

WEEK 34 21st AUG - 27th AUG 2007

THE *COMMODITY* TRADER'S GUIDE TO MAJOR MARKETS

PHILIP J ALLWRIGHT



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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.

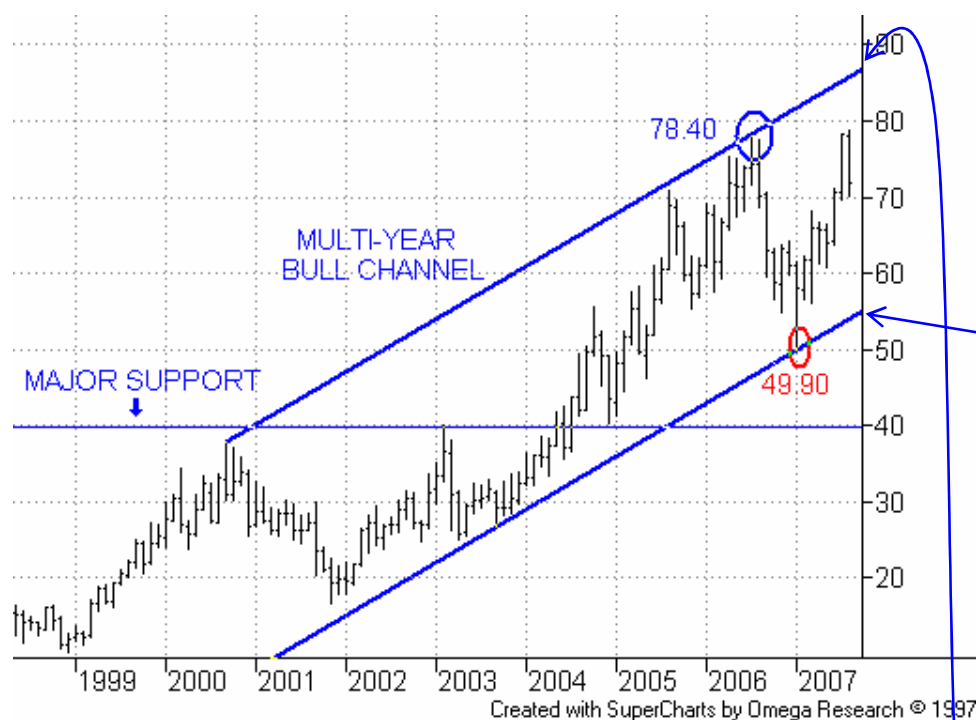
At UBS Futures & Options Ltd he developed his skills as a financial futures broker and analyst of intraday movements and latterly became a director.

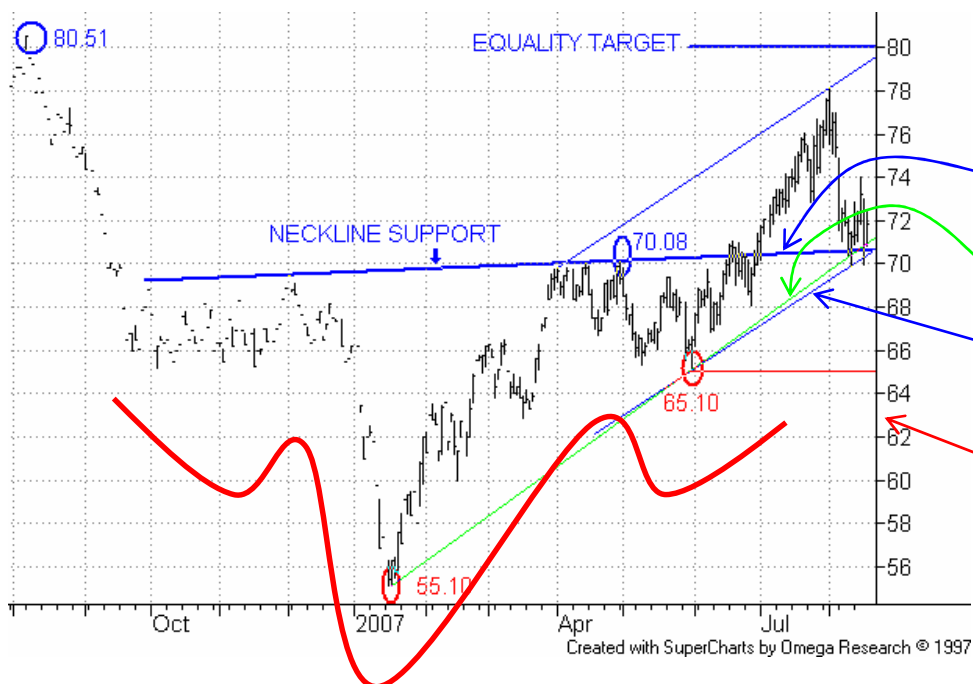
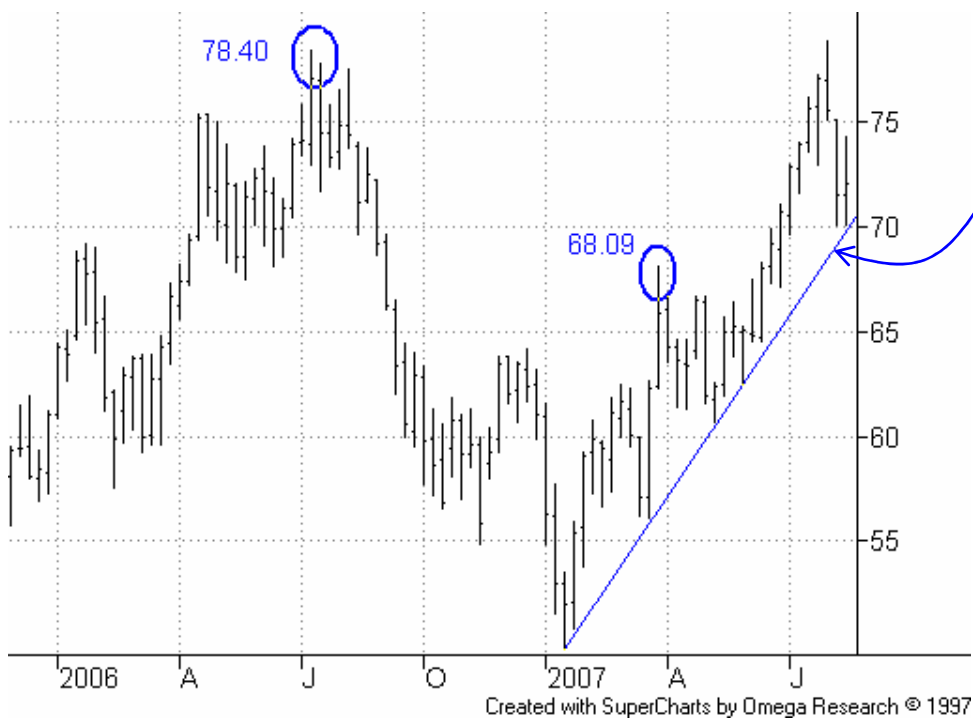
He then worked at (Standard & Poors) MMS as senior foreign exchange technical analyst, and most recently has continued the foreign exchange analysis as a consultant to the web-based G7FOREX.

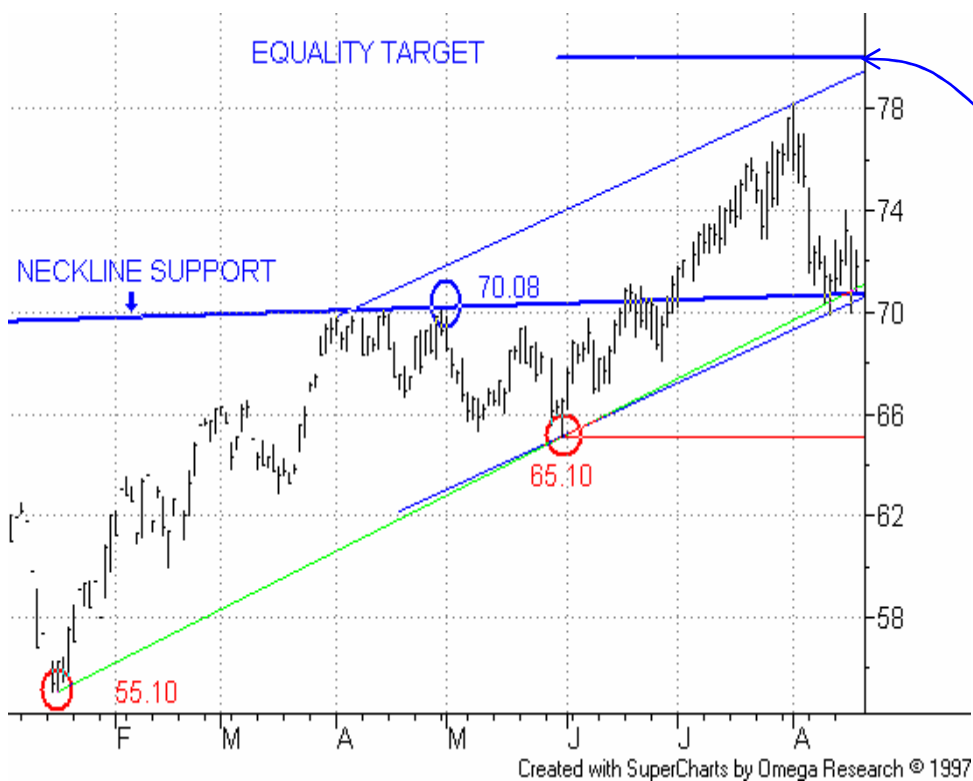
Energy

The bullish trend in **Crude Oil** remains threatened, while **Heating Oil** seems to be leading the bears' way as its previous inverse Head and Shoulders pattern loses its relevance. **Natural Gas** has temporarily reversed a bearish trend but recovery scope is unclear.

Light Crude Oil (NYMEX)







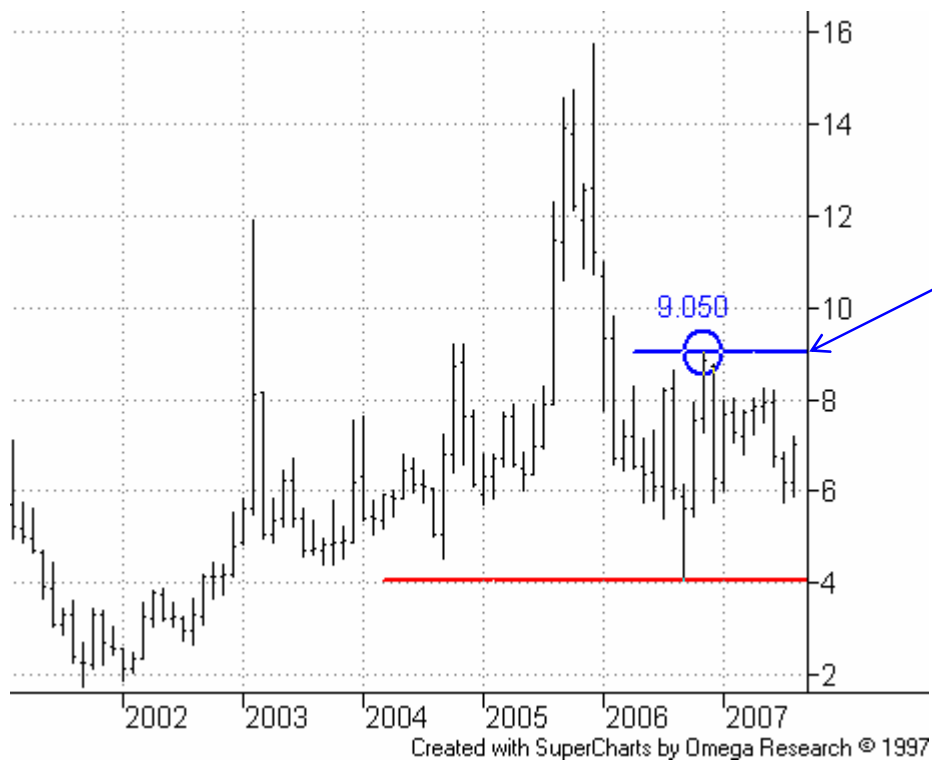
DAILY CHART -
OCT-07:

The slip back from below the 80.08 equality target off 65.10 low (to prior 55.10-70.08 Jan-Apr upleg), and short of the 80.51 Aug-06 high, keeps s/term focus on the 70.00 area.

The question now is whether the drop from 78.15 high is impulsive (probably), in which case s/term rallies will be corrective only ahead of a 70.00 break...

