

WEEK 46 14th – 20th November 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

Stay SQUARE, but **BUY** on a break up through 1.9144

Stay SQUARE

Stay SQUARE

STOCKS

12 STANDARD AND POORS 500

14 EUROPEAN DJ STOXX 50

16 FTSE 100

18 NIKKEI 225

Stay **LONG**; add on a push through 1399 (Dec06)

Stay **LONG** above 3965 (Dec06)

Stay SQUARE

Go **SHORT** while beneath 16390 (Dec06)

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

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Stay **LONG** while above 94.94 (Dec06)

Stay SQUARE

Stay SQUARE

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Stay SQUARE

Go **LONG** above \$600 (Dec06)

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.

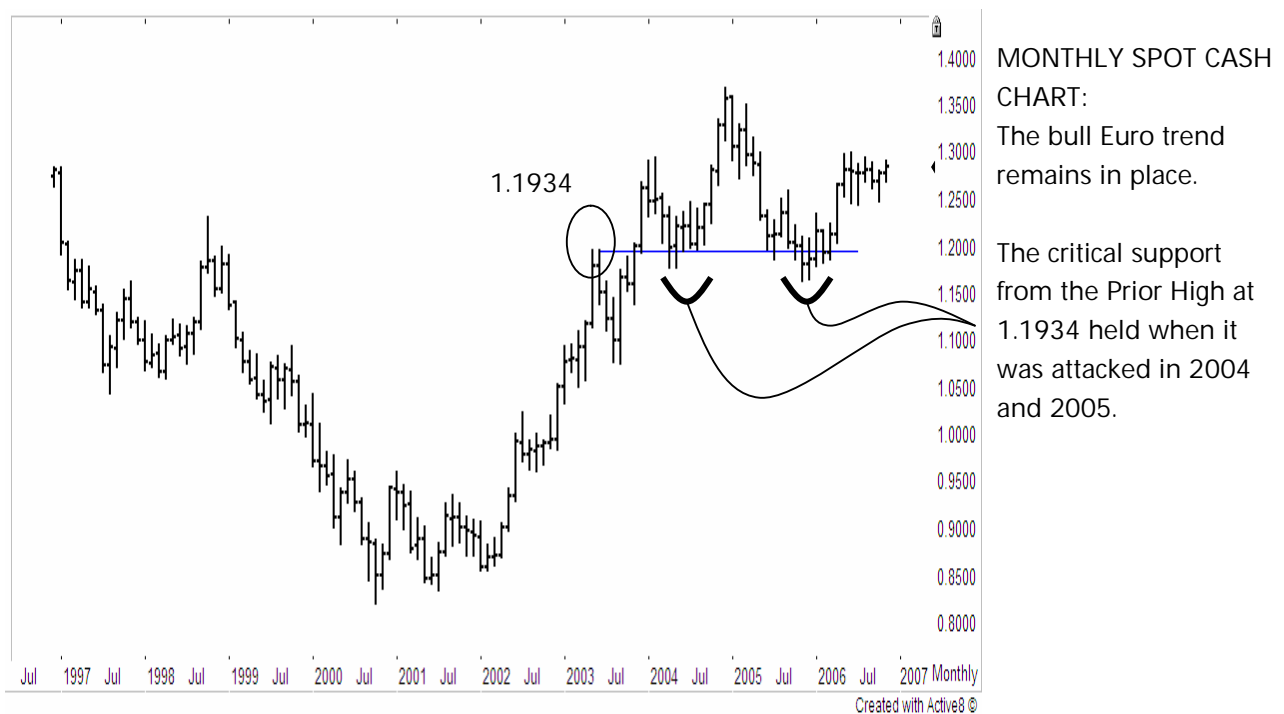
Since then he has worked extensively as a consultant technical analyst for a number of large private investors, banks and Hedge Funds.

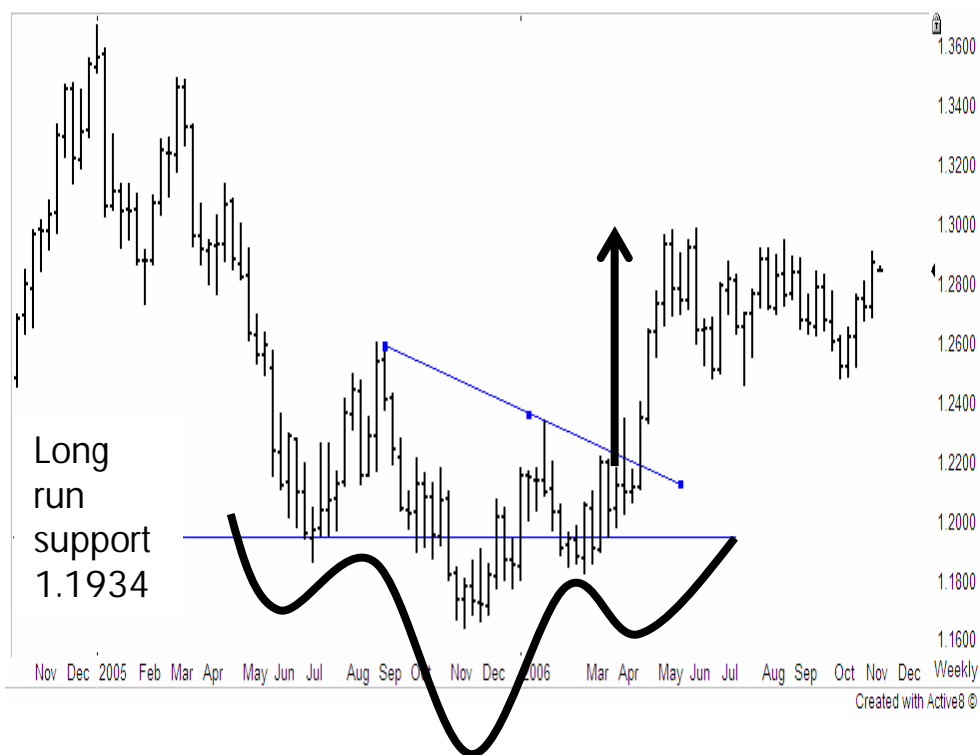
Mark has been a regular contributor to Reuters Financial Television and currently contributes to CNBC TV Europe providing chart commentary and trading recommendations

Currencies

The Dollar weakened again. As predicted the Sterling was the main gainer. Then the Euro; and least of all the Yen. But no great levels have been breached. The Dollar movement remains within clear trading ranges. So we reluctantly remain out of the market.

Dollar Euro





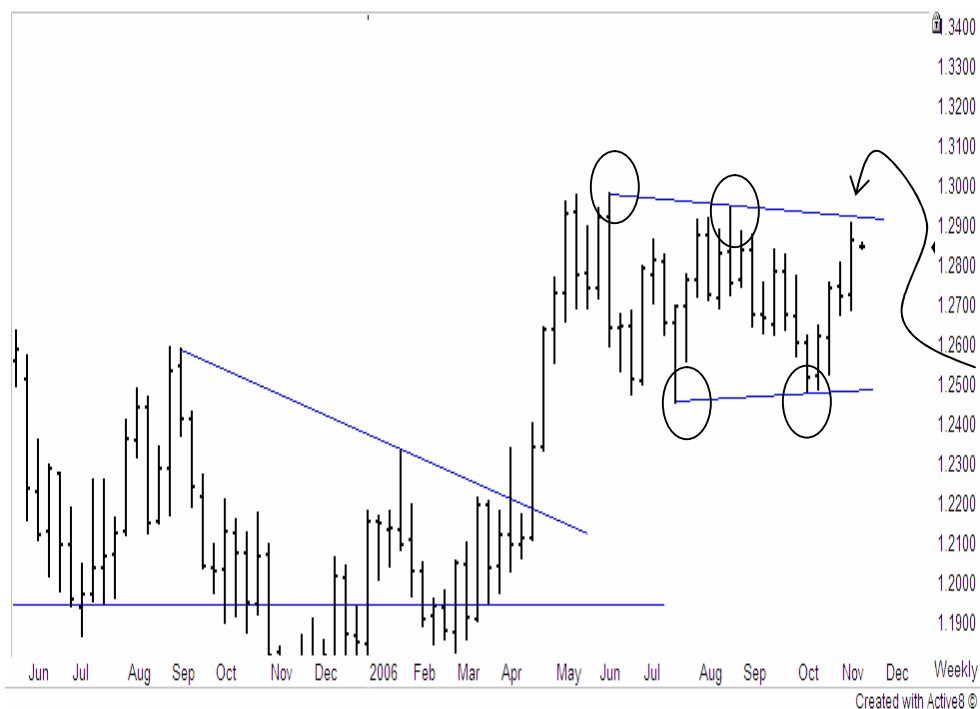
WEEKLY SPOT CASH CHART:

The market formed a Head and Shoulders Bottom while testing the critical support in 2005.

That H&S Bottom completed in April this year and drove the market better.

The market has reached the minimum target.

What now?



WEEKLY SPOT CASH CHART:

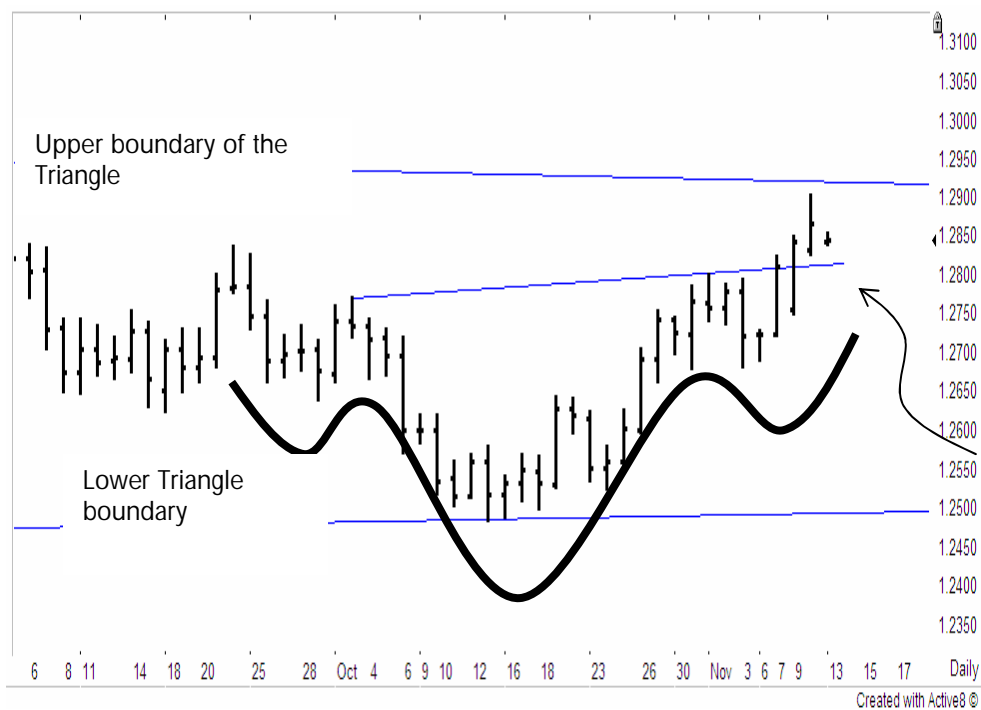
The market has stalled for the last six months.

While it did that, a Continuation Triangle may have formed.

Watch for a possible completion on a break and close through the upper boundary at about 1.29.

We said last week that traders should stand aside, and that's still true.

Wait for the break.



DAILY SPOT CASH CHART:

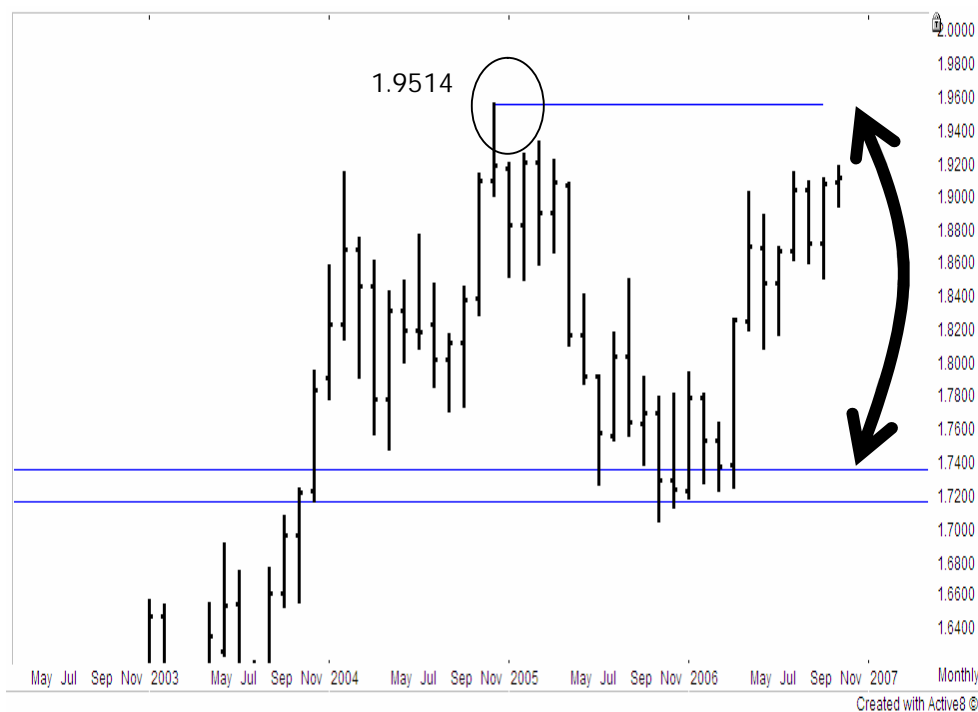
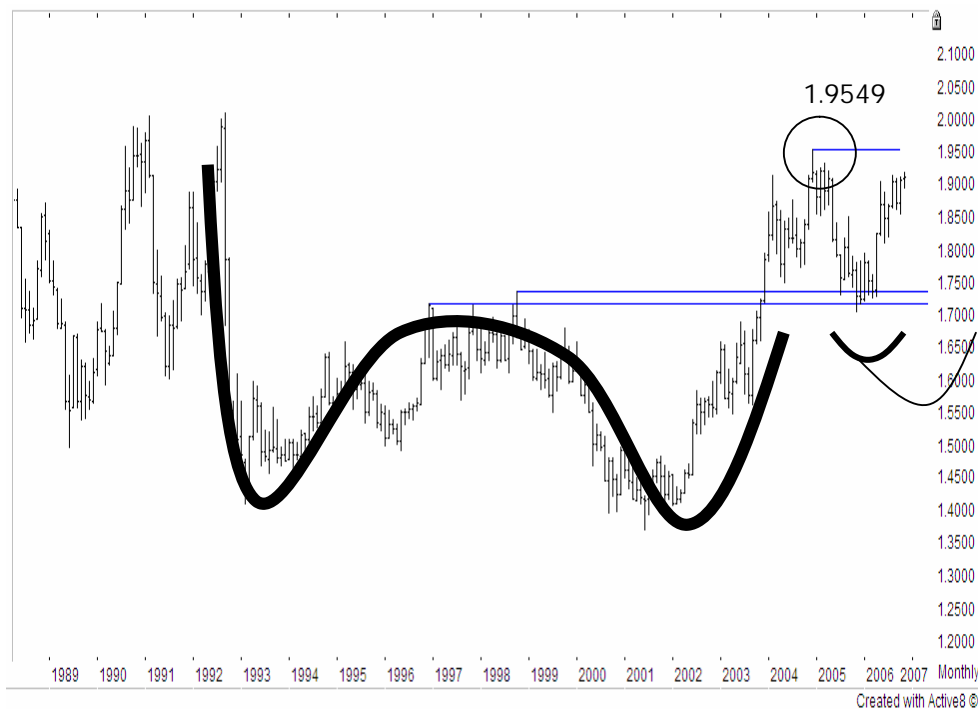
Here's how the market may get higher.

