

WEEK 33 07th AUG - 13th AUG 2007

THE *COMMODITY* TRADER'S GUIDE TO MAJOR MARKETS

PHILIP J ALLWRIGHT



LINKS

ENERGY

- 03 [LIGHT CRUDE OIL](#) Stay **BULLISH** while above 69.00 (Sep-07)
06 [NATURAL GAS](#) Stay **BEARISH** at least while below 6.80 (Sep-07)
08 [HEATING OIL](#) Stay **BULLISH** particularly while above 2.0000 (Sep-07)

METALS

- 11 [GOLD](#) Stay **BEARISH** below 718.00 (Dec-07)
14 [SILVER](#) Stay **BEARISH** below 13.99 (Sep-07)
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GRAINS AND SOFTS

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OTHER

- 29 [COTTON NO. 2](#) Stay **BULLISH** above 56.80-56.27 (Dec-07)
32 [LUMBER](#) Stay **BULLISH** above 260.00 (Sep-07)
34 [CRB INDEX](#) Stay **SQUARE**

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

Philip Allwright has developed his analytical style over 22 years, initially looking at stocks and commodities, followed by financial futures and then foreign exchange. Together with classical bar chart analysis to identify time-tested patterns, he is a great believer in the natural growth and contraction (retracement) of markets, with the help of Fibonacci-related tools. The over-riding principal is to keep things as simple as they can be, however, in order not to lose sight of the wood for the trees.

Each market is analyzed over several time periods. With this multi-layered approach, market moves can be anticipated over the next few days, the next few weeks and the next few months.

The Commodity Trader's Guide helps traders take advantage of money-making opportunities and avoid loss-making traps in a concise and readable report.

ABOUT PHILIP ALLWRIGHT

Philip Allwright has worked in the financial markets as a technical analyst for 20 years, developing a hobby into a successful career.

Initially he analyzed indices and stocks, particularly Japanese, at Cresvale Limited in London.

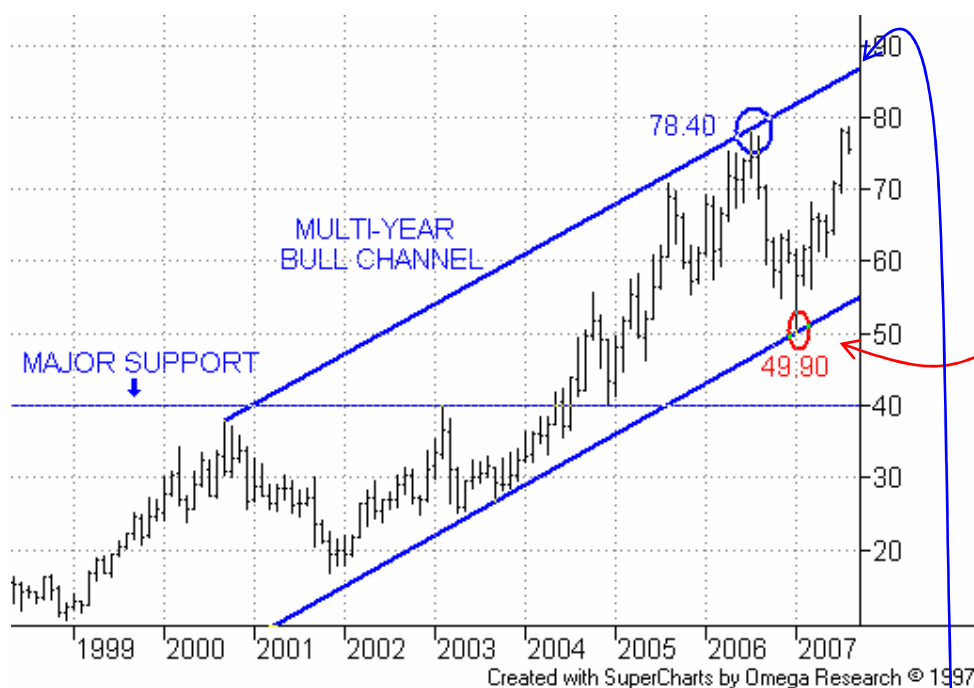
At UBS Futures & Options Ltd he developed his skills as a financial futures broker and analyst of intraday movements and latterly became a director.

He then worked at (Standard & Poors) MMS as senior foreign exchange technical analyst, and most recently has continued the foreign exchange analysis as a consultant to the web-based G7FOREX.

Energy

The bullish trends in **Crude Oil** and **Heating Oil** remain sound, inverse Head and Shoulders patterns visible on both daily charts, but there are hints that s/term upside may become limited. **Natural Gas** has been swinging sharply the other way, confirming our s/term bearish stance here, but we are on the lookout for support.

Light Crude Oil (NYMEX)

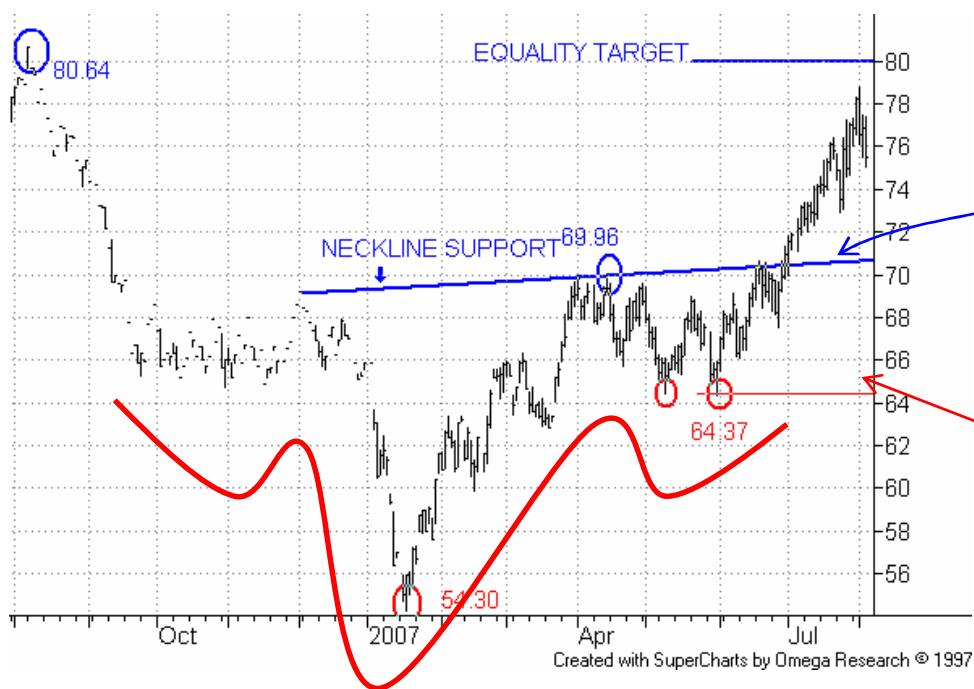
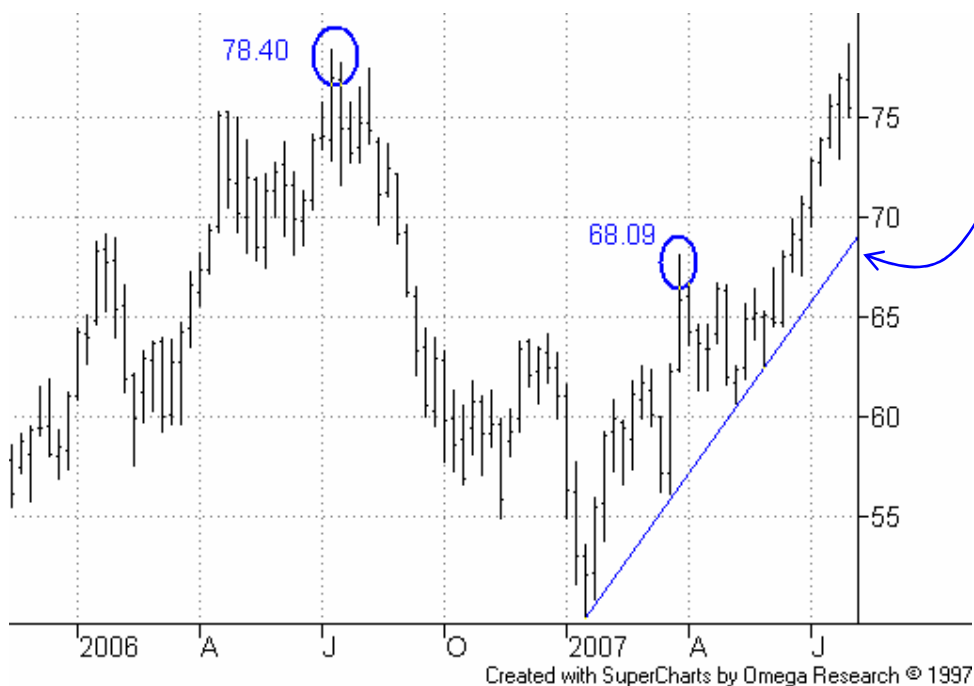


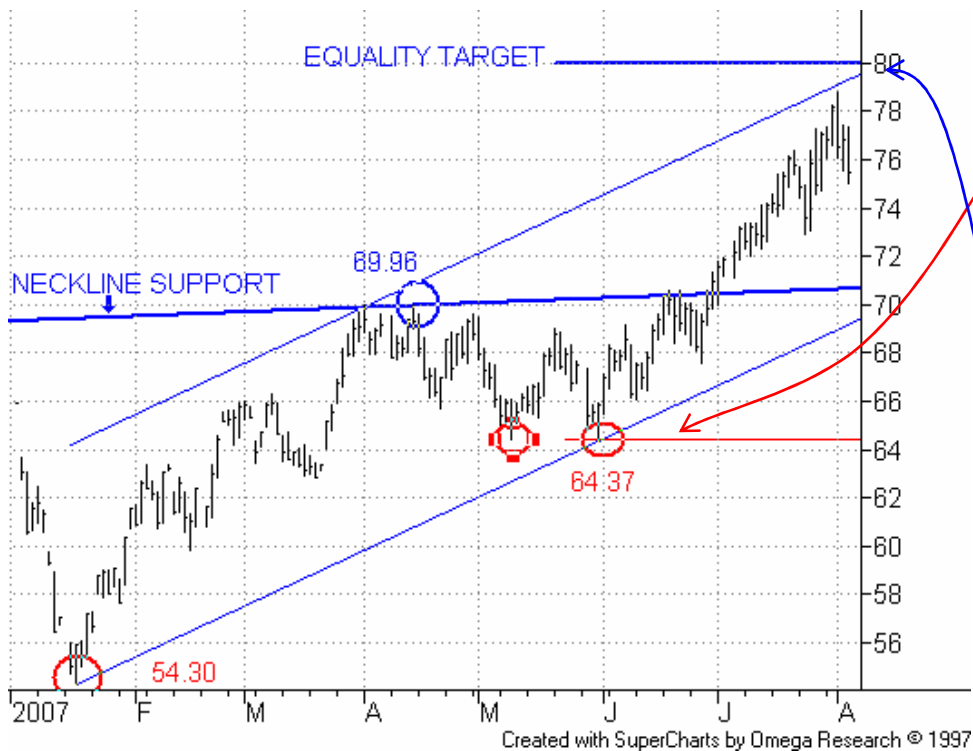
MONTHLY CHART -
CONTINUATION:
Overall price
action contained
within a long
term bull
channel.

The base of this
plus the 49.90
Jan low offer key
support now.

Retest to the
78.40 high (seen
last week,
although 80.64 is
high on the front
month Sep) and
beyond has been
our **longer term
bullish
objective**. Note
potential
resistance from
the channel top.

But price may
initially
struggle to HOLD
above this high.





DAILY CHART -
SEP-07:
The impulsive
upmove from the
64.37 31-May low
is still
developing
nicely.