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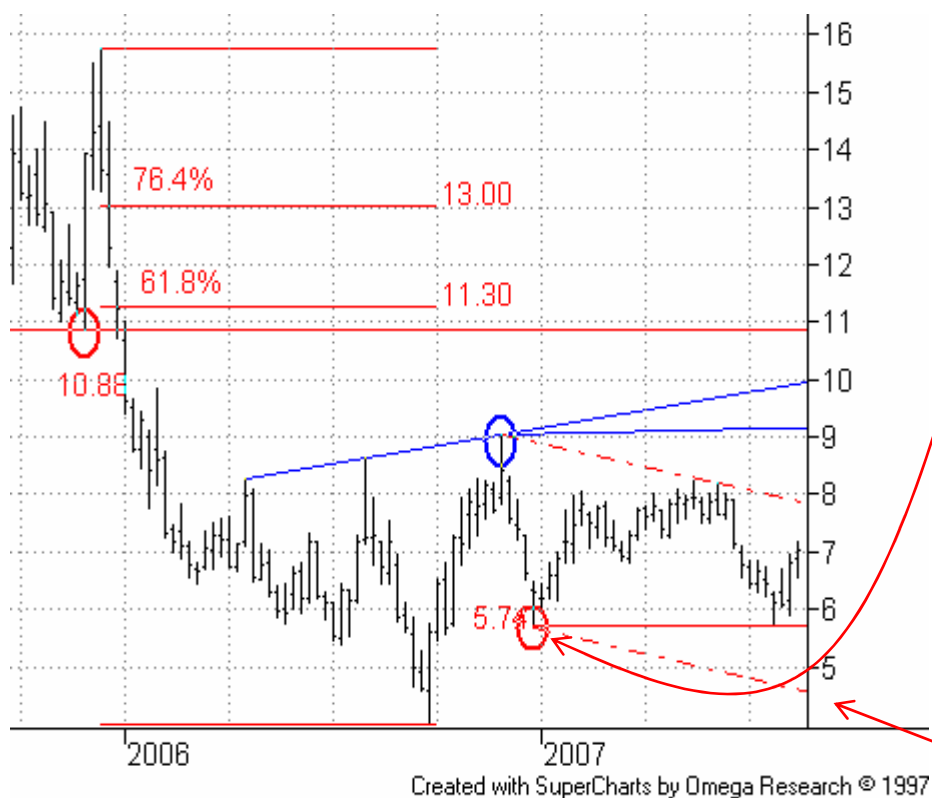
Natural Gas (NYMEX)



MONTHLY CHART -
CONTINUATION:

Price remains
broadly
consolidative
above the 4.00
2006 spike low
and below the
9.05 Nov-06 high.

It is still
possible that a
long term base is
forming.



WEEKLY CHART -
CONTINUATION:
The 2006-07
basing attempt is
not in doubt
while 5.74 holds
- and this is the
current case.

However, a
decisive break
below here could
seriously delay
long term
recovery
potential.

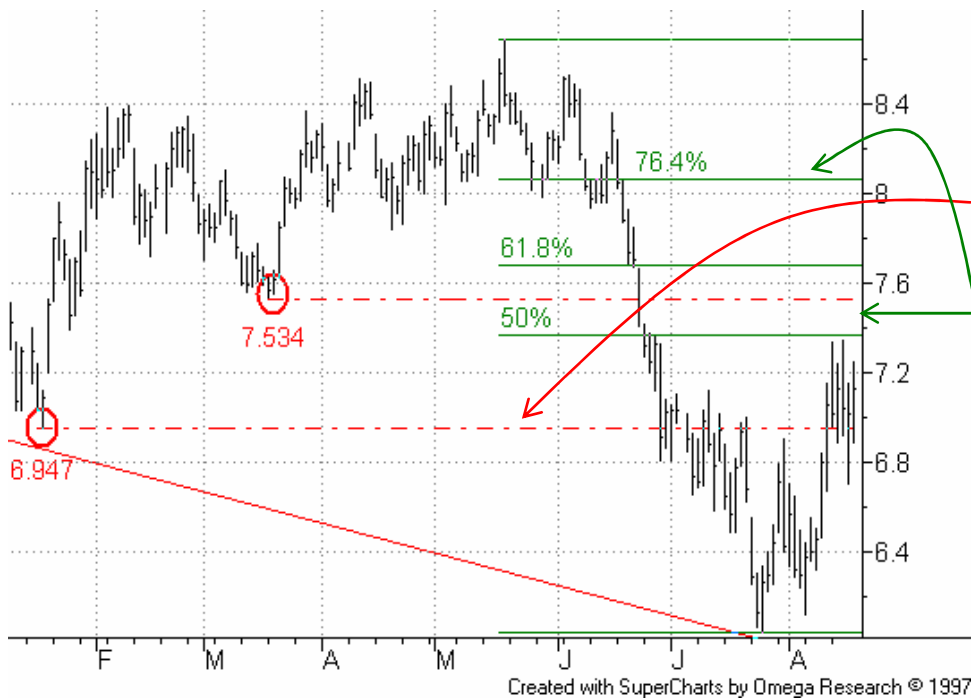
We have sketched
in a possible
bear channel,
base of which
runs through
4.60, with top
around 7.80.



WEEKLY CHART -
OCT-07:

We had previously
observed an
interesting
falling support
line off prior
2006/07 lows on
the weekly chart
of the front
month -

- it has been
effective so far,
and has helped to
prompt a bounce.



DAILY CHART -
OCT-07:

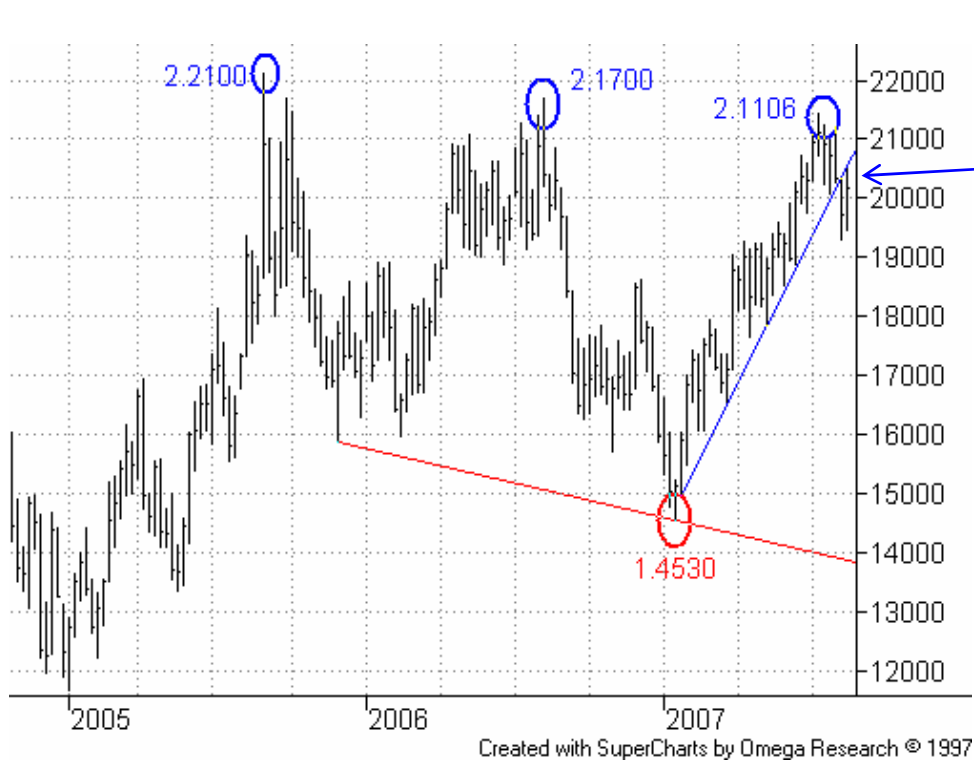
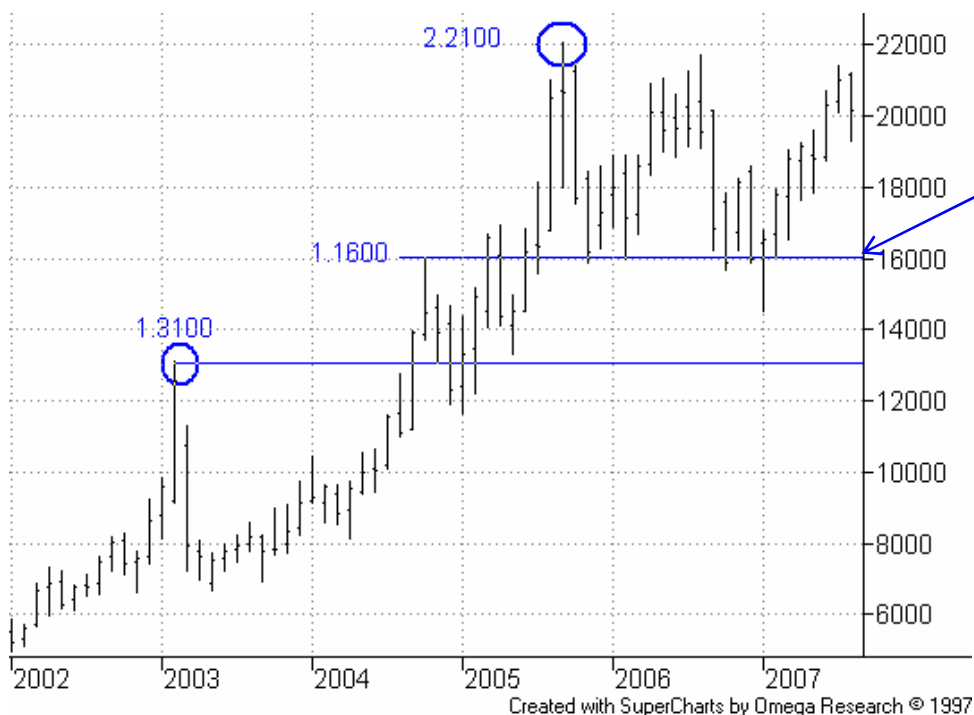
The recent recovery broke the first important barrier of 6.947 Jan low.

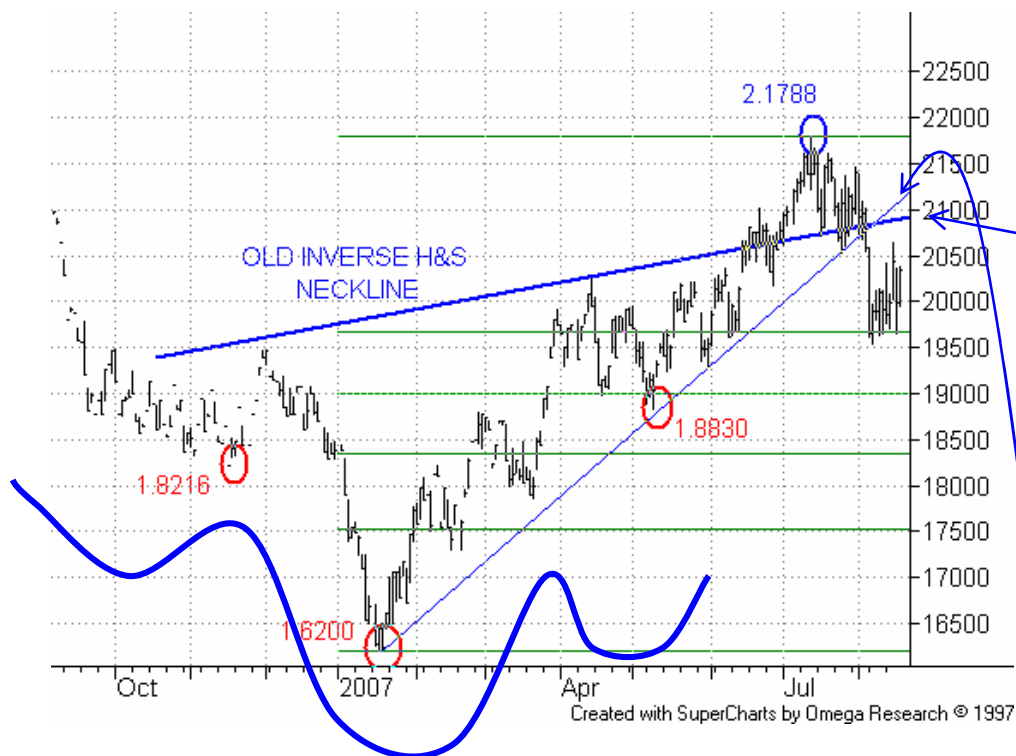
The 50% level and 7.534 low Mar low offer further impedance, ahead of key resistance from the 76.4% level around 7.90, which lies close to the bear channel top on the weekly continuation chart.

Bears sideline
s/term.