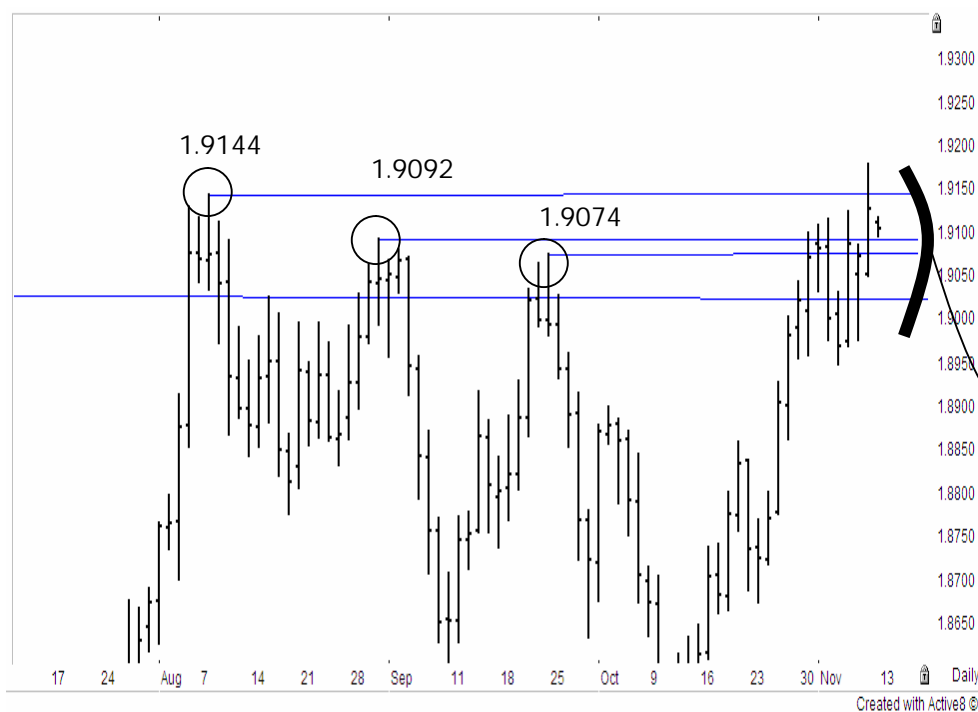
There's a Head and Shoulders Reversal which completed in the last day or so.

Watch for some support at the Neckline at 1.2823 if the market should drift.

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Dollar Sterling





DAILY SPOT CASH CHART:

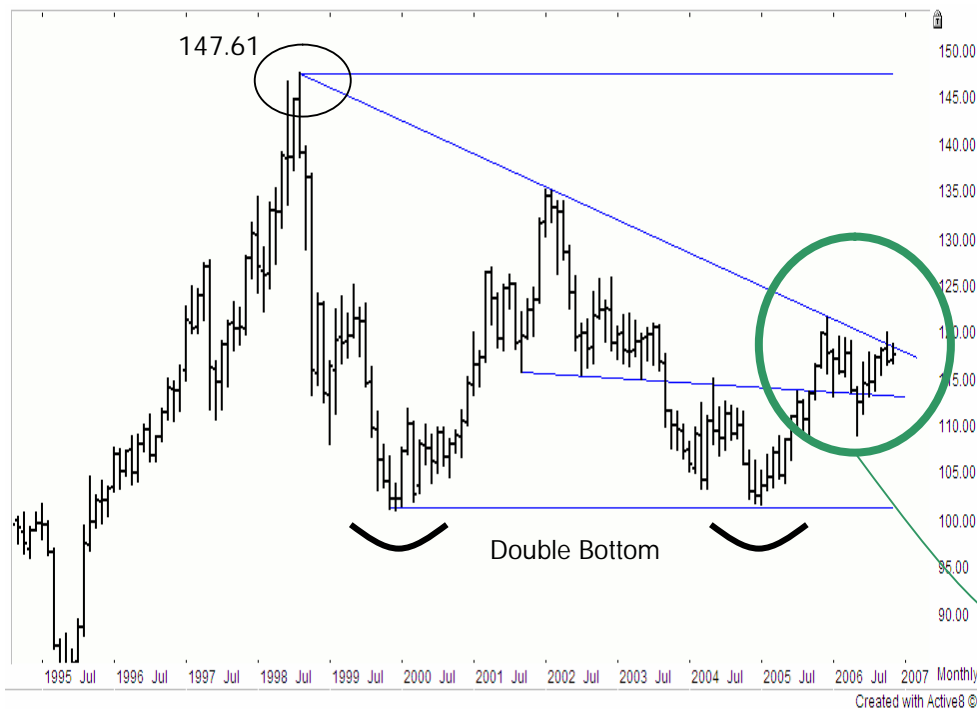
But the recent move
towards the upper
boundary is interesting.

Bulls need a break and
close above the
succession of highs.

Like last week.

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Dollar Yen



MONTHLY SPOT CASH CHART:

Obviously the Double Bottom at 101.27 is especially interesting to traders.

And the existence of a possible Continuation Triangle suggests that the recent price action around the critical diagonal is especially important.



WEEKLY SPOT CASH CHART:

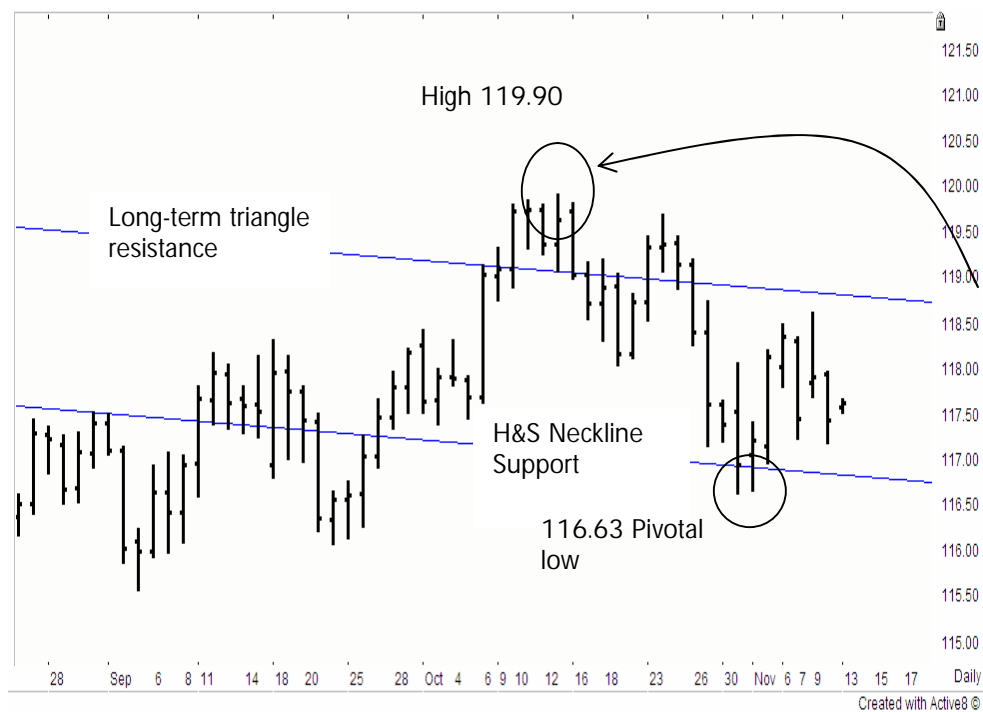
There may be a Head and Shoulders Continuation Pattern in place too - at the weekly level of detail.

If so, then the Neckline should be good short-term support.

But we are less and less sure of that H&S pattern.

A clear break through the Upper Diagonal is what the Dollar Bulls need.

Until they get that a question market hangs over the whole trend from May this year.

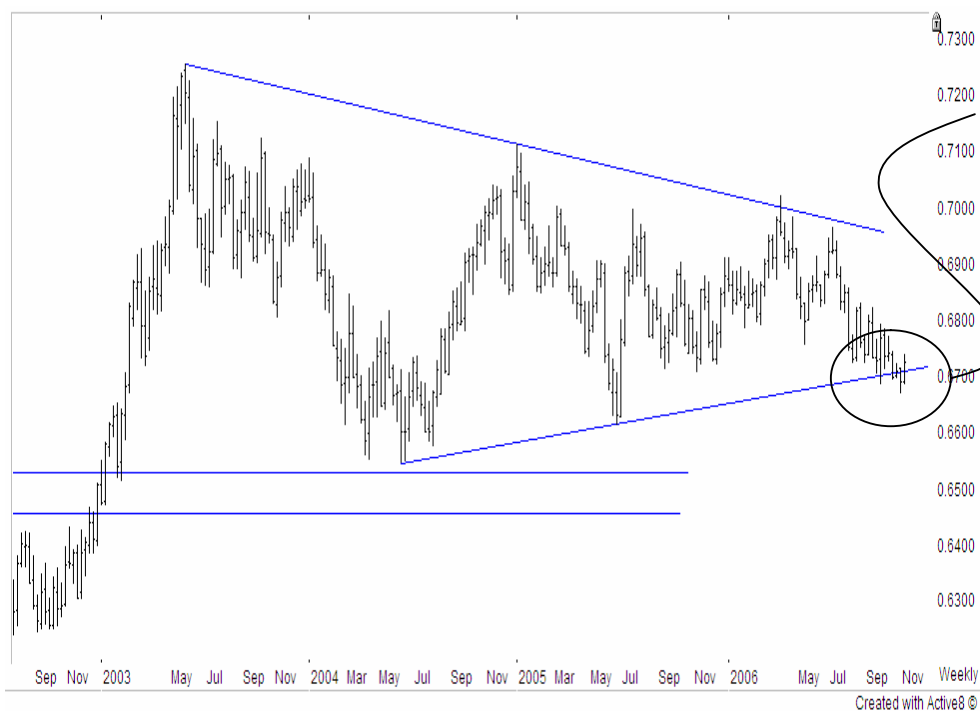
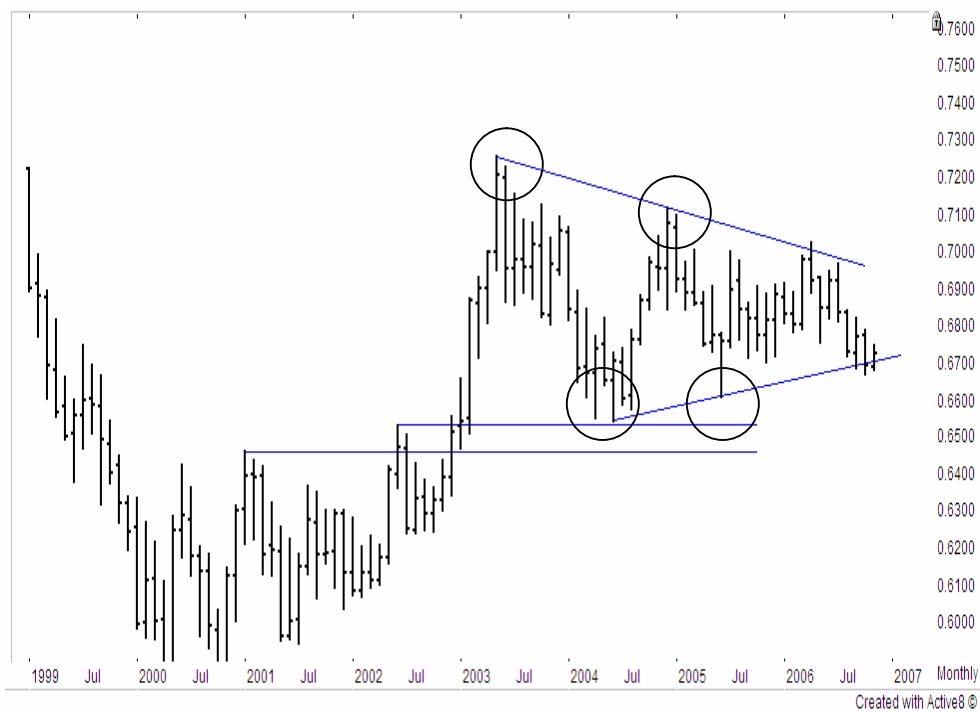


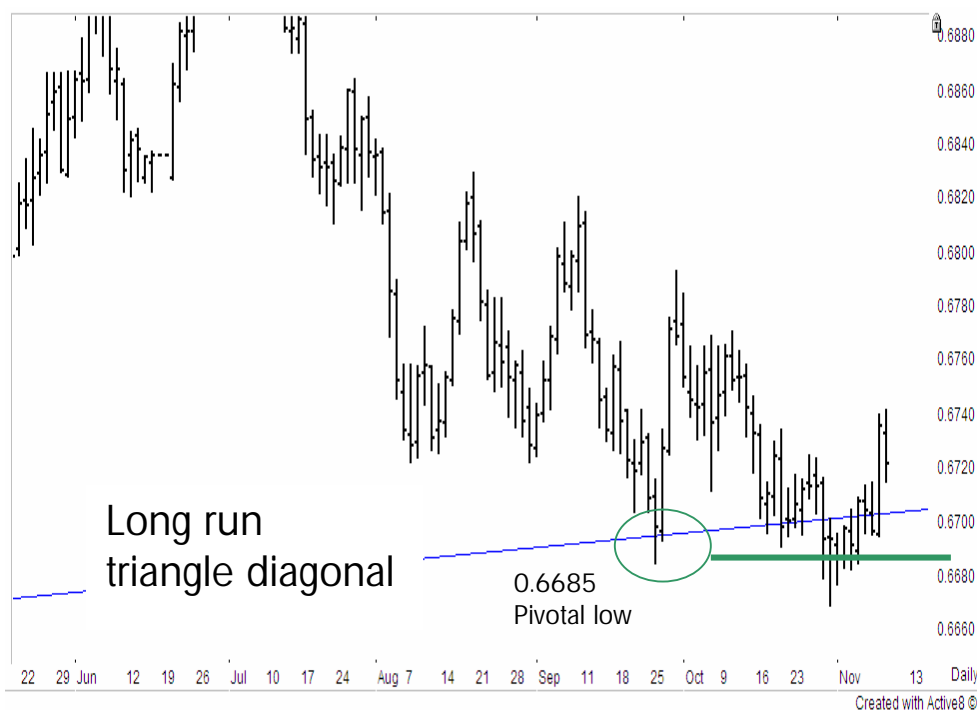
DAILY SPOT CASH CHART:

There is no clear pattern here... in the short term, then, Yen Bears and Dollar Bulls need a push above the high at 119.90.

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Sterling Euro





DAILY SPOT CASH CHART:

We need a clear weekly close beneath that diagonal.

Short term watch the Pivotal low at 0.6685.

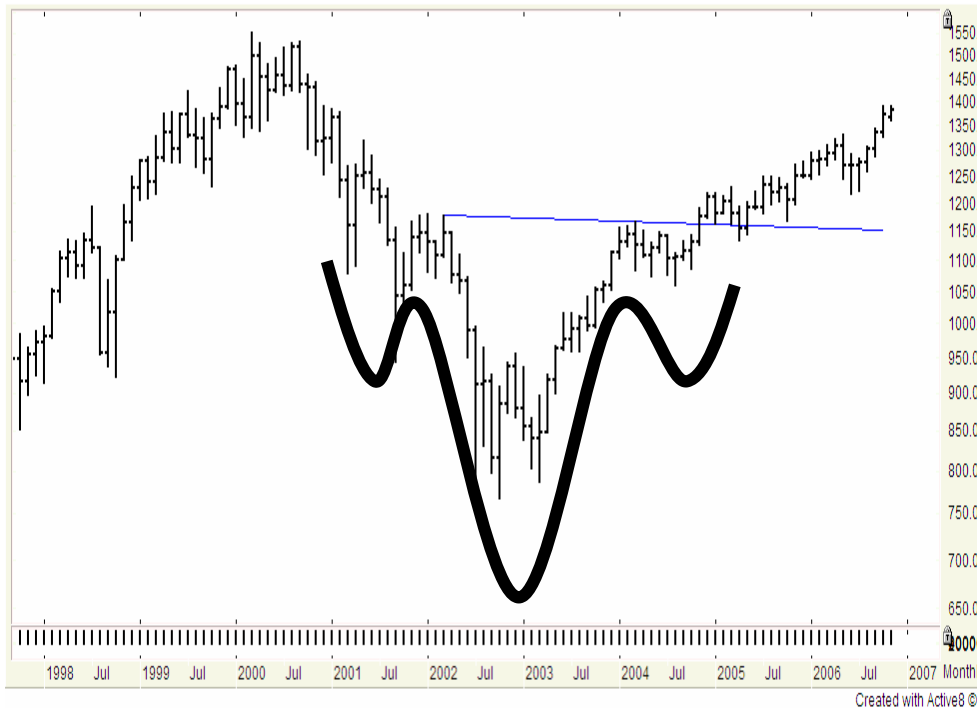
That was the level we thought traders should watch last week - and it has yet to break.

