

WEEK 49 5th – 11th December 2006

THE TECHNICAL TRADER'S GUIDE TO MAJOR MARKETS

MARK STURDY



LINKS

CURRENCIES

03 DOLLAR EURO

Stay **LONG** go **LONGER** above 1.3812

05 DOLLAR STERLING

Stay **LONG** and add while 1.96 holds

07 DOLLAR YEN

Stay **SQUARE**

09 STERLING EURO

Stay **SQUARE**

STOCKS

11 STANDARD AND POORS 500

Stay **SQUARE**

13 EUROPEAN DJ STOXX 50

Stay **SQUARE**

15 FTSE 100

Stay **SQUARE**

17 NIKKEI 225

Stay **SQUARE**

BONDS

20 TEN YEAR US TREASURY NOTE

Stay **LONG** while above 108-41/64 (March 07)

23 TEN YEAR EURO BUND

Stay **SQUARE**

25 TEN YEAR JAPANESE BOND

Stay **SQUARE**

INTEREST RATES

28 DOLLAR RATES

Go **LONGER** above 94.94 (Dec 07)

30 EURIBOR RATES

Stay **SQUARE**

32 STERLING RATES

Stay **SQUARE**

COMMODITIES

34 OIL

Stay **SQUARE**

36 GOLD

BUY again above \$640 (Feb 07)

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.

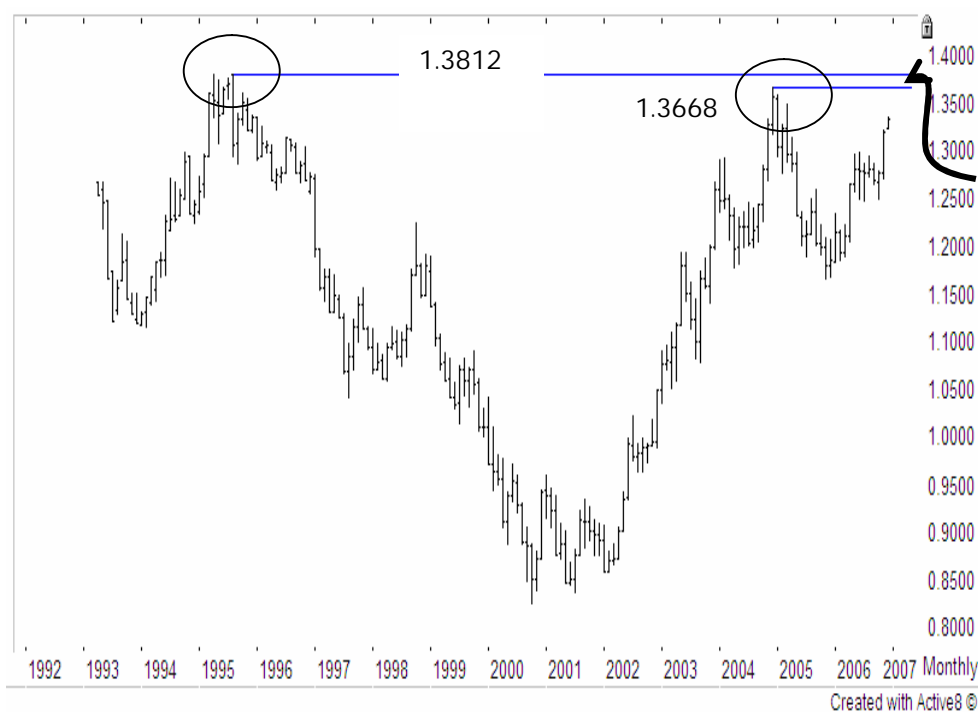
Since then he has worked extensively as a consultant technical analyst for a number of large private investors, banks and Hedge Funds.

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

Currencies

We said we thought there was more to come last week when the Dollar was at 1.3125 or so. Now it's 1.3350. Some might be tempted to take profits here. Certainly the Euro has reached the target we set. But we think it's going further. Look at the Sterling. There's scope for another leg and beyond. And if that goes, then it looks like the Euro will break those very long-term level at 1.3812 which would drive that on as well. The Yen seems dull stuff indeed next to these. And the Sterling Euro as well.

Dollar Euro



MONTHLY SPOT CASH CHART:

The market is nearing the old highs of 1995 and 2004.

They are the critical levels for the Dollar bears.

Only if they are broken will the Dollar bears really get going.



WEEKLY SPOT CASH CHART:

The market has a clear trending structure.

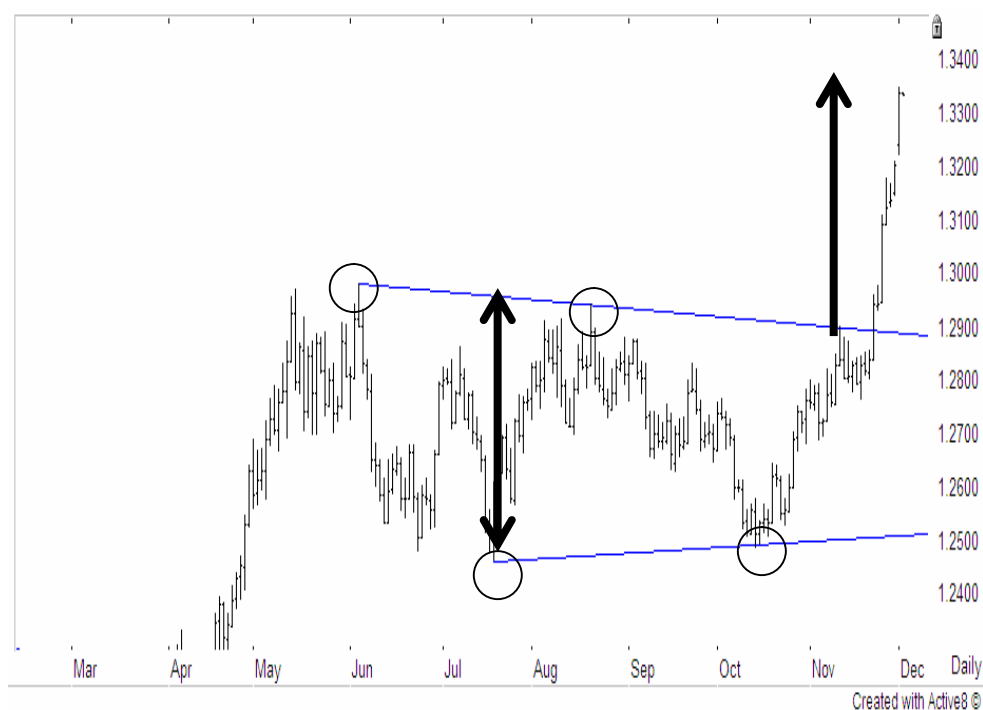
The horizontal from 1.1934 is powerful support.

The second time the market bounced off that support, a small Head & Shoulders Reversal was created which, when it completed, began this recent bear run for the Dollar.

The recent excitement surrounds the completion of a Continuation Head and Shoulders Triangle which completed last week.

And so drove the Euro further still.

Look closer.



DAILY SPOT CASH CHART:

The minimum move has already almost been achieved.

Profit-taking stops should closely-placed.

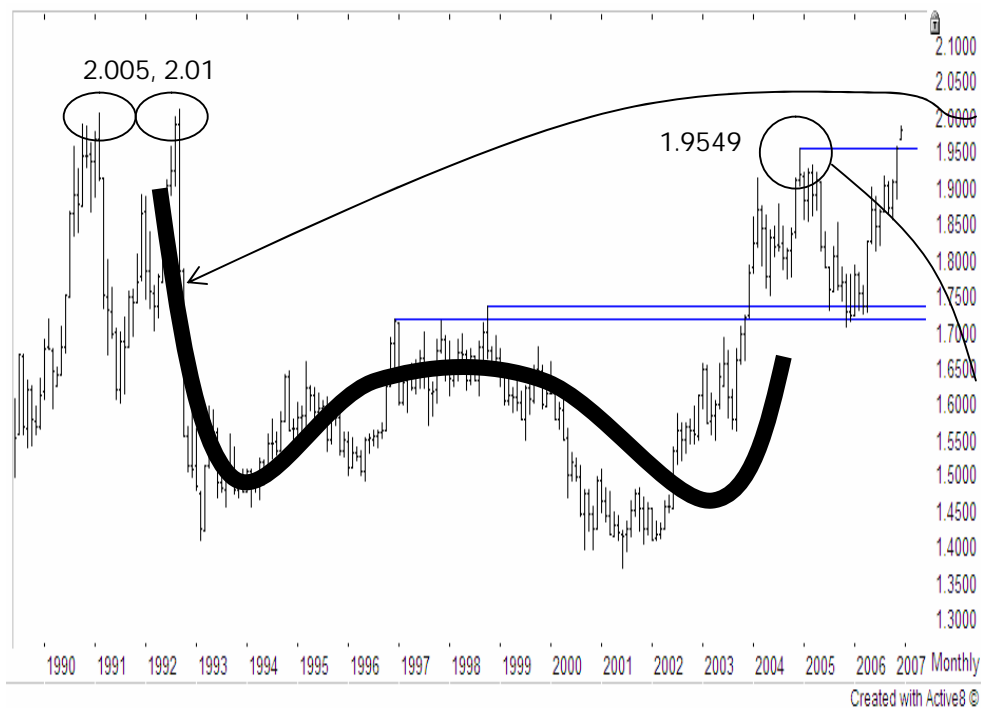
Last week we said:

'there's more to go towards 1.3390 at least.'

That was spot on.

[Return to Contents](#)

Dollar Sterling



MONTHLY SPOT CASH CHART:

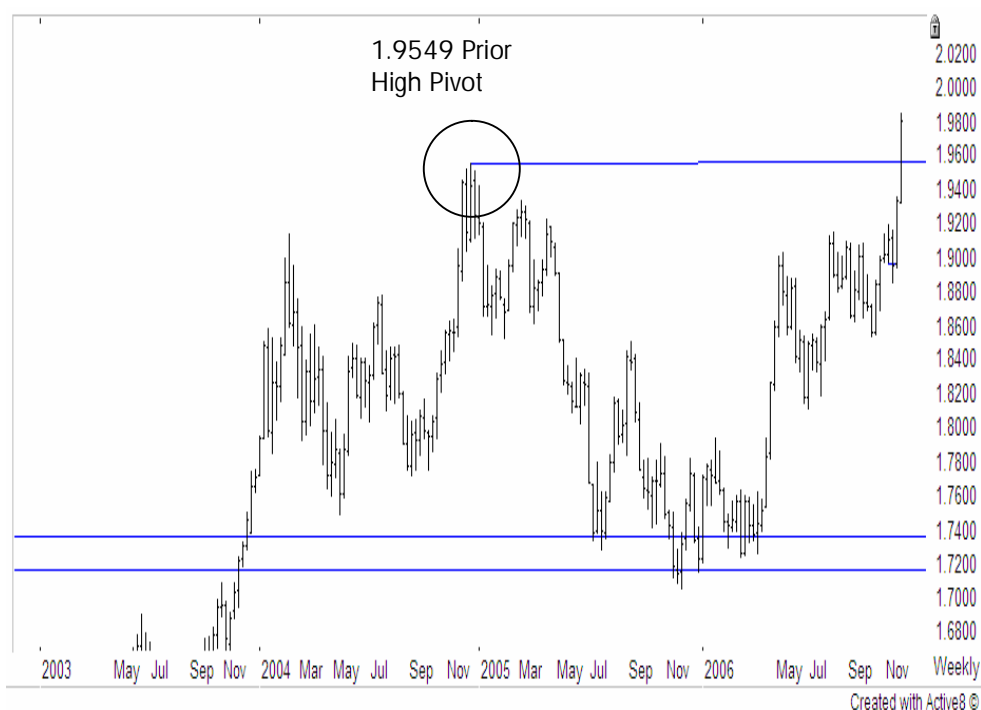
The big pattern that has long dominated the market is the large Double Bottom that calls the market up to 2.08/9 or so.

The recent excitement surrounds the break up through the previous high at 1.9549.

But note too, the highs at 2.005 and 2.01.

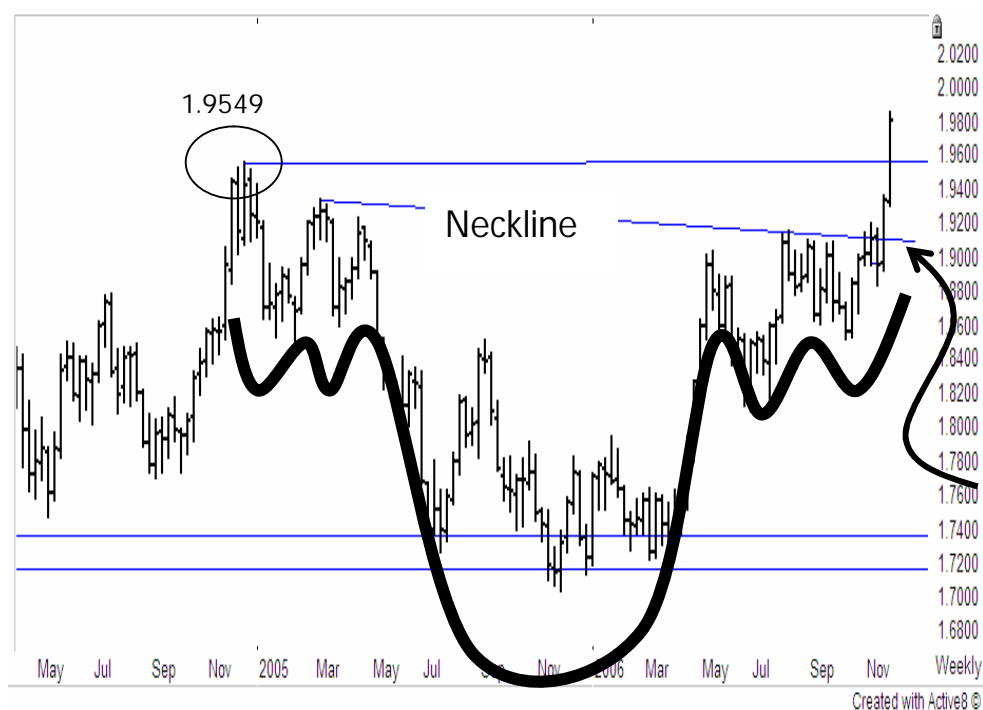
They are massively powerful pivots.

A break through those levels would be very powerful too.



WEEKLY SPOT CASH CHART:

Here's the recent price action in greater detail.