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Heating Oil (CBOT)



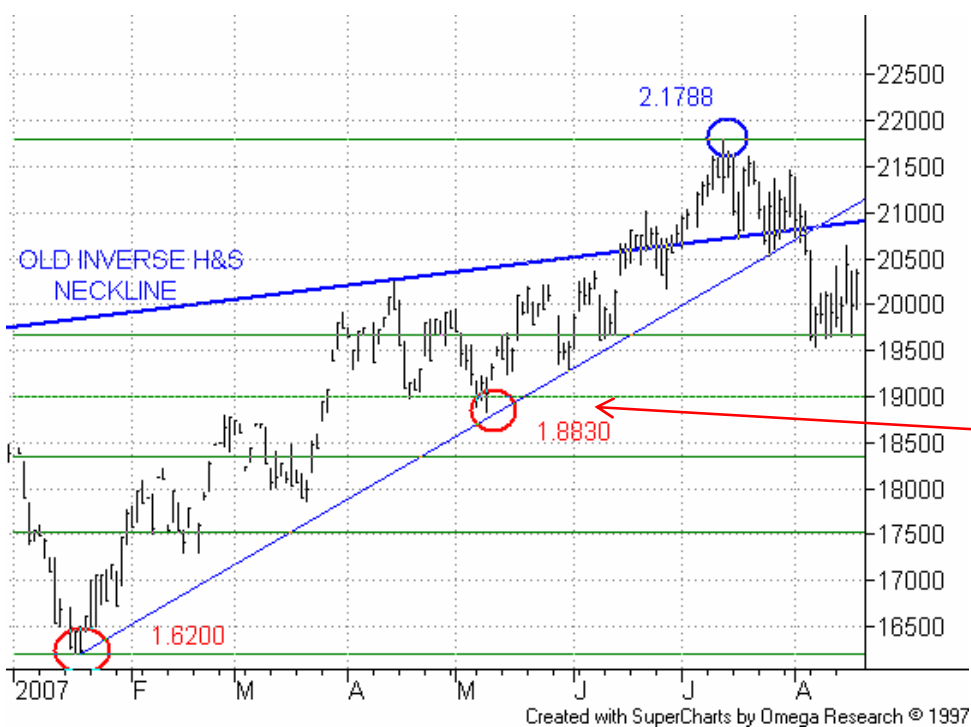


DAILY CHART -

OCT-07:

The old inverse Head & Shoulders neckline still serves as potential resistance, but the pattern itself is no longer relevant.

Losses from the 2.1616 high have become more impulsive after breach of the 2007 uptrend line, which also offers key resistance.



DAILY CHART -

OCT-07:

S/term bulls now sideline as focus turns to the retracement possibilities of the move from 1.6200 Jan low.

So far, 38.2% has supported but risk of further weakness is high. The 1.8830 May low could be most key in preventing a full bear takeover.

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Metals

After recent consolidative action in **Gold** and **Silver** our overall bearish stance is proving correct, particularly in the latter. **Copper** bears continue to gain in confidence as a double top forms.

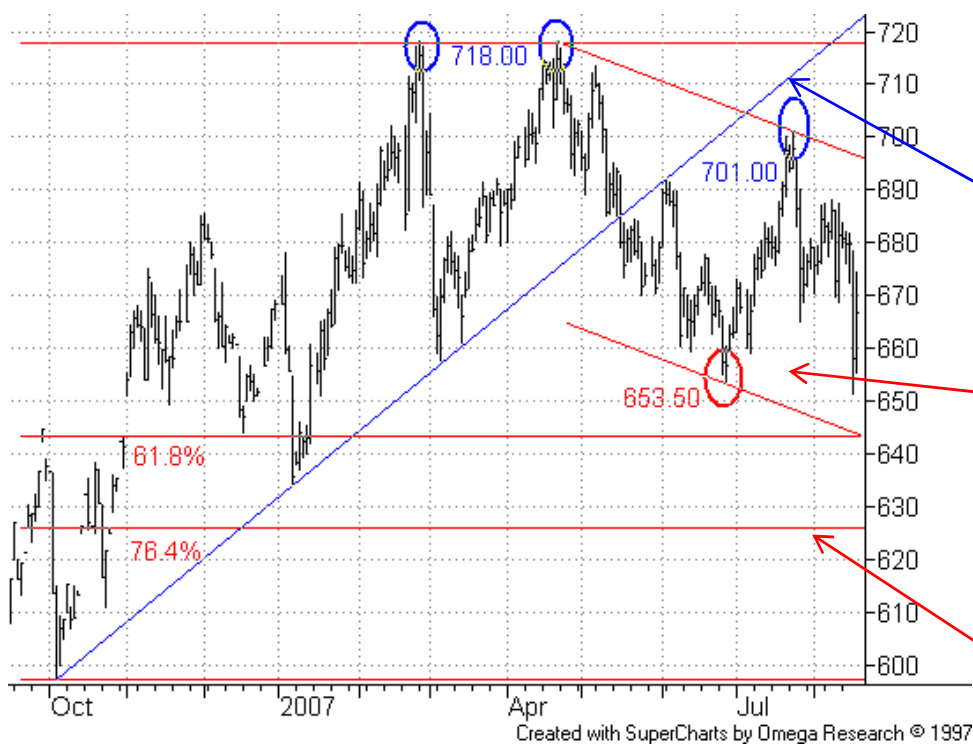
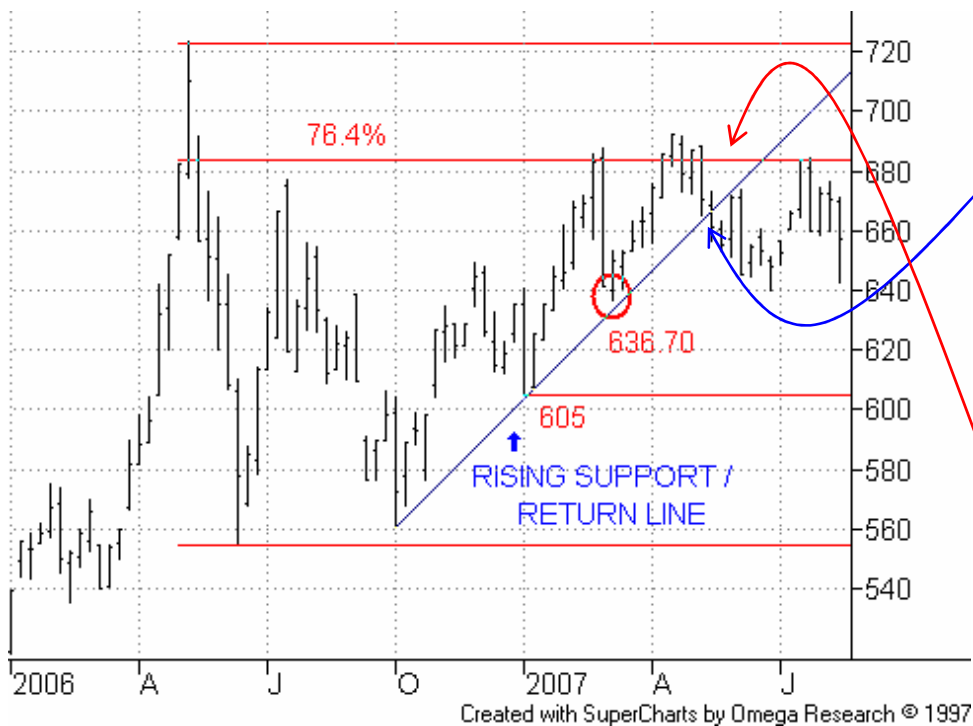
Gold (COMEX)



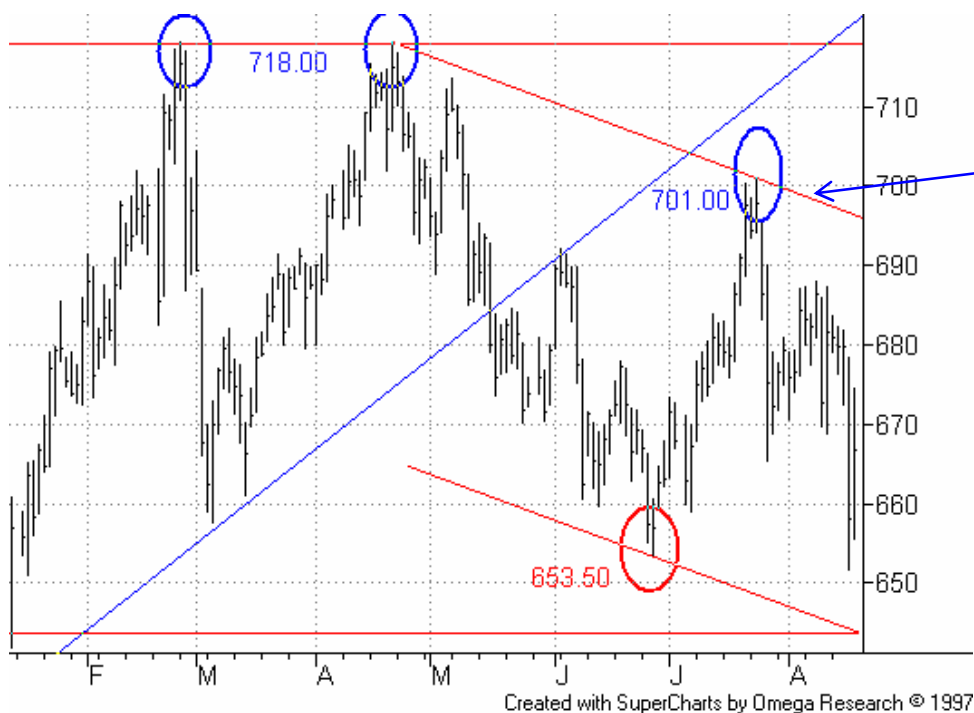
MONTHLY CHART -
CONTINUATION:
Overall momentum
intact but the
2005-07 trend
line around 660
has come under
closer scrutiny.

More serious
would be 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
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.



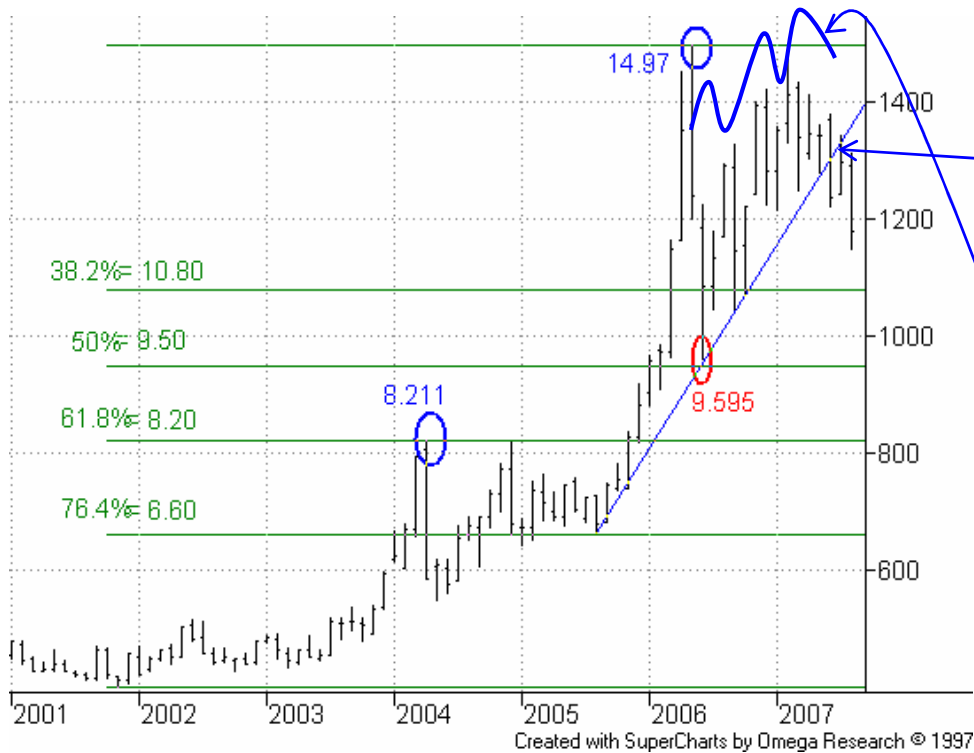
DAILY CHART -
DEC-07:
Falling
resistance and
the 701.00 24-Jul
high stand in the
way of any return
to the earlier
718.00 highs.

Note possible
intermediary
support below
653.50 from the
bear channel base
projection around
645.00 currently.

However it is
right to stay
negative for now.