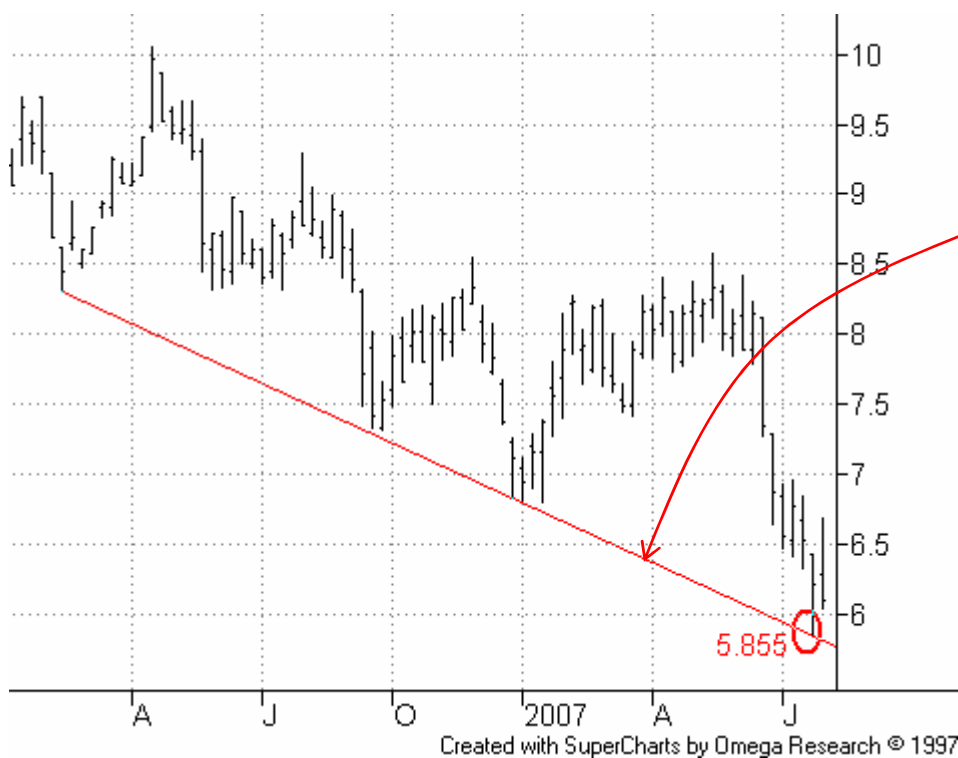
Ahead of 80.64
Aug-06 high note
the 79.00-80.00
resistance area
that we
highlighted last
week - top of the
2007 bull channel
and equality
target off 64.37,
to prior 54.30-
69.96 Jan-Apr
upleg.

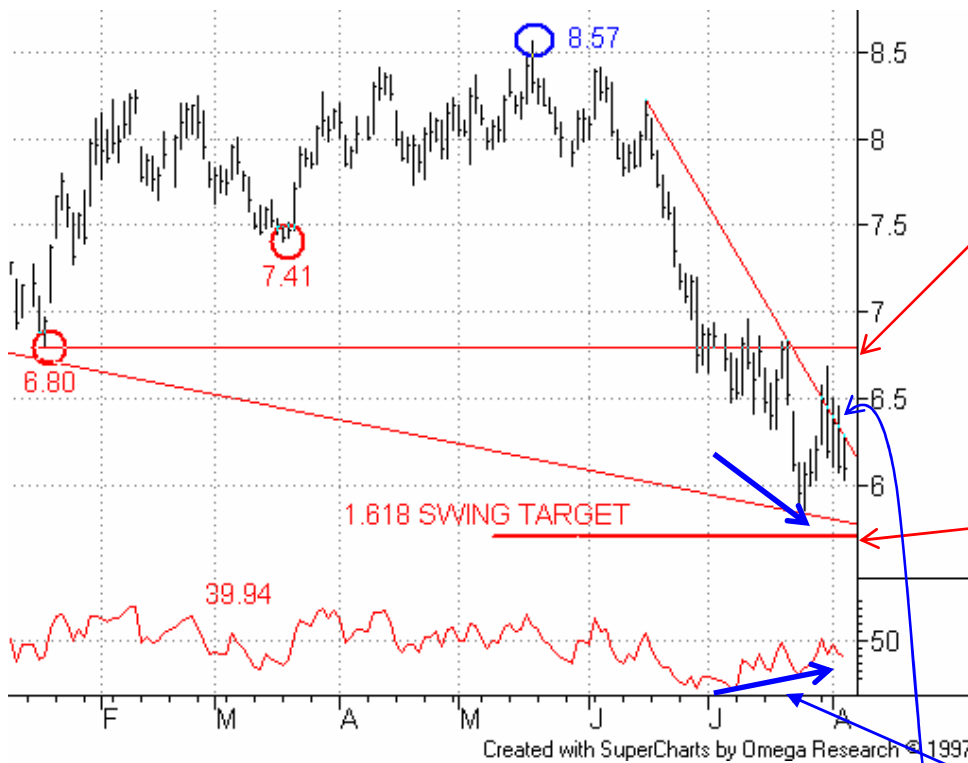
This is resisting
well s/term -
bulls may well
start to struggle
up here.

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Natural Gas (NYMEX)







DAILY CHART -

SEP-07:

Our bearish stance was reinforced by the previous breach of 6.80 Jan low (which reverted and remains resistance).

Mindful of the 5.74 level on the weekly chart we also note the 1.618 swing off prior 6.80-8.57 Jan-May upmove, at 5.70.

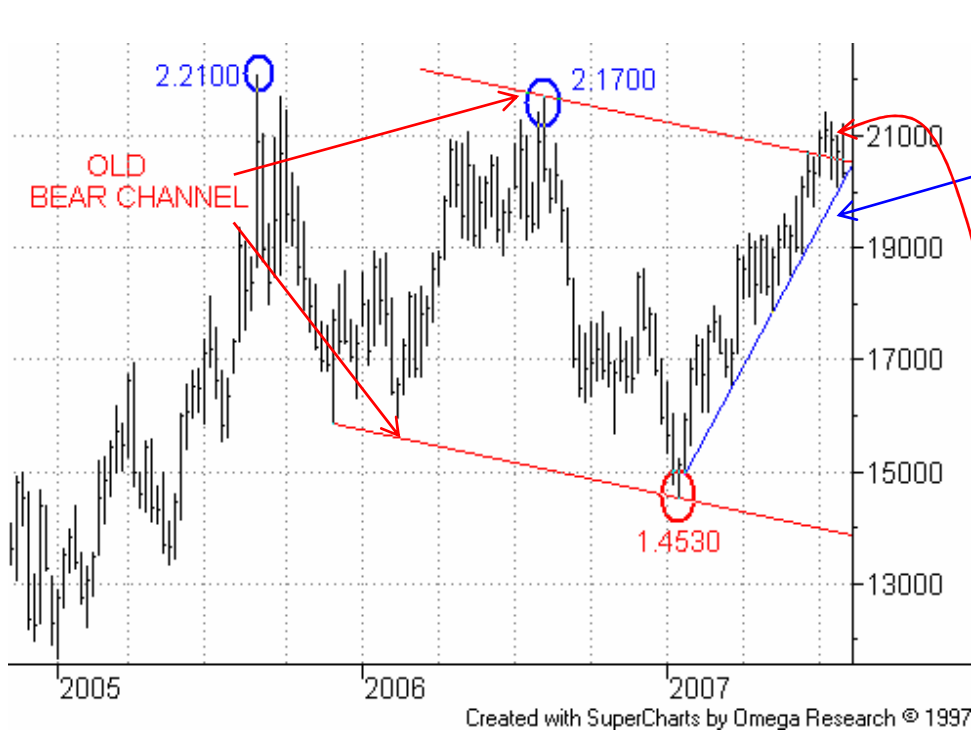
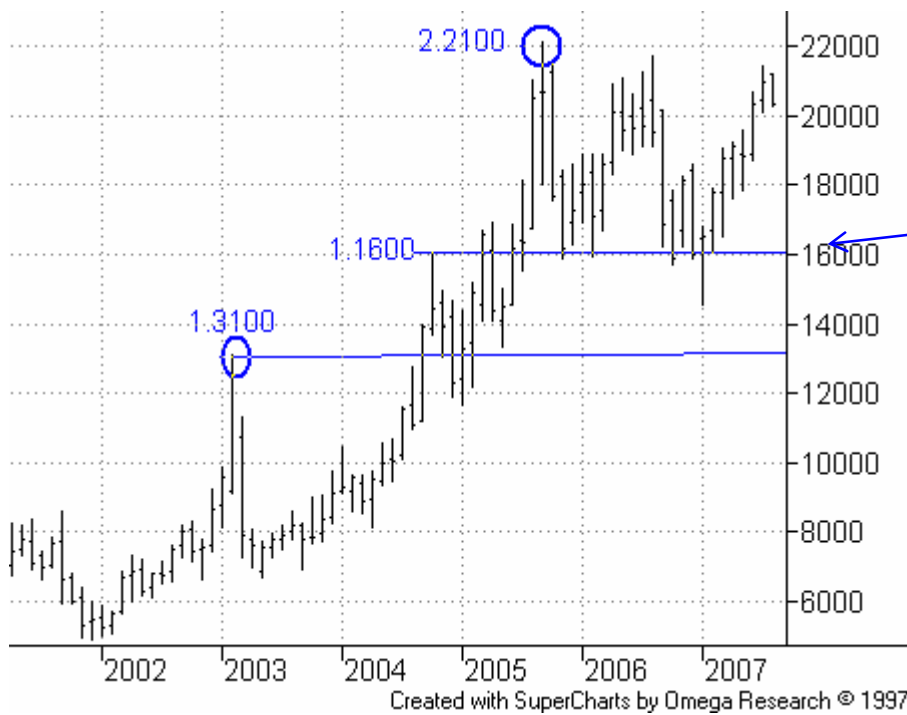
We previously highlighted a clear divergence signal on the RSI, hinting at bear fatigue...

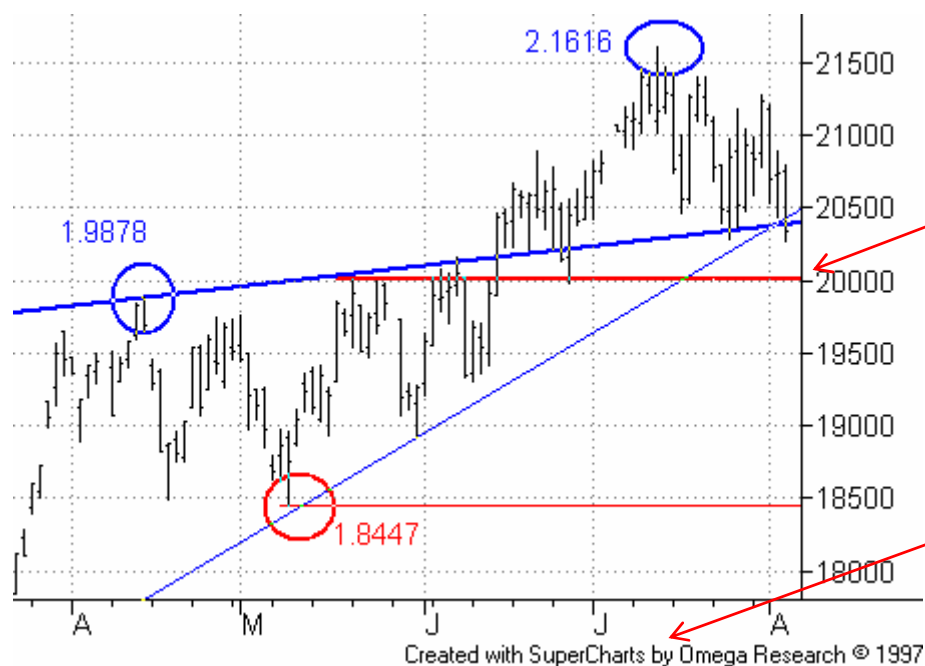
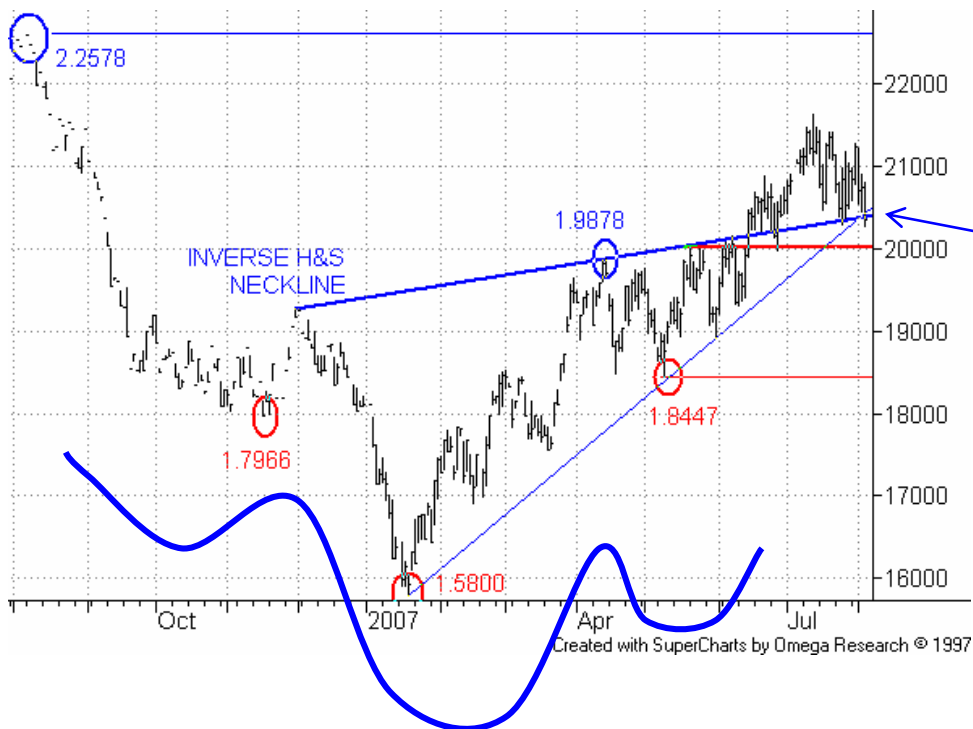
The recent downtrend line has been eroded, but a push through the 6.80 area is still required by the bulls.