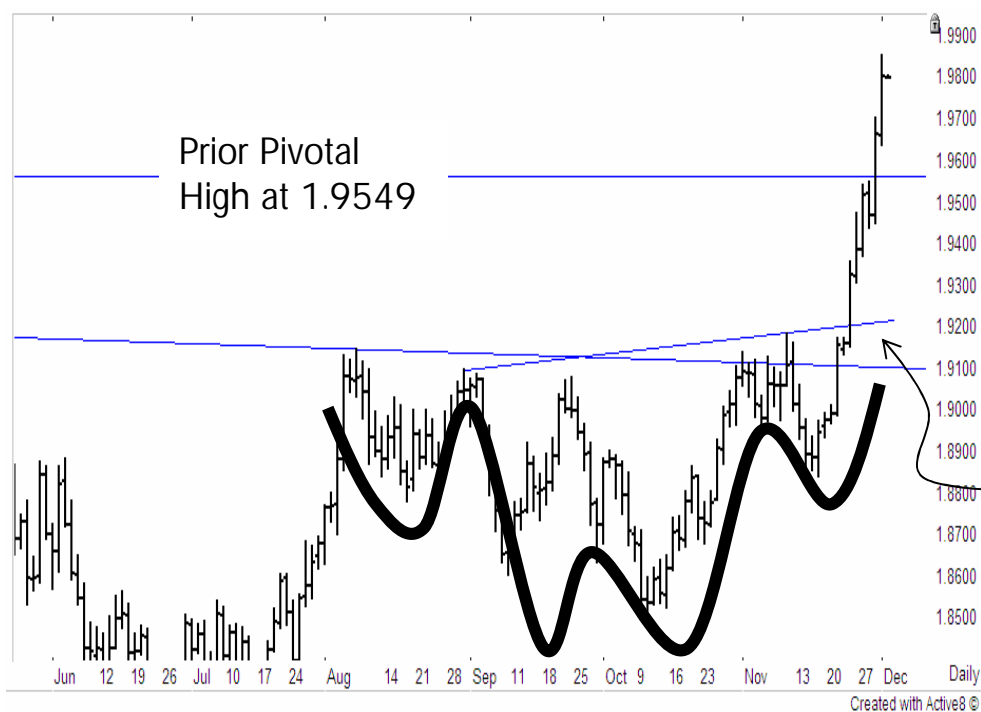
WEEKLY SPOT CASH CHART:

And this is the catalyst that drove the market better through the Pivot at 1.9549.

A complex (because untidy) but coherent Head and Shoulders Reversal pattern.

That completed lower down at 1.9111.

Look closer still.



DAILY SPOT CASH CHART:

This is coherent too, if still untidy: a smaller Head and Shoulders pattern in the day chart that added to the bull momentum when it completed at 1.9195.

We have been right on top of the recent move.

And note well that it's not over.

Last week we said: 'in any event the critical break for the Sterling bulls is surely the Pivotal high at 1.9549.'

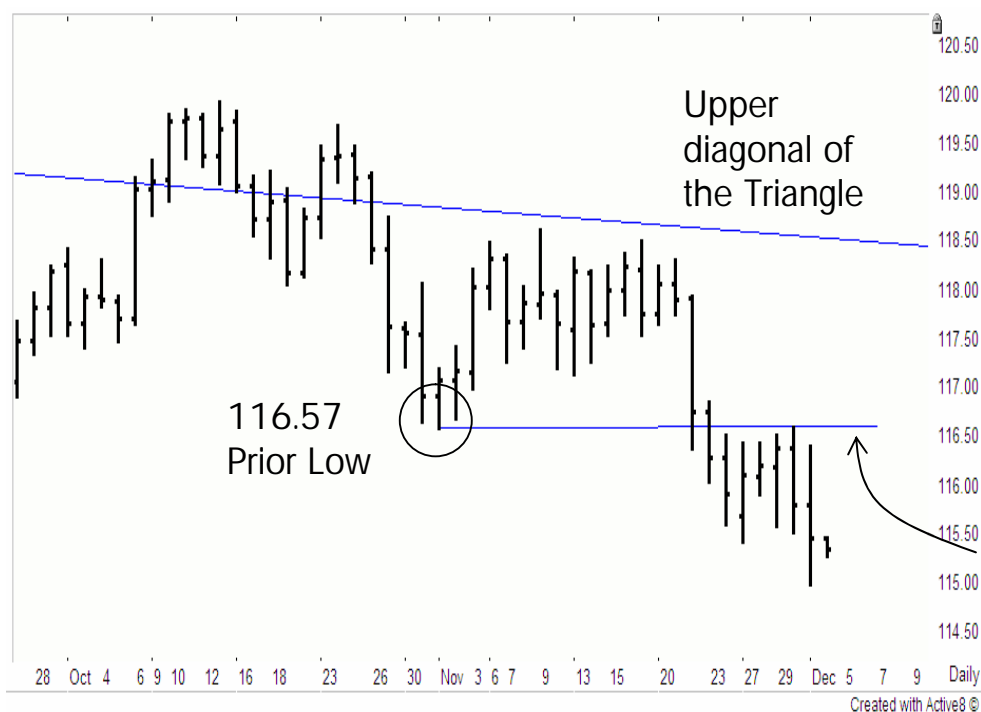
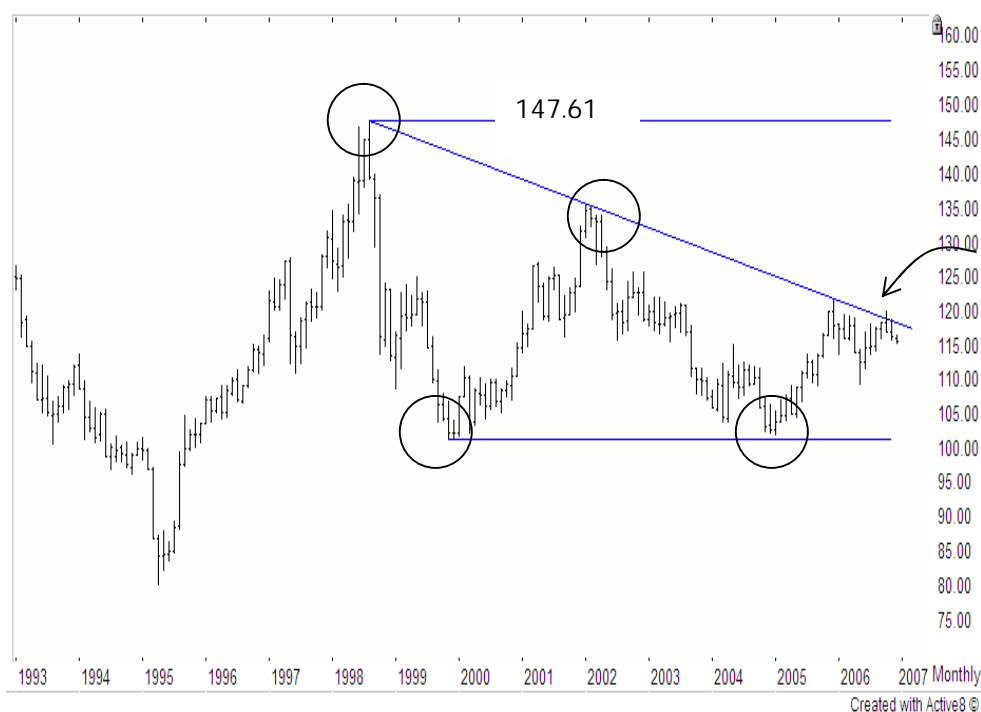
That's what is so exciting right now.

Late entrants into the move have an additional stimulus to trade on.

This market looks as if its going a lot further in the long run.

[Return to Contents](#)

Dollar Yen



MONTHLY SPOT CASH CHART:

There are no significant movements happening at this level.

The large Triangle remains unbroken.

DAILY SPOT CASH CHART:

And there's a bear trend developing in the recent pull-back from the Triangle's Upper Diagonal.

The push down through the prior low at 116.57 will drive the market on down.

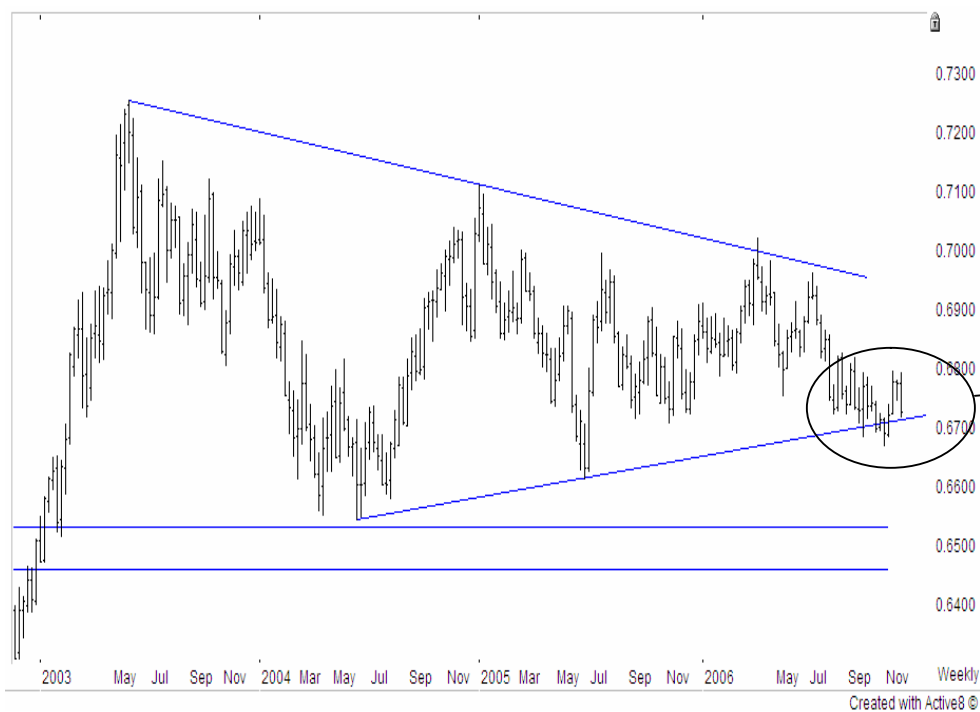
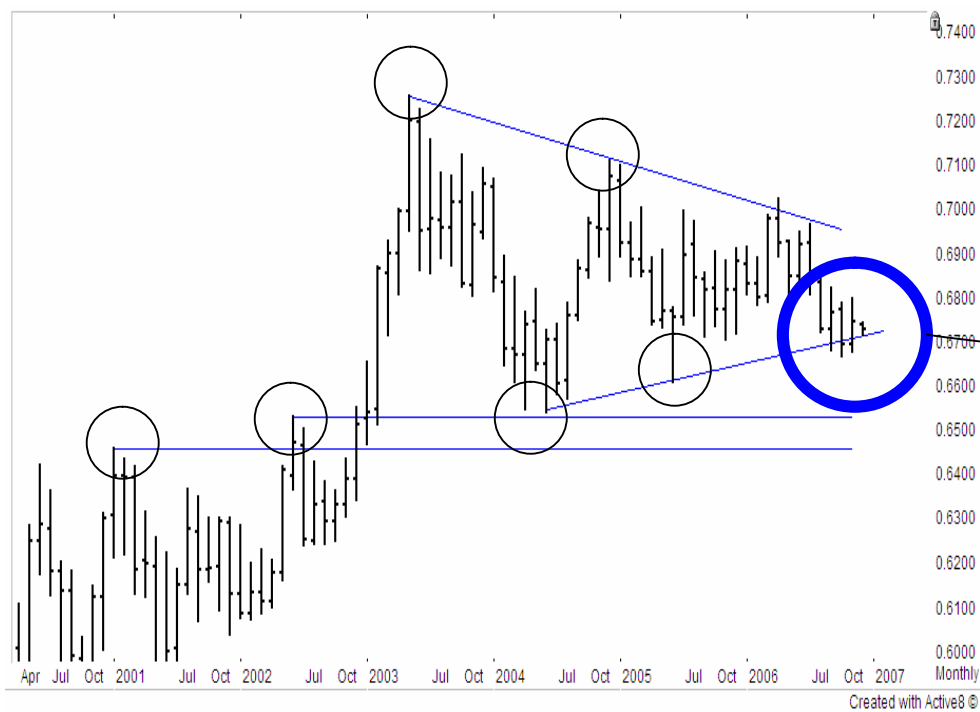
116.57 is good resistance.

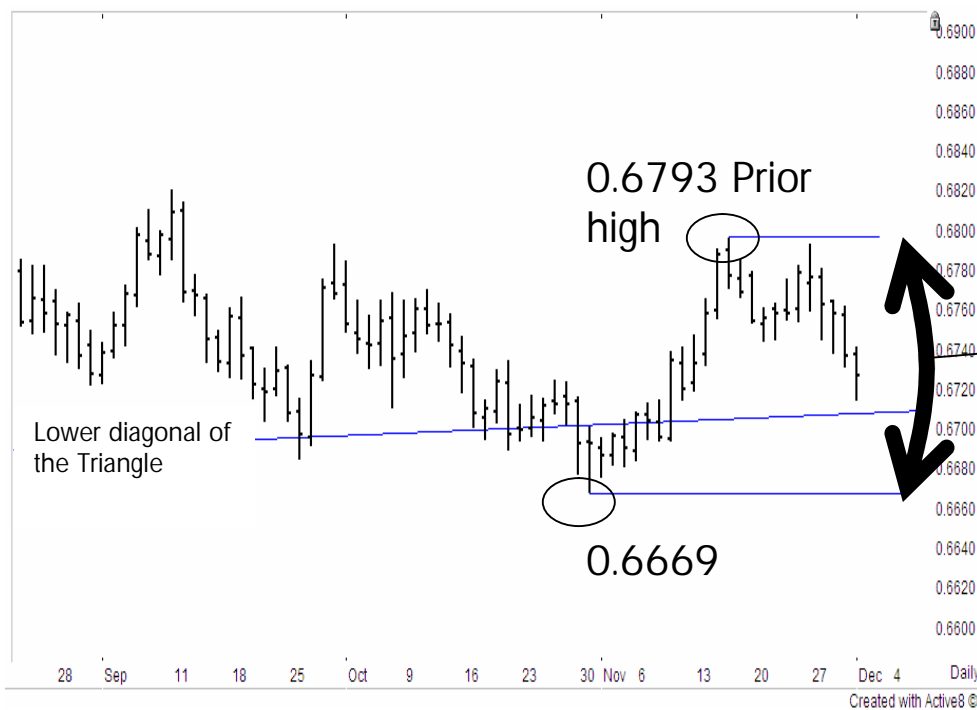
We were bearish last week on the break of 116.57, so we have been right.

But, all in all, this has been a dull market.

[Return to Contents](#)

Sterling Euro





DAILY SPOT CASH CHART:

So watch the range of the market established since the beginning of November.

Last week we warned traders to wait for a clear break above the 0.6793 area before getting excited.