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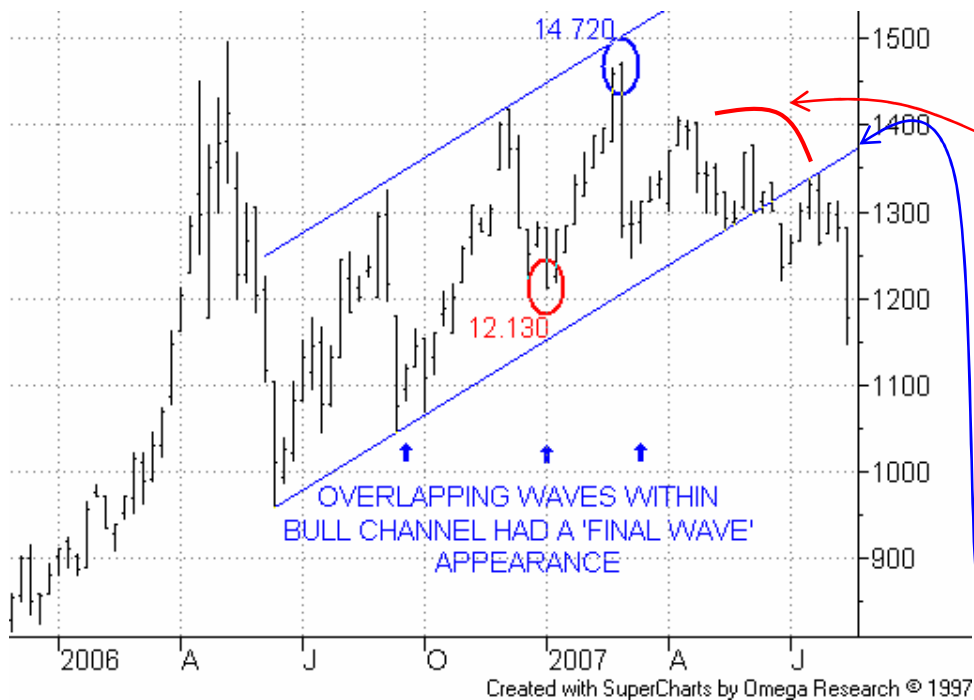
Silver (COMEX)



MONTHLY CHART -
CONTINUATION:

The long term support line was decisively breached - deeper retracements now open, 38.2% at 10.80 the next target.

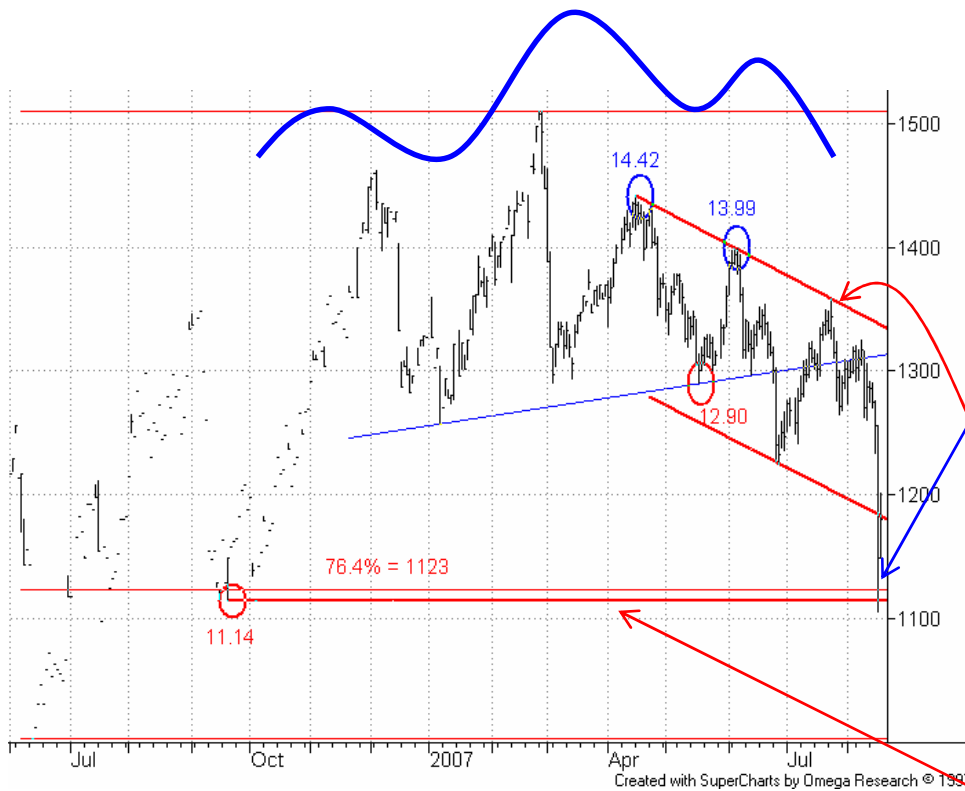
The choppy recovery since the 9.595 Apr-06 low, clearer on the weekly chart below, had in any case introduced uncertainty for longer term bulls.



WEEKLY CHART -
CONTINUATION:

Previous lackluster action within the bull channel was our signal of growing bear risk - and this has been validated now.

Note how the former rising support has been effective resistance.



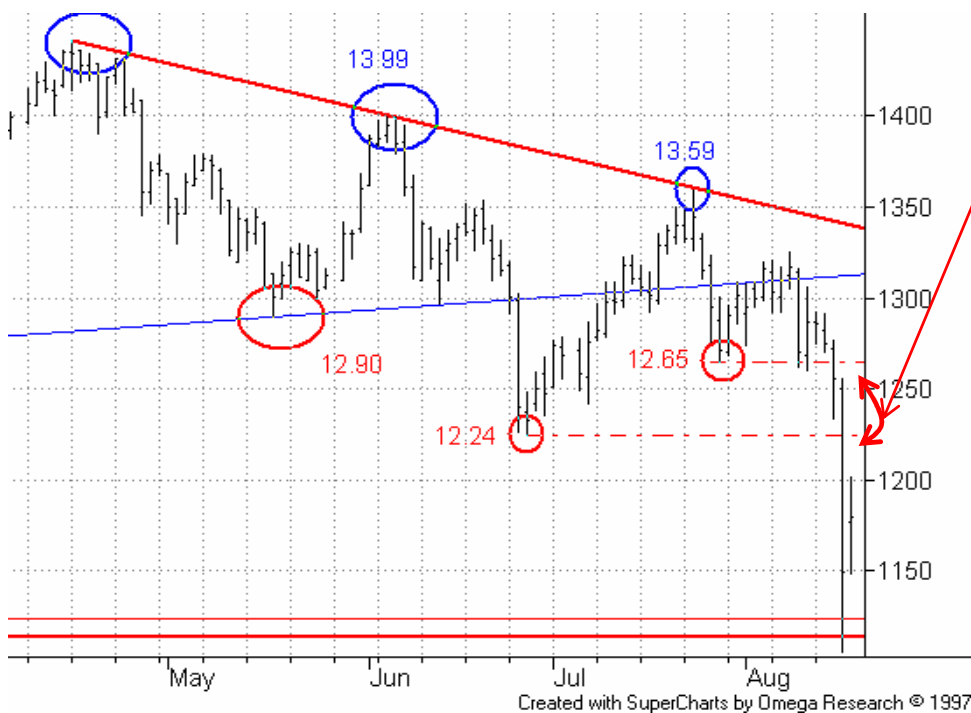
DAILY CHART -

SEP-07:

The type of Head & Shoulders pattern previously completed here has finally borne abundant fruit.

An effective falling resistance line from 14.42 Apr high proved the precursor to acceleration downward.

The 11.23 76.4% level (& 11.14 Sep-06 low) has been quickly tested - failure to hold above here would be further bearish.



DAILY CHART -

SEP-07:

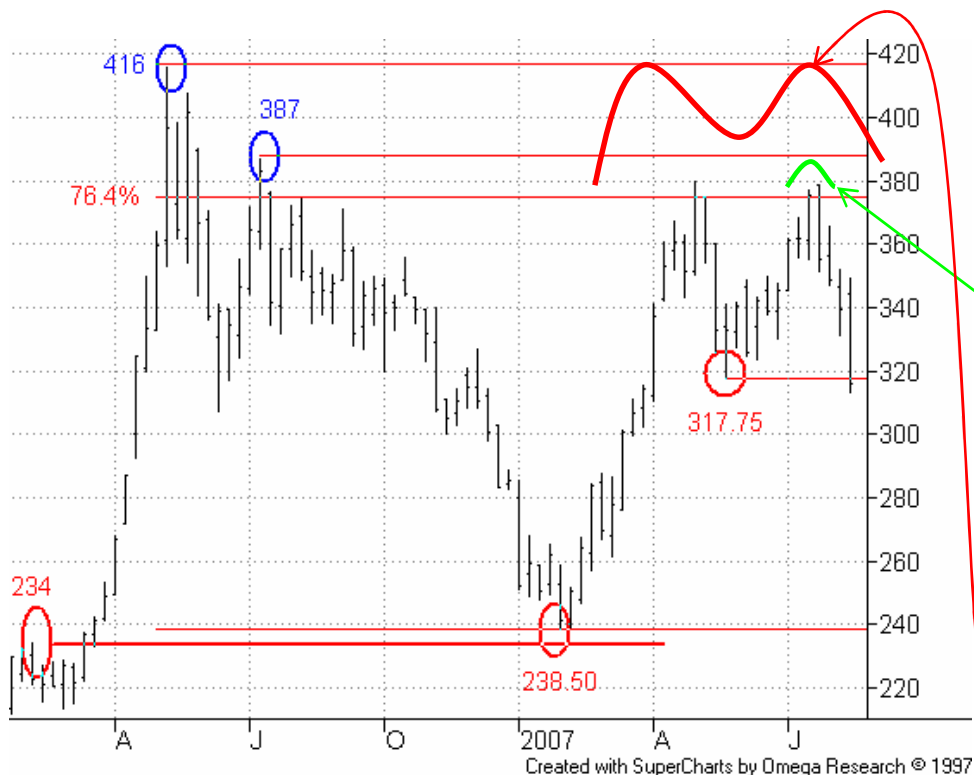
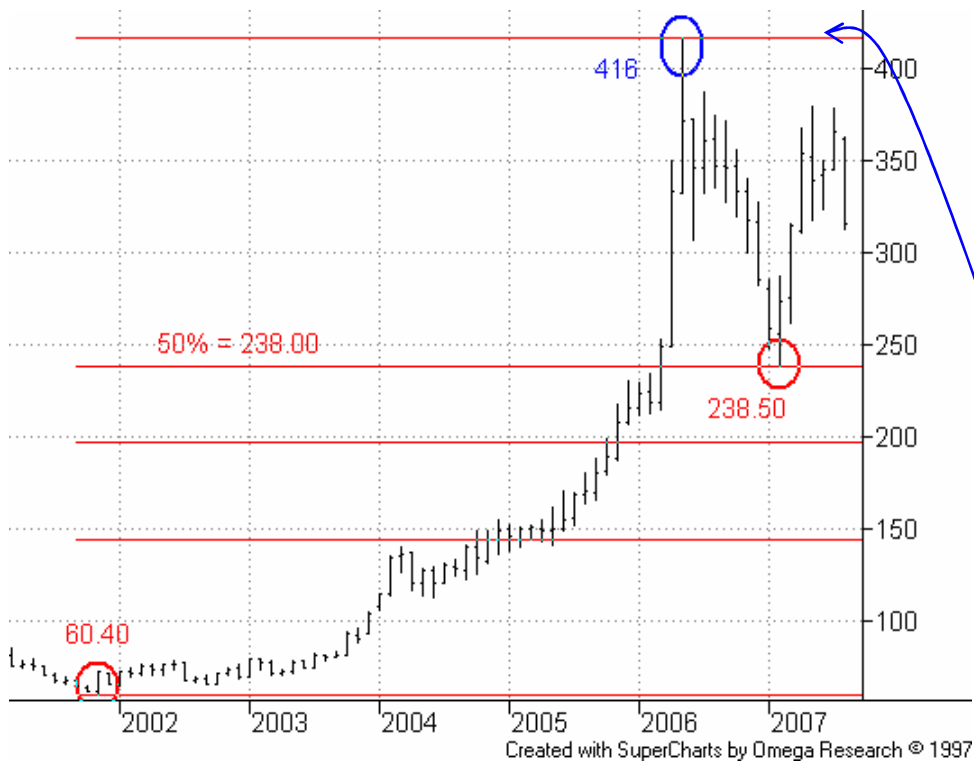
The 12.24-12.65 area offers strong resistance now and,