Meanwhile bears must remain favoured.

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Heating Oil (CBOT)



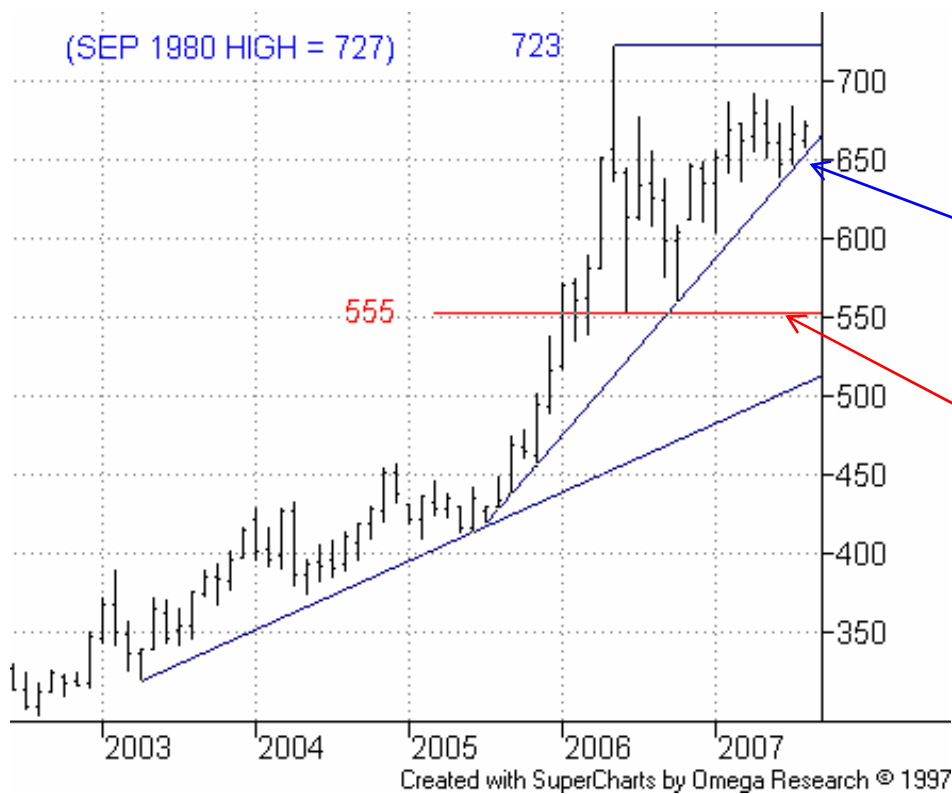


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Metals

The **Gold** and **Silver** daily charts have treaded water, but remain vulnerable to further weakness, while patient **Copper** bears during a recent corrective recovery have their first sign of fresh weakness.

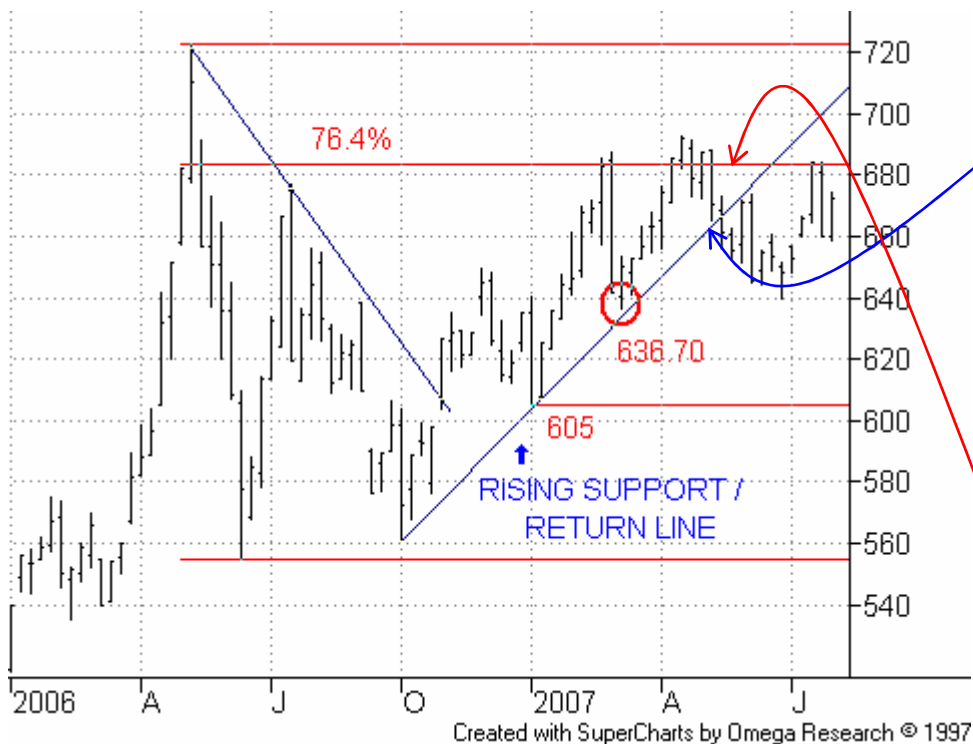
Gold (COMEX)



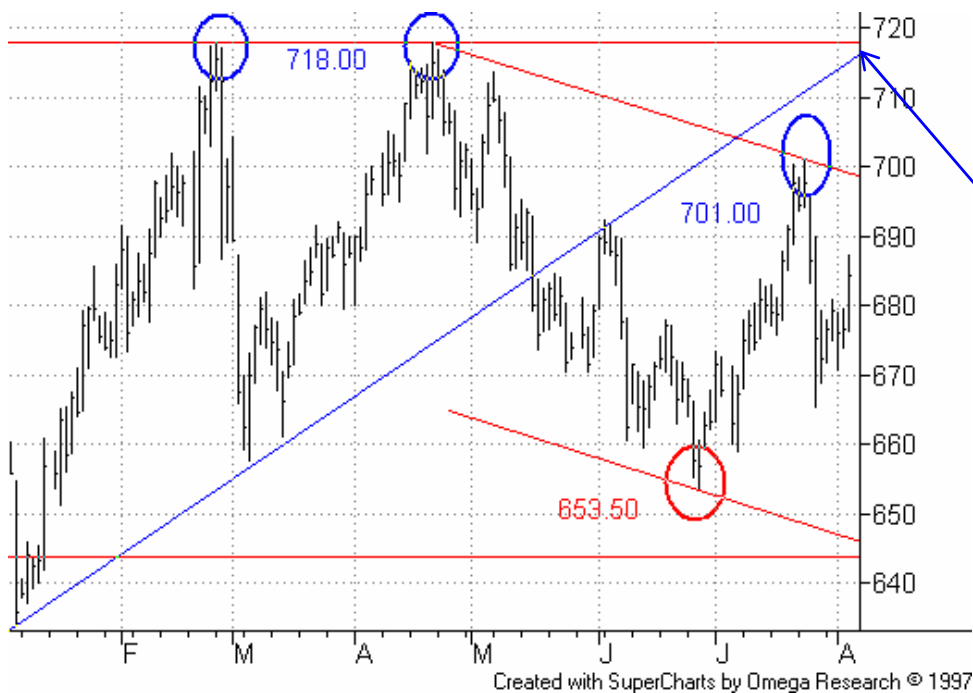
MONTHLY CHART -
CONTINUATION:
Overall momentum
intact while
2005-07 trend
line around 655
holds.

More serious is
any violation of
the 555 Jun-06
low.

The slow progress
back towards 723
May-06 high has
currently run out
of steam. But an
eventual break
above here would
see 825 become a
medium term
target (a 1.618
swing target off
the 723-555 fall.



Interestingly the 1.618 swing target off 653.50-701.00 lies very close, at 624.00.



DAILY CHART -
DEC-07:
The 700.00 area offers first resistance, while the 718.00 highs and 715.00 area are key above here.

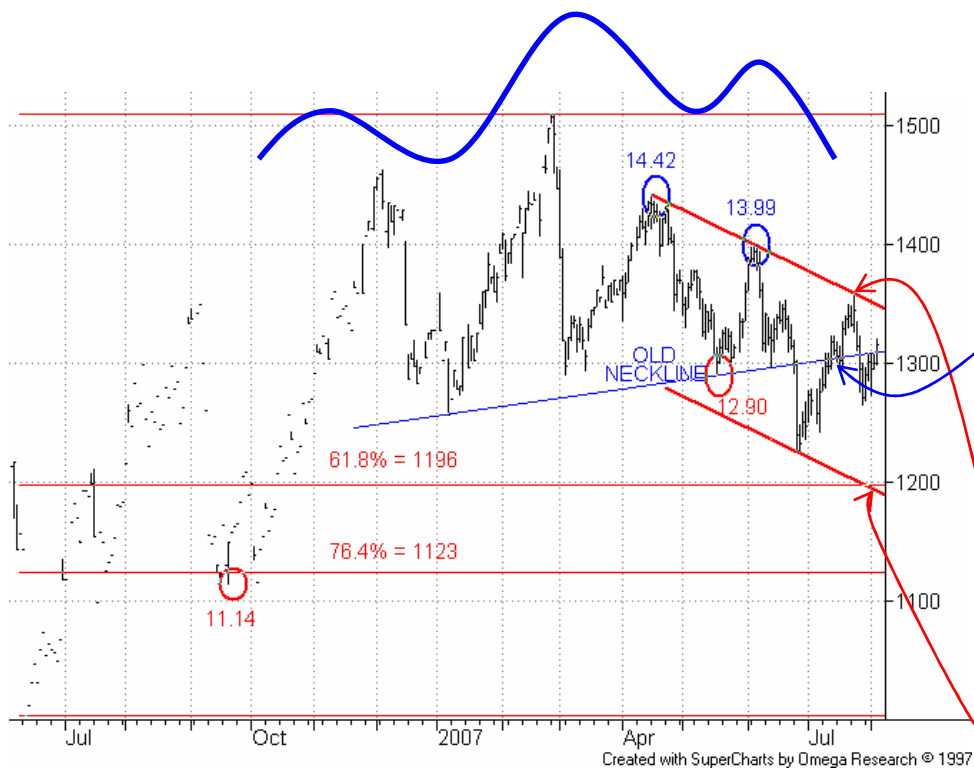
Note possible intermediary support below 653.50 from the bear channel base projection around 646/45.00 currently.

However it is right to stay negative for now.

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Silver (COMEX)





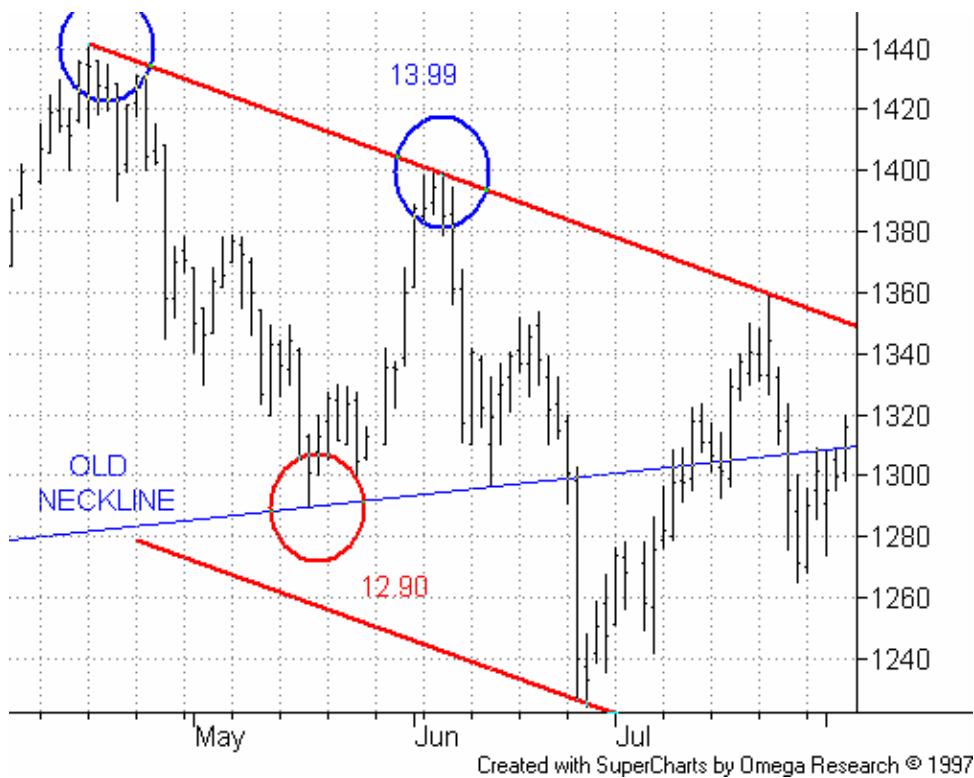
DAILY CHART -
SEP-07:

There remains a type of Head & Shoulders pattern completed here, even though neckline resistance was violated.