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Stocks

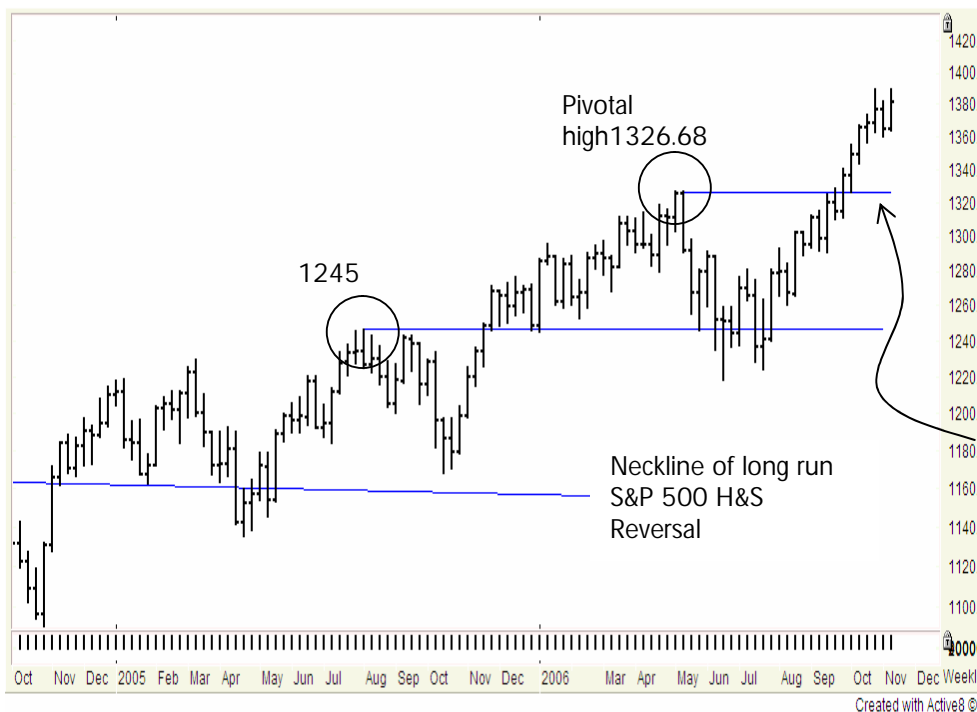
Stocks went ahead again - with the notable exception of the Nikkei which looks in dire straits. Now the DJEuroStoxx50 looks the leader. But all the western markets remain bullish.

Standard and Poors 500



MONTHLY CASH INDEX CHART:

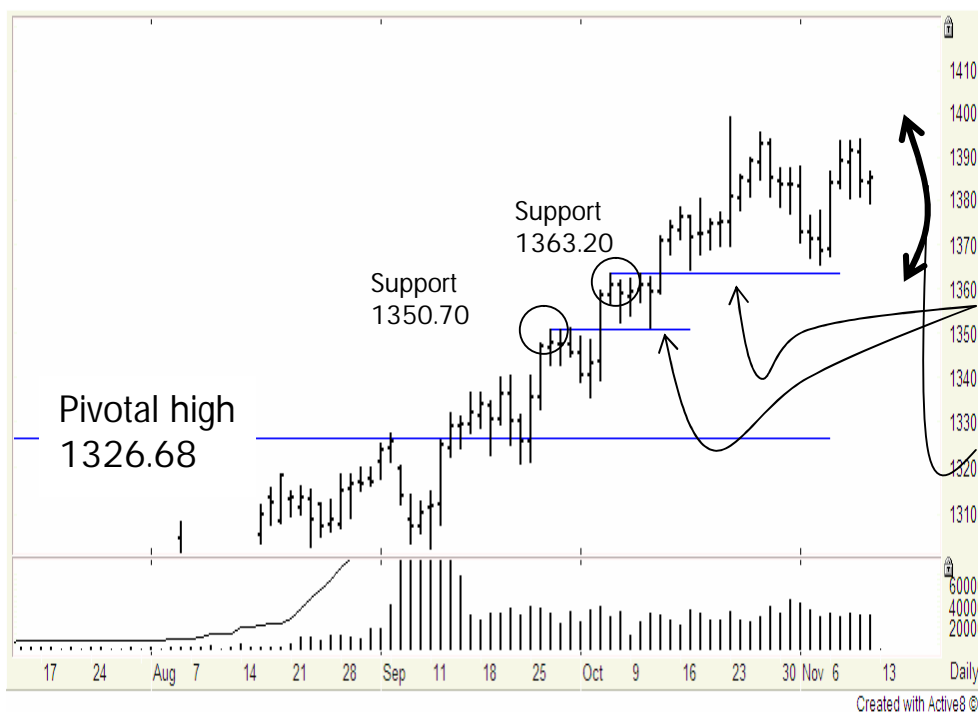
The long -term pattern is plain. A Huge Head and Shoulders Bottom is set to drive the market a lot higher (minimum 1750) over the next few years.



WEEKLY CASH INDEX CHART:

Since the completion of the Head and Shoulders Bottom the market has constructed a well-defined bull trend.

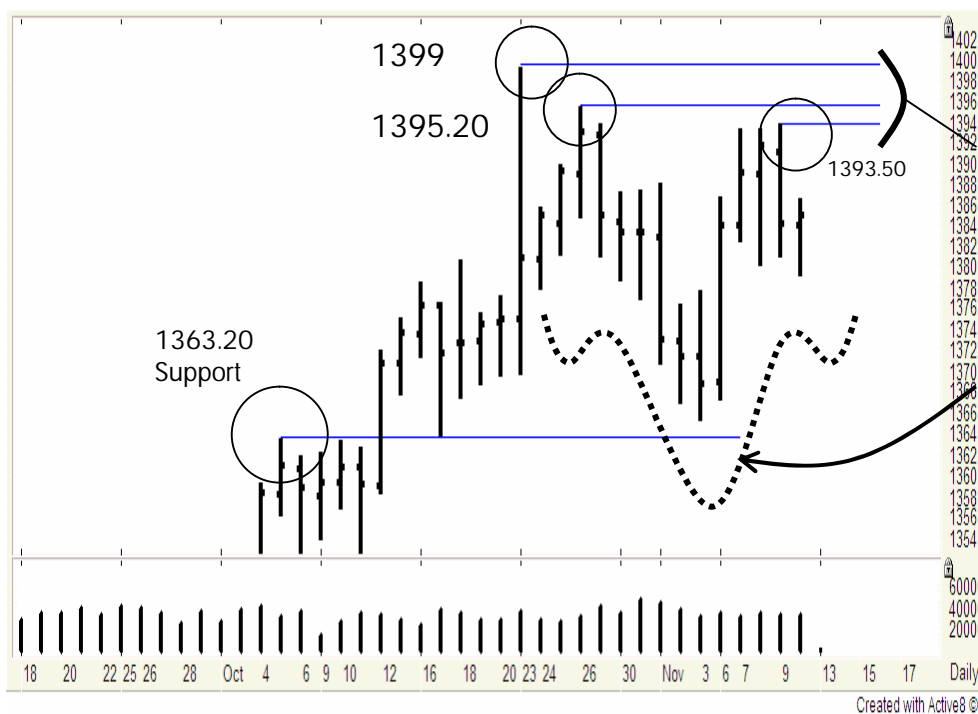
Note the latest push up through the pivotal high at 1326.68.



DAILY DEC06
FUTURES INDEX
CHART:
Even at this level of
detail the bull trend is
solidly constructed.

Prior highs are good
support.

Watch for a break out
of this recent sideways
congestion area.



DAILY DEC06
FUTURES INDEX
CHART:
Bulls need a breakup
through the succession
of highs at 1393.50,
1395.20, and 1399.

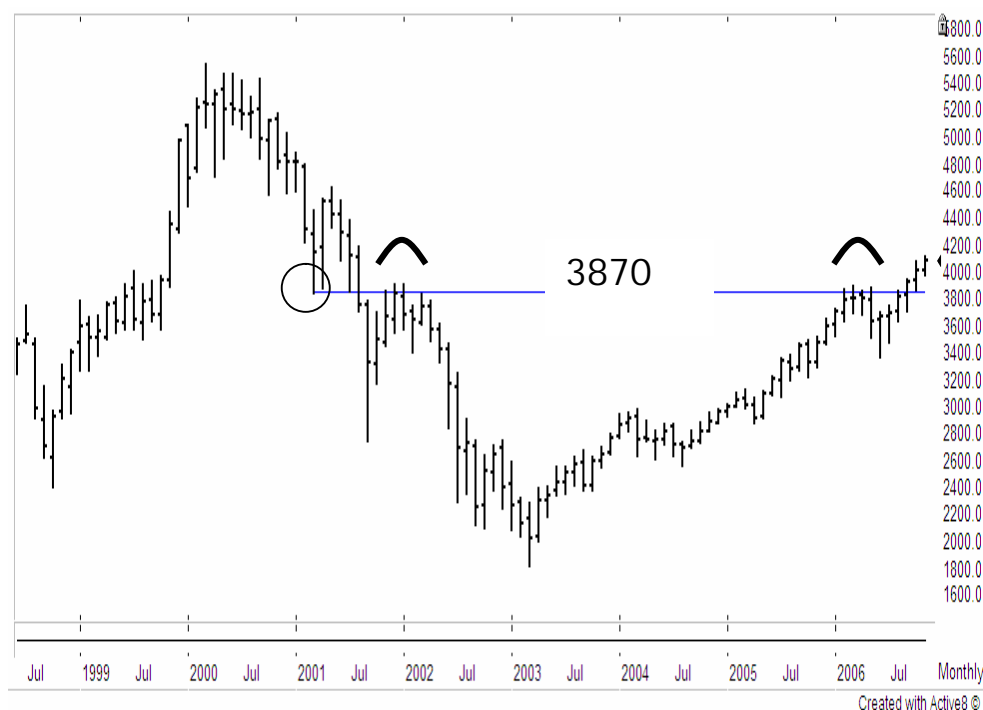
And, possibly, the
catalyst for that might
be a Small
Continuation Head and
Shoulders Reversal...

Watch closely.

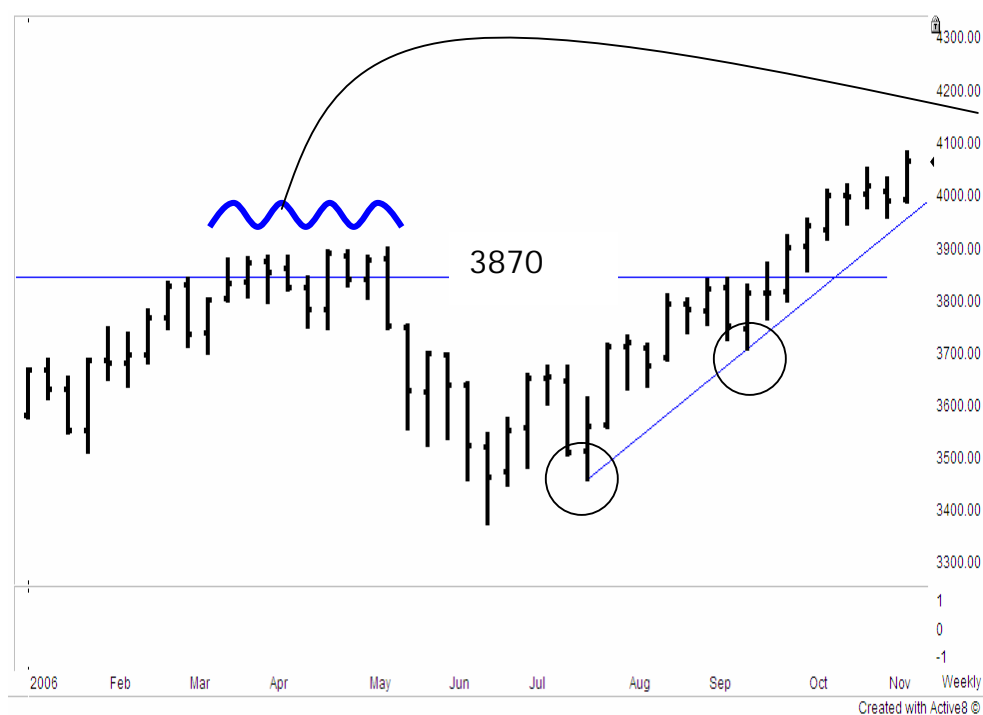
The medium and long-
term bull trends are
intact, for new buyers,
wait for the short-term
signal.

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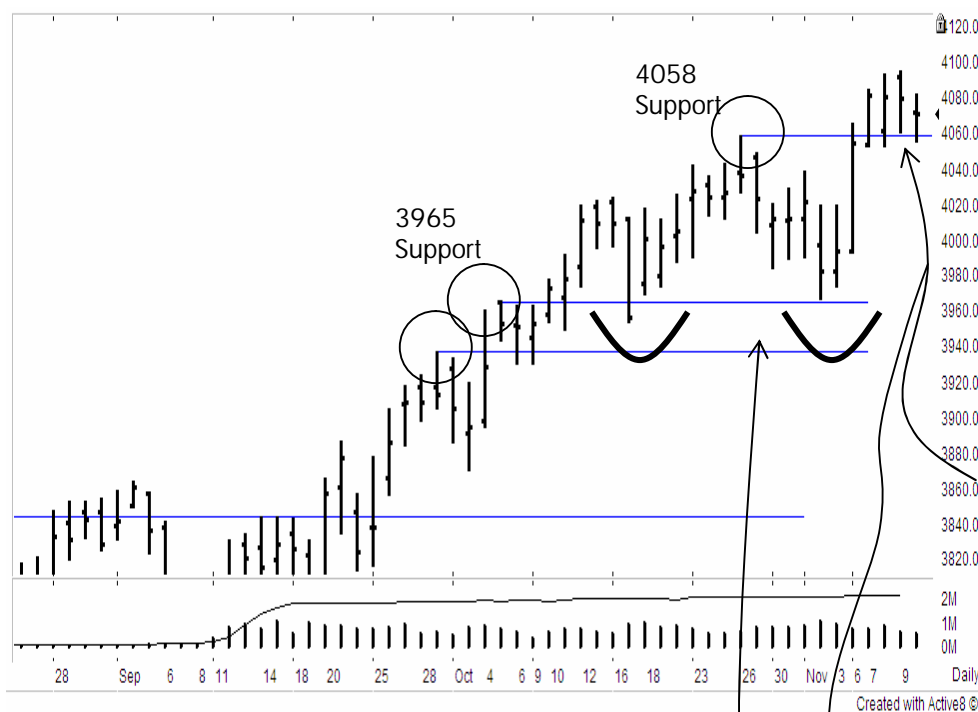
European Dow Jones Stoxx 50



MONTHLY CASH INDEX CHART:
The bull move has broken through the critical horizontal at 3870.