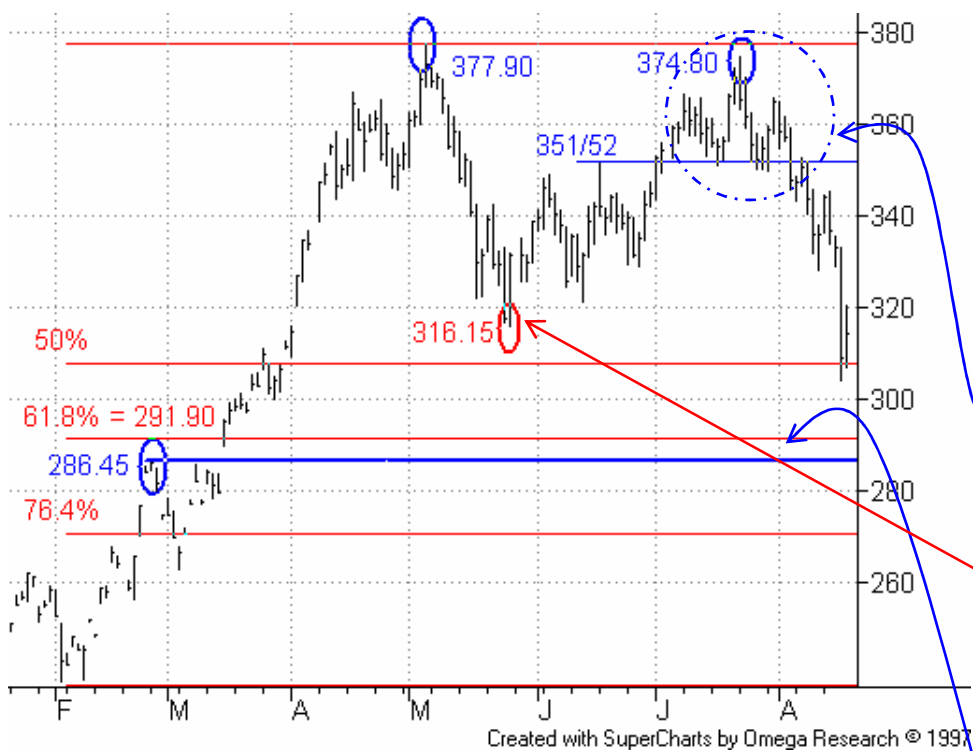
in the end,

only a move back above falling resistance (13.30) and 13.59 Jul high would completely negate the current bearish outlook.

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High Grade Copper (COMEX)





DAILY CHART -
SEP-07:

Recently we highlighted the breach of 351/52 support (now resistance) as a negative clue, which completed a modest Head & Shoulders pattern in the process.

Following this success the initial break of the 316.15 May low now heralds a deeper corrective phase.

The 291.90-286.45
area (includes
61.8%) offers
interesting
support next.

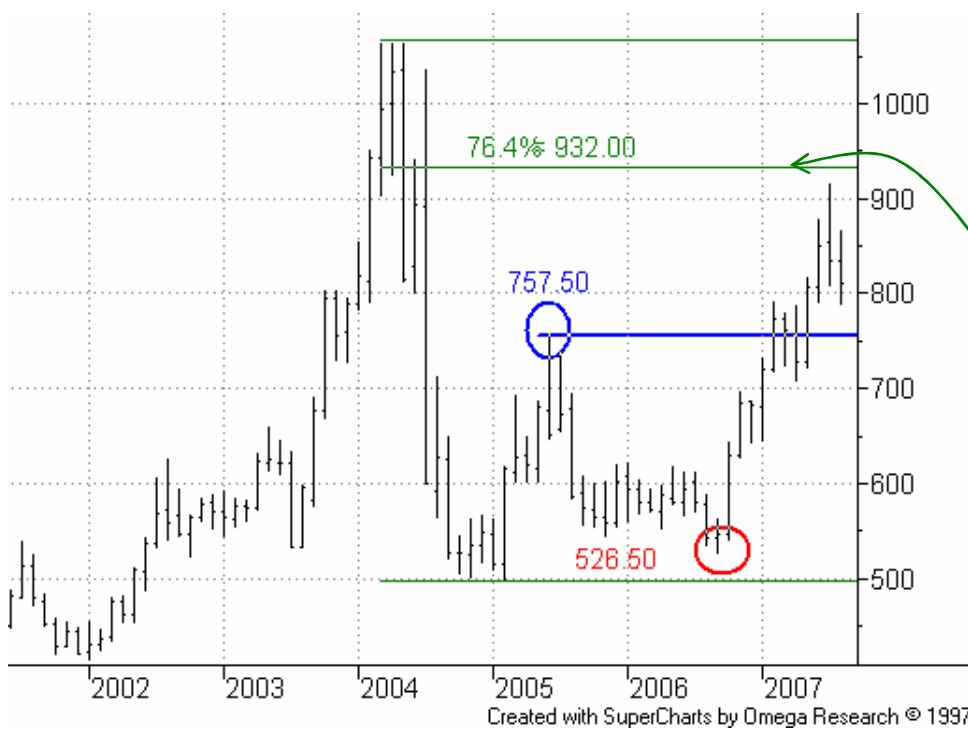
S/term rallies to
be viewed as
corrective only.

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Grains and Softs

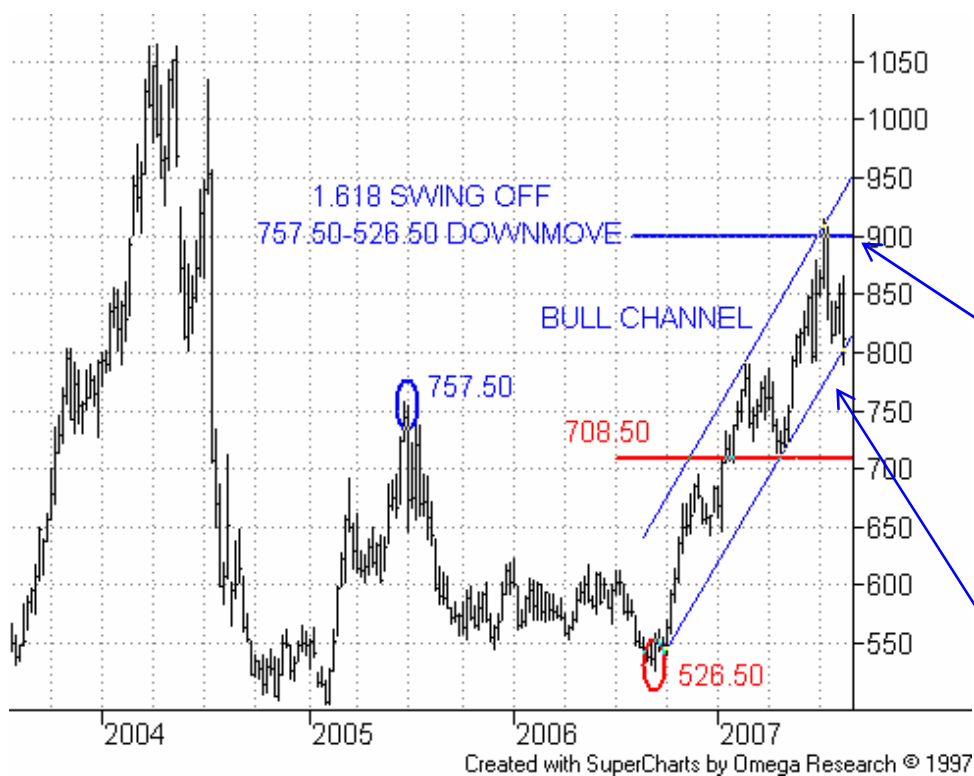
Soybeans remain in s/term pullback mode, while **Wheat's** notable upmove continues to look in its final stages. **Sugar** may yet be in the process of turning, probably having completed its medium/long term downmove. **Cocoa** remains on the bearish tack while **Coffee** may still hold promise for the bulls. **Cotton's** pullback is turning out to be deep, following a very strong upmove.

Soybeans (CBOT)



MONTHLY CHART -
CONTINUATION:
The medium term
upmove, after
clearing the old
757.50 high, has
extended towards
the 932 76.4%
retracement
level, before
pausing.

The HOLD above
the 757 support
area was a good
sign that
medium/long term
bulls had
regained control.



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, but note that the bear channel base is coming under attack. **Now look closer...**



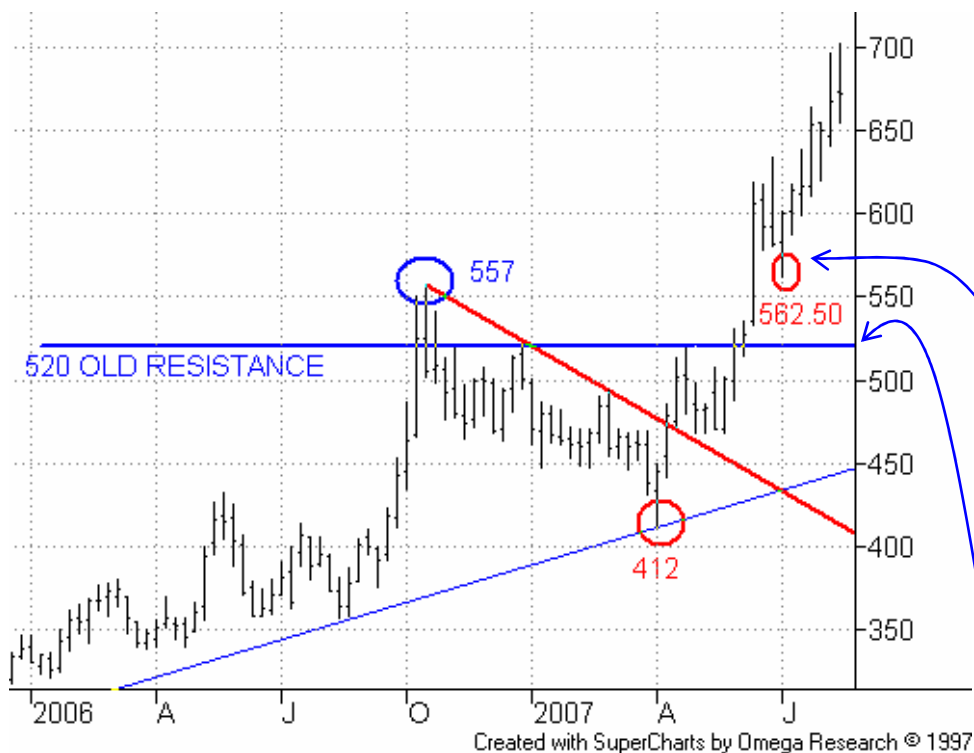
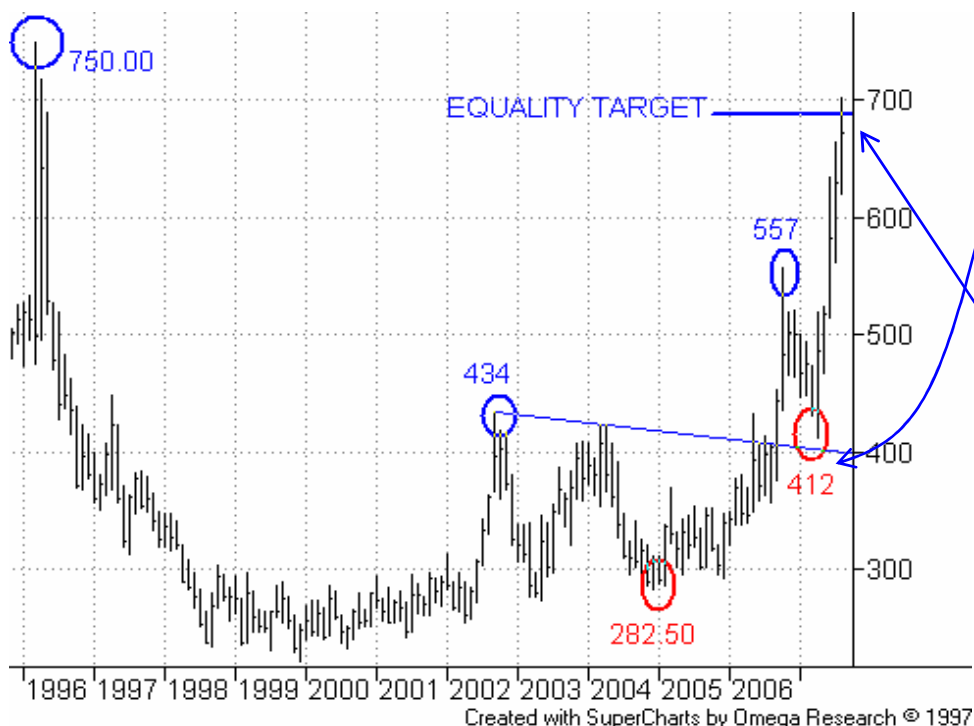
DAILY CHART -
NOV-07:
Latest weakness
has completed a
clear Head &
Shoulders
pattern, which
currently remains
valid while the
right hand
shoulder at
888.25 is not
exceeded.