Note the effective falling resistance line from 14.42 Apr high.

A possible bear channel base currently coincides with the 61.8% level near to 12.00.

Lower 76.4% at 11.23 could come under closer scrutiny later on.

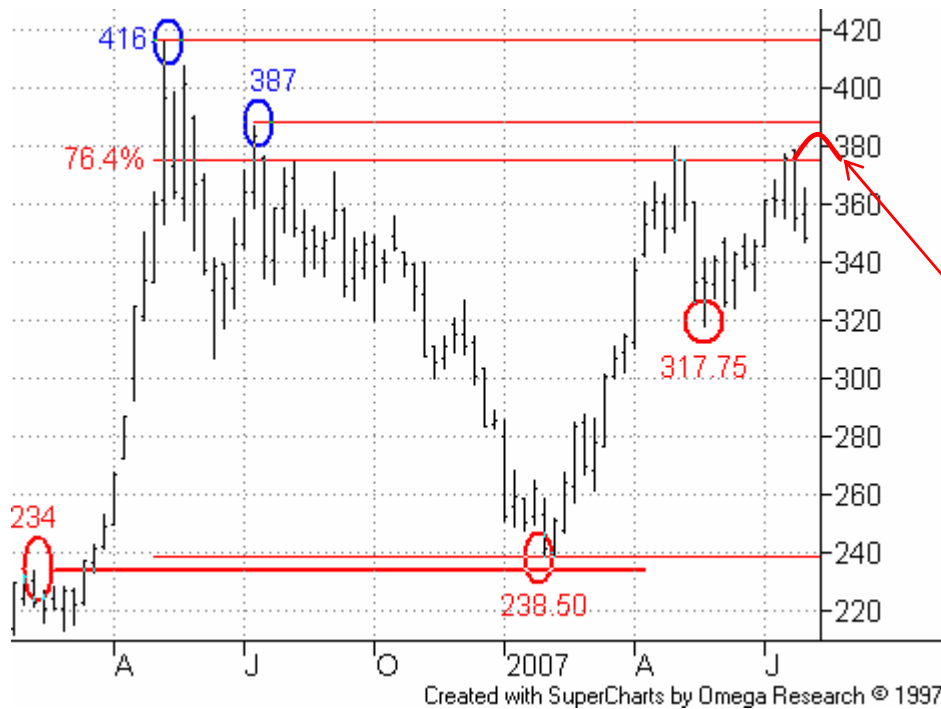


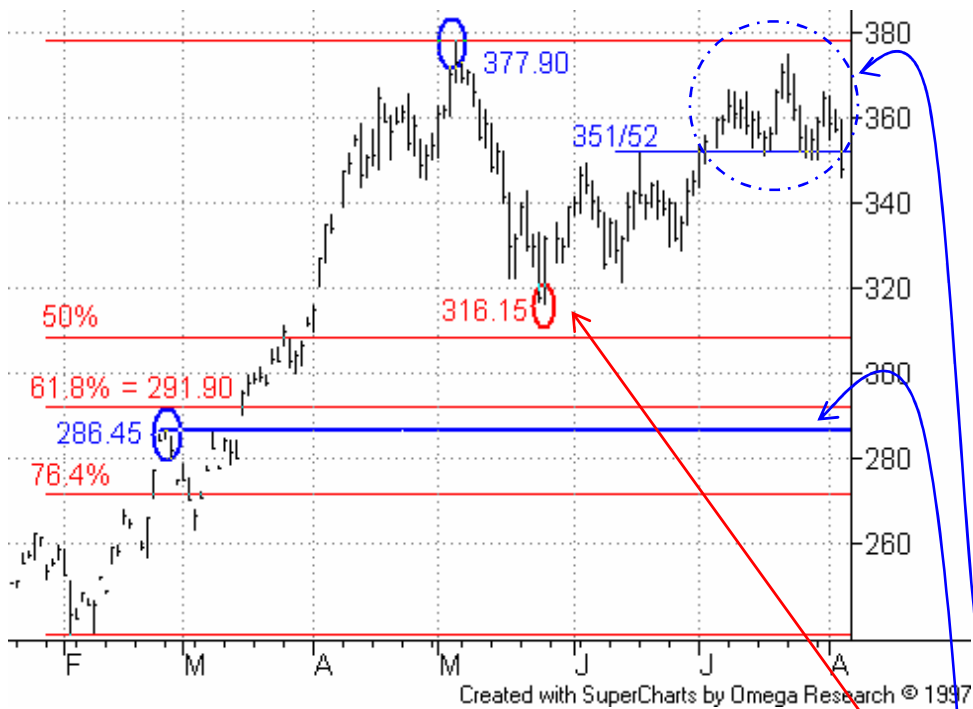
DAILY CHART -
SEP-07:

We have previously stated that only a move back above falling resistance and 13.99 high would completely negate the current bearish outlook, and this remains the case for now.

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High Grade Copper (COMEX)





DAILY CHART -
SEP-07:

Having viewed the (now substantial) recovery from 316.15 May low as being corrective, ahead of further weakness, the first negative clue has emerged.

This is the breach of 351/52 support which has completed an, albeit modest, Head & Shoulders pattern.

Ultimately, however, the bear view would only be confirmed by a drop below that 316.15 low.

This would herald a deeper corrective phase, when the 291.90-286.45 area (includes 61.8%) would offer interesting support.

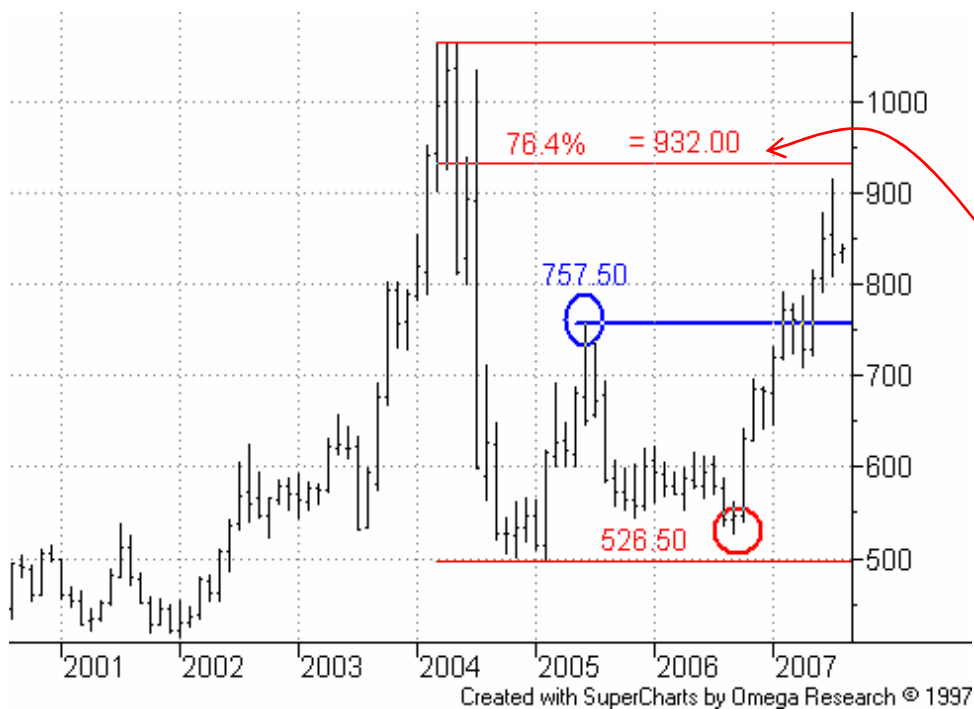
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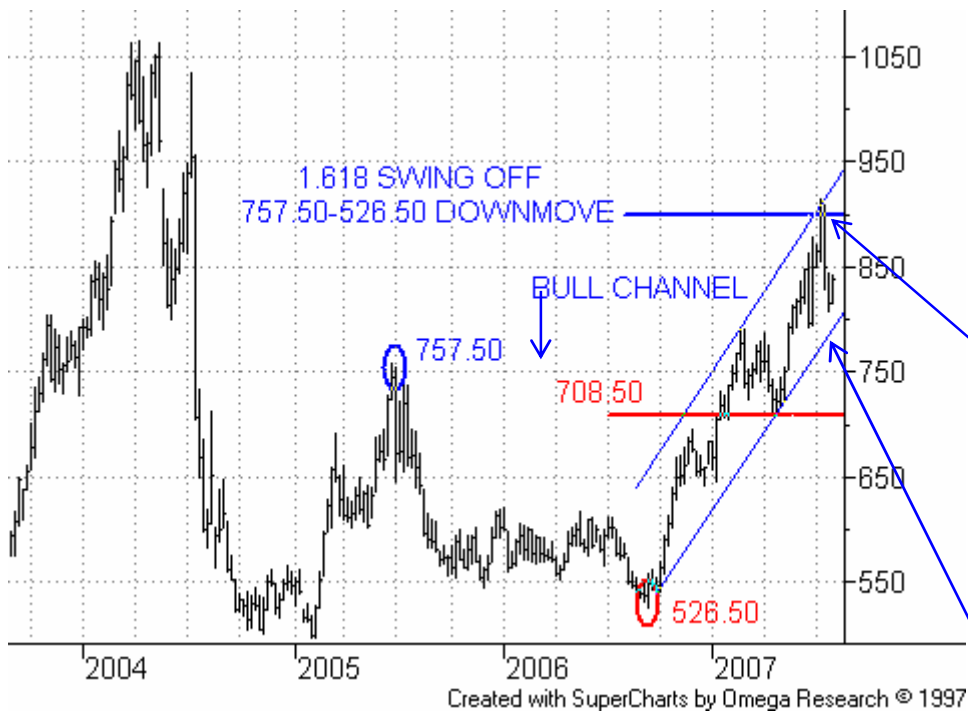
Grains and Softs

Soybeans remain overall bullish but a s/term pullback phase continues to unfold, and **Wheat's** previously strong upmove seems in its final stage ahead of correcting.

Sugar may have completed its medium/long term downmove, now in the process of turning. **Cocoa's** has turned back down following a decent bull move while **Coffee** still holds promise for patient bulls.

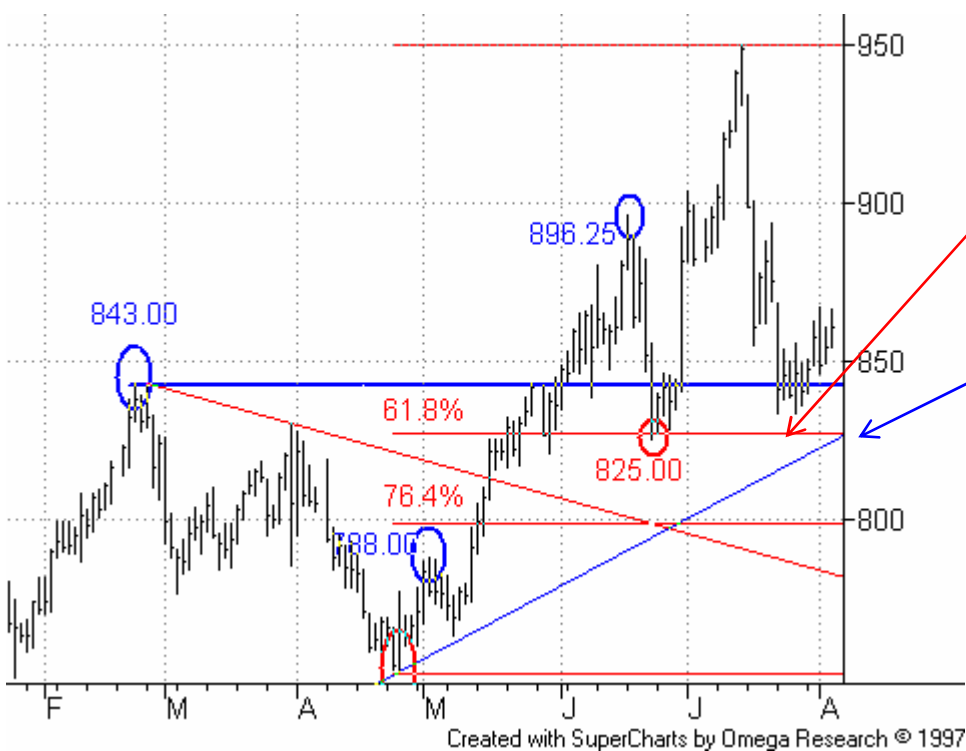
Soybeans (CBOT)





WEEKLY CHART -
CONTINUATION:
The recent strong rally failed around the two resistance areas we had pointed out - the bull channel top and the 1.618 swing target of the prior 757.50-526.50 fall.