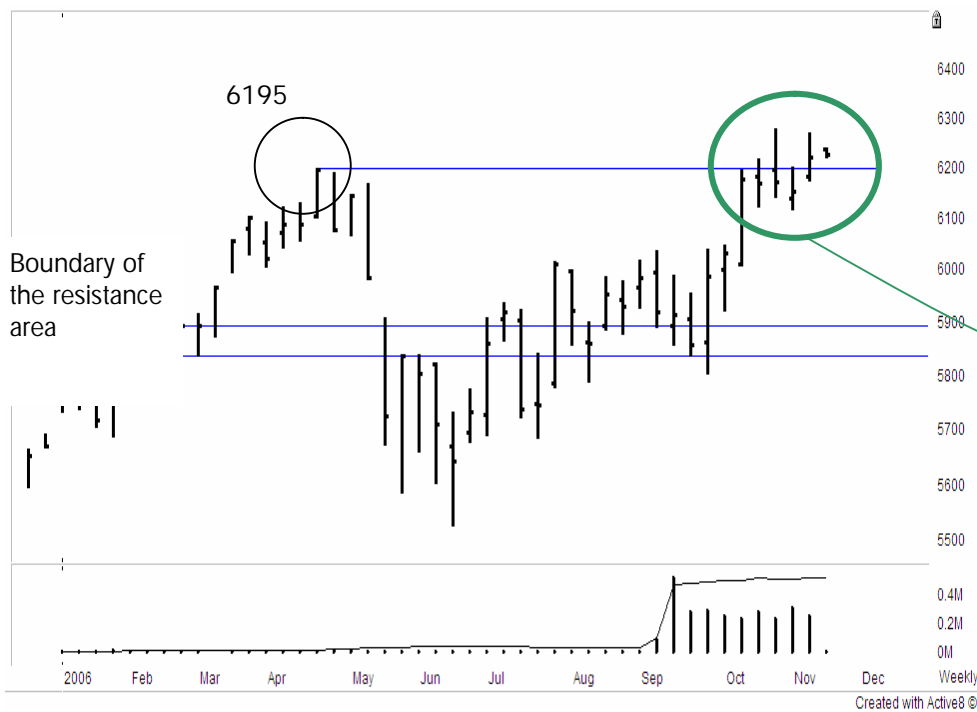
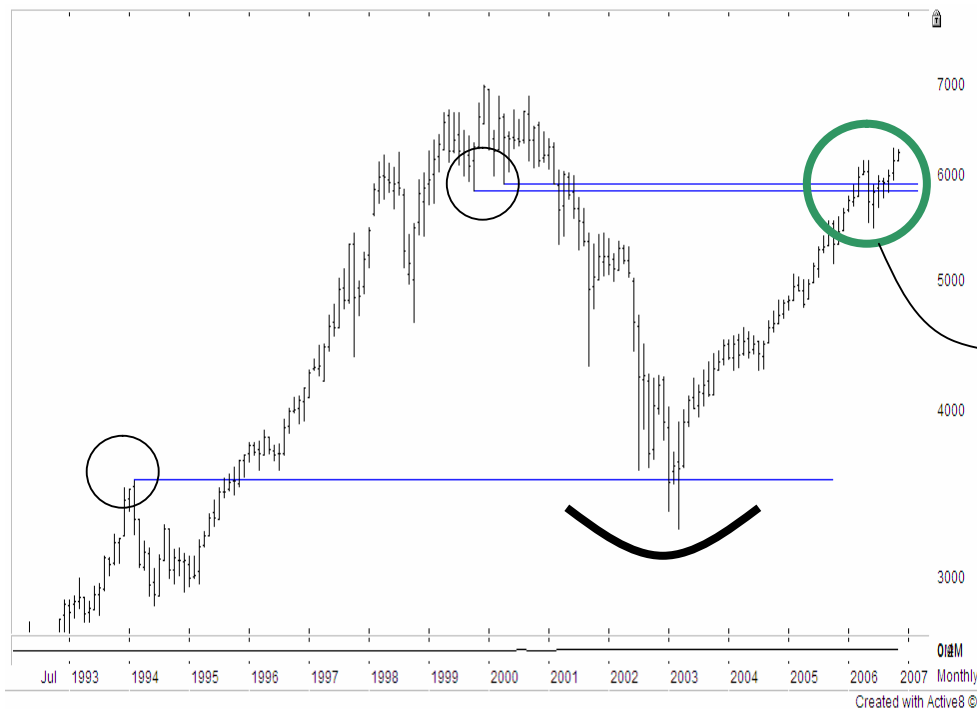


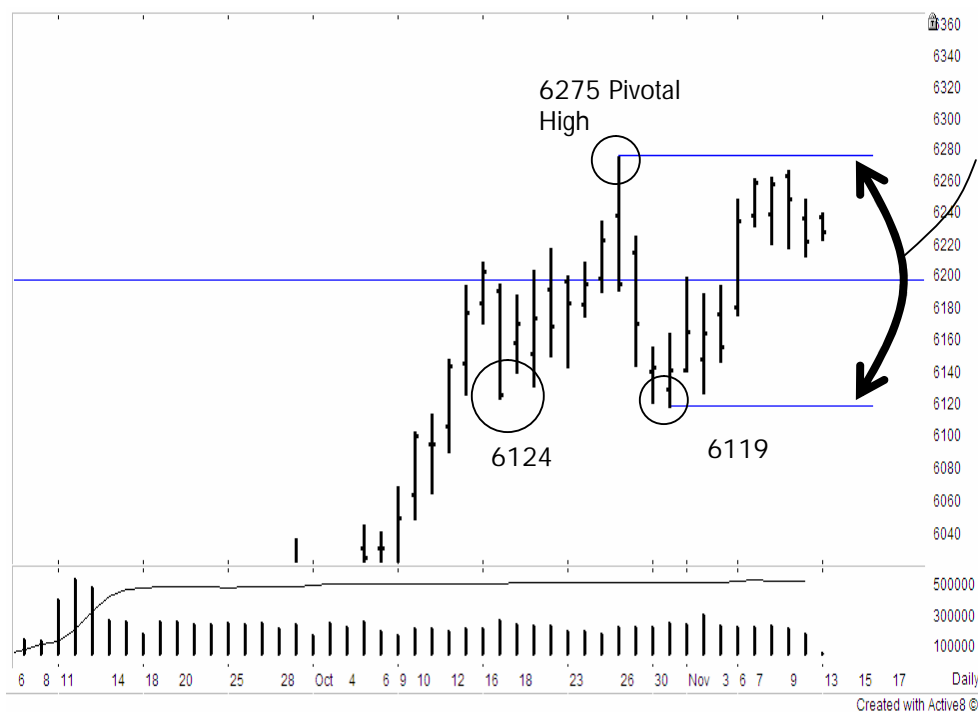
WEEKLY CASH INDEX CHART:
Note the prolonged attempt to get back through the resistance in March and April.
But the run up from July has been steady.



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FTSE 100





DAILY DEC06 FUTURES INDEX CHART:

But they will not have been comforted by the trading range that has been established around it.

A break of that upper boundary is what they need.

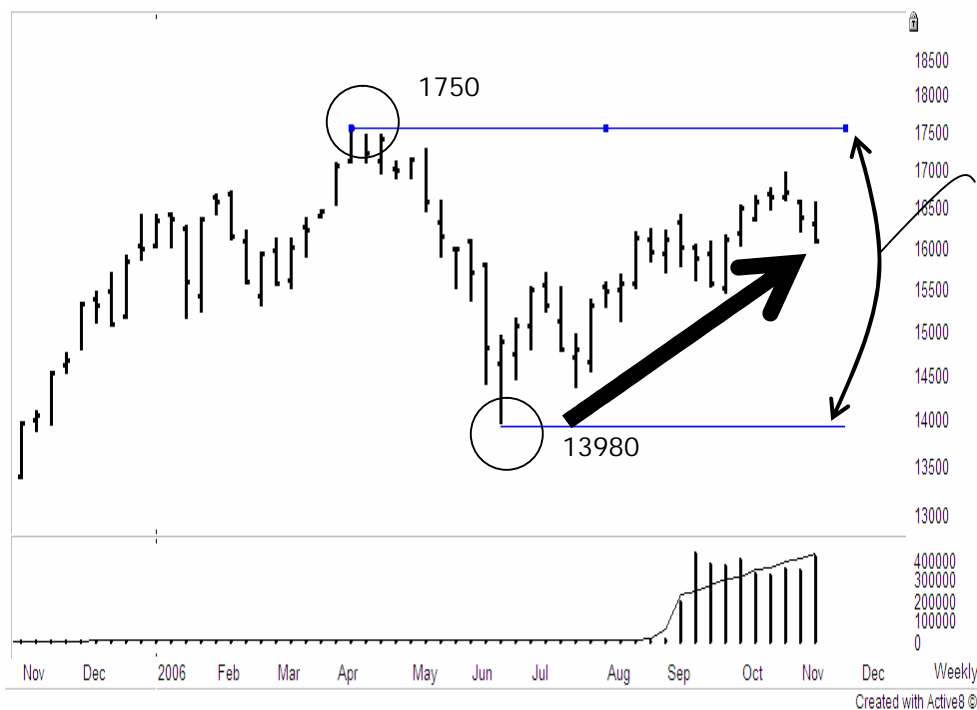
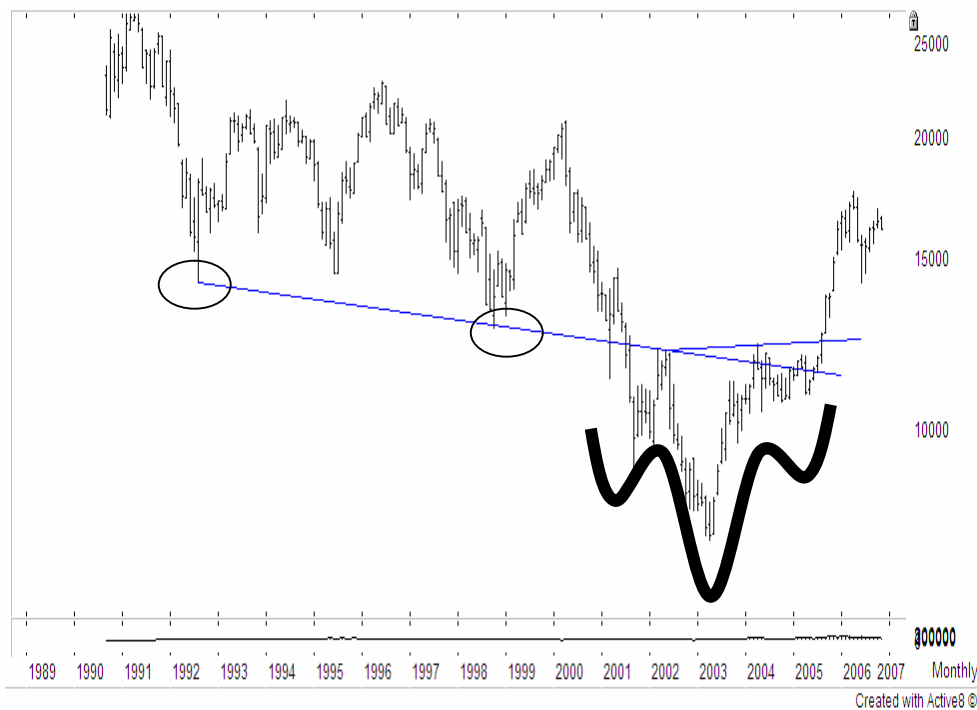
Last week, we pointed out the importance of the lower boundary around 6119/6124.

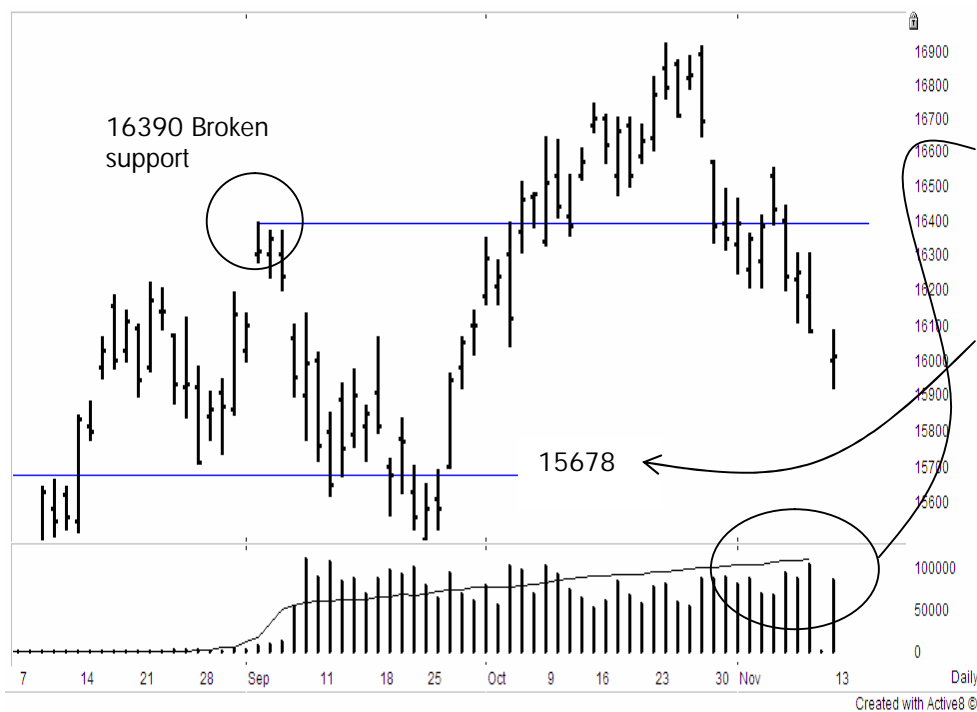
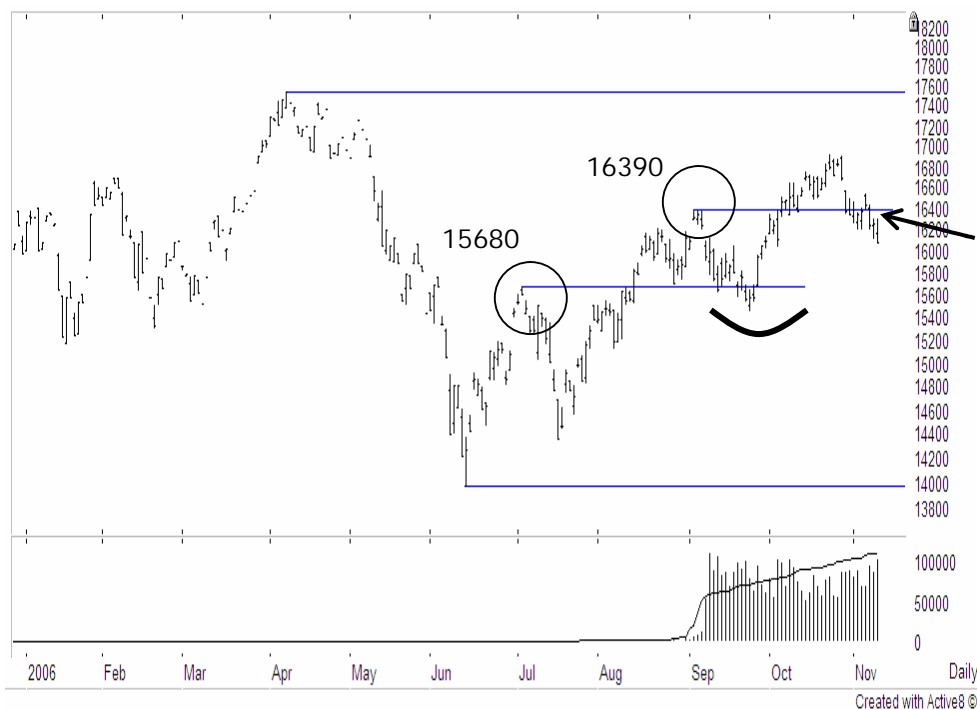
But, there was no breakdown.

A break of the range will dictate the next move.