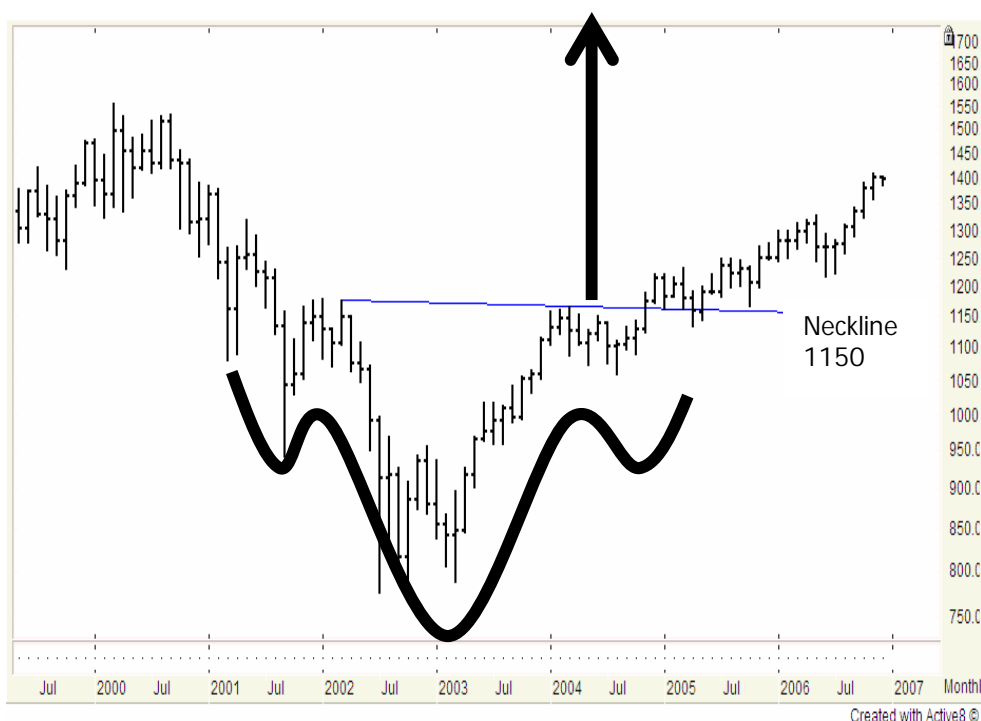
And that was sound.

[Return to Contents](#)

Stocks

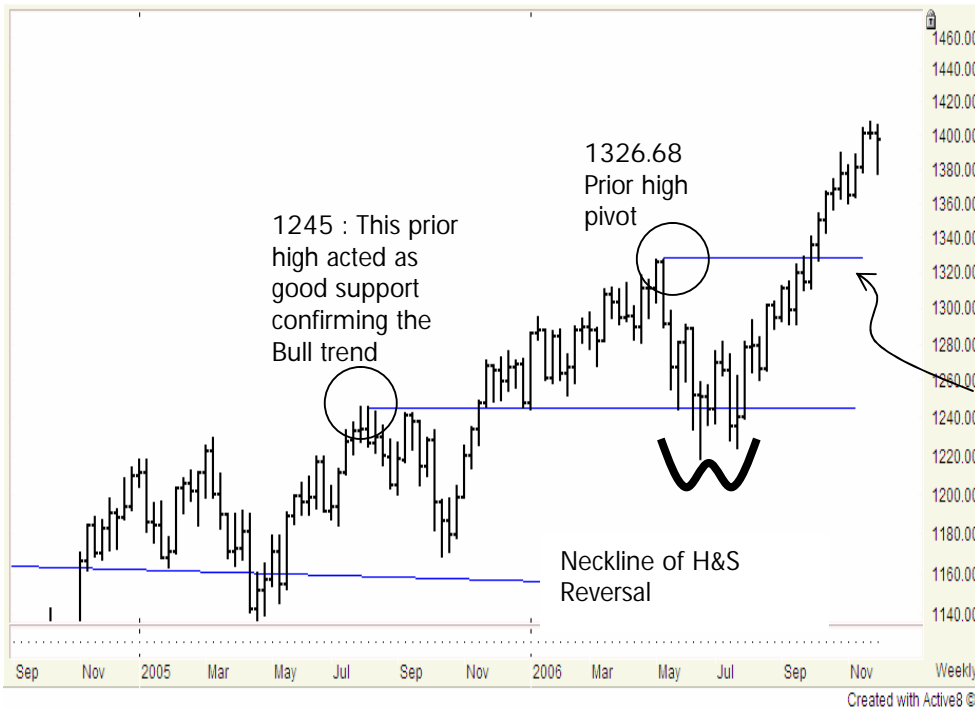
Subscribers will know that we are happily out of our short-term longs. We still believe in the long-term bull market, but it looks like there's more to go on the downside all across the board (led by the FTSE not the Nikkei) because now there are small Reversal patterns place. But we're not selling, just watching...

Standard and Poors 500



MONTHLY CASH
INDEX CHART:
The long-term pattern
is a clear Head and
Shoulders Bottom
which completed in
2004.

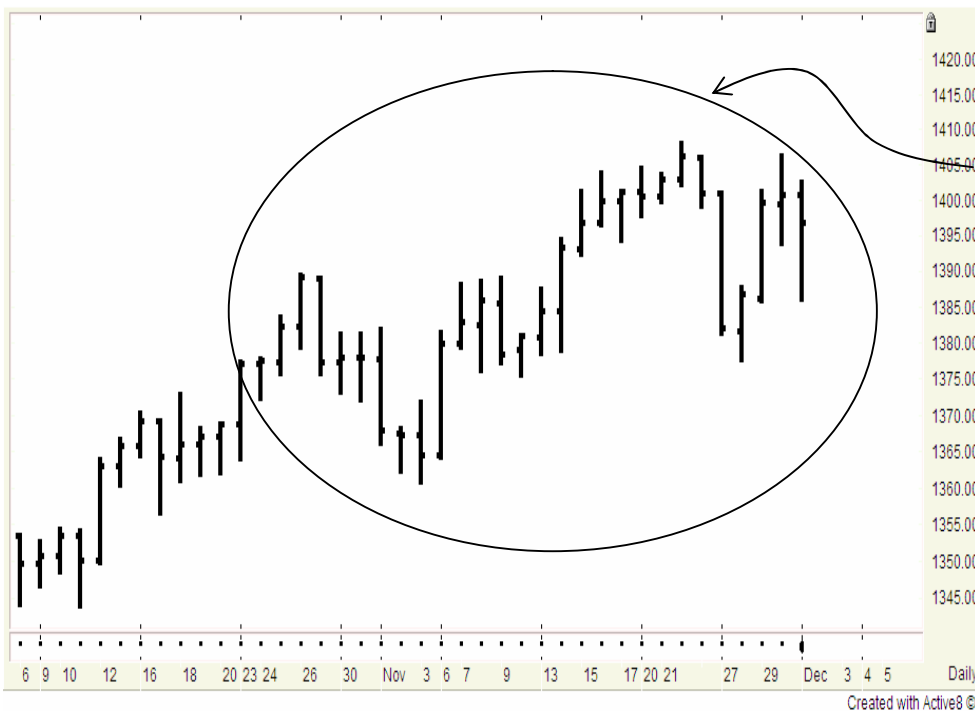
And is driving the
market up towards the
minimum target of
1750.



WEEKLY CASH INDEX CHART:

And the bull run since the completion of the H&S is well structured.

The recent push up through the Pivotal High at 1326.68 is the more recent manifestation of the bullishness.



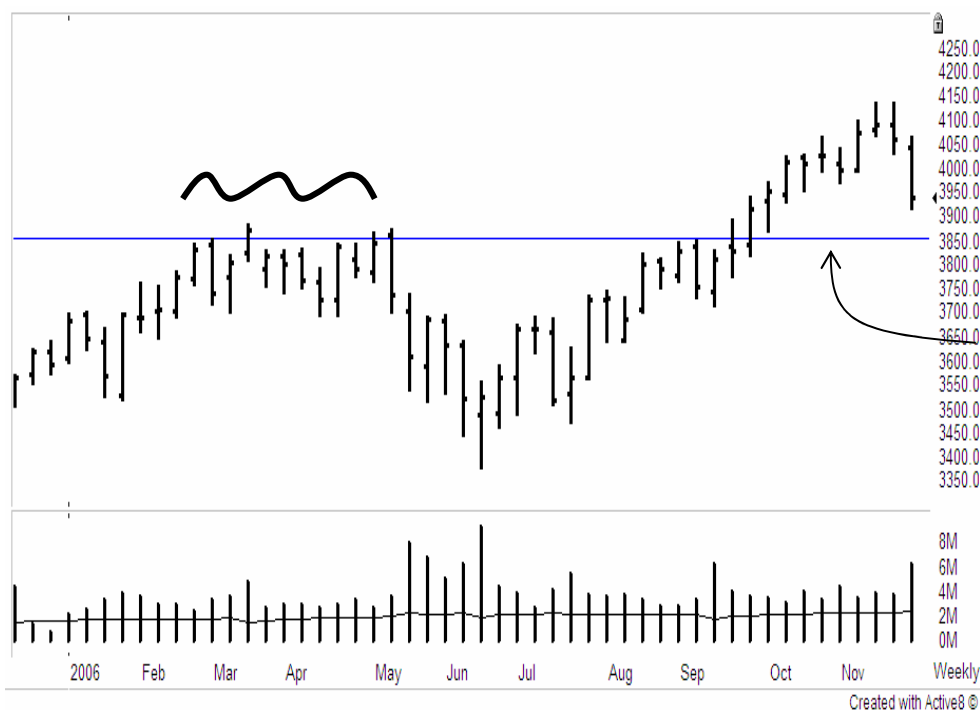
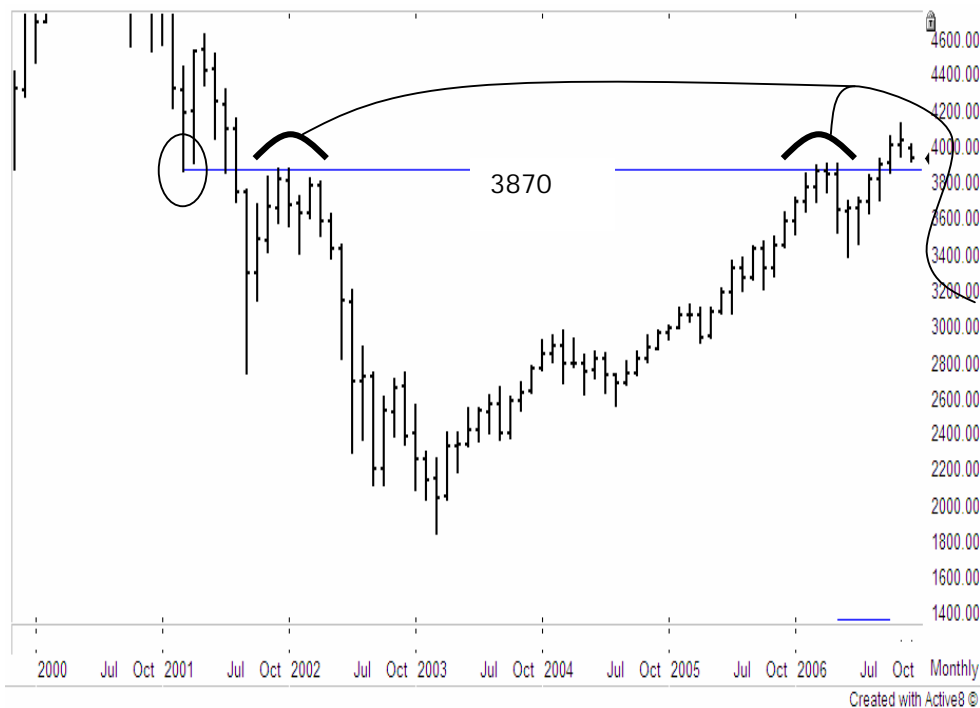
DAILY CASH INDEX CHART:

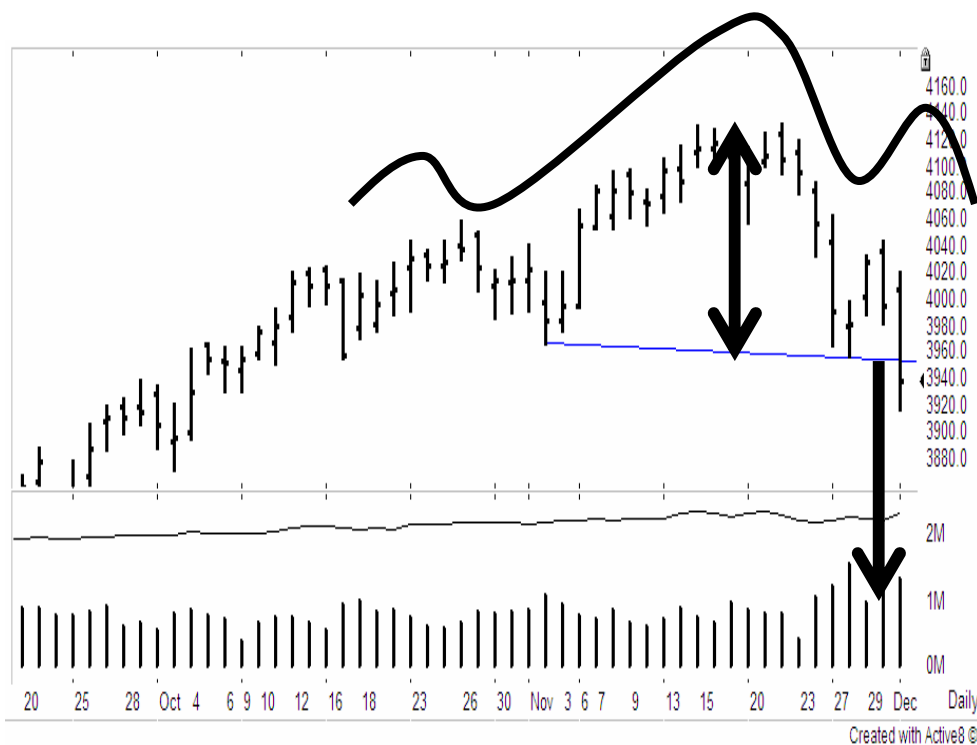
But the market's short-term price action is difficult to understand. It lacks clarity and structure.

Stand aside.

[Return to Contents](#)

European Dow Jones Stoxx 50





DAILY DEC06
FUTURES INDEX
CHART:

And note this.

Surely a completed
Head and Shoulders
Top?

The move implied is
down to 3760.

There's a good case for
short-term shorts with
close stops.