The medium term upmove remains impulsive, however, and the 800 bear channel base & old 757.50 high offer first main support.



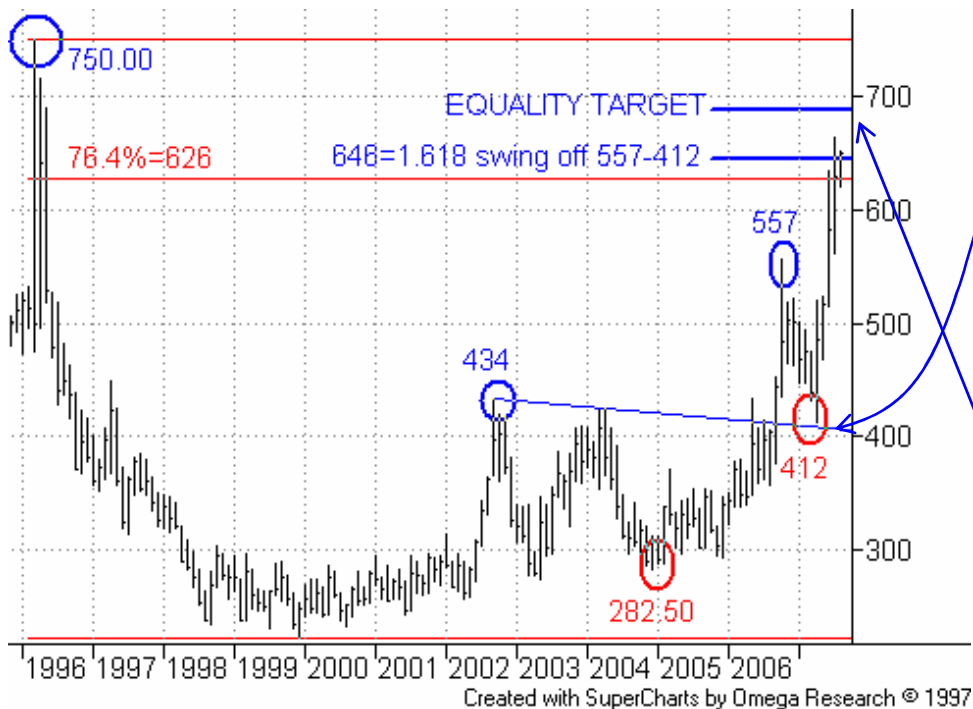
DAILY CHART -
NOV-07:
The smart drop from 950.00 stopped short of the prior 825.00/61.8% support.

Here, long term rising support lies at 825.00, not 800.00 as per the weekly chart. But 800.00 coincides with the 76.4% level - so this latter could yet prove of greater interest.

The picture is s/term bearish, but with possible limited downside.

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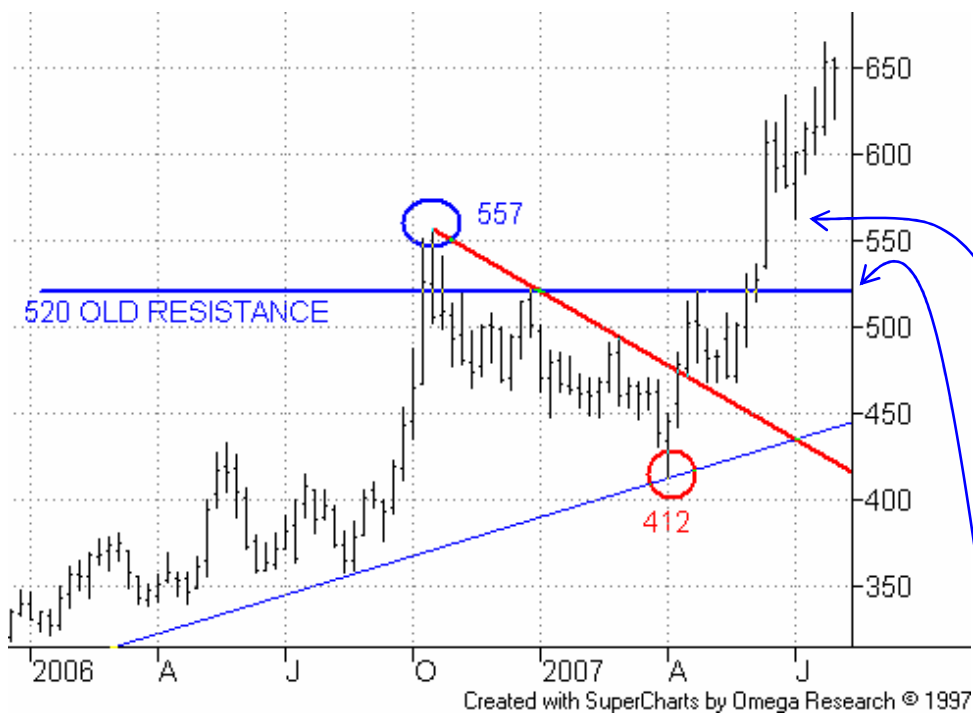
Wheat (CBOT)



MONTHLY CHART -
CONTINUATION:
Continued recovery off the old resistance/return line has been powerful and exceeded our 626-646 target area.

This now sets focus on the '282.50-557' equality target off 412, at 686.

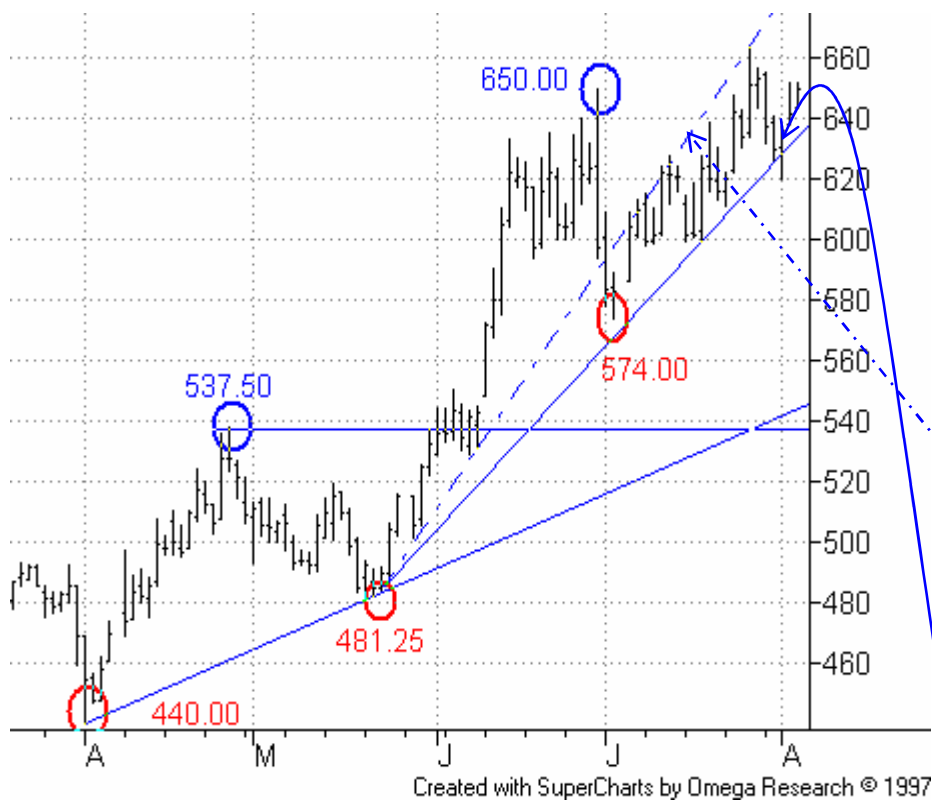
Beyond here there is not much in the way of a 750.00 return.



WEEKLY CHART -
CONTINUATION:
Our bullish stances stays valid, but note the rise from 412.00 has a 5-wave (impulsive) look, the 5th/final wave well underway now.

Later losses would be deemed corrective, but would gain momentum below the 557 Oct-06 high.

The 520 area would then offer further support.



DAILY CHART -
SEP-07:

Our bullish view
here remains
correct, but the
upleg from 574.00
03-Jul low may be
the 5th and final
wave in the move
from 440.00 Apr
low.

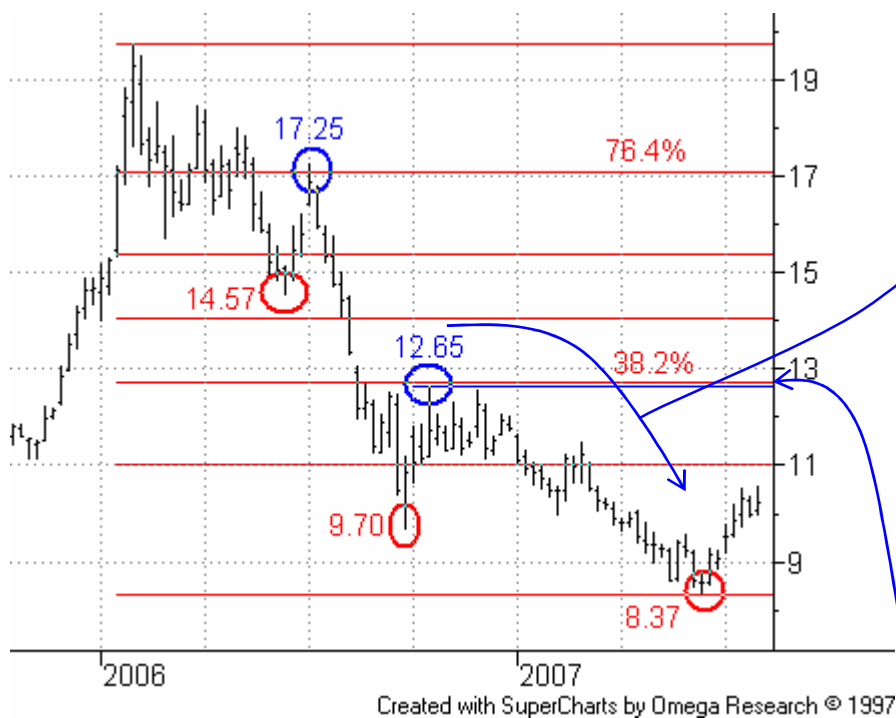
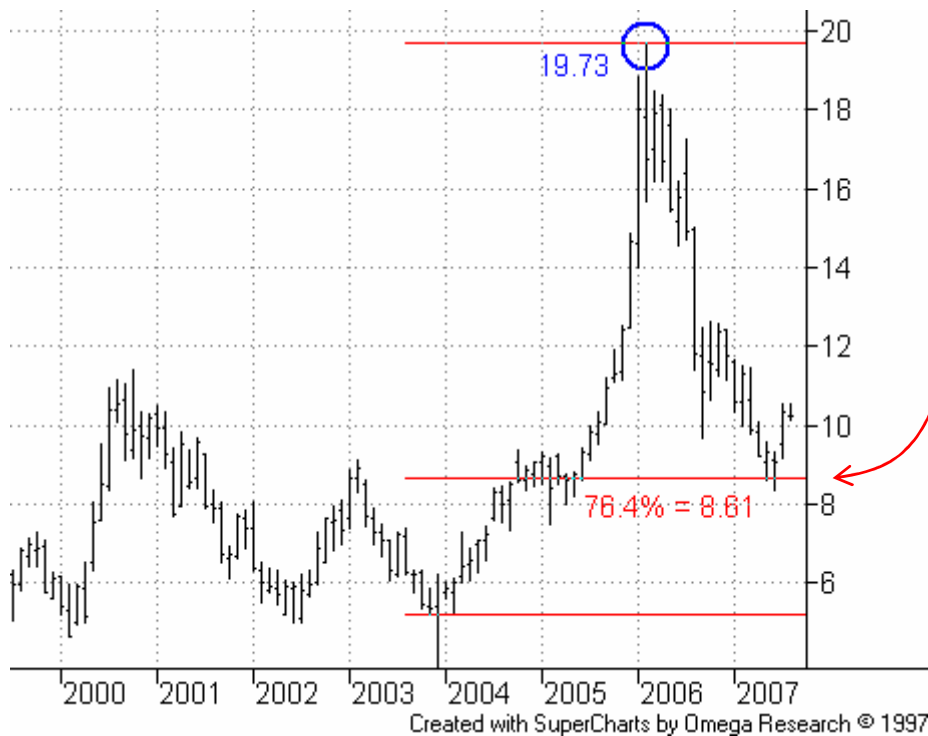
The rising return
line off 481.25
21-May low
remains effective
resistance.