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Nikkei 225



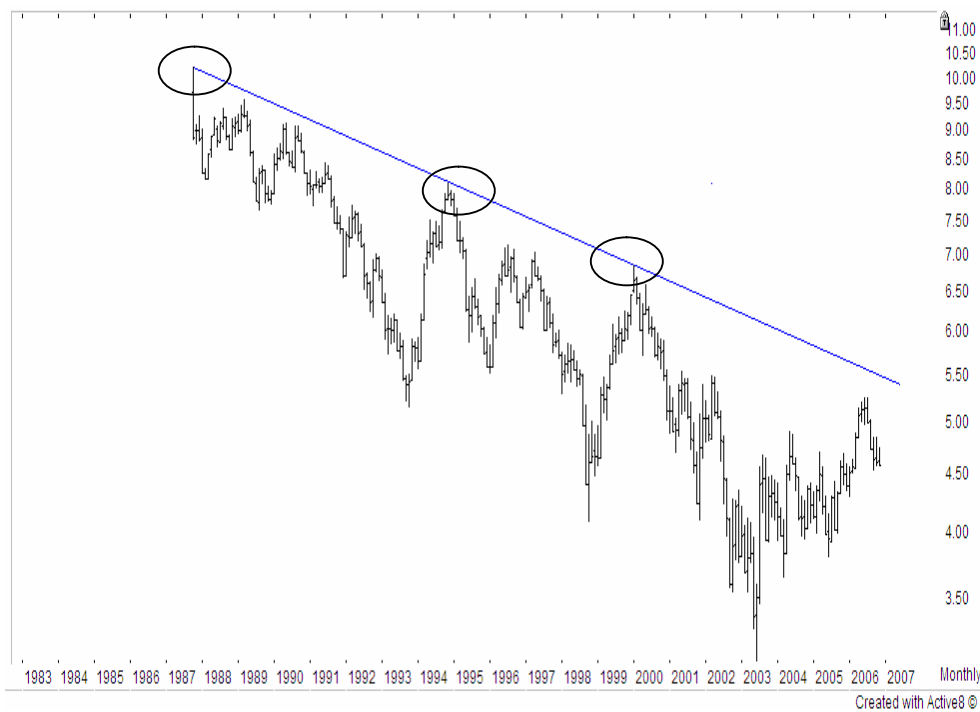


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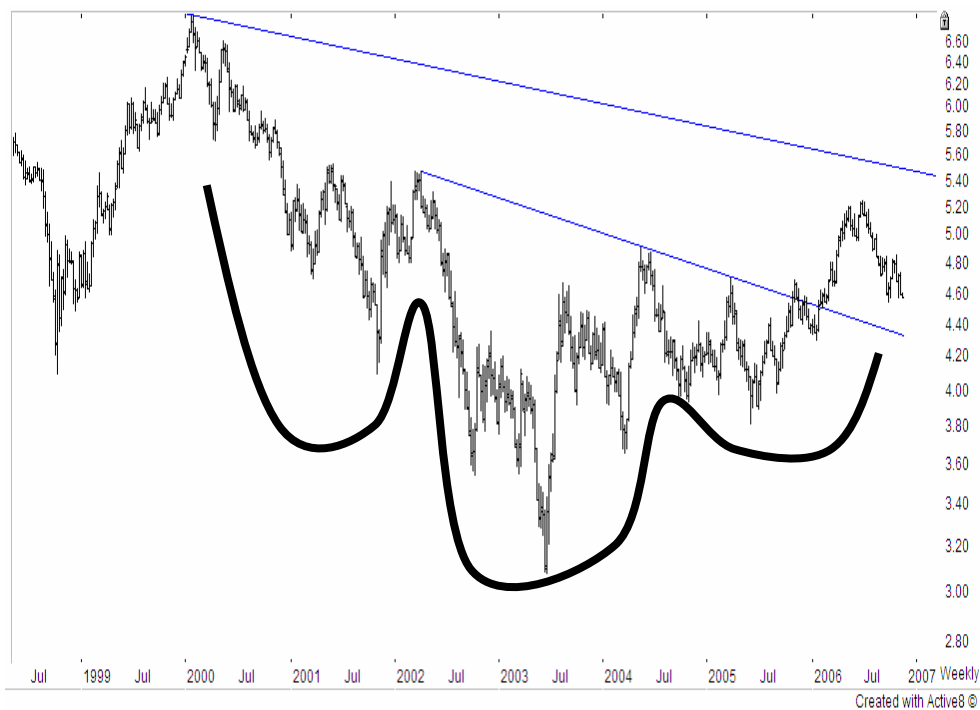
Bonds

Bonds pushed on. They're still volatile, but there's no doubt that they are arriving at critical levels. But none are broken. So we remain on the sidelines.

Ten Years US Treasury Note



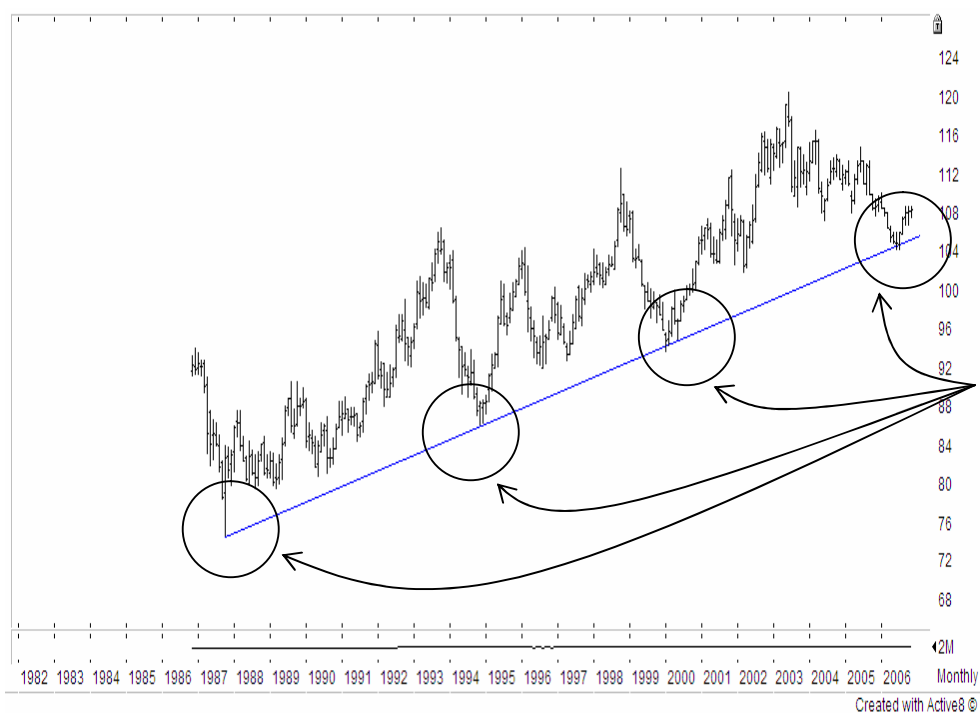
MONTHLY CASH
YIELD CHART:
In the long run the
market continues to
trend lower



WEEKLY CASH YIELD CHART:

There is a suggestion that the market is being driven in the medium-term by a Head and Shoulders Reversal pattern.

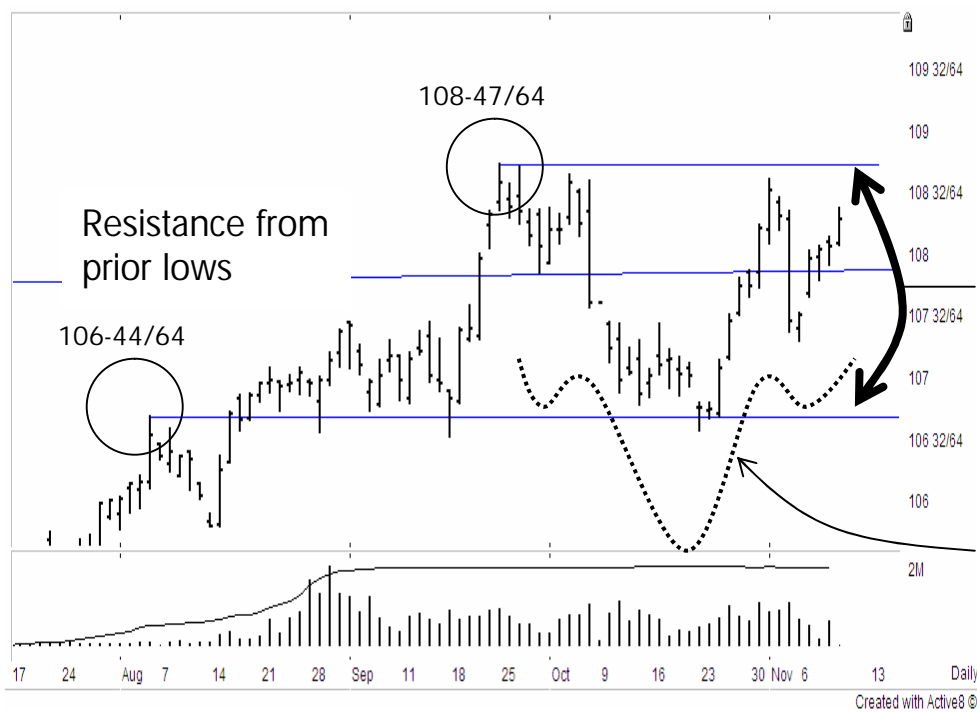
A complex formation though.



DAILY FUTURES CONTINUATION CHART:

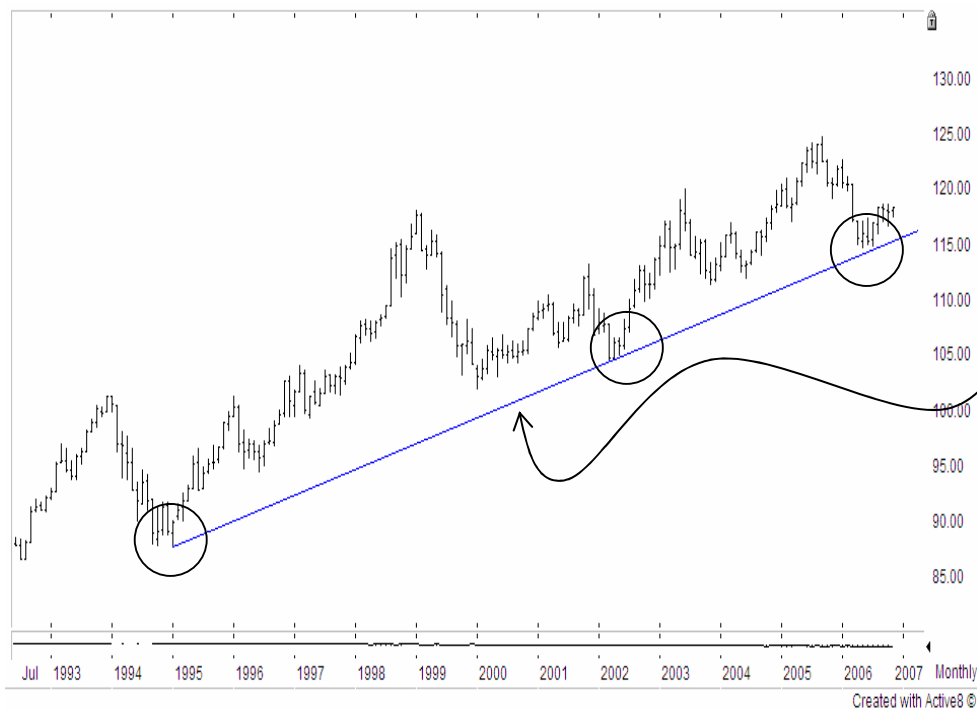
The futures trend in the longer term is altogether better established and moreover has just been tested.

So far it has held.

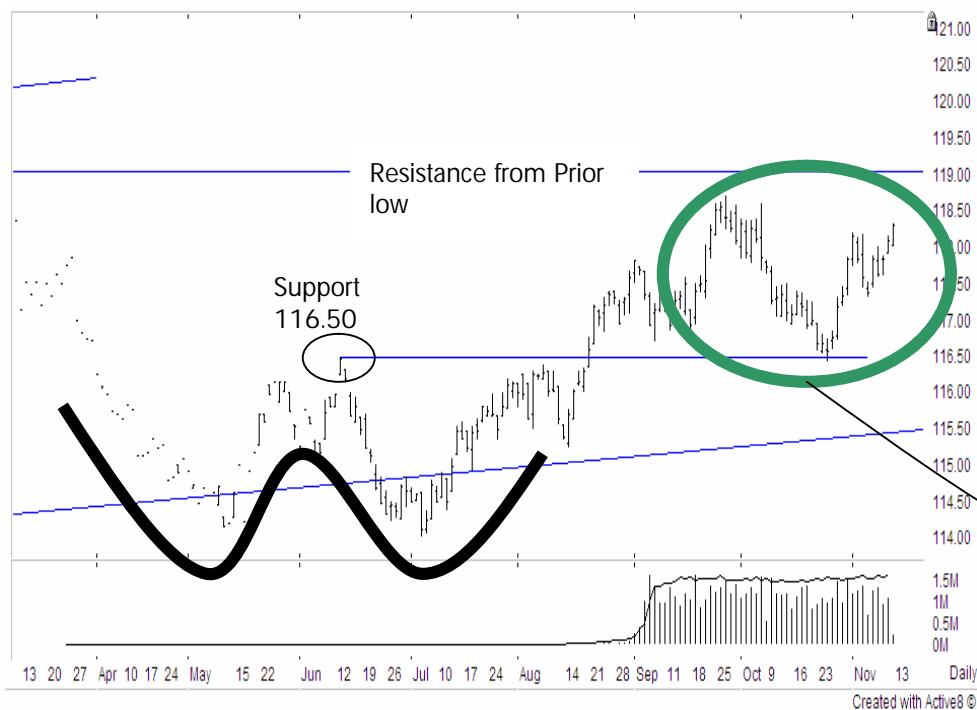


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Ten Year Euro Bund



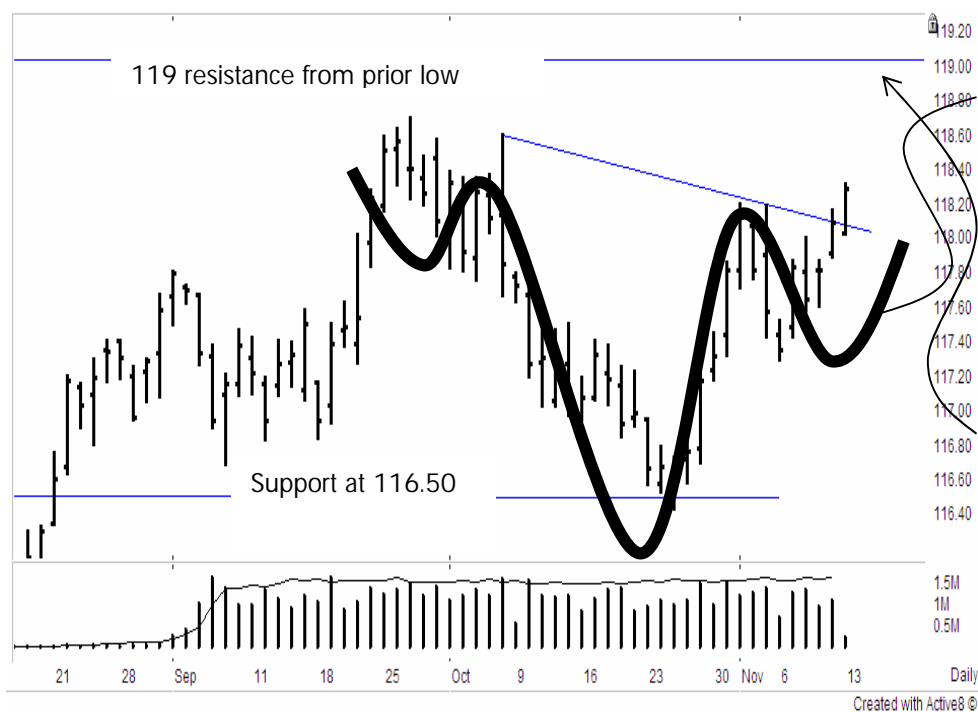
MONTHLY FUTURES CONTINUATION CHART: The futures chart is clear: there's a bull trend that's been in place since 1994.



DAILY DEC06 FUTURES CHART:

The recent bounce off that trend is notable: a Double Bottom was formed which drove the market better.

But since then the market has oscillated in a range.



DAILY DEC 06

FUTURES CHART:

Might this be a Head and Shoulders Reversal?

The volume and Open Interest figures suggest that it is.

So an early test of the resistance at 119 looks likely.