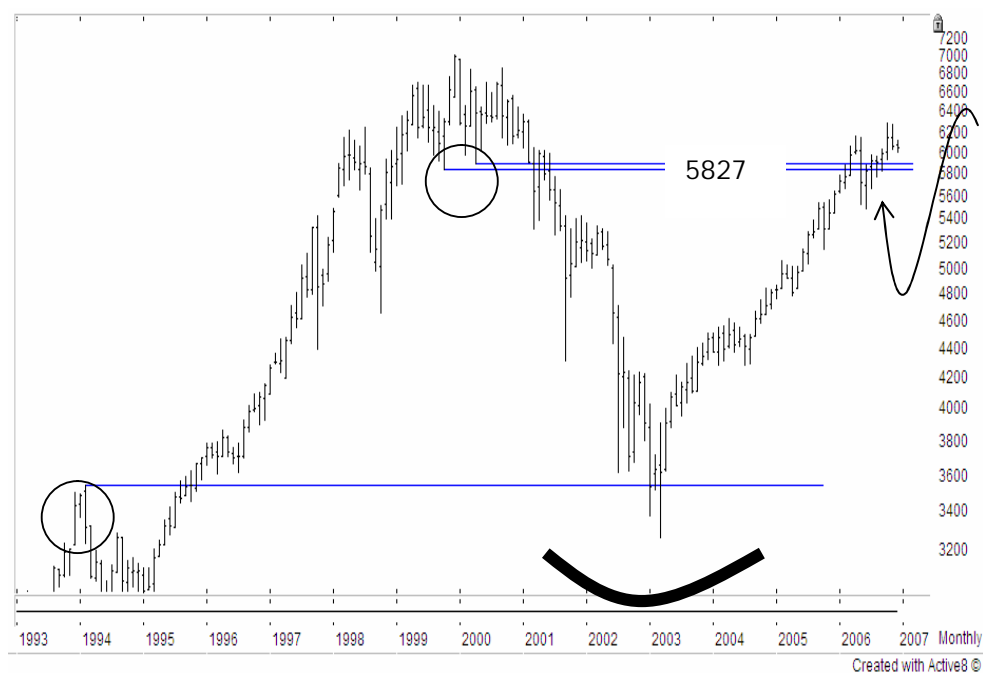
Last week we said that
the market hadn't
sustained the bull
momentum saying:
'there is doubt in the
very short term'.

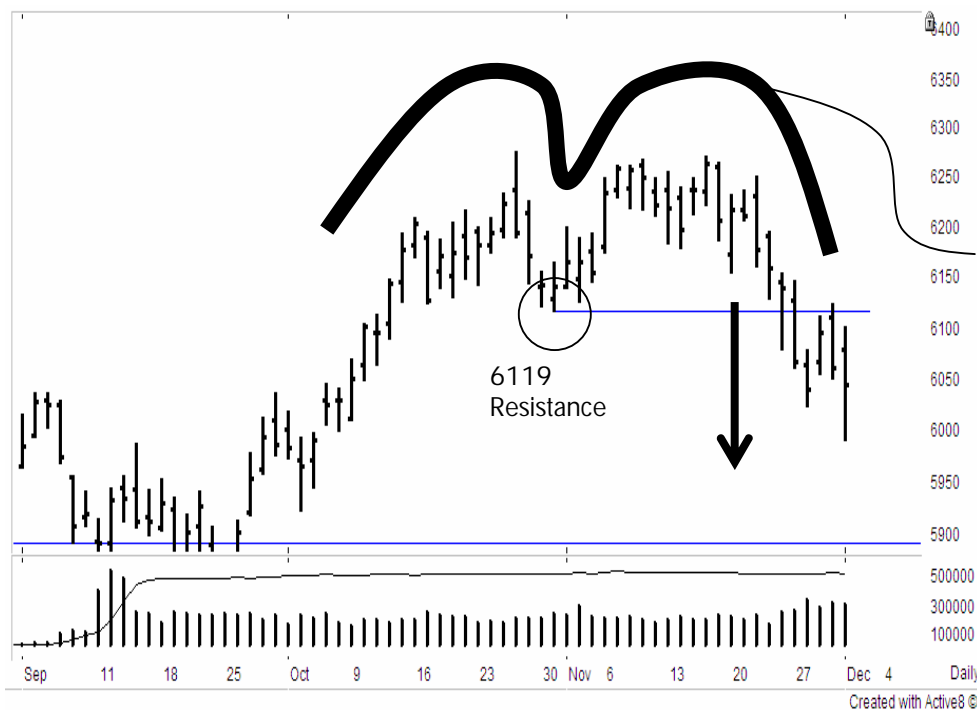
That was right. And
now we think, with
greater clarity that the
market is even more
likely to fall further.

But we are still loath to
go short. Stay square.

[Return to Contents](#)

FTSE 100





DAILY DEC06 FUTURES INDEX CHART:

But there's been a pull-back.

And the price action has taken the form of a small Double Top.

Anticipate a pull-back down to the 5950 level.

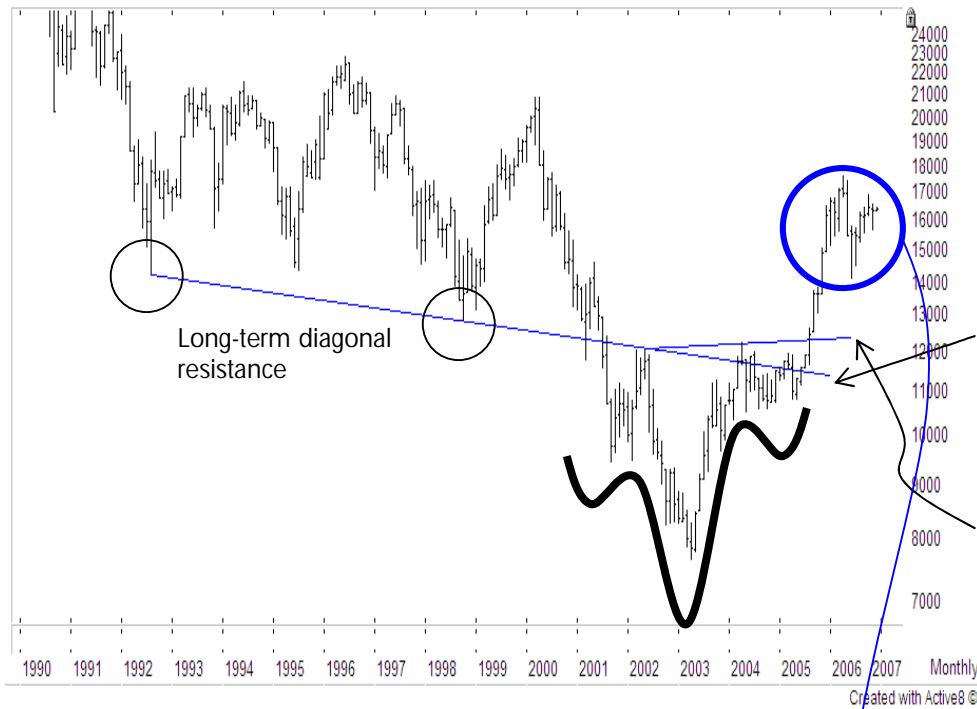
Last week we emphasised the importance of the 6119 level. And suggested that bear s should wait for the break.

Now the break has come.

Of all the Stock markets this one is the best to short. Sell here with a Stop above 6119.

[Return to Contents](#)

Nikkei 225



MONTHLY CASH INDEX CHART:

How the market got to where it is now is clear from the long-term chart.

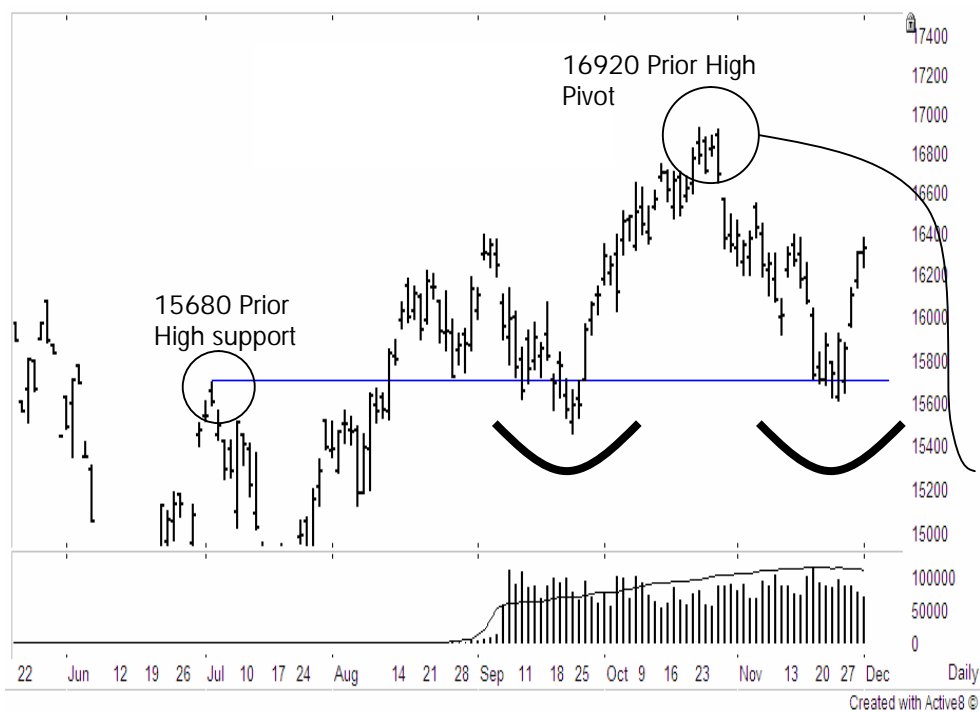
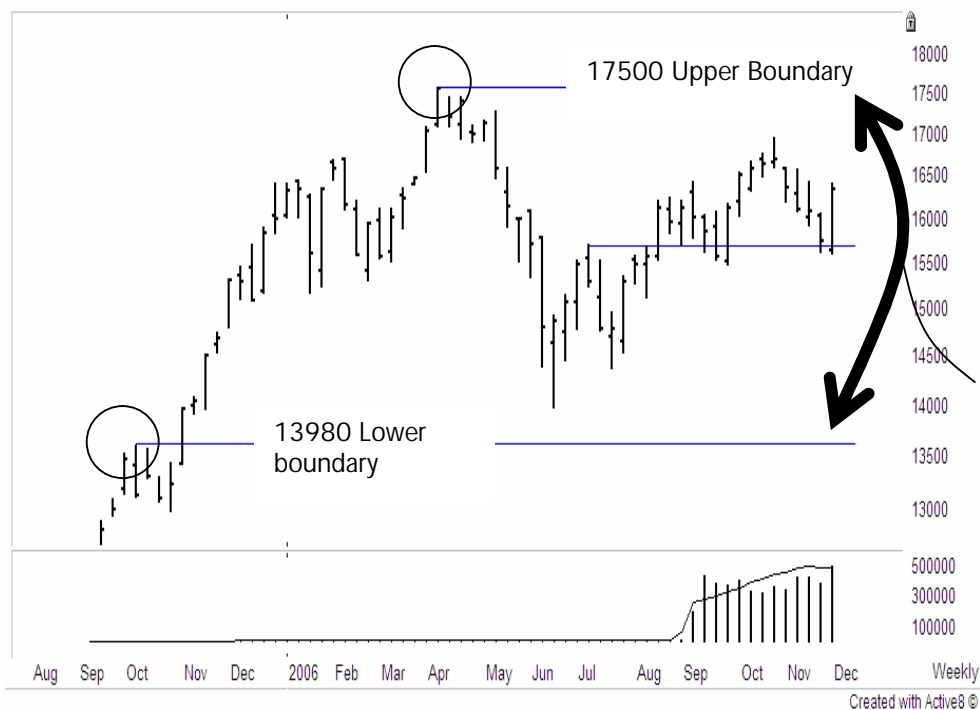
A major resistance to bull price action was removed.

And a massive Head and Shoulders pattern completed.

The minimum target of the H&S pattern has not yet been achieved.

But the market's price action over the last few months has been volatile and non-trending.

Look closer.

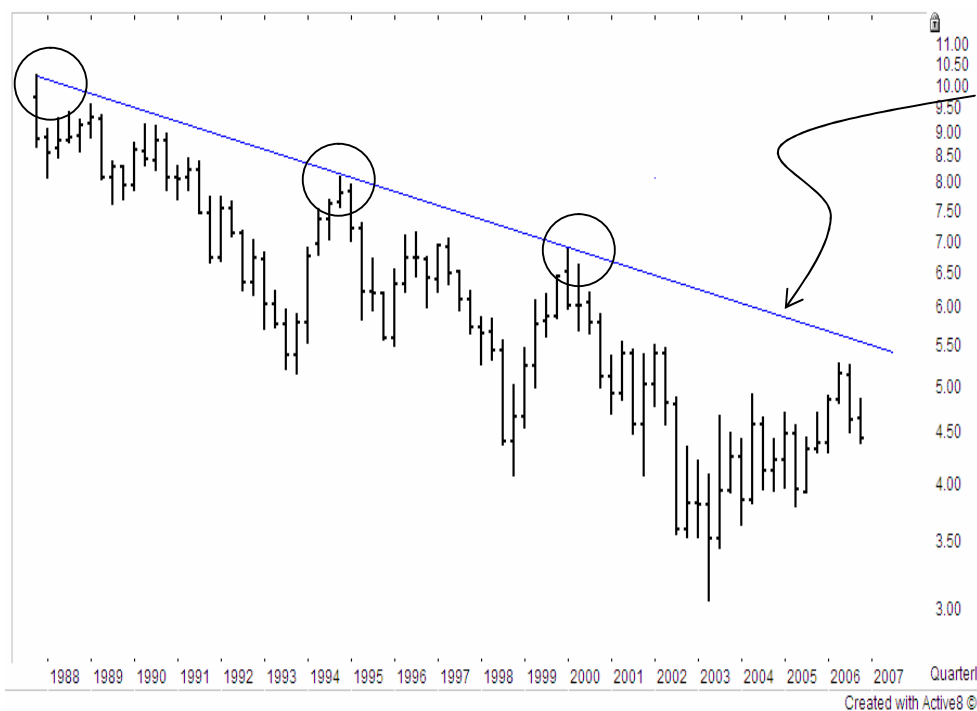


[Return to Contents](#)