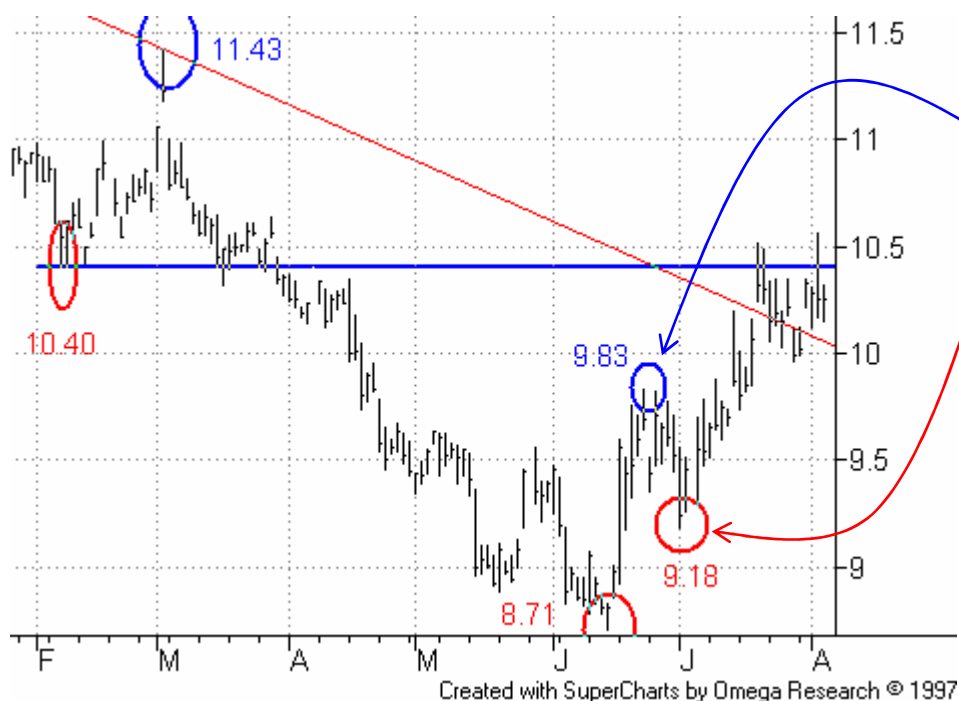
We still need to
see a proper
break of the
rising support
line off 481.25
to conclude a
pullback is
underway.

Meanwhile we
remain bulls for
now.

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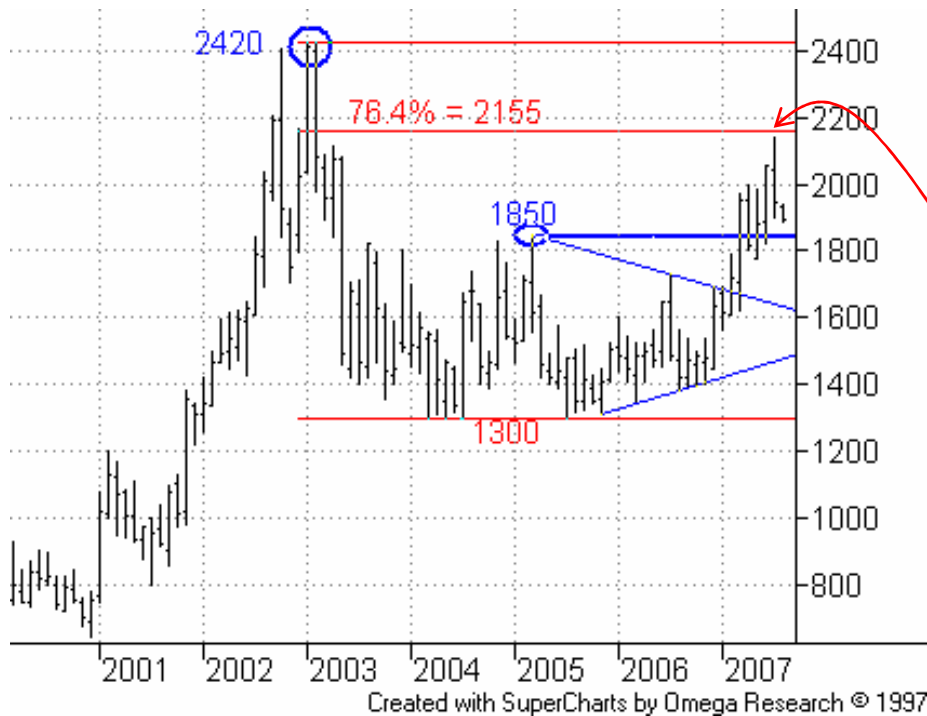
Sugar 11 (NYBOT)





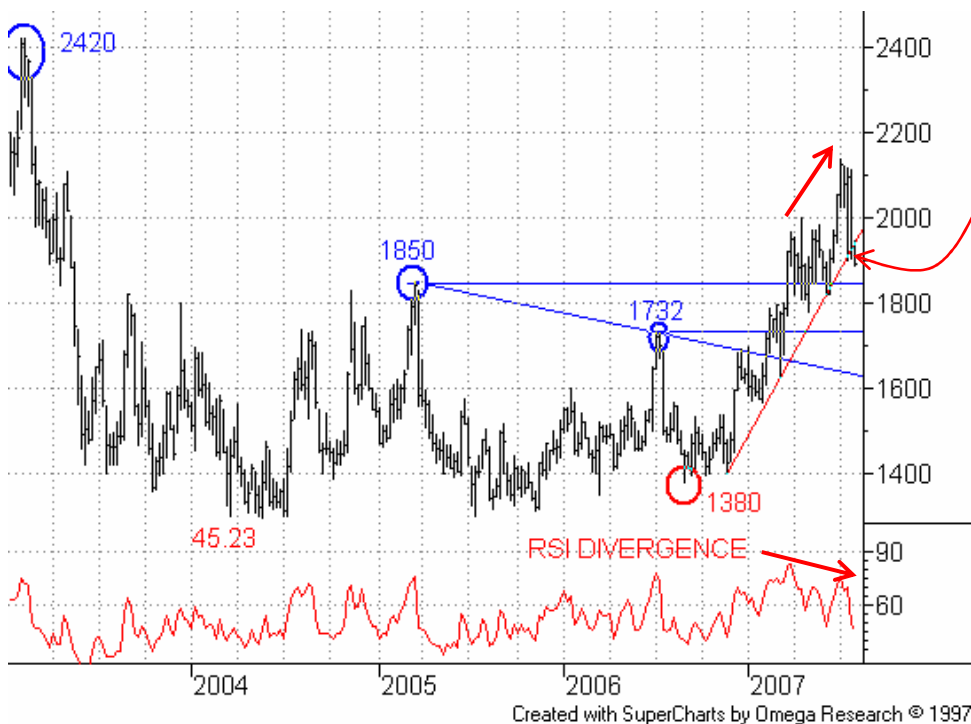
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Cocoa (NYBOT)



MONTHLY CHART -
CONTINUATION:
After the break
above the 2005
1850 high, the
uptrend has
faltered at the
76.4% level.

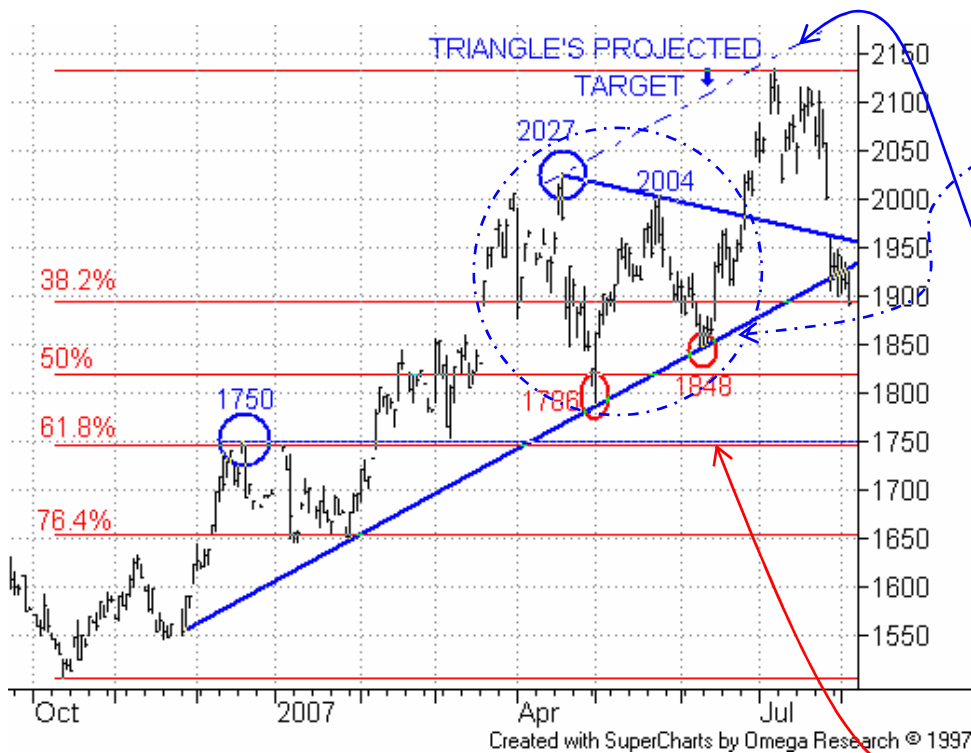
There remains,
however, later
scope to extend
towards the major
2420 high.



WEEKLY CHART -
CONTINUATION:
The rising
support line has
been eroded now,
the old 1850 high
offering next
support. This
protects lower
1732 2006 high.

We had already
observed negative
RSI divergence -
heralding a
shorter term bear
phase.

However, the
bullish medium
term outlook
still remains in
place.



DAILY CHART - SEP-07:

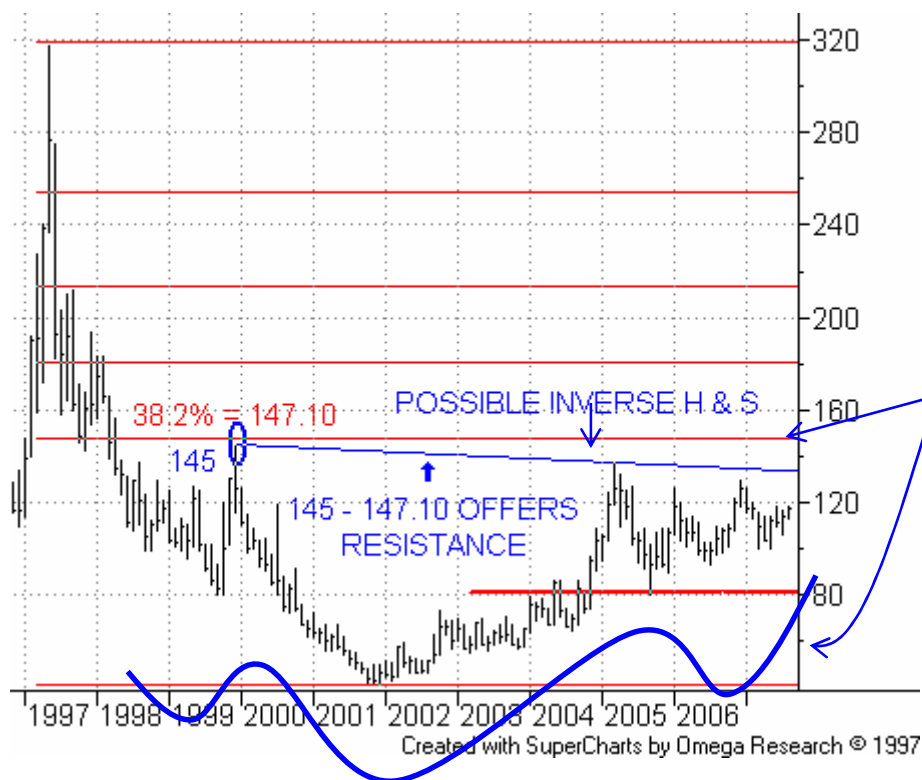
The continuation triangle worked nicely, price nearly reaching the projected target before dropping back.

Last week's closes below uptrend support signal deeper losses to come s/term, and the 26/27-Jul down gap should add bear pressure.

The old 1750 support/resistance area takes on more interest as it coincides with 61.8% now.

