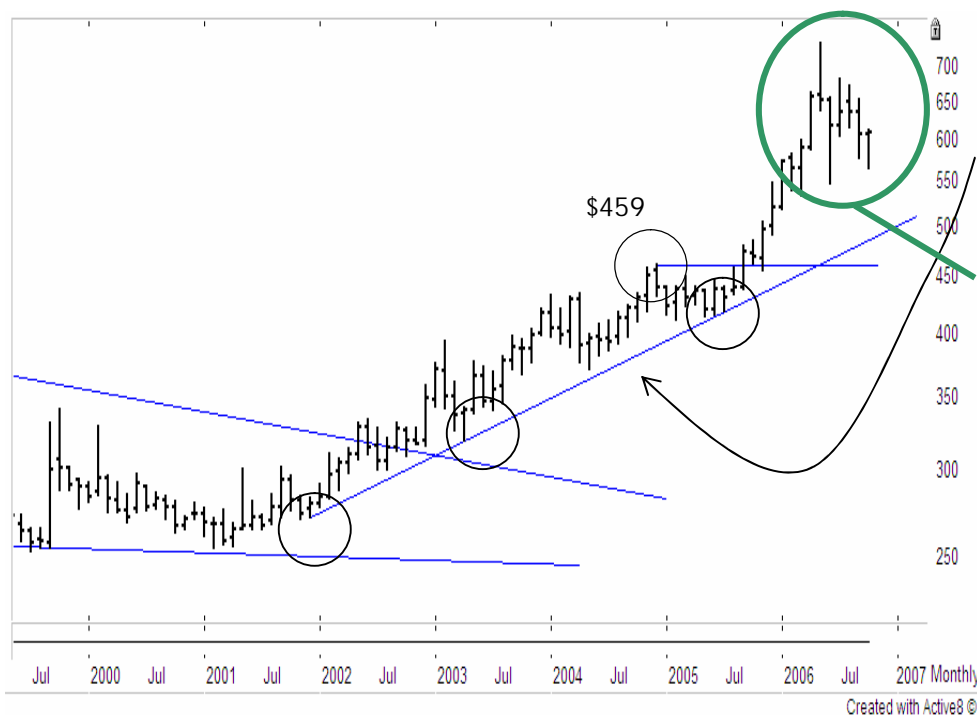
# Gold



## QUARTERLY FUTURES CONTINUATION CHART:

The long chart is a Continuation Triangle.

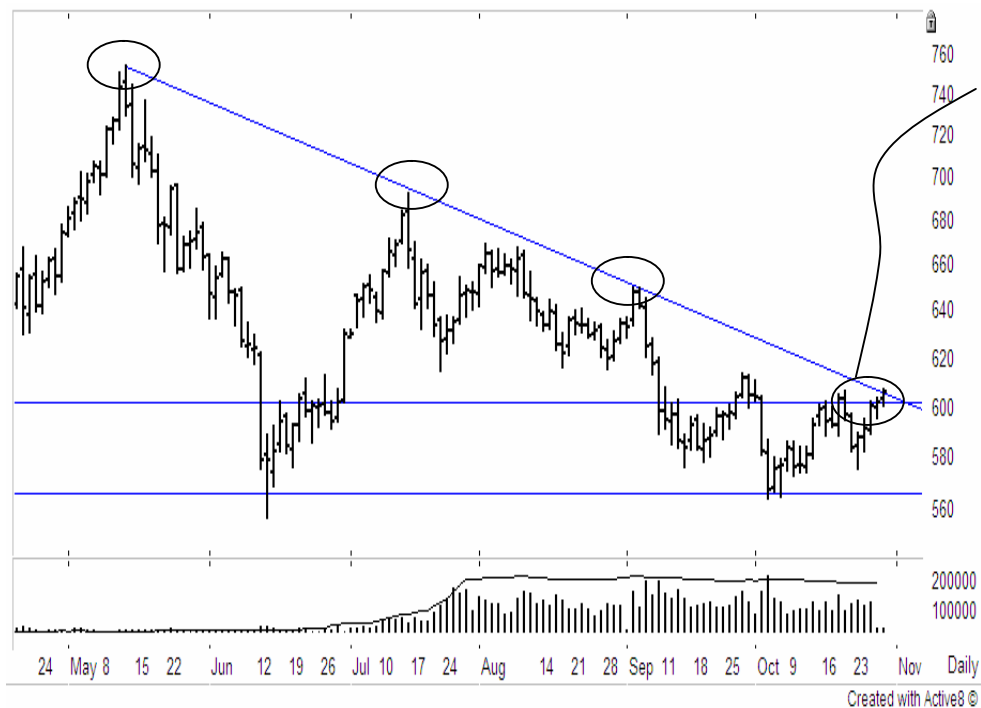
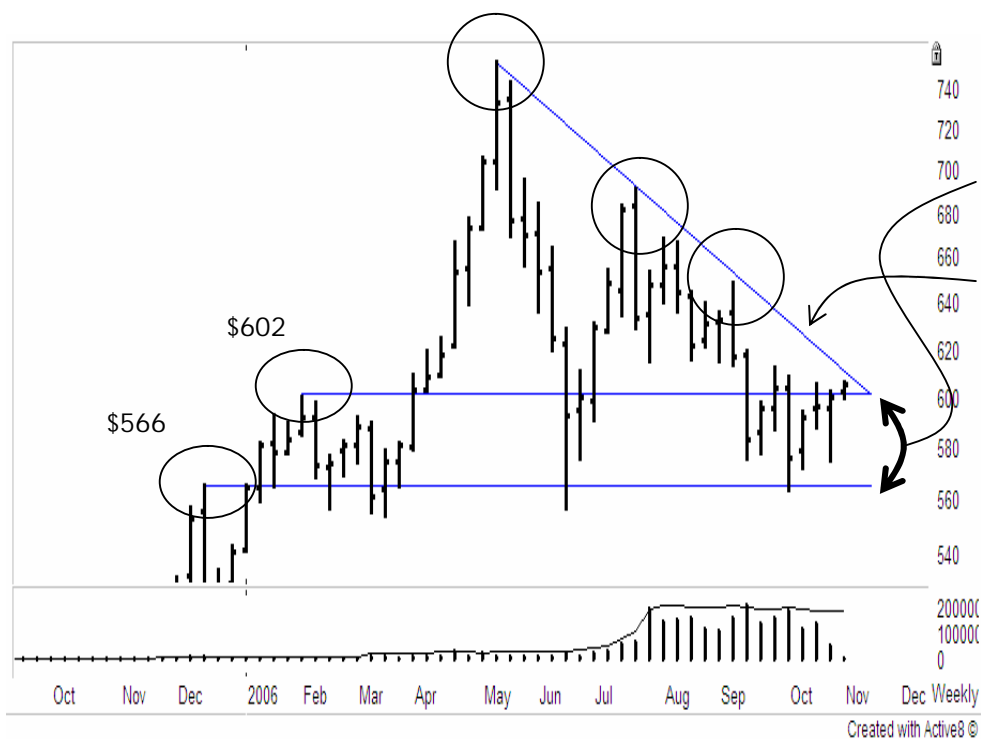
It completed and, we believe, achieved it's minimum target.