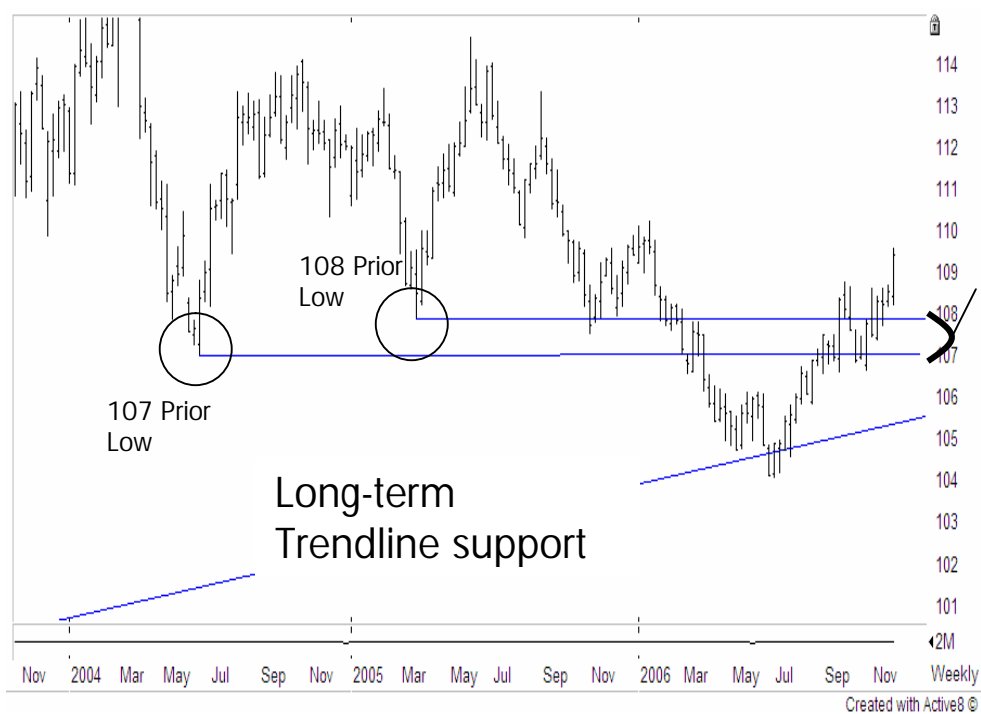
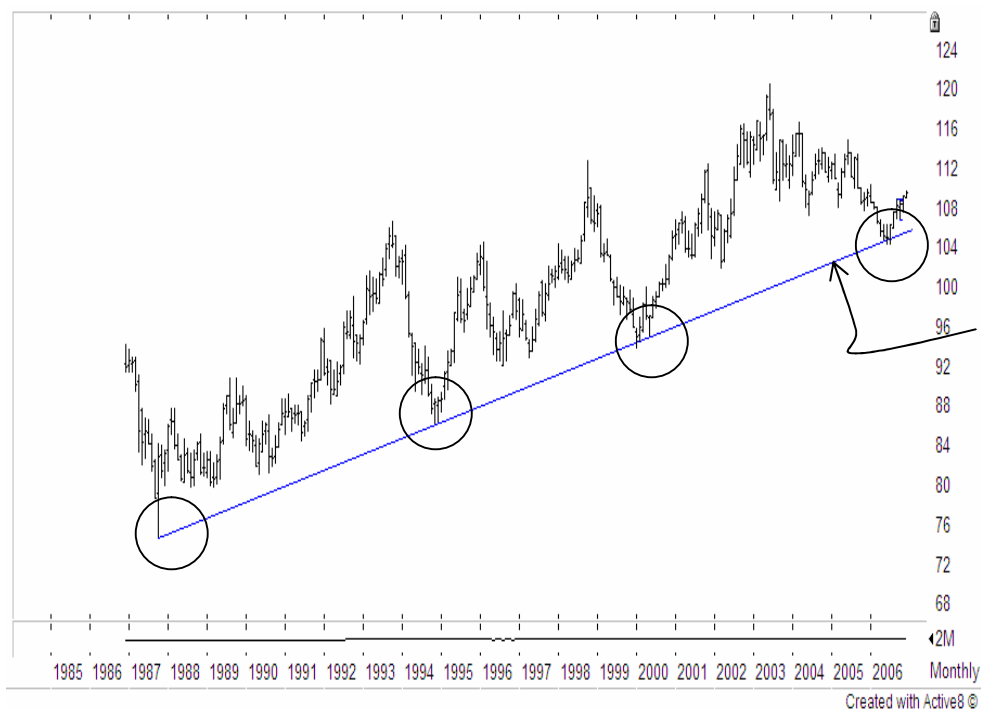
Bonds

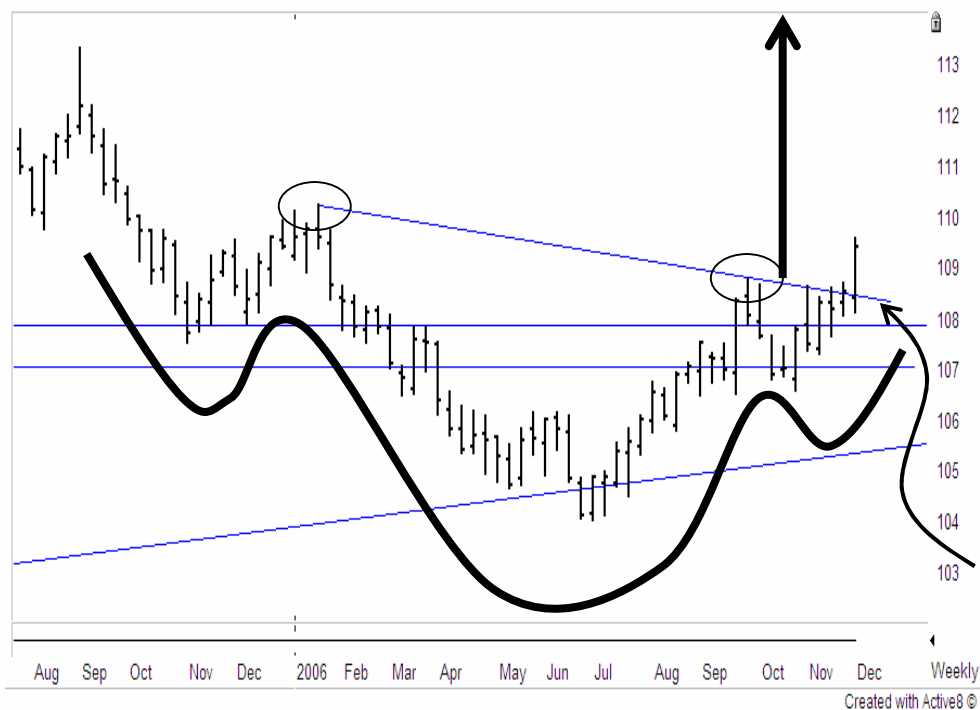
The TNote indeed proved to be the market leader. All our levels have been achieved and the market looks well-set even at these levels. There's more to come. But true to form the Bund's progress is hard won; as is the Yen Note's. The US market is not only the best of them, but technically, it's the only bull market.

Ten Years US Treasury Note



QUARTERLY CASH
YIELD CHART:
The market is still in a
declining yield
downtrend.





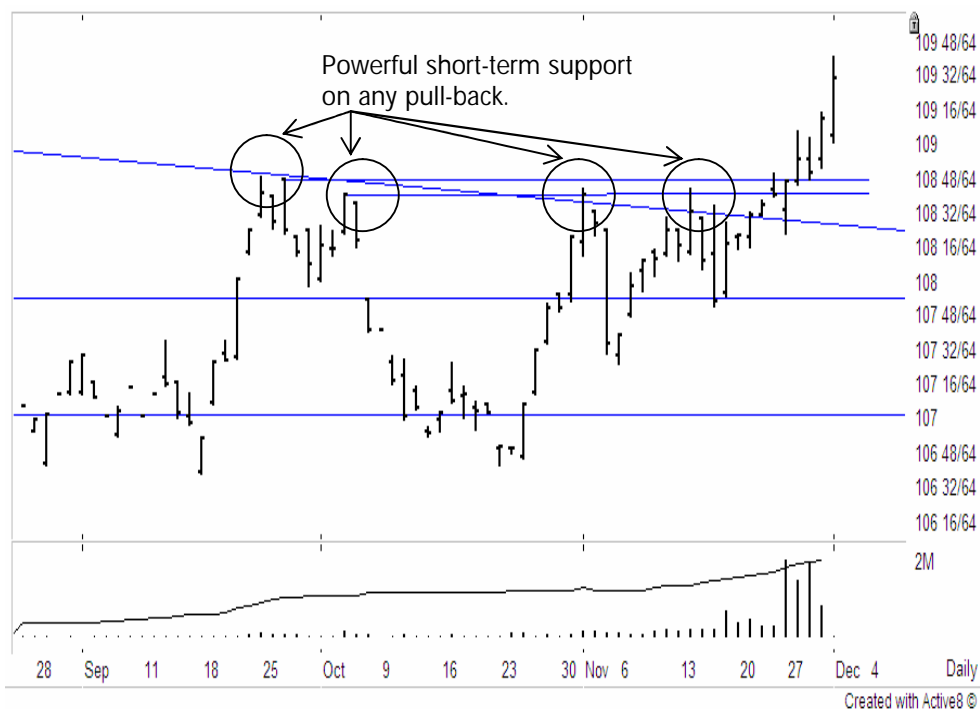
WEEKLY MARCH 07
FUTURES CHART:
And in so doing, there
a Head and Shoulders
Bottom Reversal
created.

And Completed.

The minimum target?

About 114.

And there'll be good
support on the
Neckline currently at
108 ½ or so.



DAILY MAR 07
FUTURES CHART:
Note the close price
action.

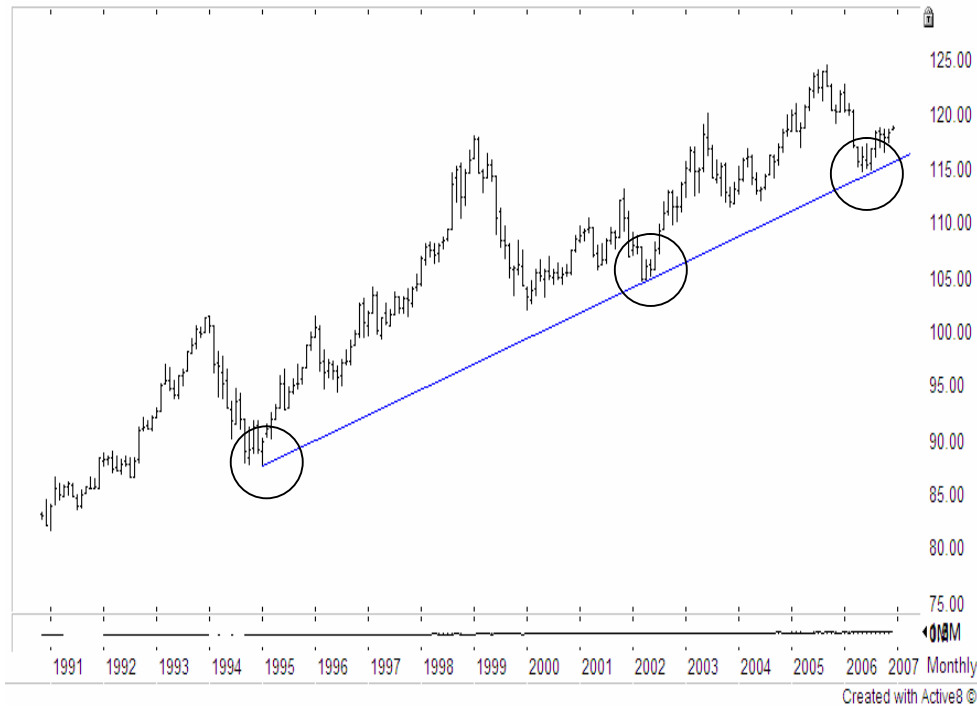
The succession of
highs around 108
41/64 have been
broken through and
now will act as good
support on any
weakness.

We said last week
'a move above that
level [108-41/64]
would be the
confirmation the Bulls
need'

That was right.

[Return to Contents](#)

Ten Year Euro Bund

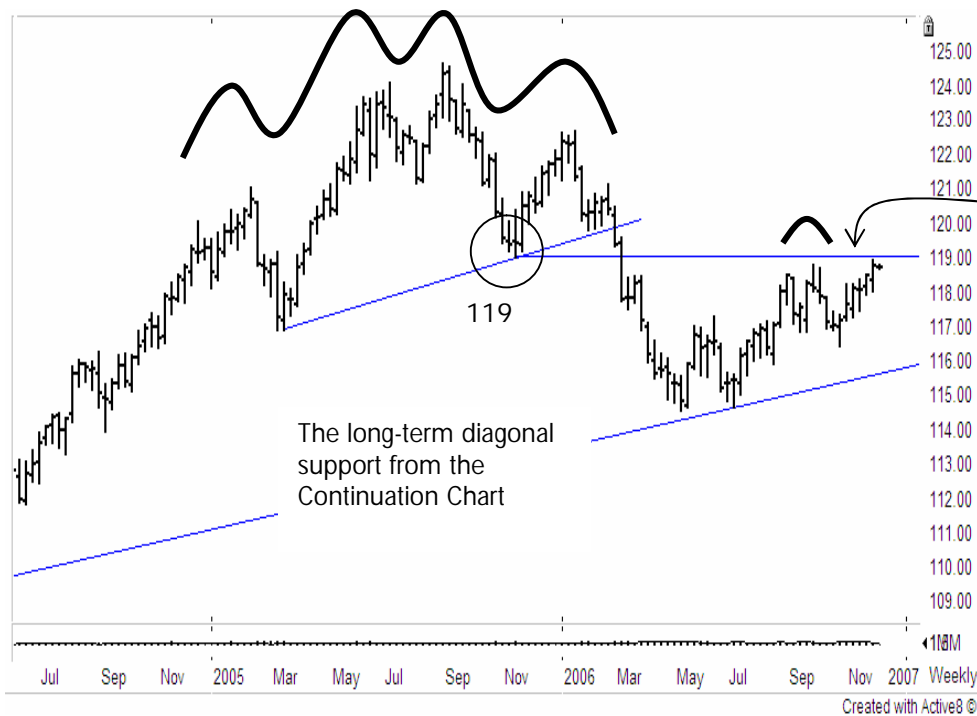


MONTHLY FUTURES CONTINUATION CHART:

The market's trend in the Continuation Futures chart is clear.

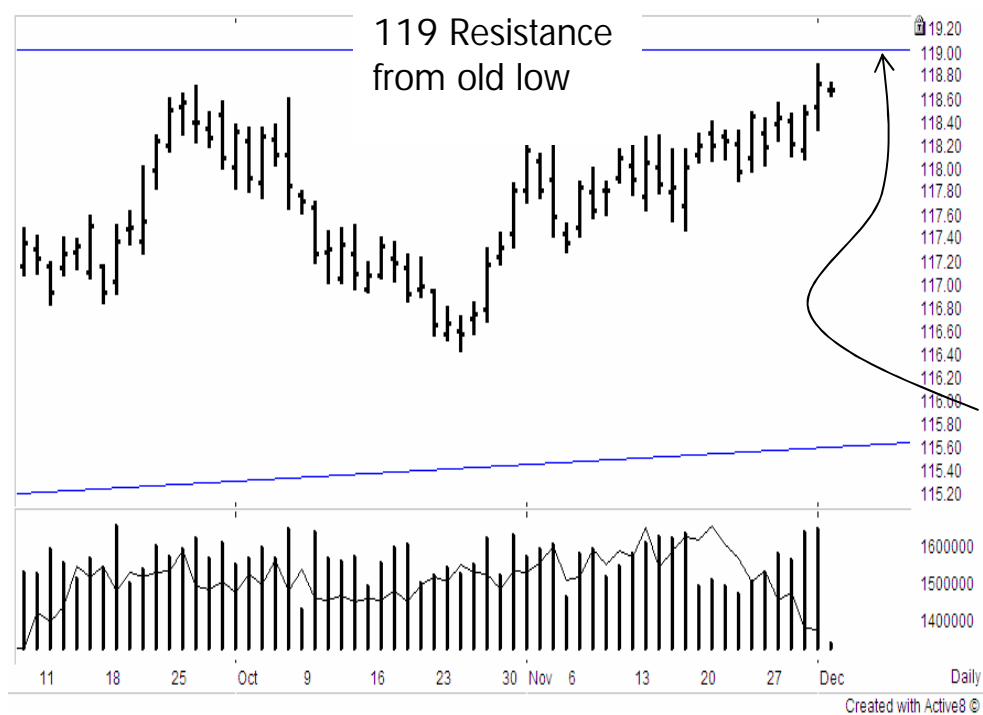
And unbroken.