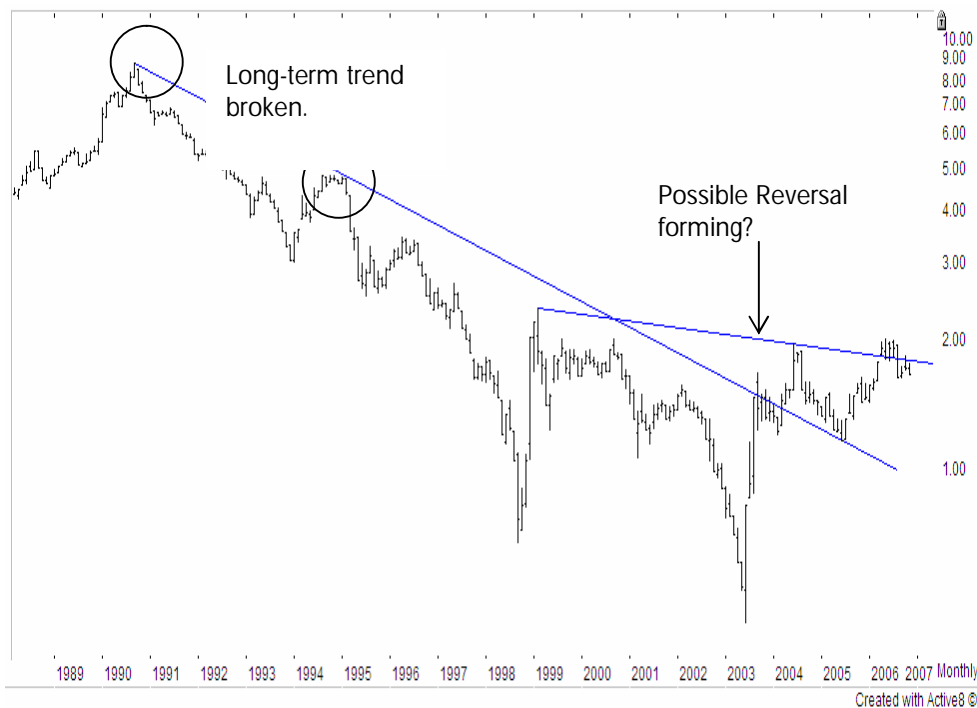
(What a difference a week makes - we were hypothesizing about a possible Bear H&S last week...)

Nonetheless the proximity of the resistance at 119 robs the situation of any immediate excitement.

Wait for the break.

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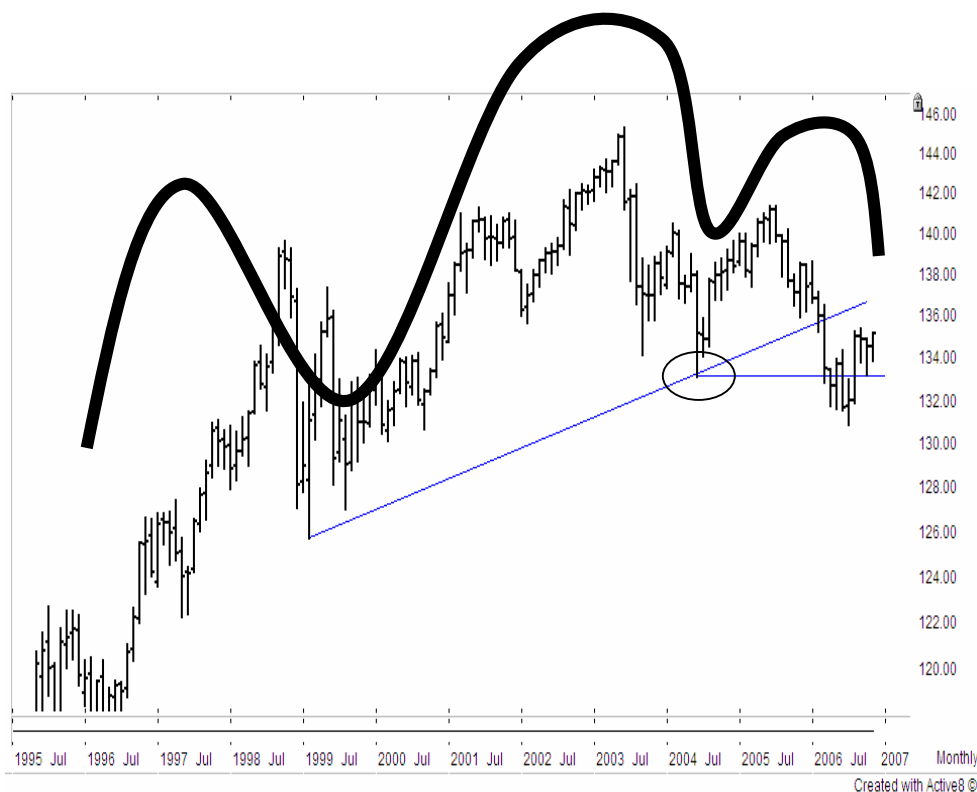
Ten Year Japanese Bond



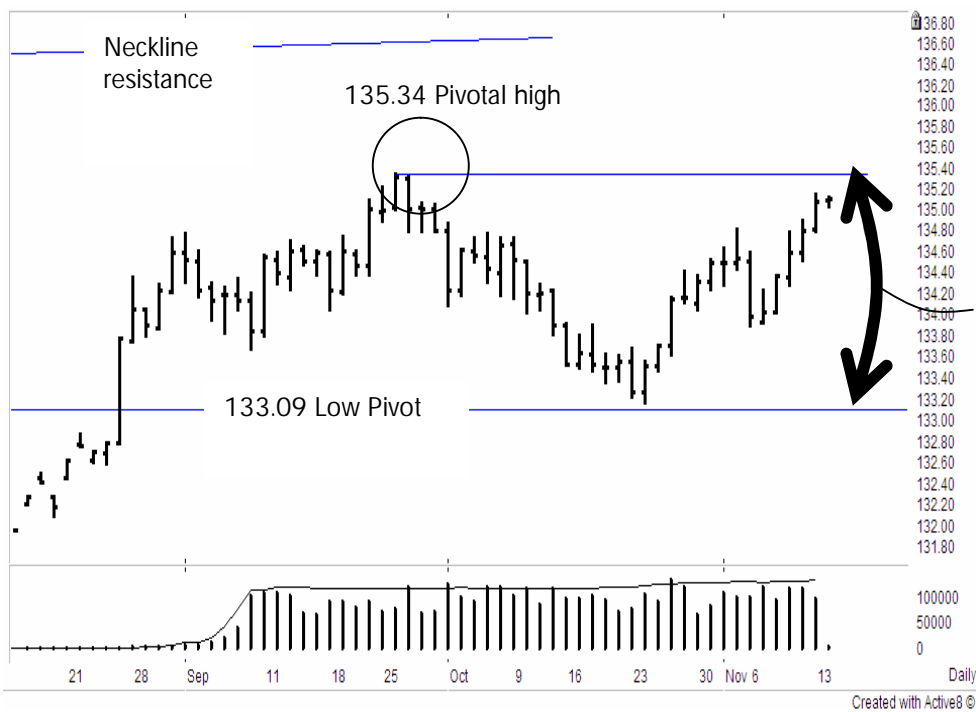
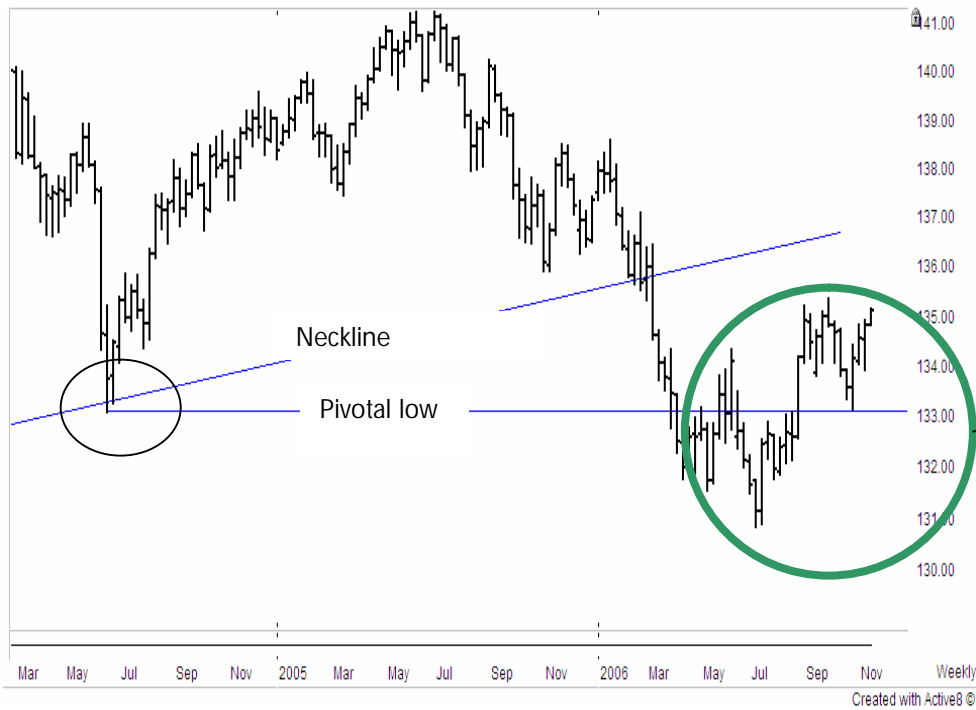
MONTHLY CASH
YIELD CHART:
Here is the long-term
picture.

The long trend has
been broken.

And, maybe, a Bottom
Formation is in place.



MONTHLY FUTURES
CONTINUATION
CHART:
The futures
Continuation pattern
has much the same
structure - that's a Top
Formation.



DAILY DEC 06 FUTURES CHART:

There is the trace of a Head and Shoulders Reversal in place. But we are not convinced.

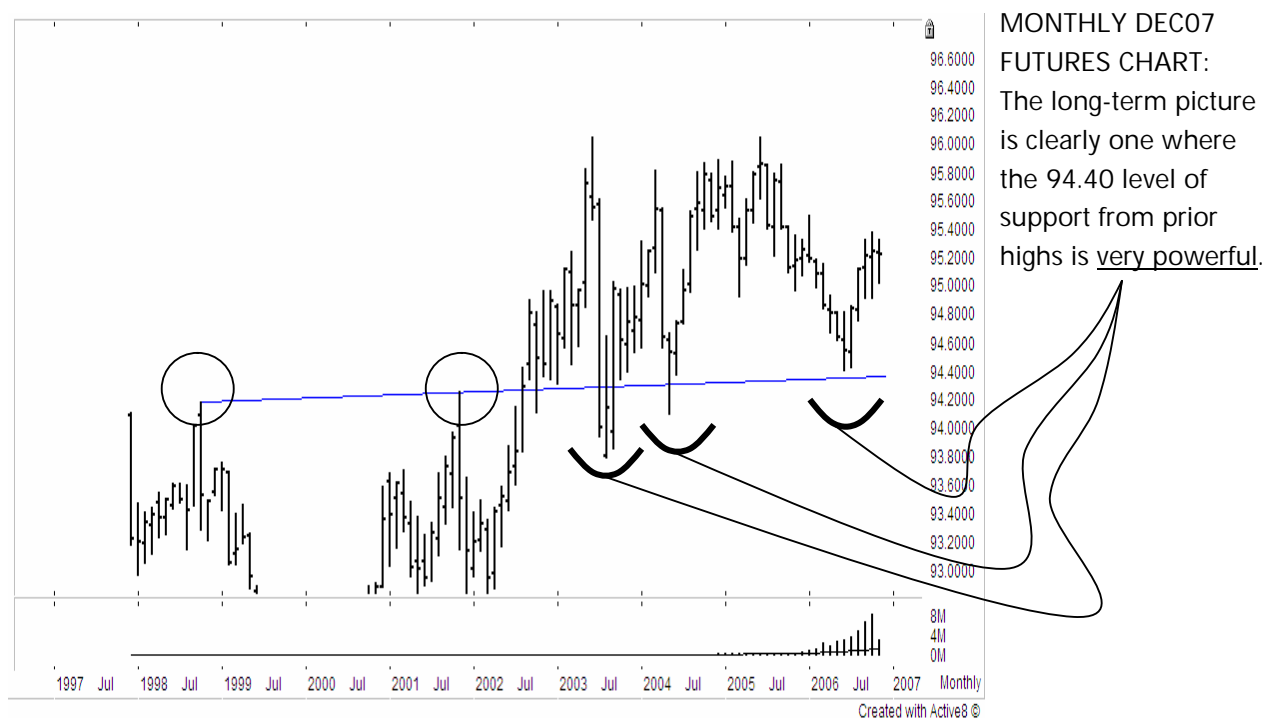
Wait for a break of the range.

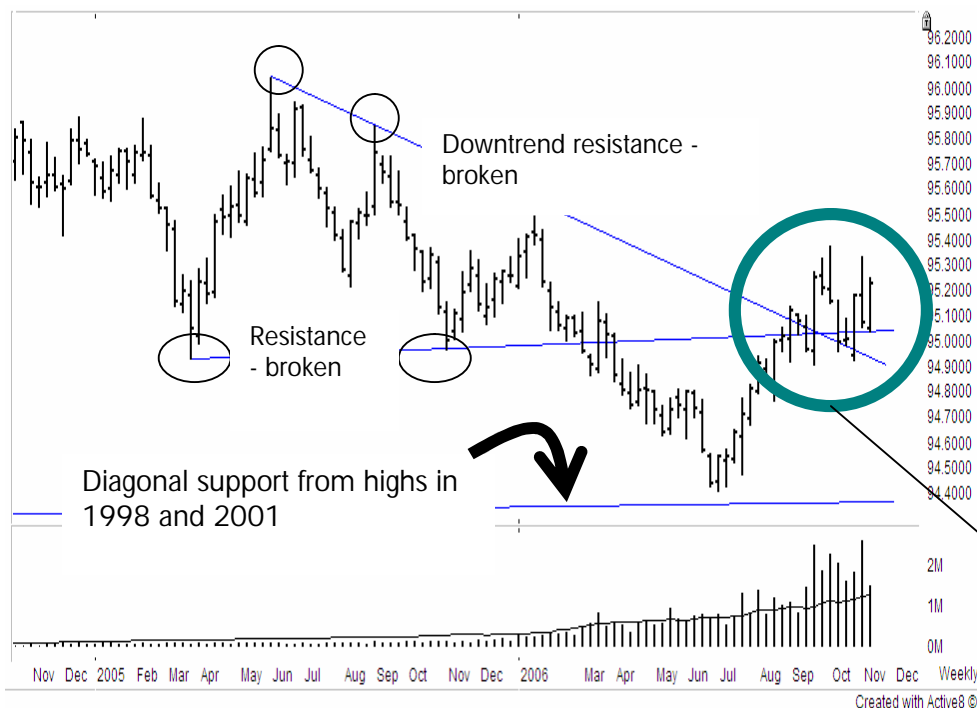
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Interest Rates

The Eurodollars remain the most bullish market so that's where we are long, trying to stomach the volatility. Elsewhere there is nothing to go for. The trading ranges are clear and unthreatened.

Dollar Rates



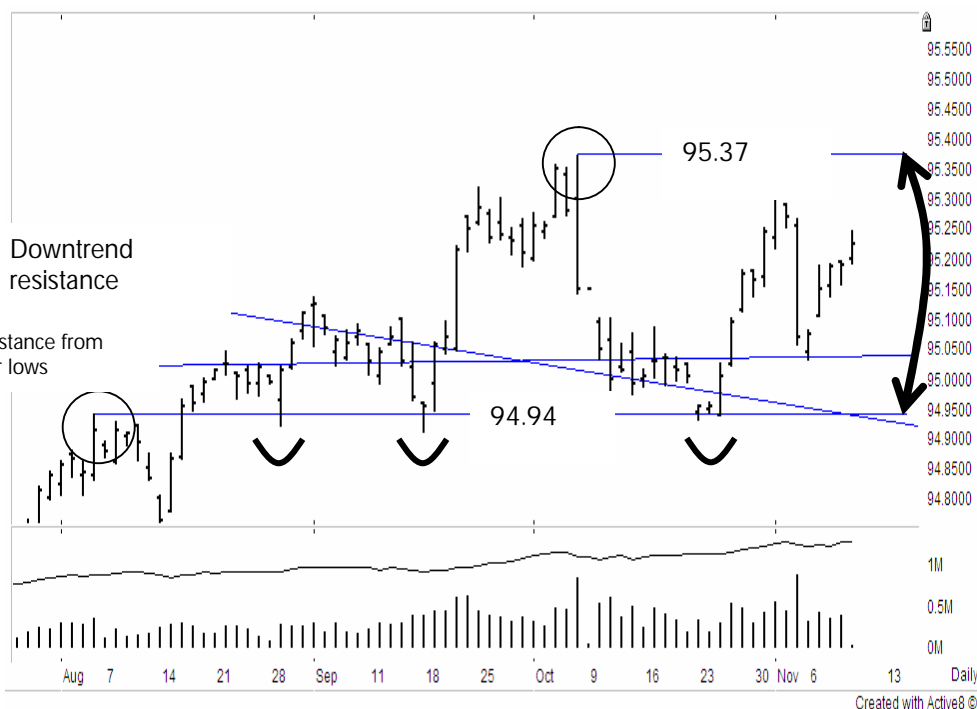


WEEKLY DEC 07 FUTURES CHART:

And the bounce from that support has been sufficiently powerful to drive up through the resistance from the lows at 95.00.