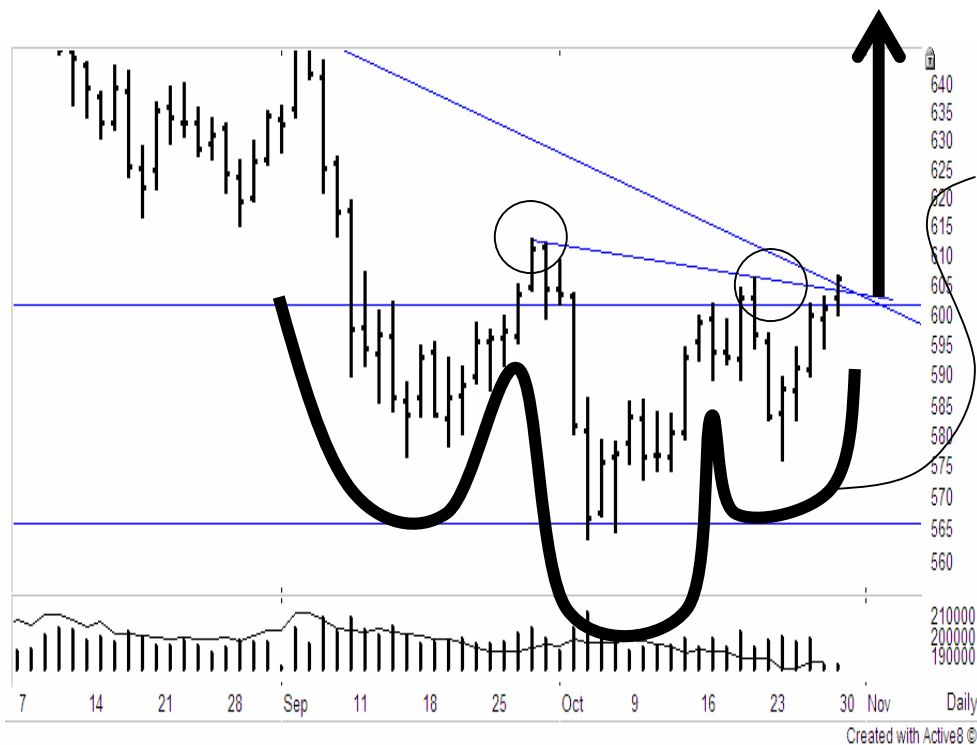


## MONTHLY FUTURES CONTINUATION CHART:

The bull run has had a strong bull trend.

Look closely at the consolidation around \$600.





DAILY DEC 06  
FUTURES CHART:  
And at the same time,  
the market looks likely  
to complete a Head  
and Shoulders Bottom  
formation.

A conjunction of chart  
levels is always  
important.

Here there are three.

If the market can get  
up through the  
\$601/2/3 area, and  
stay above, then it will  
look well-set for  
further price action.

Watch very carefully.

[Return to Contents](#)