(And very similar to that in the US TNote)



WEEKLY FUTURES CONTINUATION CHART:

The market has retraced back to the resistance from the old low at 119.



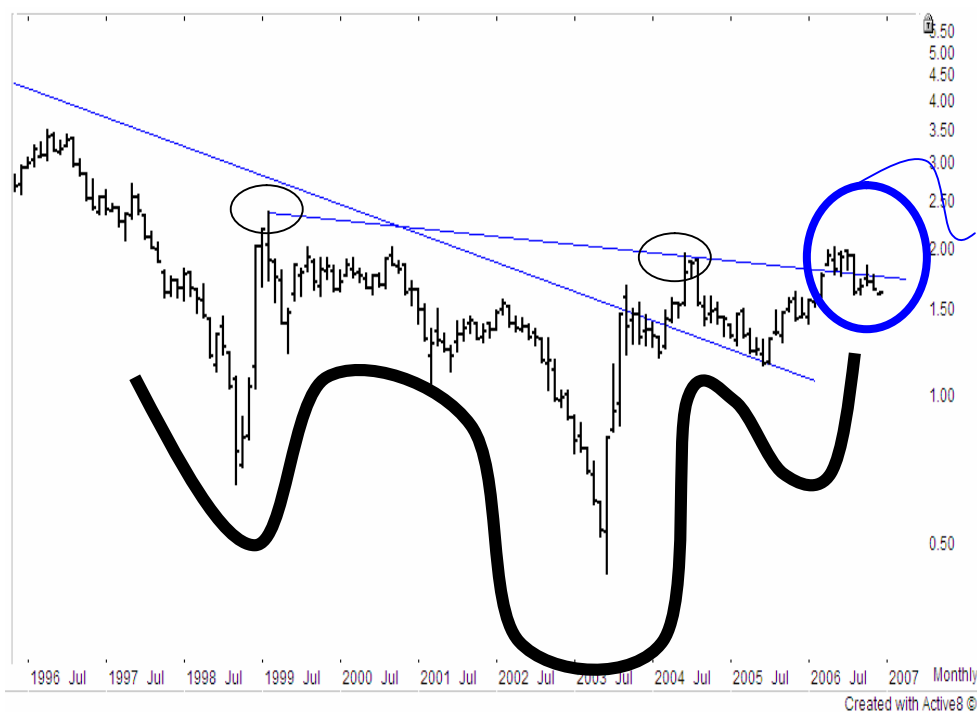
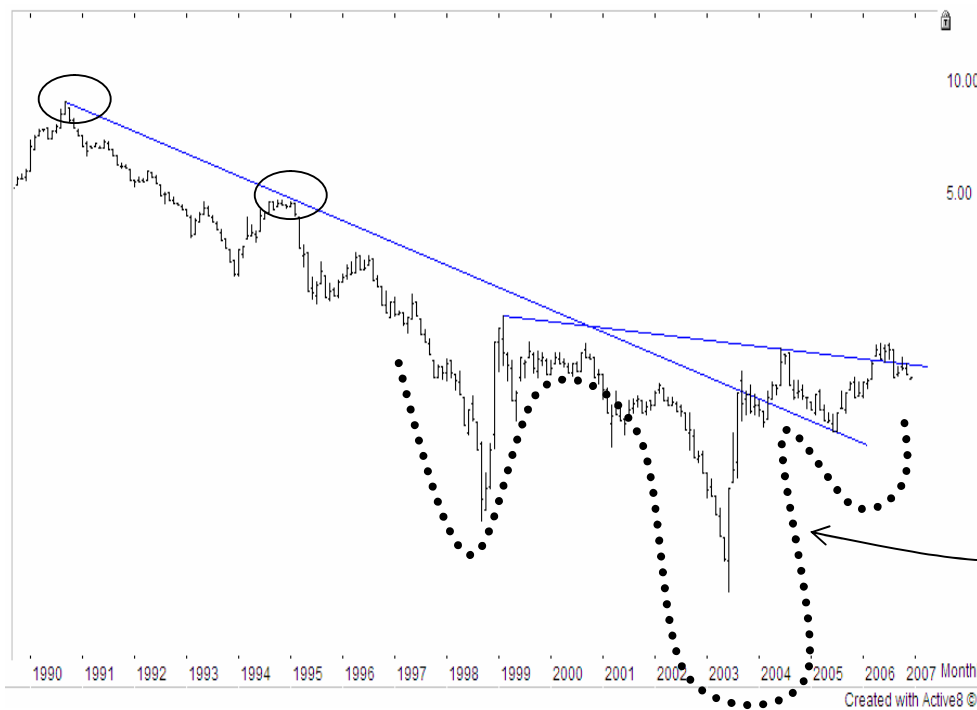
DAILY DEC 06
FUTURES CHART:

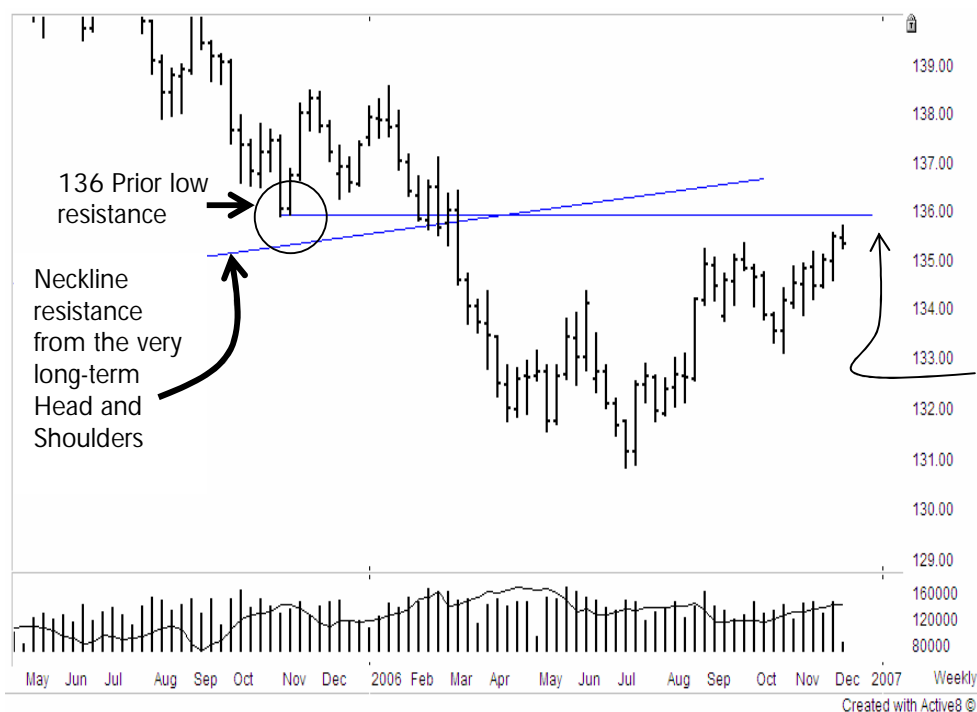
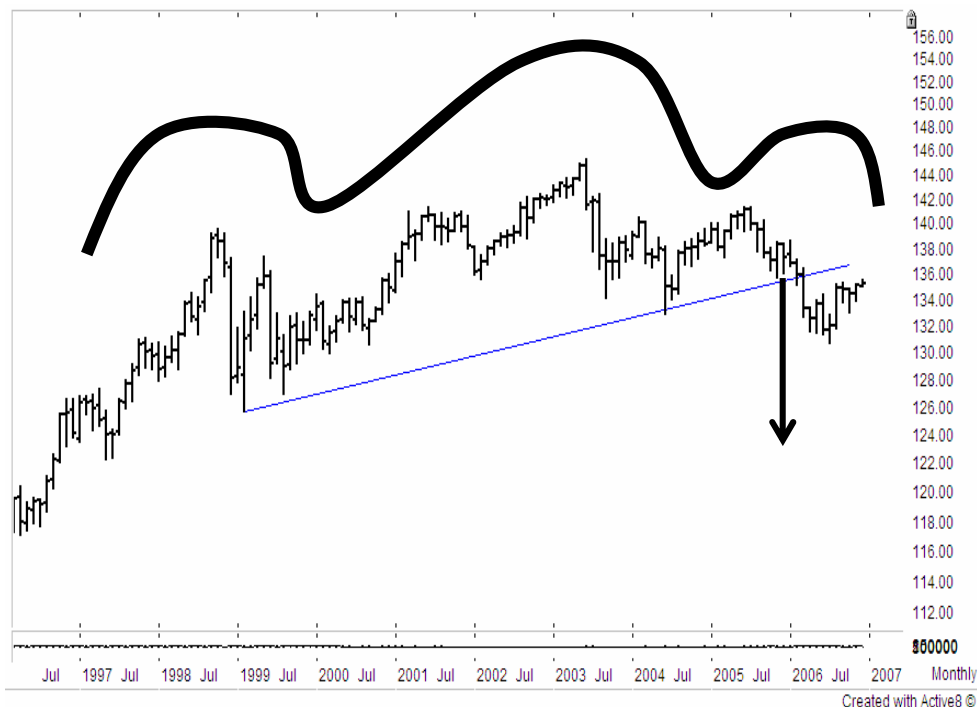
We see no clear structures beneath the market. (Last week we ventured a small H&S Continuation pattern, but we have dismissed that)

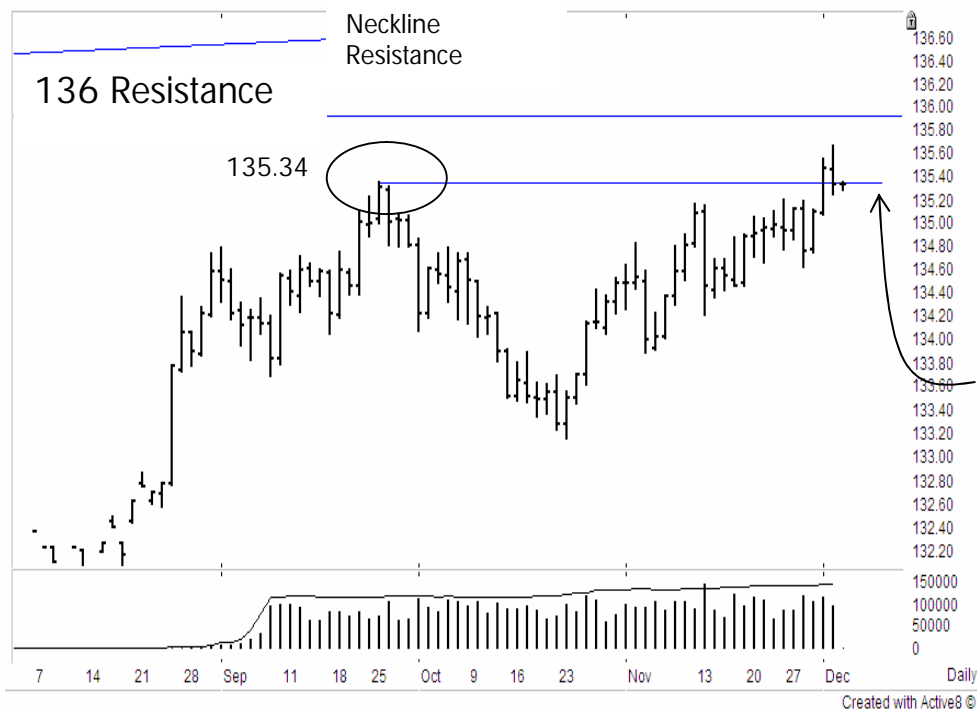
So, as before, watch and wait for a test of the 119 resistance to get a measure of the bullishness in the market.

[Return to Contents](#)

Ten Year Japanese Bond







DAILY DEC 06

FUTURES CHART:

But, as we said last week, there's a lack of clear structure driving the market better.

And the price action suggests that the prior high of 135.34 is important short-term.

Stand aside for clarity.

[Return to Contents](#)

Interest Rates

There have been good breakthroughs in the Eurodollars and now (95.475 Dec07) we are even more bullish. It's a good level to buy or to add on to existing longs. Elsewhere, there is little to get excited about.