And at that level note the co-incidence of the down-trend diagonal resistance.

The market's break up through both those levels was important and bullish.



DAILY DEC07 FUTURES CHART:

Now here's the detail of that breakthrough

Note the trading range that has developed

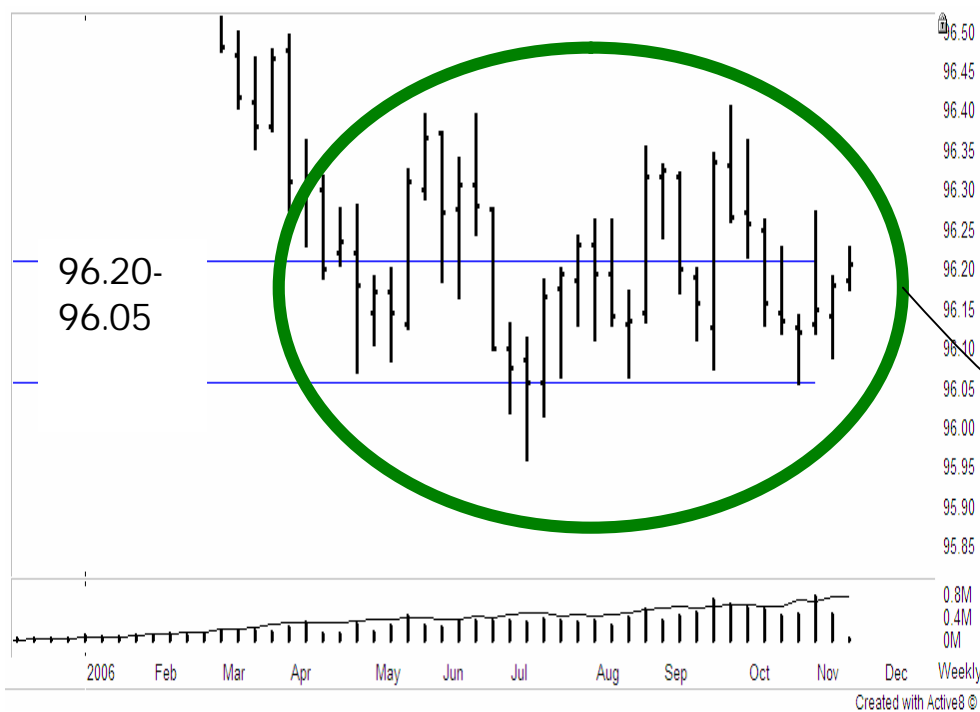
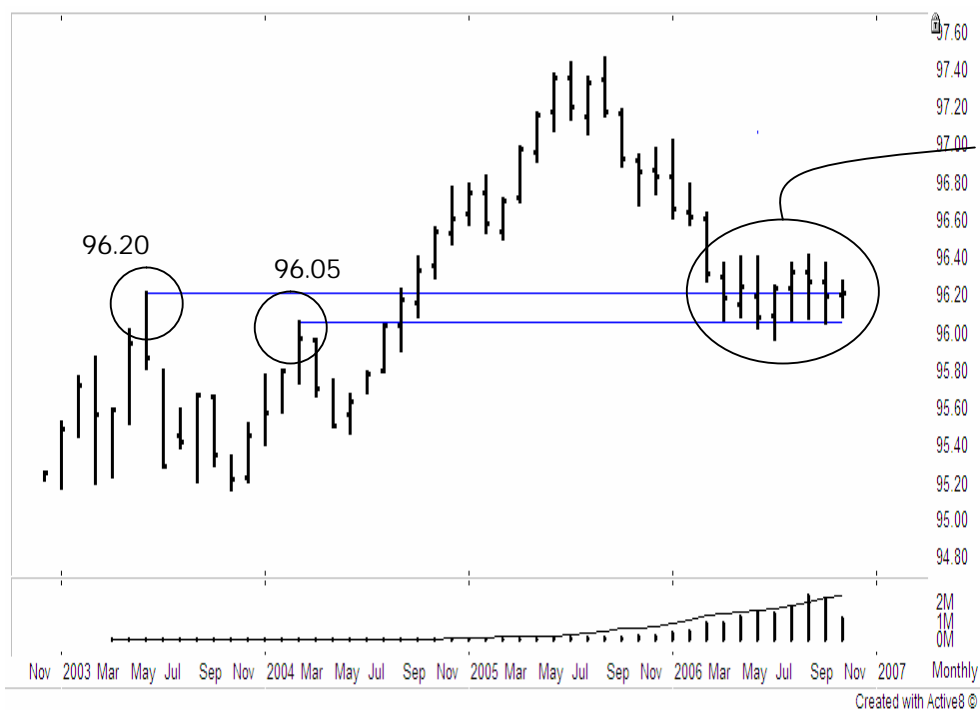
We see no clear structure within that range.

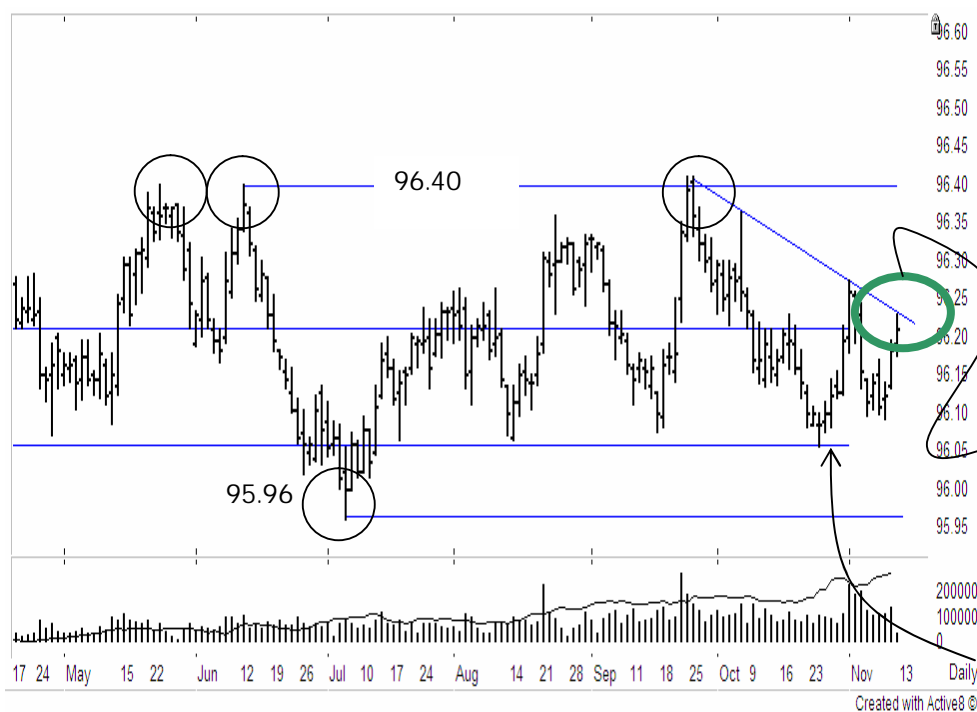
But the wider structure backs our stance that despite the volatility, the market is basically bullish.

We remain buyers with Stops beneath 94.92.

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Euribor Rate





DAILY DEC 07 CHART:
The detail doesn't help much.

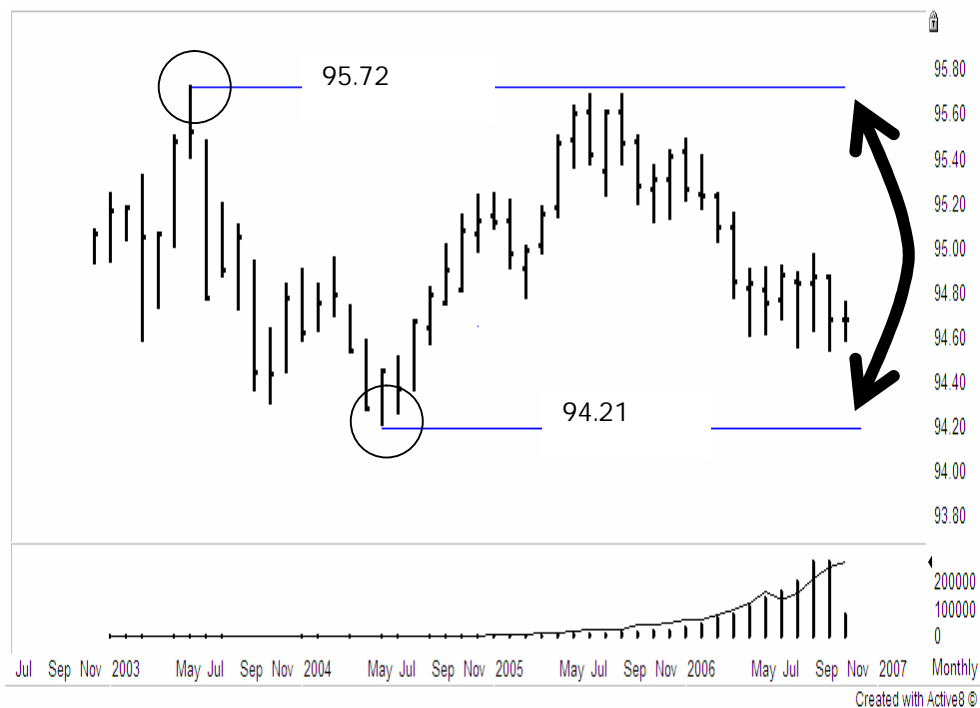
The two boundaries are clear.

Note though, the diagonal at 96.22 currently, its well-established, and a break through would be a good bull boost.

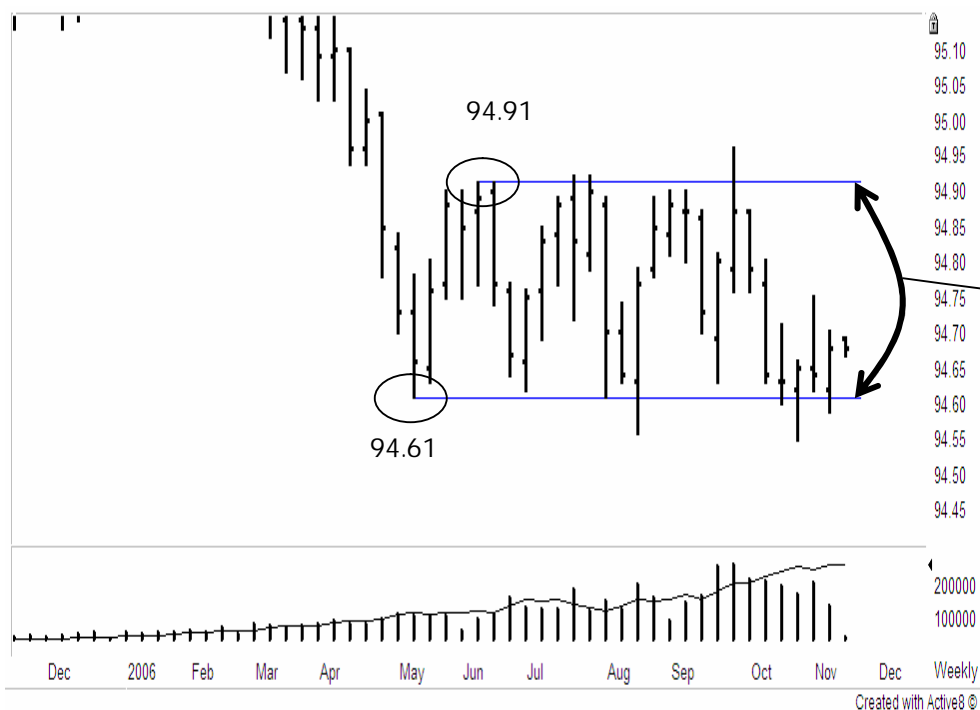
And on the downside, the 95.05 is the level to concentrate on for the bears.

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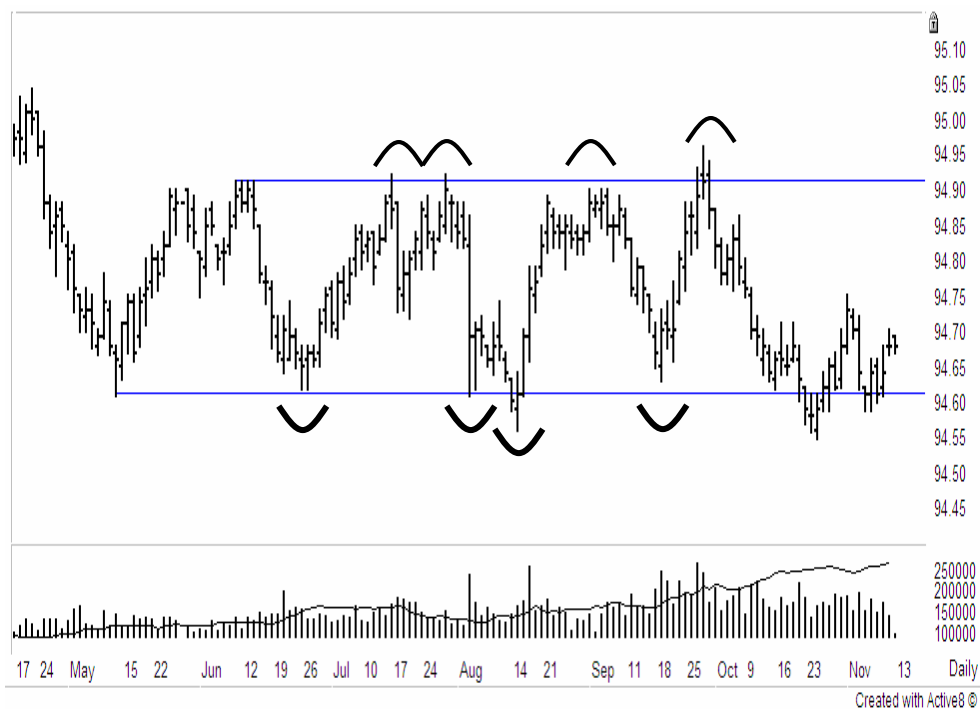
Sterling Rates



**MONTHLY DEC 07
FUTURES CHART:**
The market has been
ranging for the last
three years.



**WEEKLY DEC 07
FUTURES CHART:**
And for the last six
months, there is an
even tighter range.



DAILY DEC07 CHART:
Both boundaries have
been tested many
times.