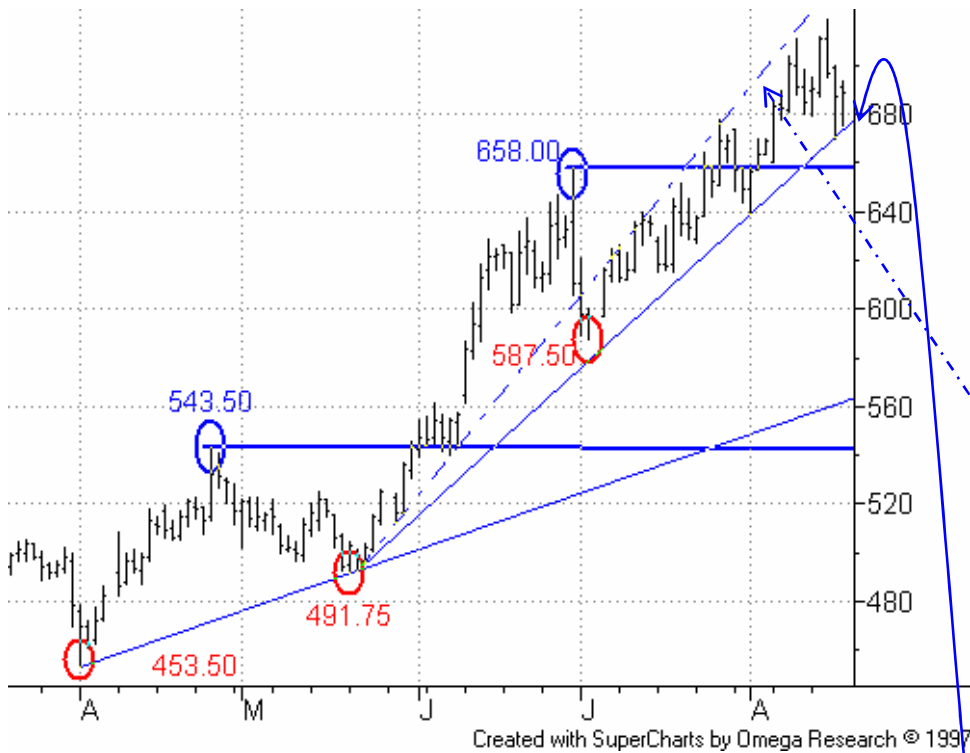
The 800.00 76.4%
level probably
offers temporary
support only,
with lower 770.00
area (includes
the '950-00-
833.25' equality
target off
888.25) of more
interest now.

The picture
remains s/term
bearish.

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Wheat (CBOT)





DAILY CHART -
DEC-07:

We retain our bullish view for now, but the upleg from 587.50 03-Jul low may be the 5th and final wave in the move from 453.50 Apr low.

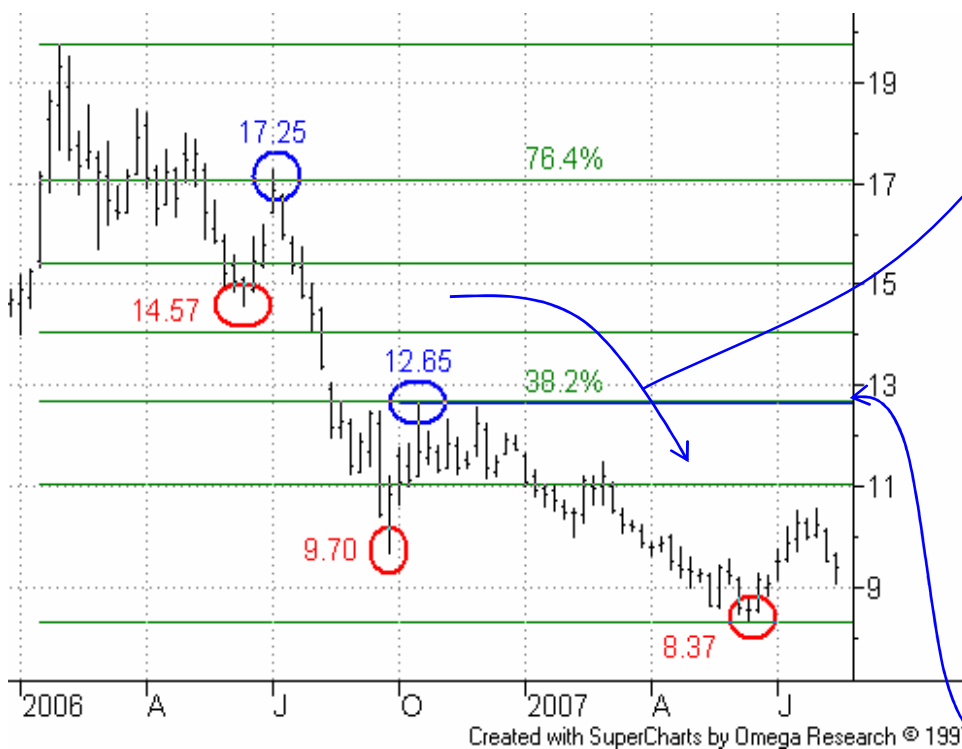
The old rising
return line off
the May low
remains an
interesting
limiter on upside
action.

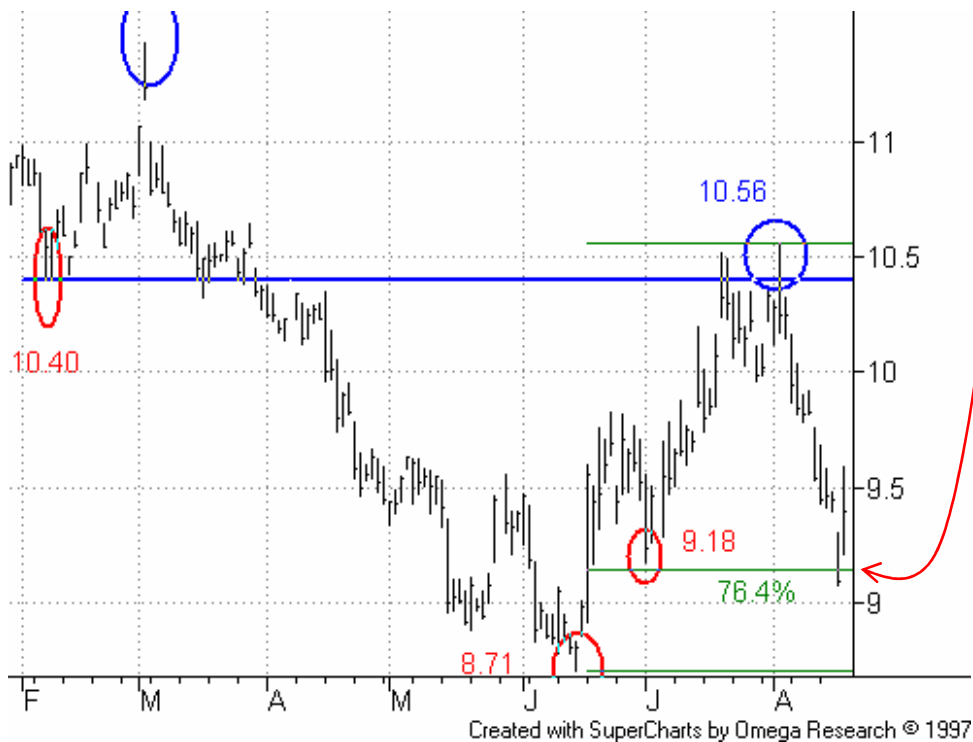
We still need to see a proper break of the rising support line off 491.75 to conclude a pullback is underway.

Meanwhile we
remain bulls for
now.

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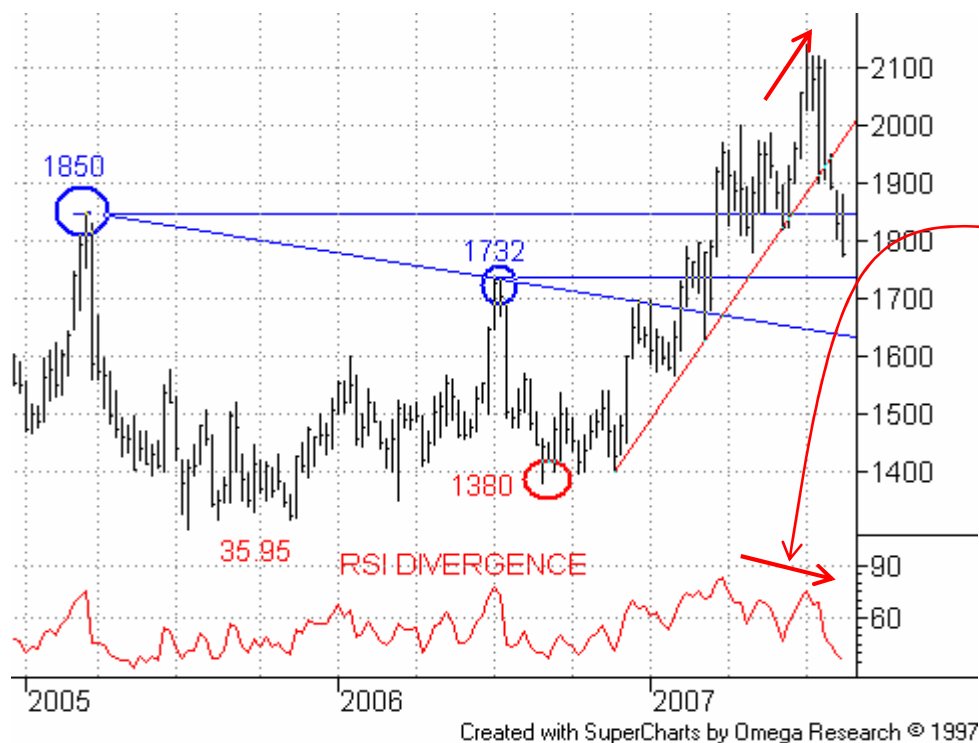
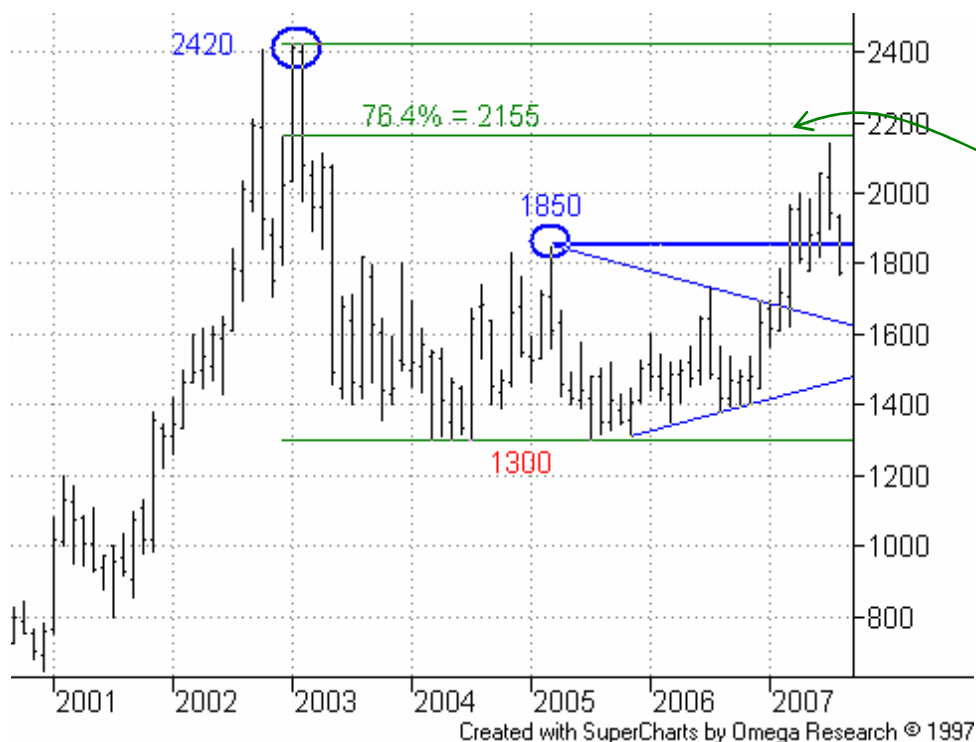
Sugar 11 (NYBOT)





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Cocoa (NYBOT)





DAILY CHART -
DEC-07:

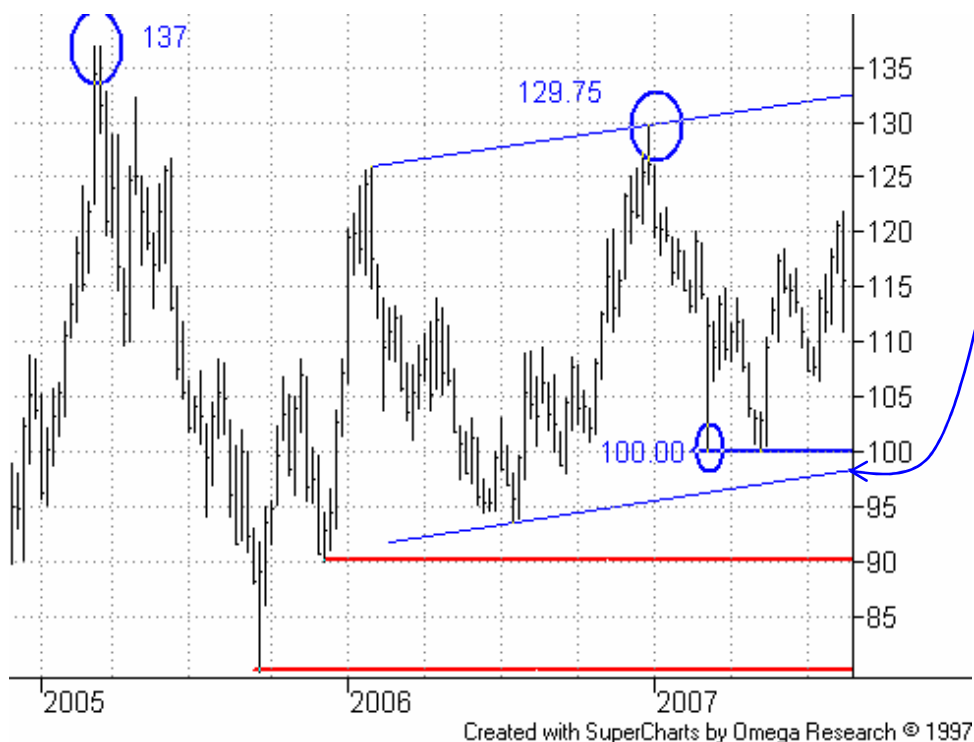
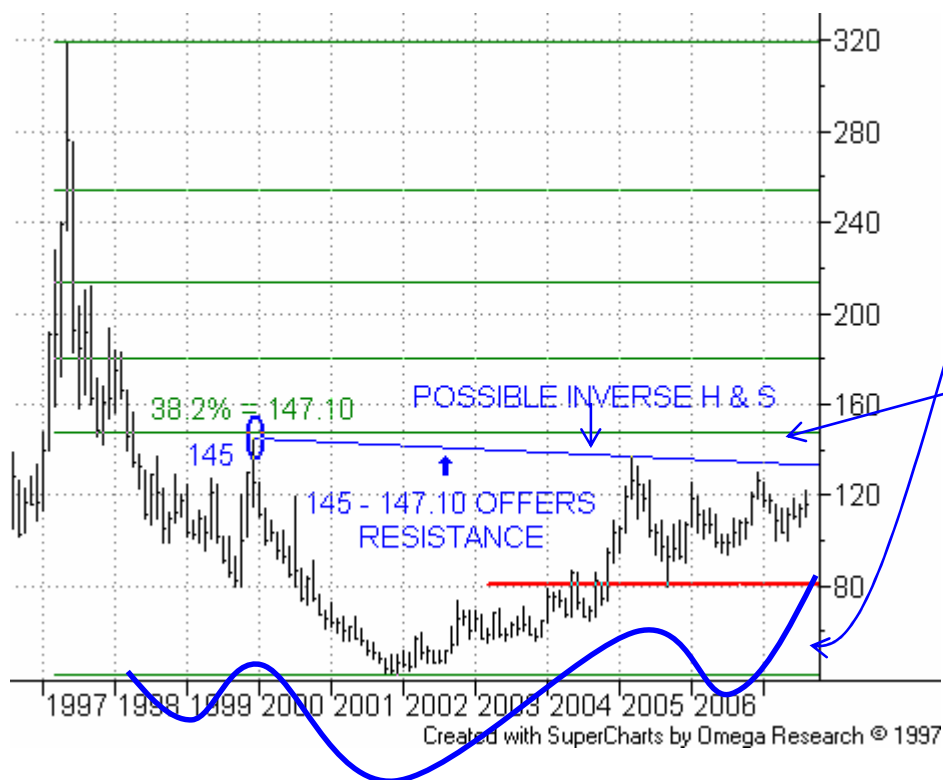
We have been
rightly adopting
an increasingly
bearish posture,
recent breach of
uptrend support,
following the
26/27-Jul down
gap, adding grist
to the bears'
mill.

61.8%, around the
1770 Dec-06 high,
offers next key
support and a
likely area to
prompt a rebound,
corrective or
otherwise.

The 1990-2035 gap
offers main
resistance to
recovery attempts
now.

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Coffee (NYBOT)





DAILY CHART -

DEC-07:

Focus is currently on 115.00 bull channel base support (working nicely so far) and the 113.00 Jul low.

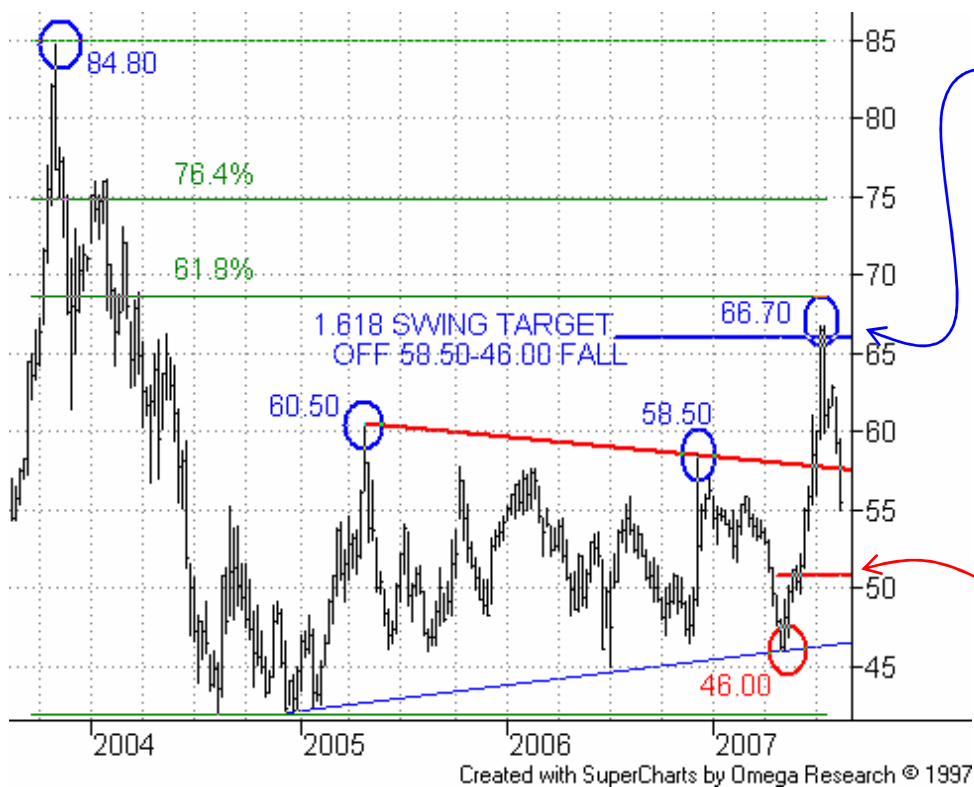
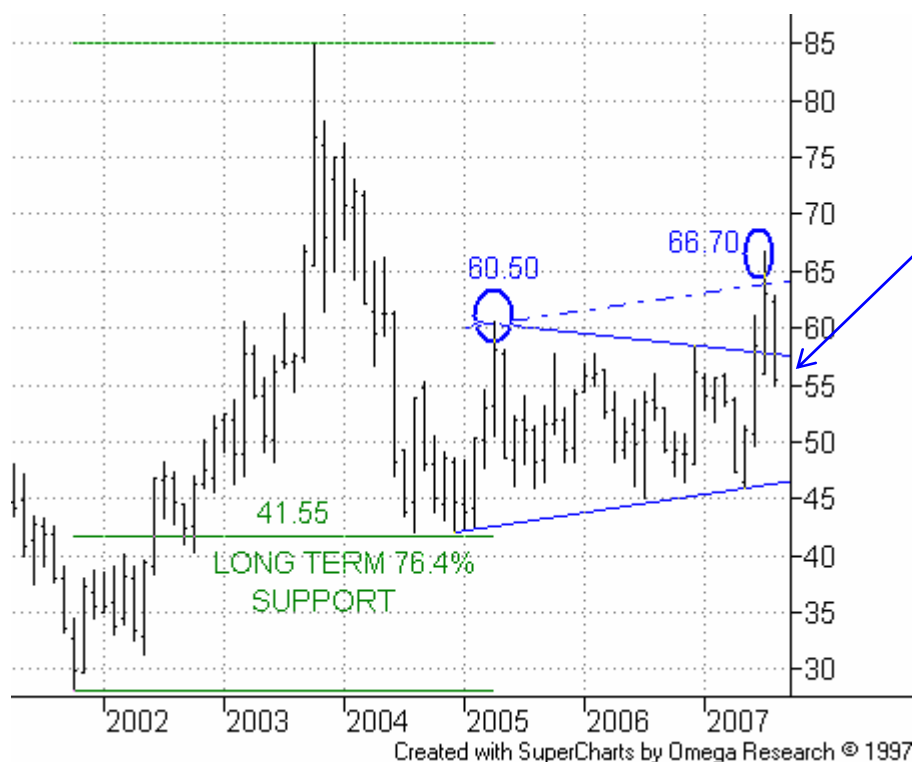
These keep the 110.00 01-May low out of reach, and allow for another s/term recovery.

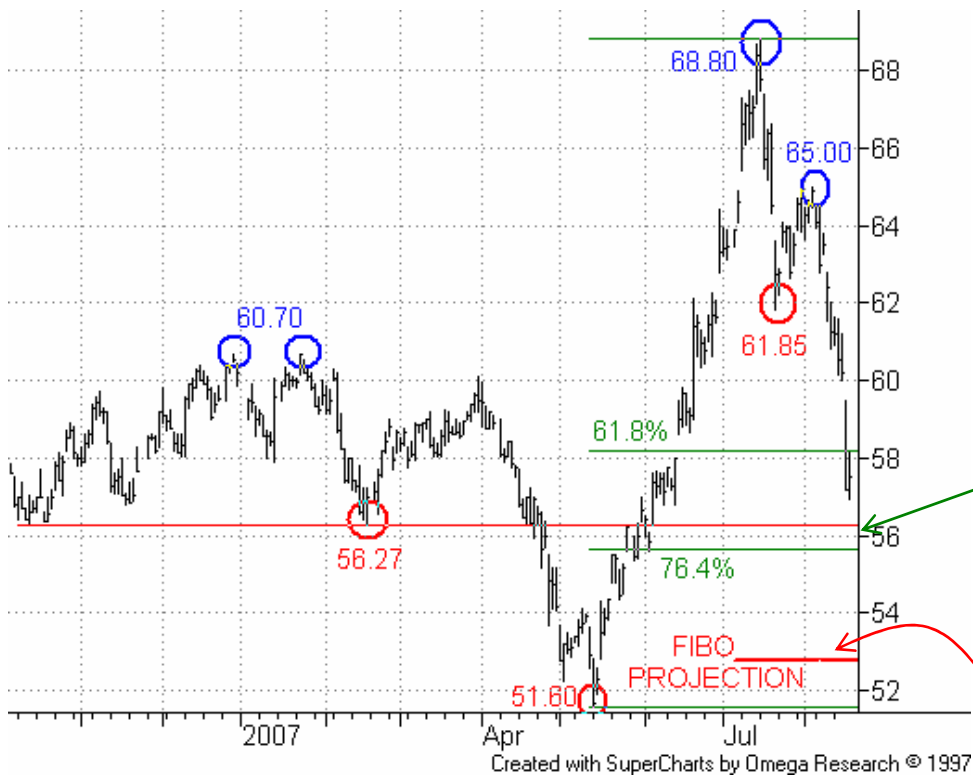
Above the 126.00 high note the current bull channel top projection ahead of any higher retracement levels.

Shorter term bulls remain in favour for now.

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Cotton No.2 (NYSE)





DAILY CHART -
DEC-07:

Expected weakness
has proved
quicker than
initially
expected.

Failure of the
61.8% level,
which lay within
the 13/14-Jun
gap, sets focus
on the 56.27-
55.65 (76.4%)
area next.