Dollar Rates

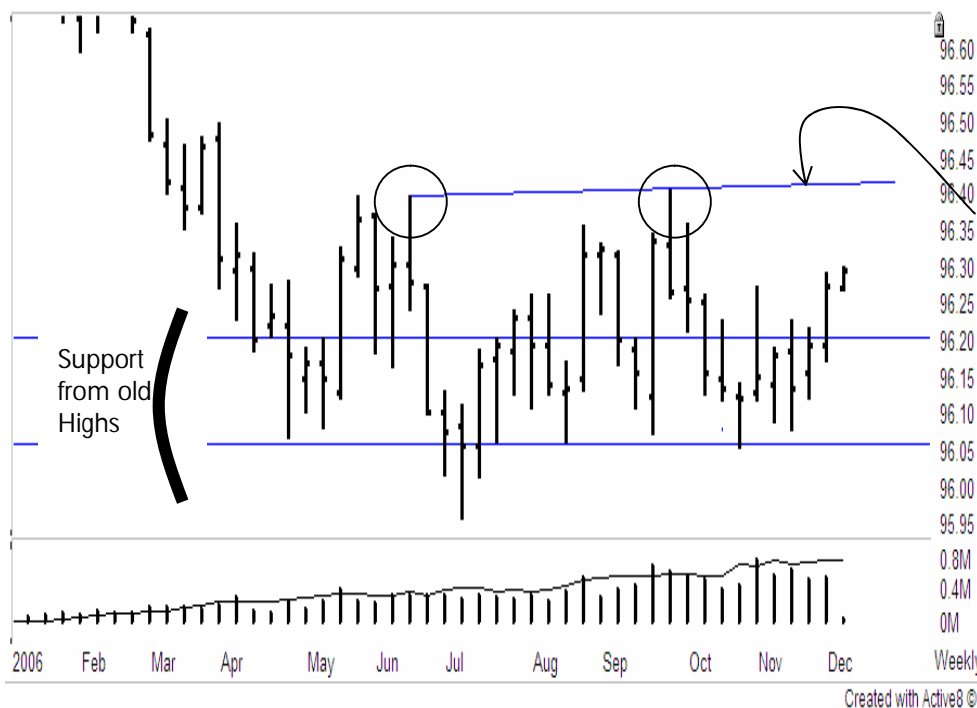
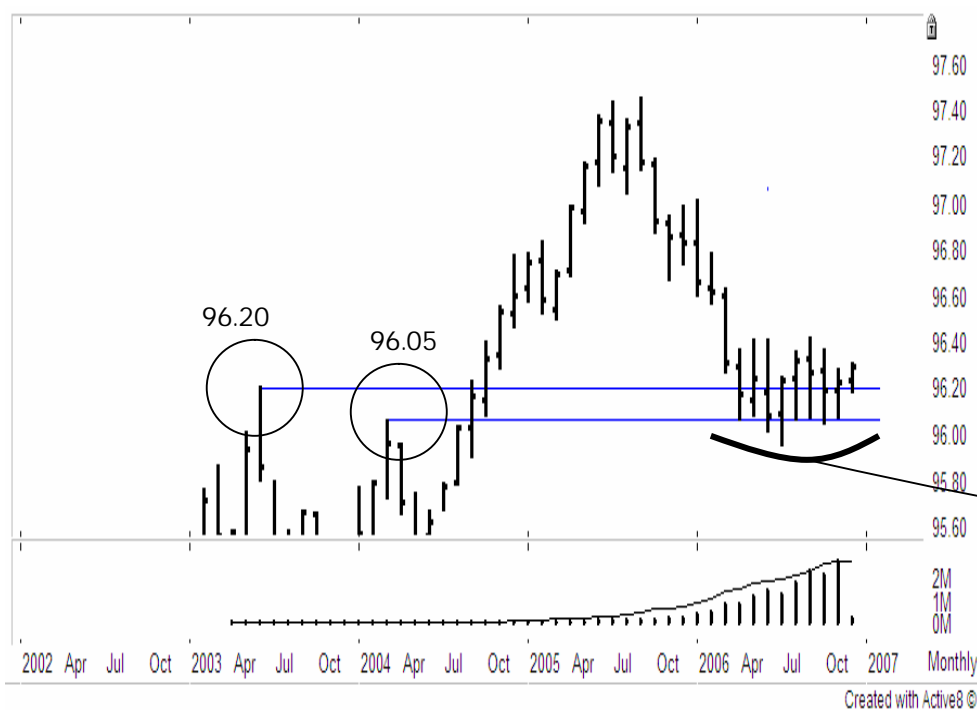
WEEKLY DEC 07
FUTURES CHART:

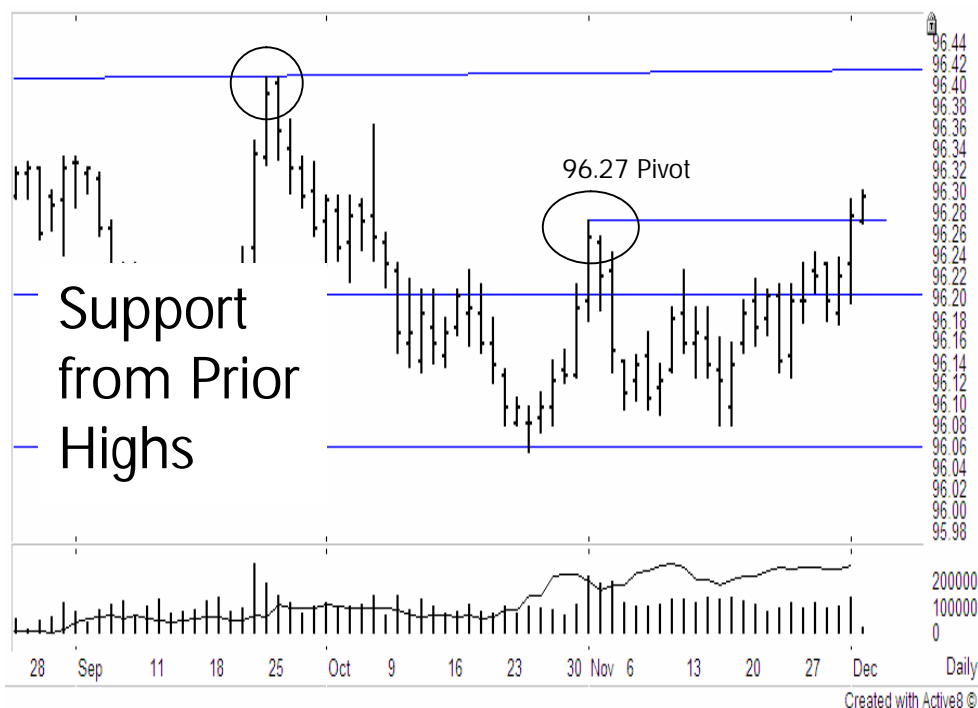
Apologies - faulty data
analysis to follow

Apologies - faulty data
analysis to follow

[Return to Contents](#)

Euribor Rate





DAILY DEC 07

FUTURES CHART:

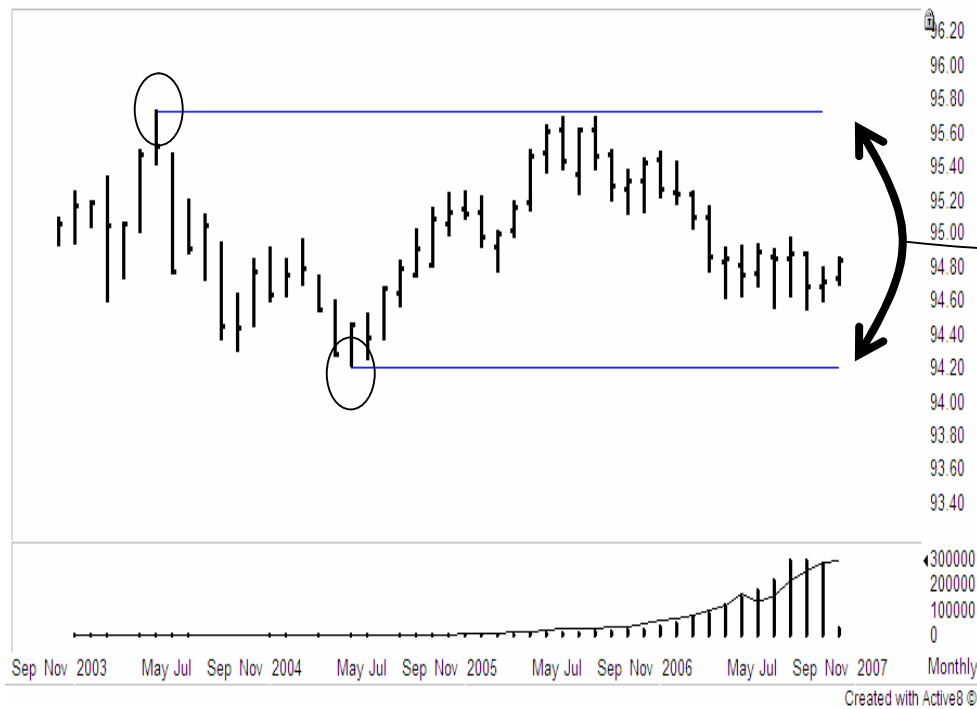
Here there is something for the bulls to go on.

The push through that prior high at 96.27 has been a stimulus, and may have been the completion of a bottom formation.

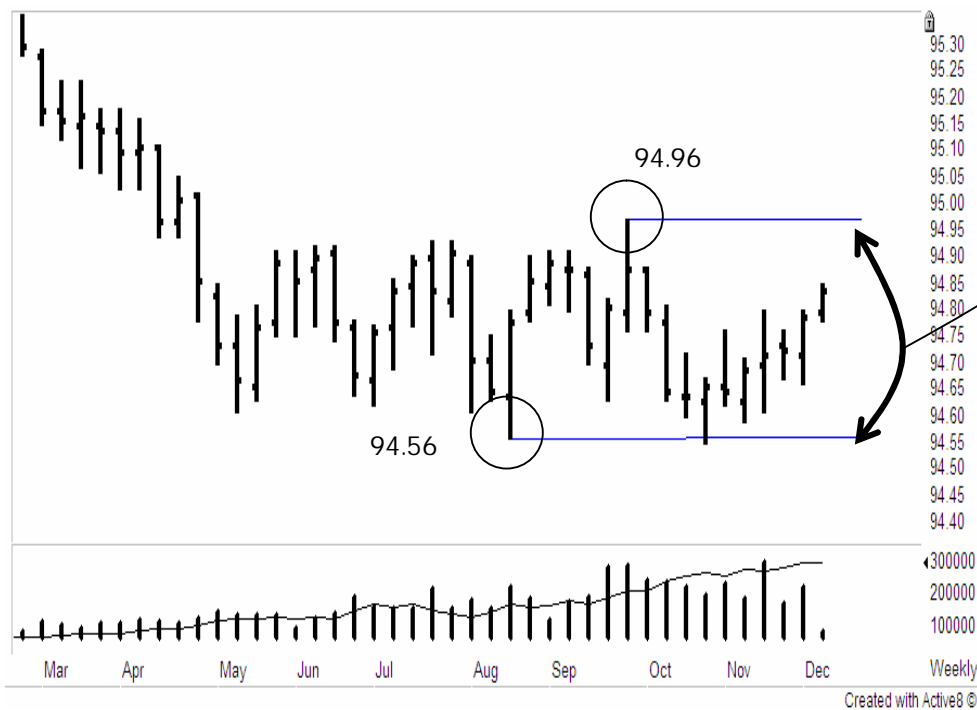
So from standing back last week we are now modestly bullish, while the market stays above 96.27.

[Return to Contents](#)

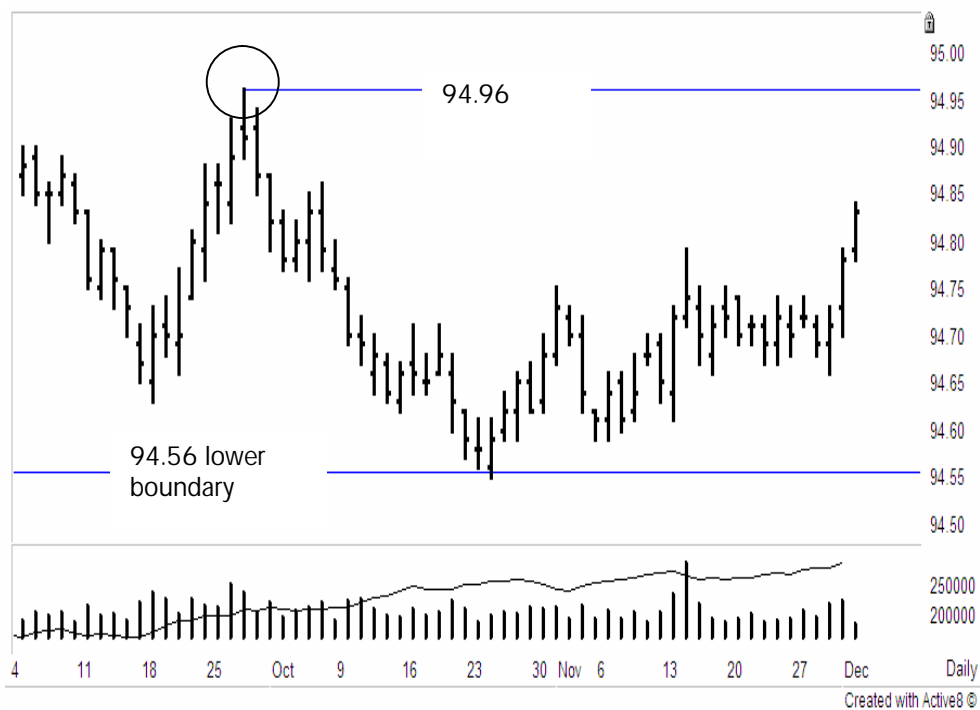
Sterling Rates



MONTHLY DEC 07
FUTURES CHART:
The market has gone
nowhere for years.



WEEKLY DEC 07
FUTURES CHART:
And months - here's a
tighter range.



DAILY DEC 07 FUTURES CHART:

But indisputably, in the short-term, the market is pushing better. But without great shape.

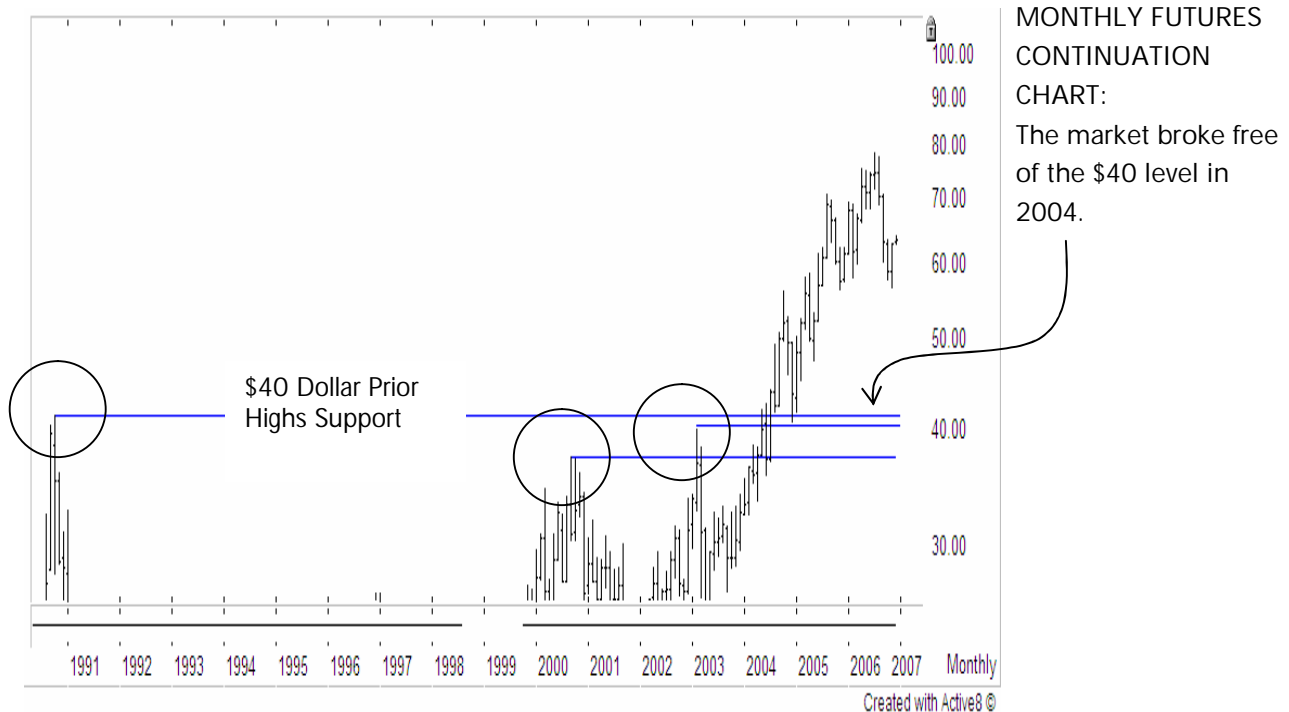
Because of the lack of shape we are disinclined to get involved as for so long.