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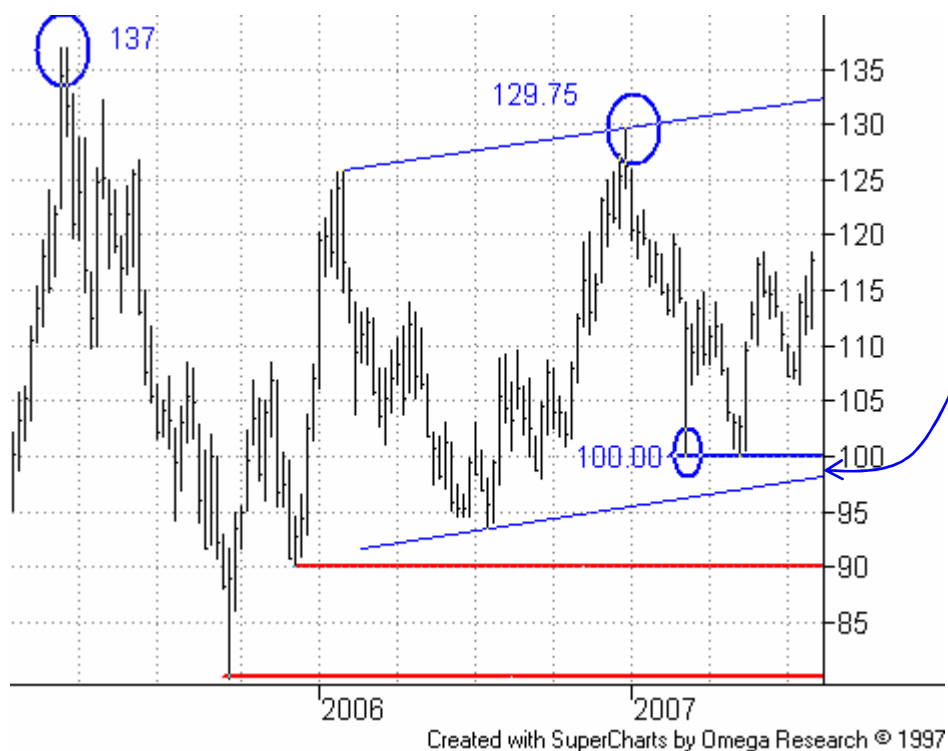
Coffee (NYBOT)



MONTHLY CHART -
CONTINUATION:
A large inverse
head & shoulders
seems near to
completion.

Above the 134
neckline sees
145.00-147.10 as
offering
important future
resistance.

The long term
bias remains up,
particularly
while key 80.00
support area
holds.



WEEKLY CHART -
CONTINUATION:
The 100.00 round
number support
has been
effective,
keeping lower
bull channel base
out of reach.

These levels
protect against
anything more
serious on the
downside

The current
consolidation
keeps the medium
term picture
broadly neutral.



DAILY CHART -
SEP-07:

Focus has been on whether price could continue to hold above the 76.4% pullback area (failure to do so would put the 106.40 01-May low at risk).

Ultimately a break above the 120.85-121.50 area (includes the rising resistance line) is needed to provide a boost, when we can start looking at some higher % retracement levels.

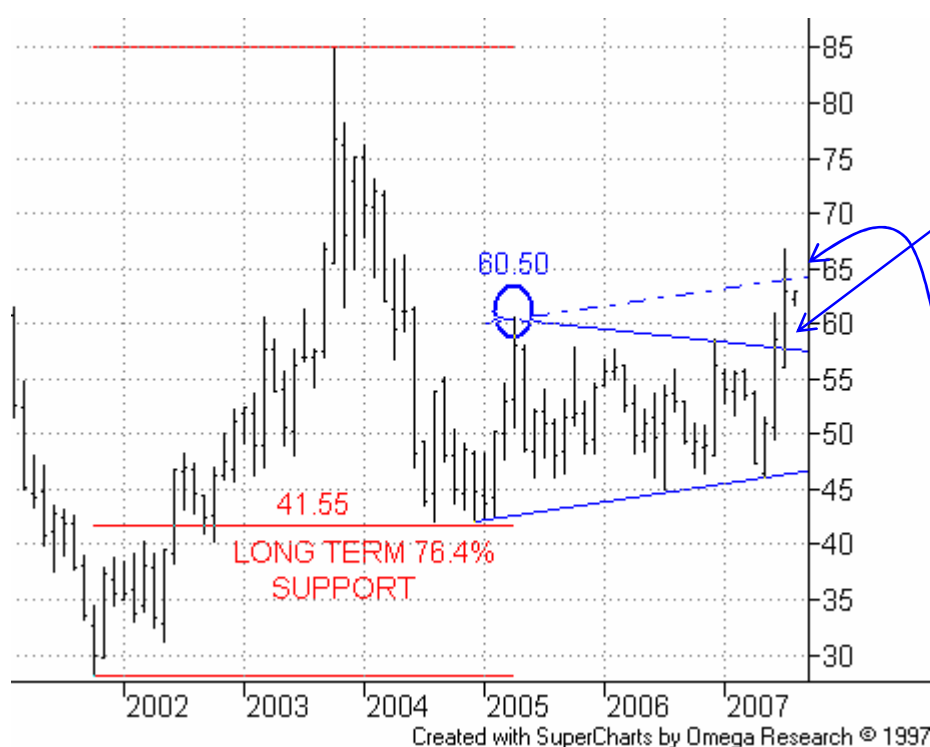
S/term bulls
remain in favour.

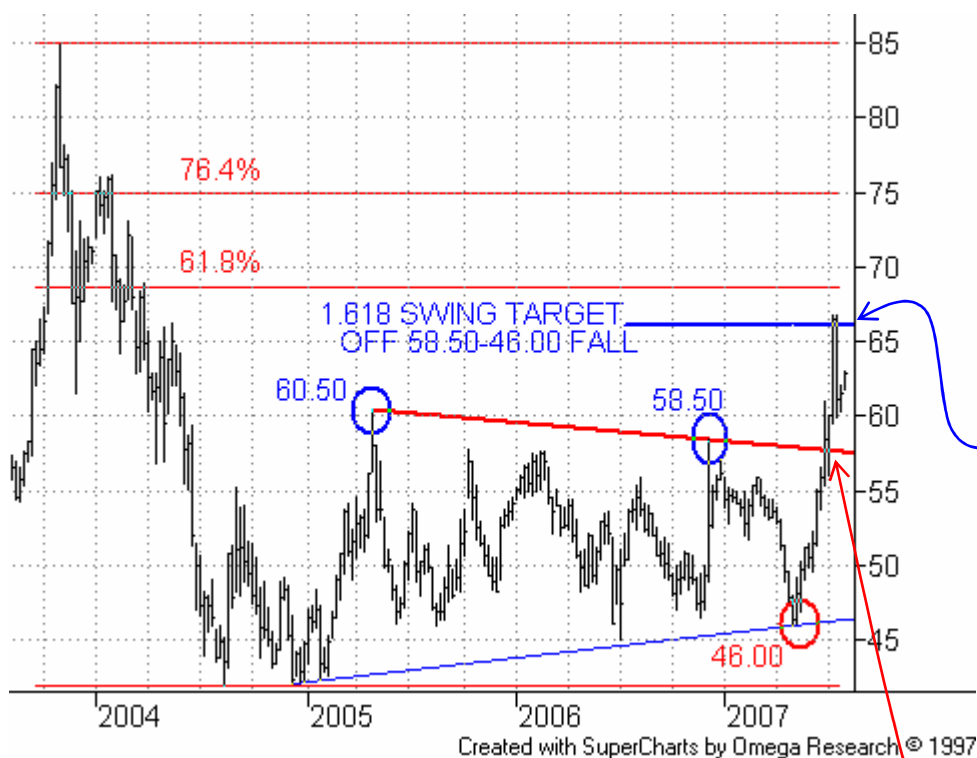
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Other

Cotton remains in pullback mode following a very strong upmove. There looks to be a base forming in **Lumber**. The short term chart of the **CRB index** remains uncertain after recent choppy action, but upside could well be limited.

Cotton No.2 (NYSE)

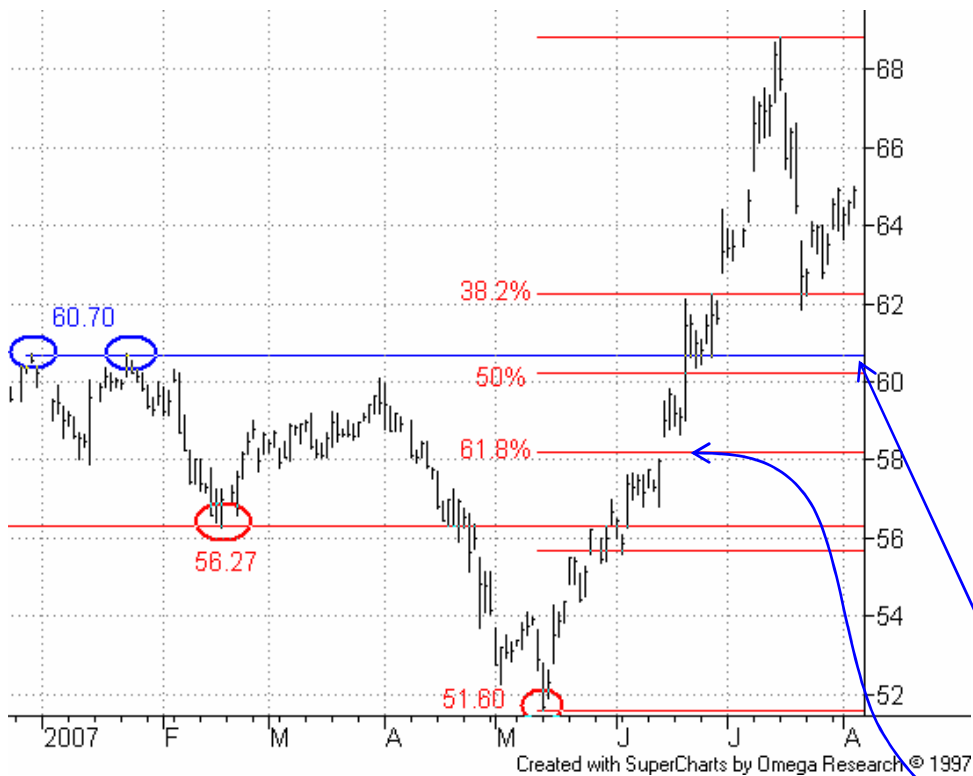




WEEKLY CHART -
CONTINUATION:
After 2 ½ years
of failing to do
so there has now
been a close
above the
previous 58.50
and 60.50 major
highs.

Our 66.20 1.618
swing target (off
prior 58.50-46.00
decline) has so
far proved very
effective as
resistance.

Any down-swing
could now prove
corrective only,
those 60.50/58.50
highs and 57.50
falling return
line drawn off
them, offering
the obvious
potential
supports.



DAILY CHART -

DEC-07:

The very strong upmove, which was first heralded by the mid-May reversal week, breached all the significant highs on the Dec-07 contract.