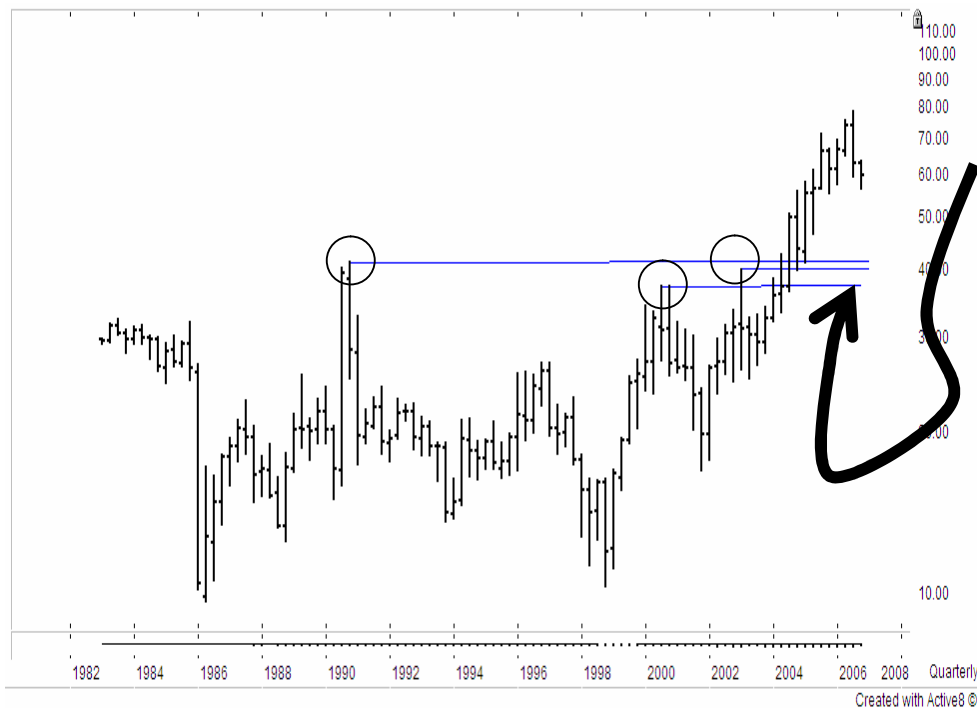
Stand aside for a clear
break.

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Commodities

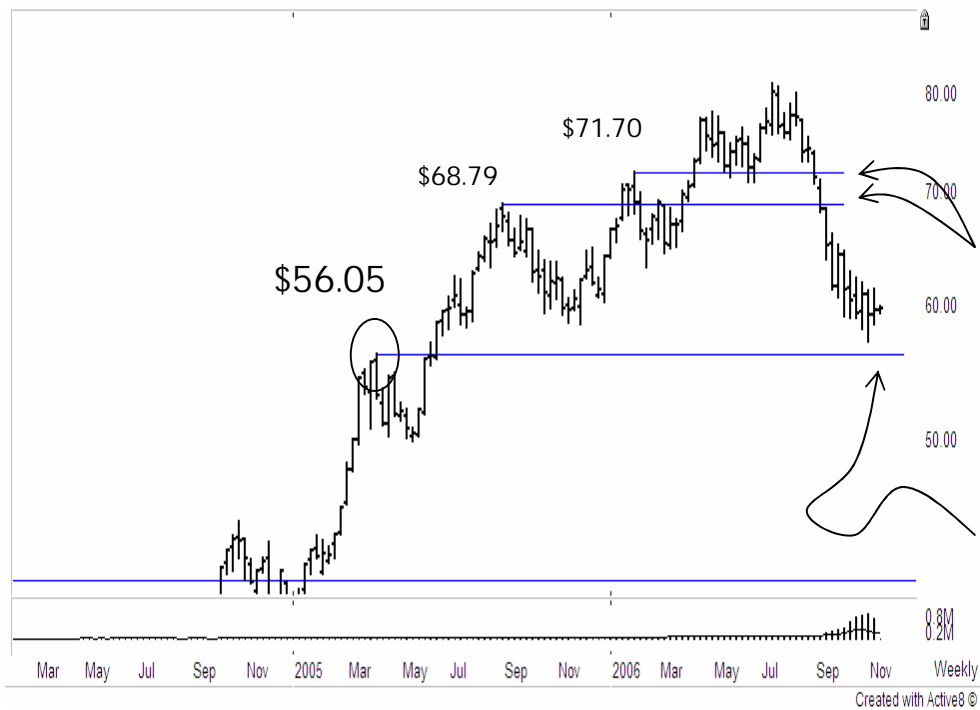
The Oil chart is without feature. Gold, on the other hand merits a rethink from our former scepticism. We are now bullish.

Oil



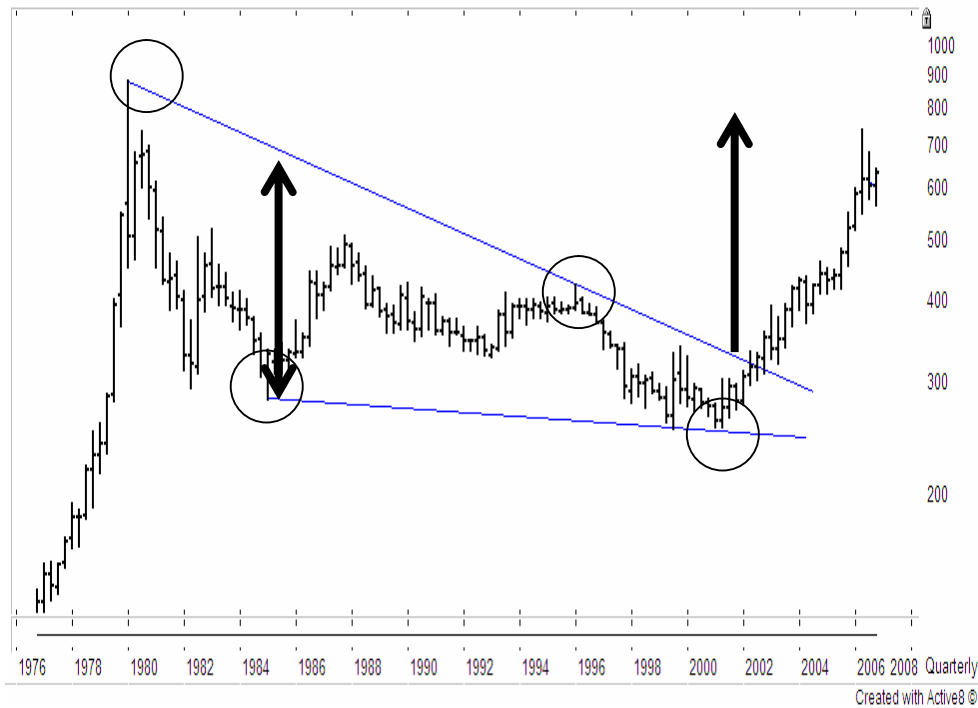
QUARTERLY FUTURES
CONTINUATION
CHART:

The market's bull run
arose from breaking
through the \$40 ceiling
which had been in
place for 4 years.

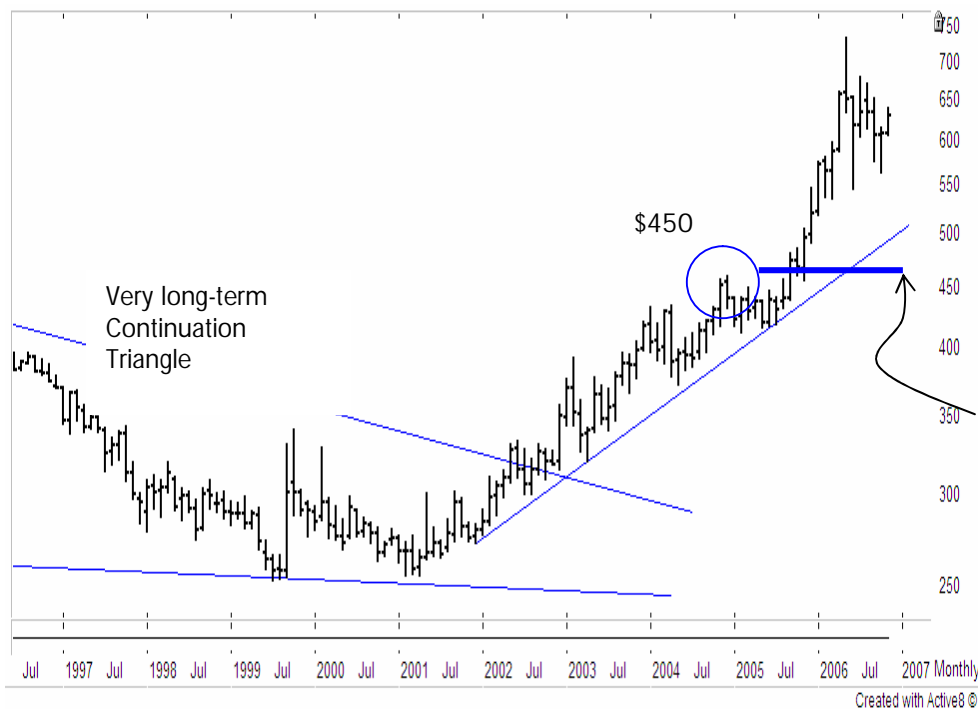


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Gold

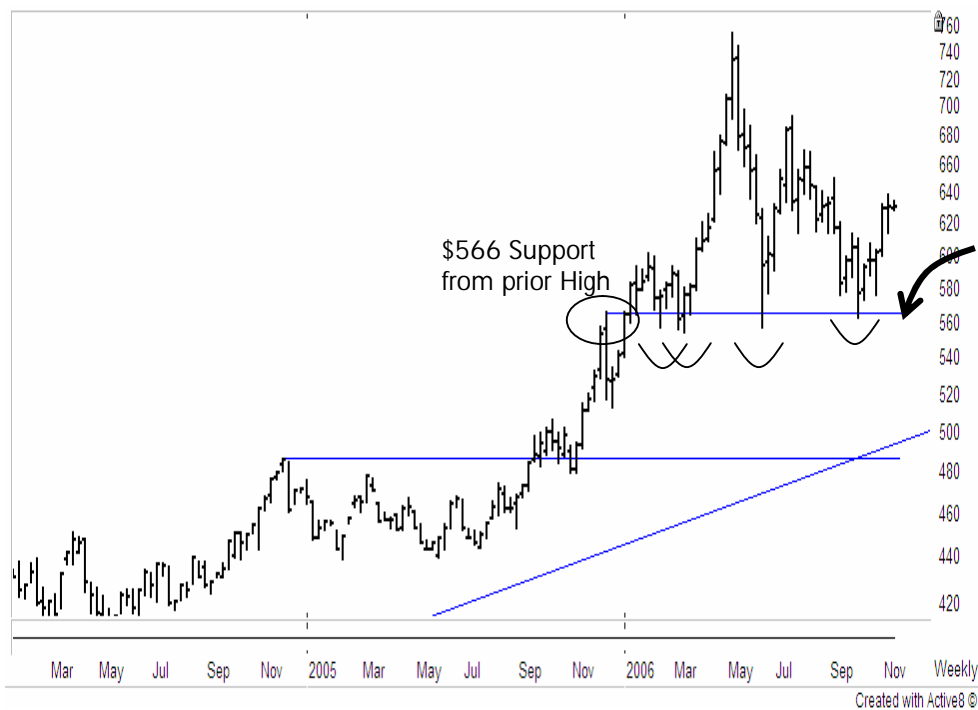


QUARTERLY FUTURES CONTINUATION CHART:
The long chart is dominated by a Triangle that drove the market better.



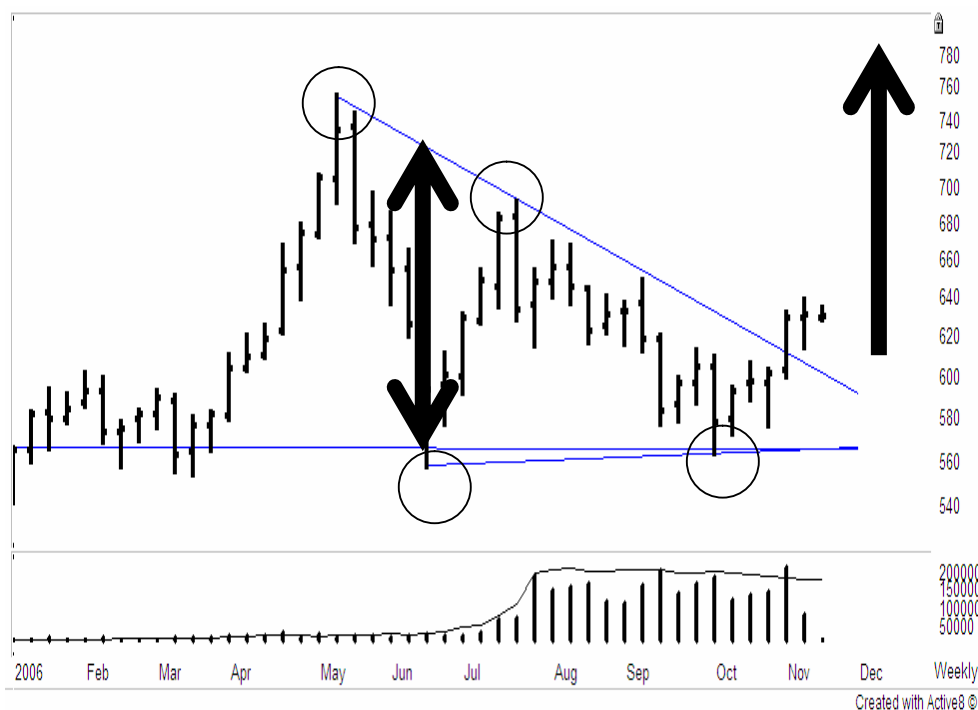
MONTHLY FUTURES CONTINUATION CHART:
The bull run from the completion of the Triangle has been swift.

And the longer-term support lies well beneath the market, as the trend accelerated after breaking through \$450.



WEEKLY FUTURES
CONTINUATION
CHART:
And the market has
stalled throughout
2006.

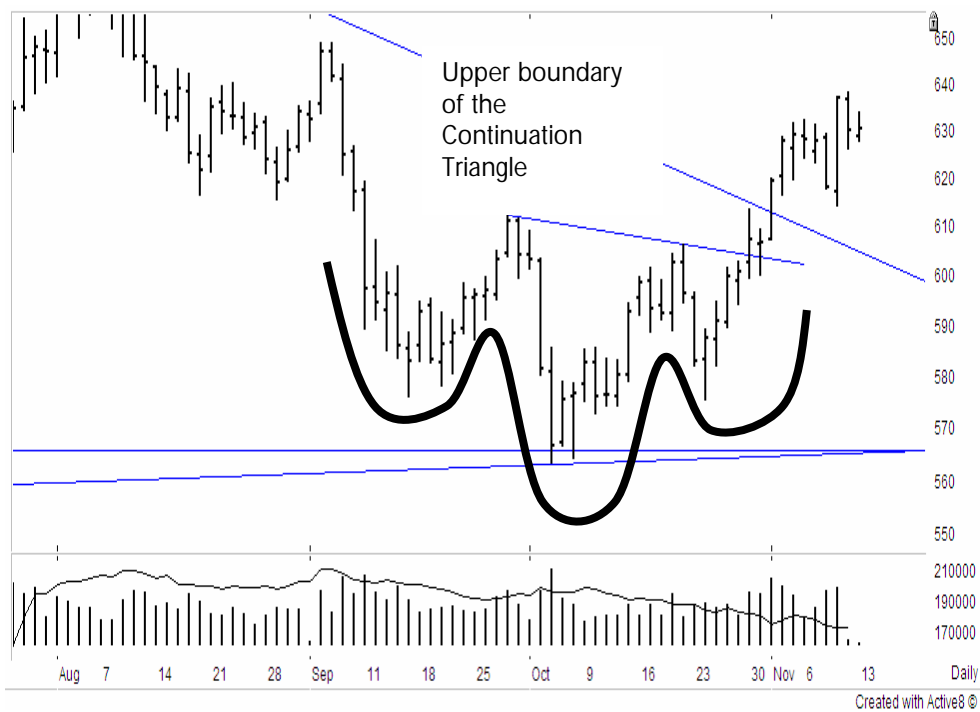
That support at \$566 is
clearly vital.



DAILY DEC06
FUTURES CHART:
Looking closer though,
note the completion of
another Continuation
Triangle in the weekly
chart.

Is the break good?

Look closer.



DAILY DEC 06
FUTURES CHART:
Here's the catalyst for the break a Neat little Head and Shoulders Reversal.

We were unconvinced before.

But volumes have revived.

And though Open Interest has continued to fall, that is probably due to roll-overs.

So we are revising our stance - the market looks good for more on the upside.

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