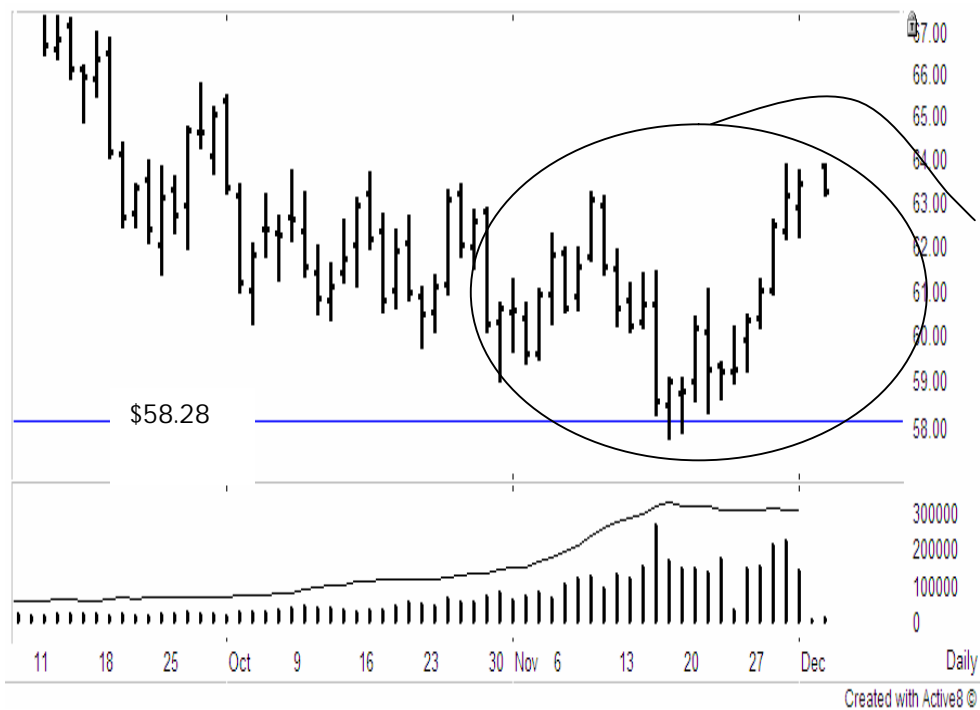
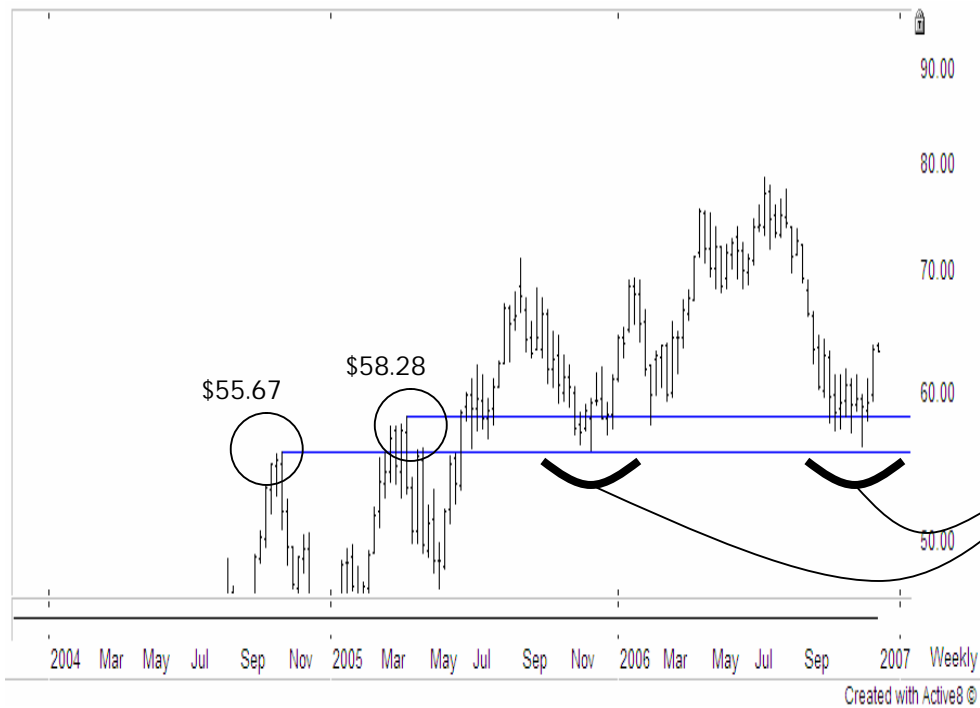
[Return to Contents](#)

Commodities

Gold is the market in form. Another Reversal pattern has been completed set to drive it higher still. Oil is sidelined.

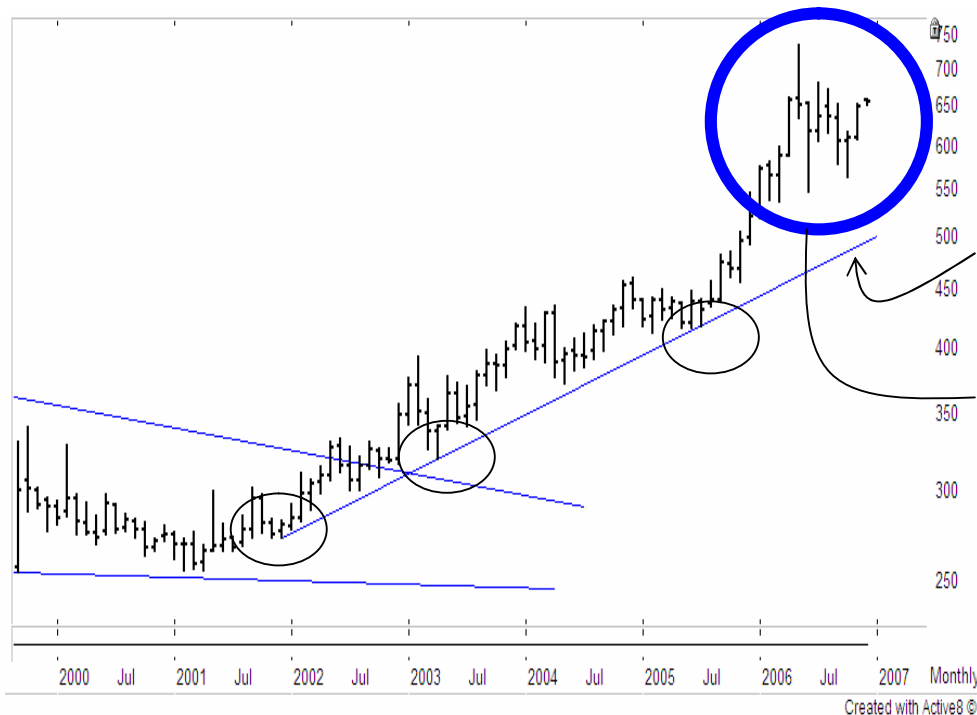
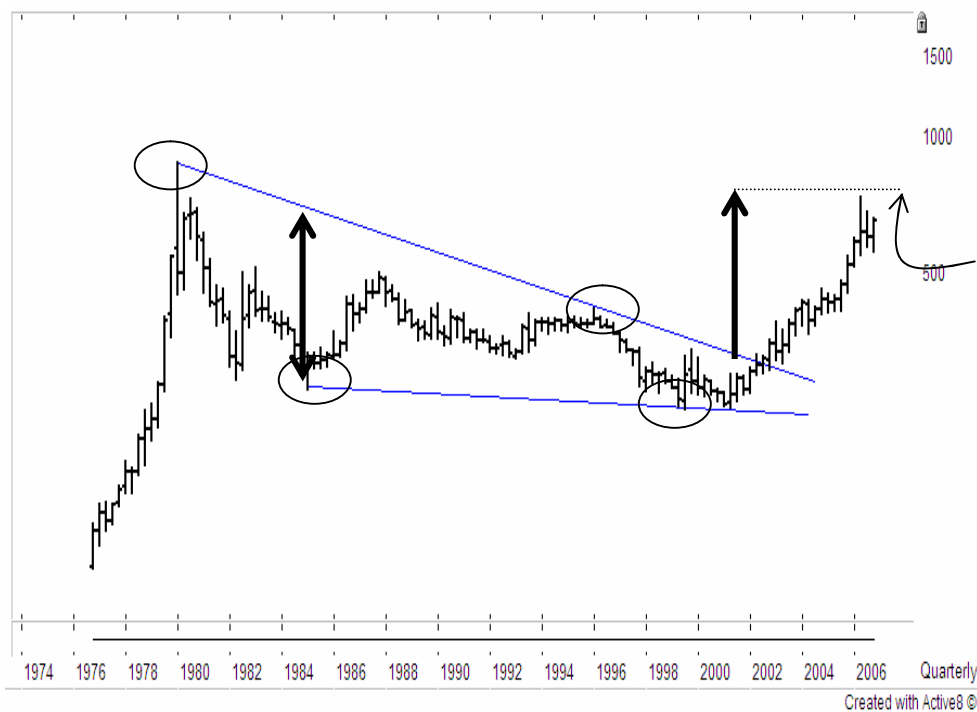
Oil

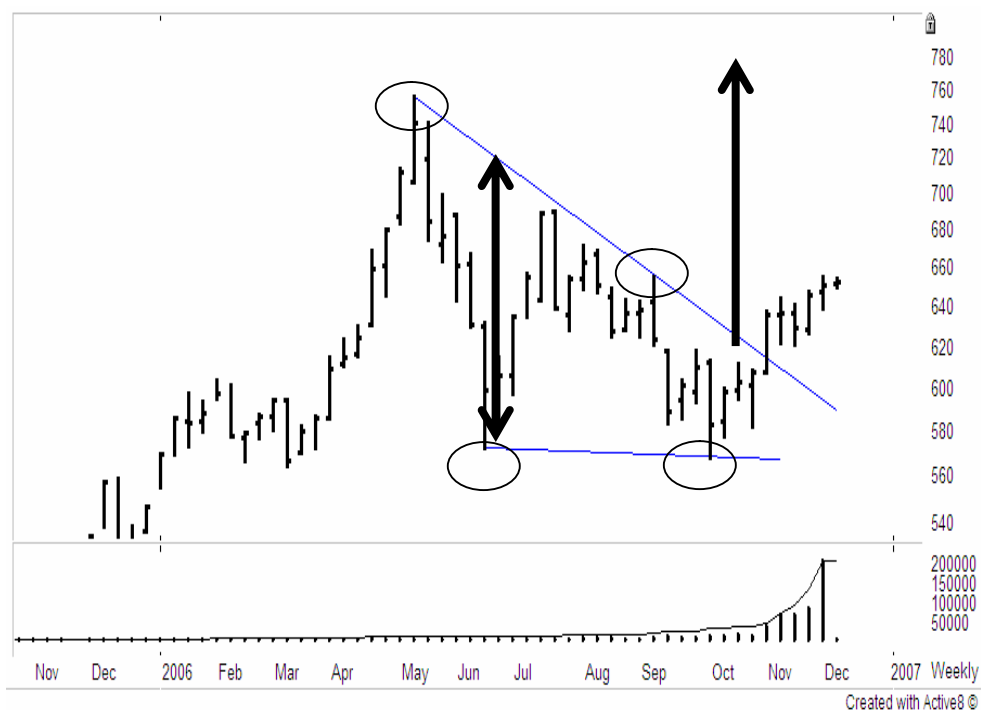




[Return to Contents](#)

Gold



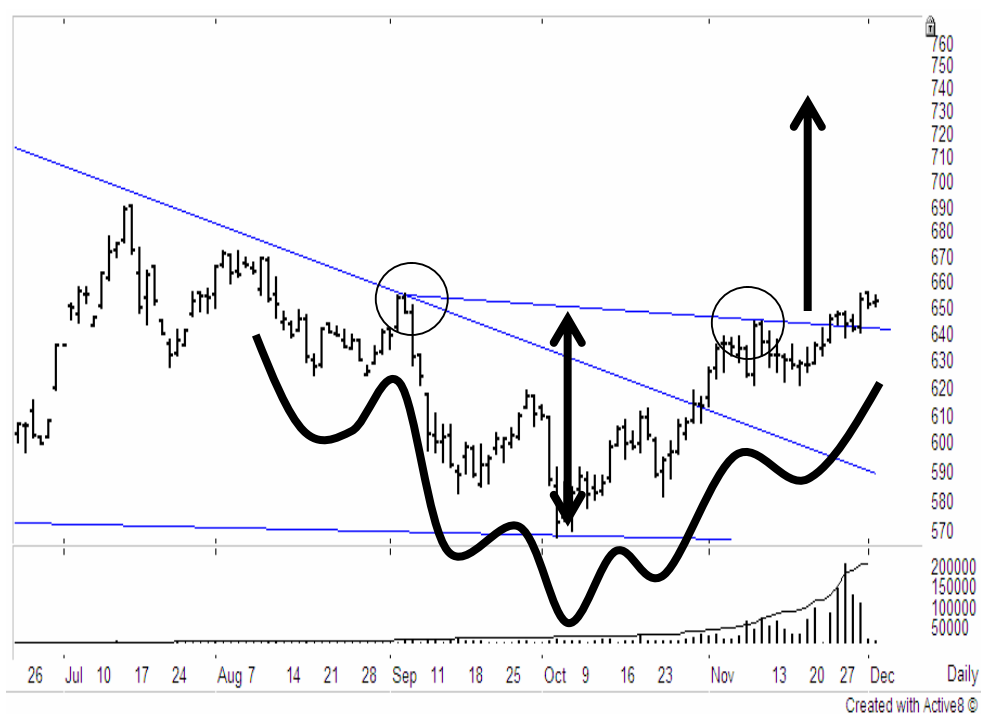


WEEKLY FUTURES FEB 07 CHART:

But see how that consolidation is actually a Continuation Triangle.

This has completed.

Anticipate moves to 780.



DAILY FEB 07 FUTURES CHART:

More exciting still, note the completion of a Head and Shoulders Bottom (and another within it).

This move through \$638 is what we were talking about last week. These are good buying levels.

That pattern alone establishes good support at the Neckline at \$640 and should drive the market better.

The minimum target? About 730.

[Return to Contents](#)