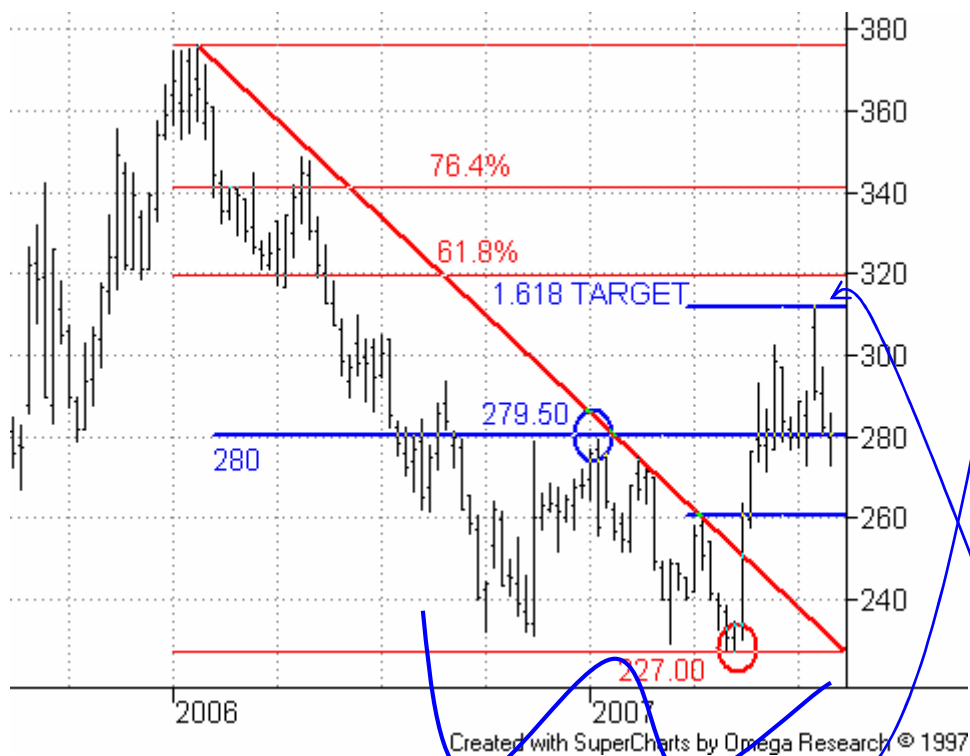
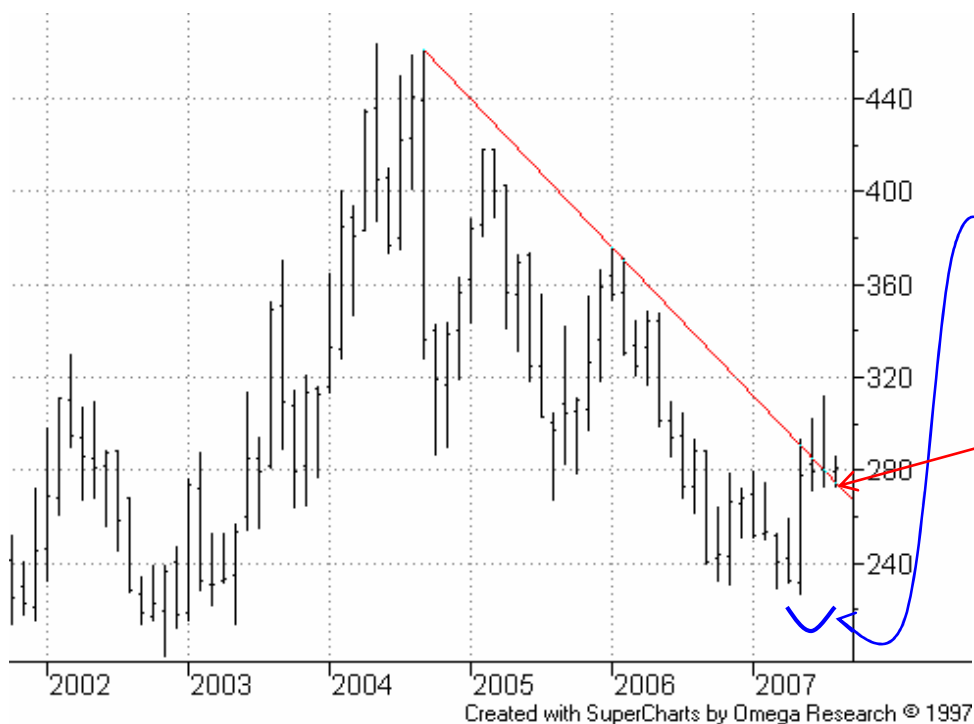
The 38.2% pullback area has initially thwarted s/term bears but we remain alert to further s/term losses, when the 60.70 Dec-06/Jan-07 highs offer next support.

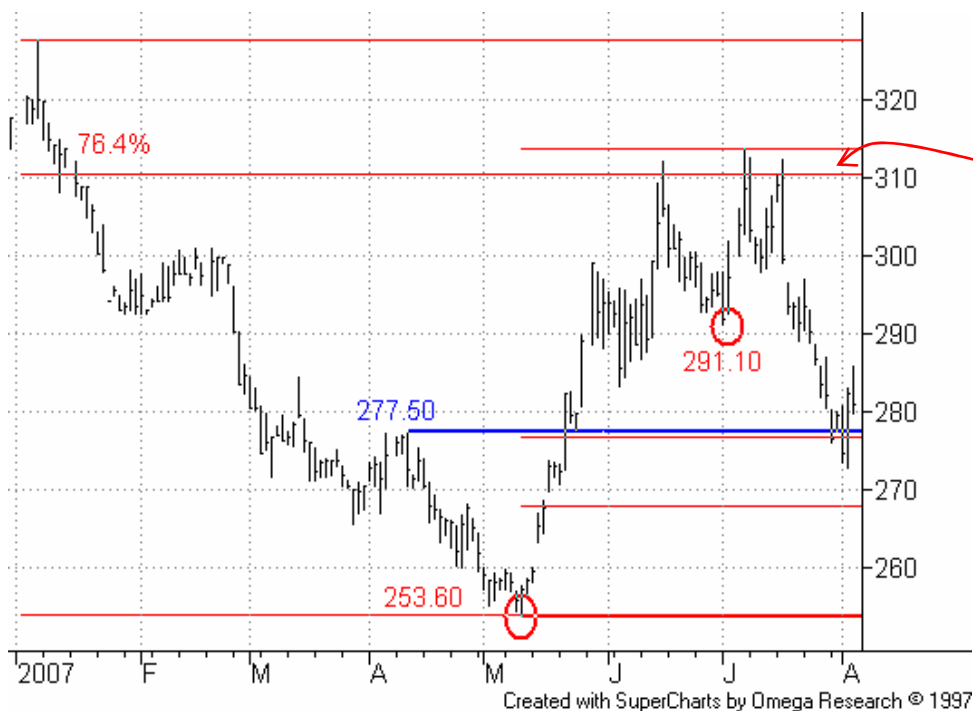
Also note lower 61.8% level which lies nicely within the 13/14-Jun gap.

Losses are viewed as corrective, and bulls await later opportunities.

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Lumber (CME)





DAILY CHART -
SEP-07:
Recovery from the
May low was
unable to HOLD
above the 76.4%
level.

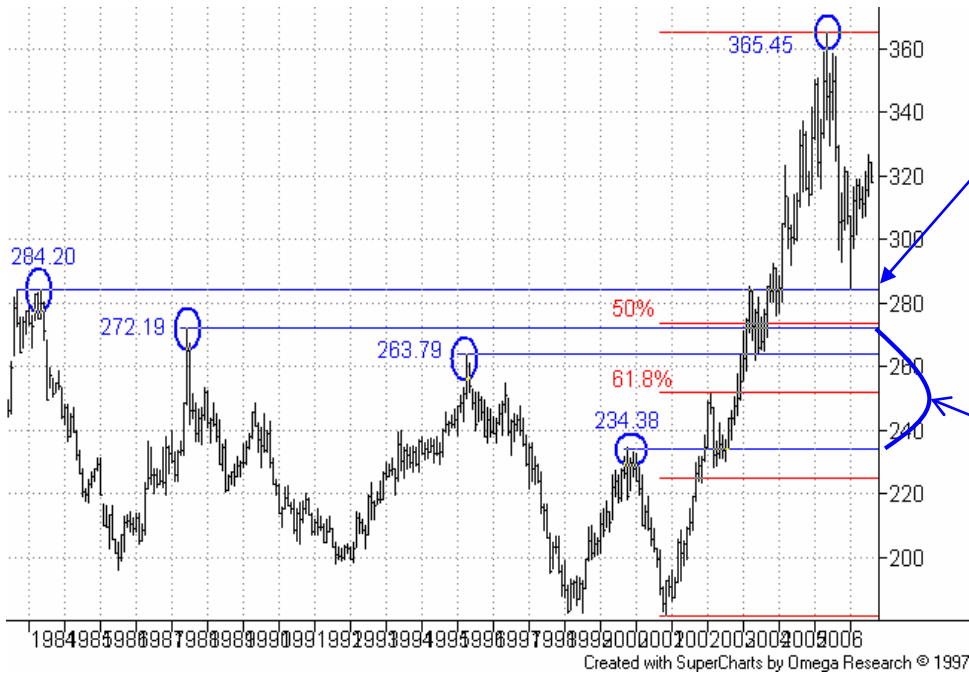
The support from
277.50 we had
noted has been
eroded but, as
before, we must
ultimately allow
for 260.00 - see
weekly chart).

The situation is
bullish overall,
the current
pullback
classifiable as
corrective only.

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CRB Index (CBOT)

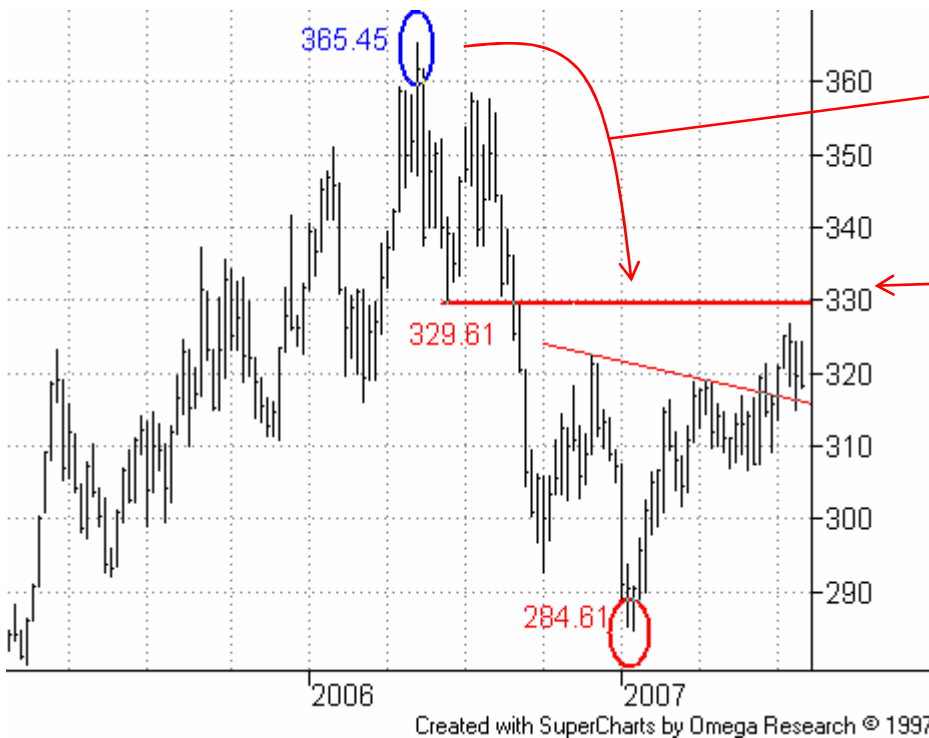
MONTHLY CHART:



The pullback from 365.45 has so far found support from the first of four old major highs.

Over the medium term, a break below this would put the lower ones at risk.

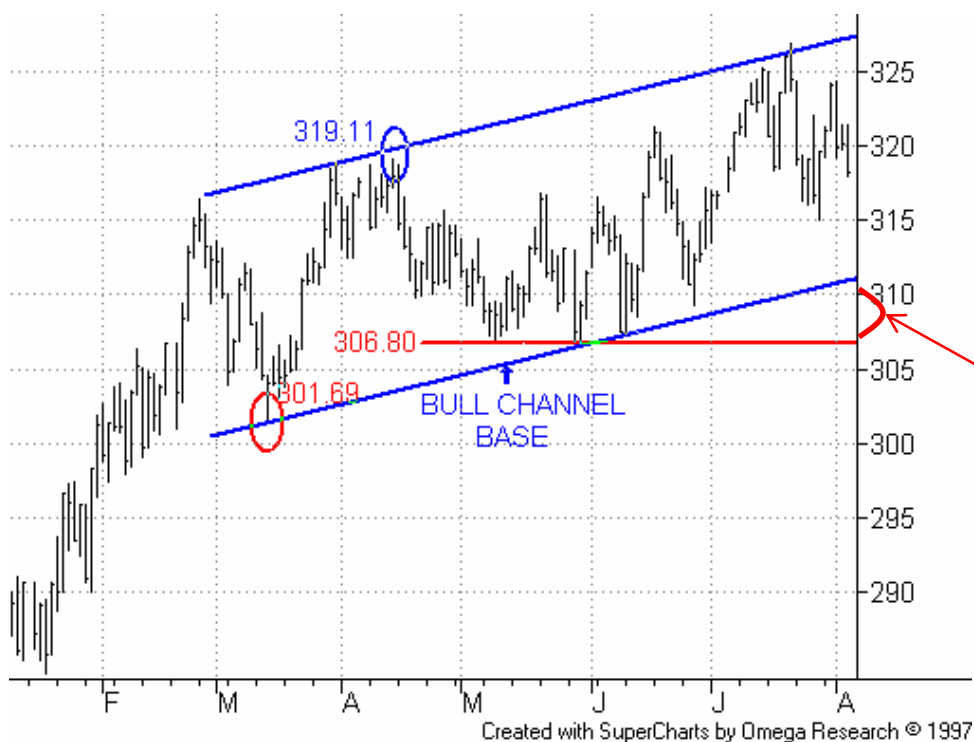
On balance the long term outlook is bearish, the current bounce corrective.



WEEKLY CHART:

The 365.45-284.61 decline displays a clear 5-wave, impulsive structure.

Only above 330.00 would seriously question bears' resolve and we stay bearish while 330.00 resists



DAILY CHART:

The choppy nature of the daily chart maintains s/term uncertainty.

Key support remains at 306.80, but also from the 311.00 bull channel base. Breaks below here would signal a fresh bear move underway.

The channel top has been very effective resistance so far and is the barrier to 330.00, mentioned above.

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