However, there is
a Fibonacci
projection that
allows for 52.80,
while 76.4% on
the weekly chart
(see above) lies
at 50.90 -

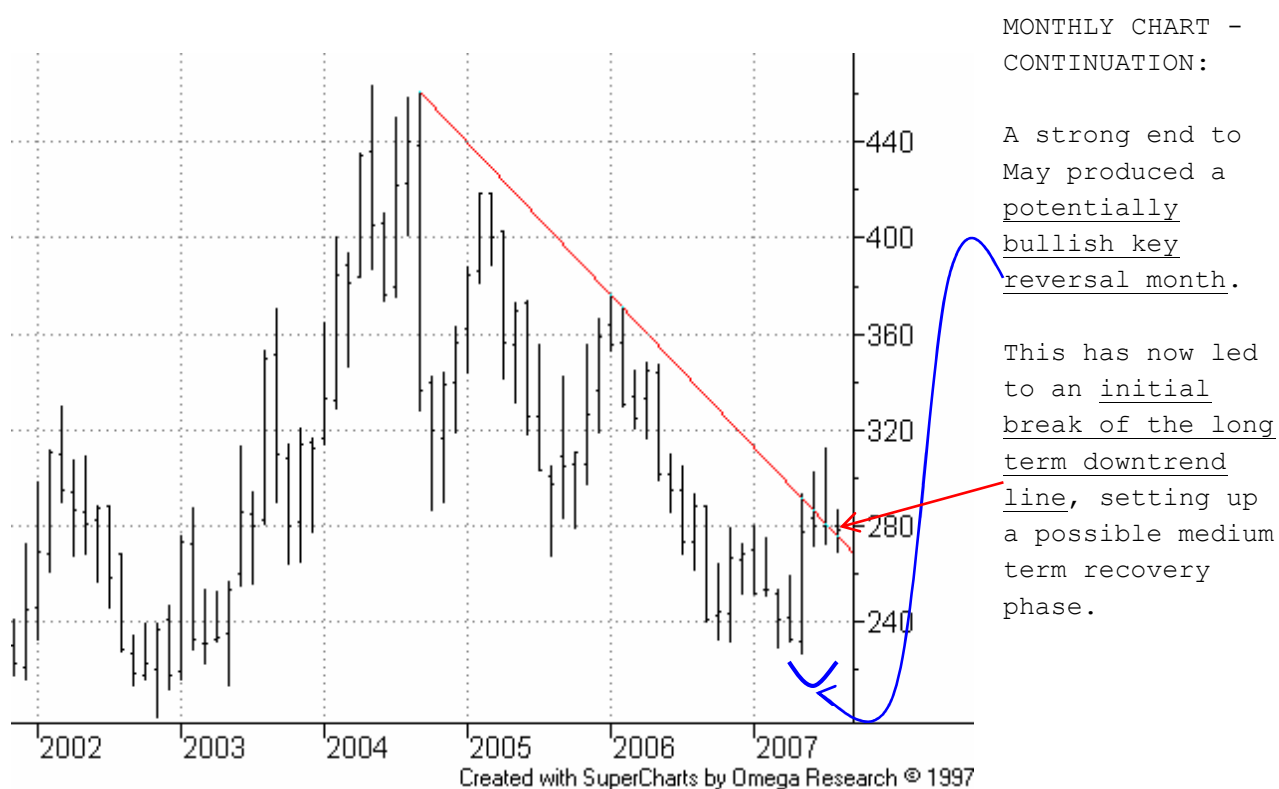
- so the pullback
could be very
deep, warning
against hasty
bottom-picking.

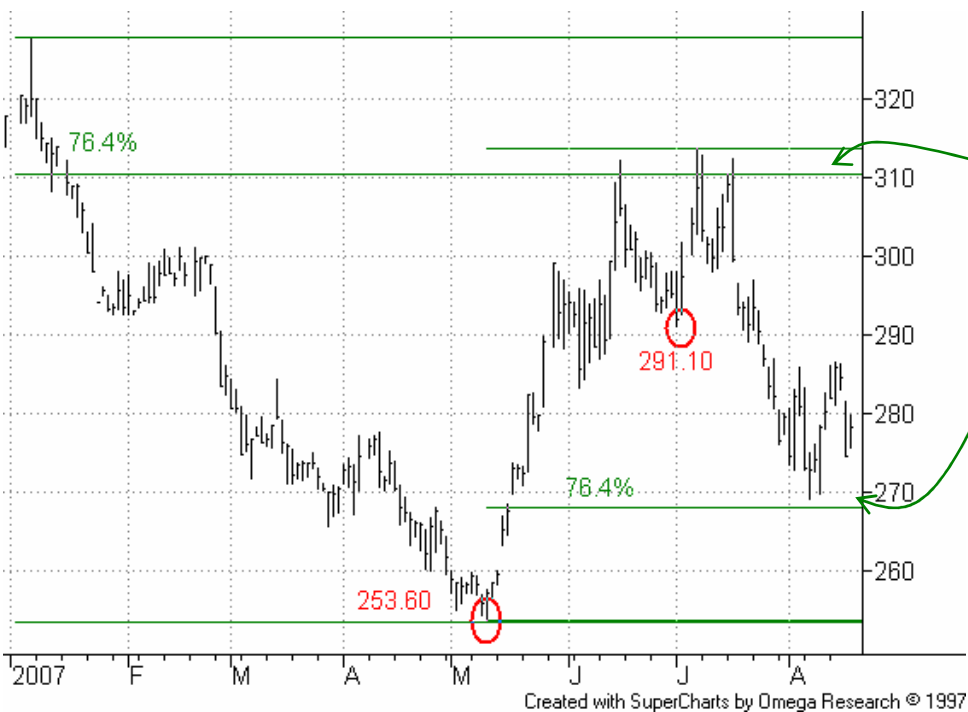
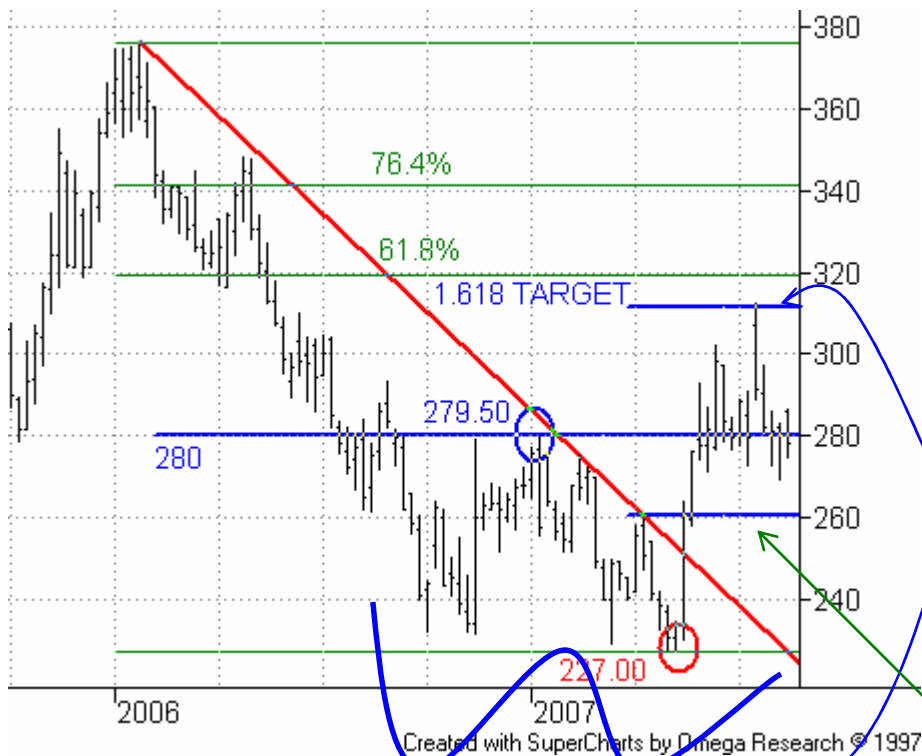
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Other

There looks to be a base forming in **Lumber**. The short term chart of the **CRB index** had been leaning towards the bearish side after recent choppy action, and key supports have now yielded.

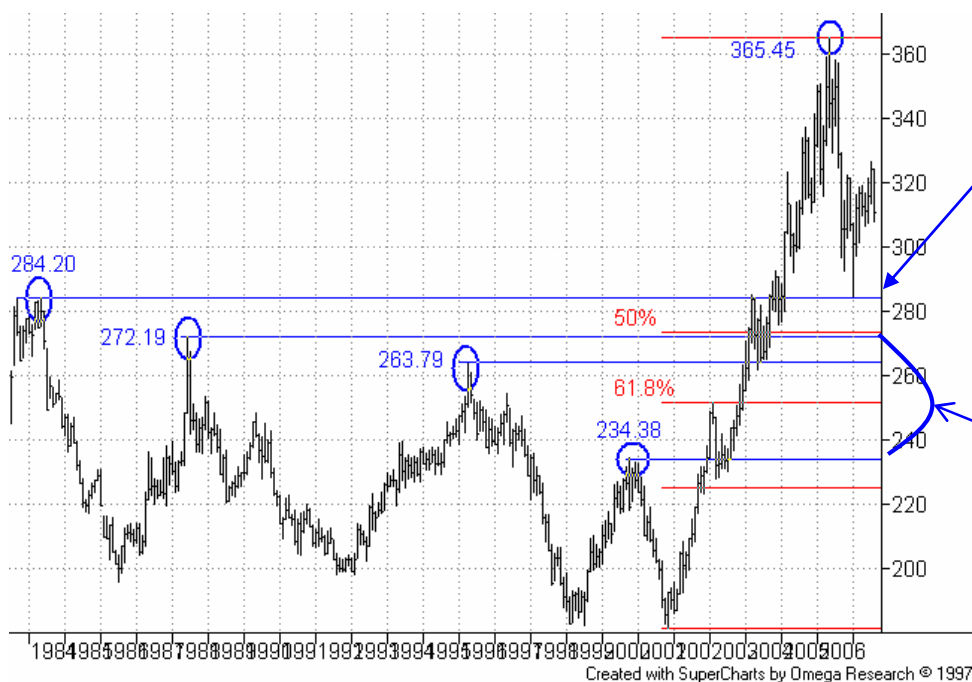
Lumber (CME)





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CRB Index (CBOT)

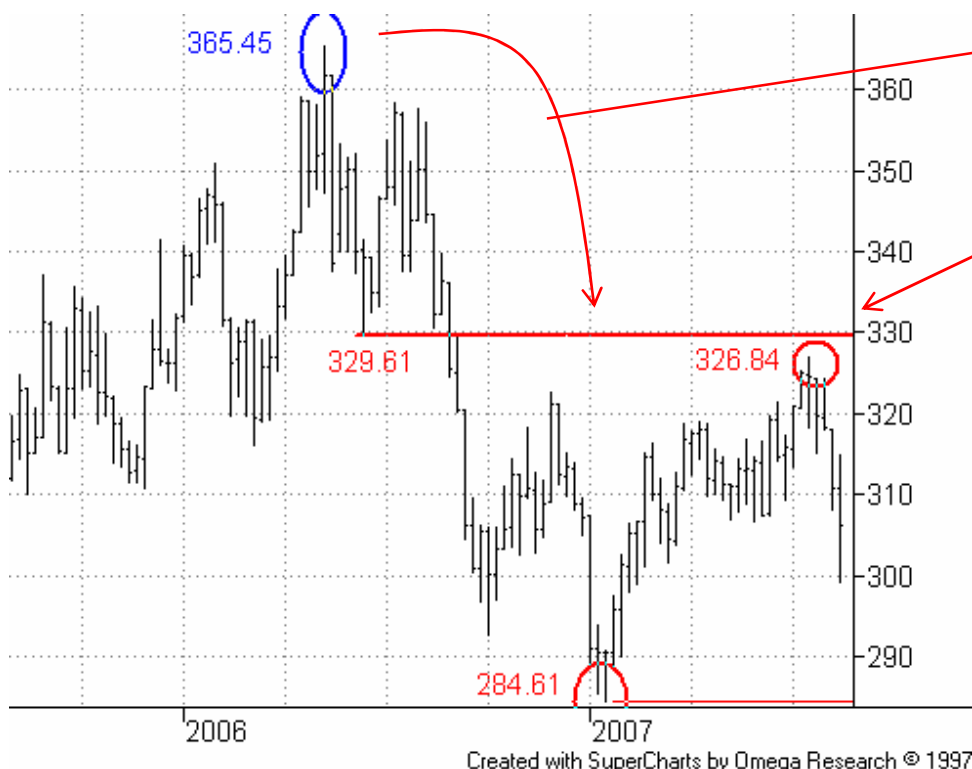


MONTHLY CHART:

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.

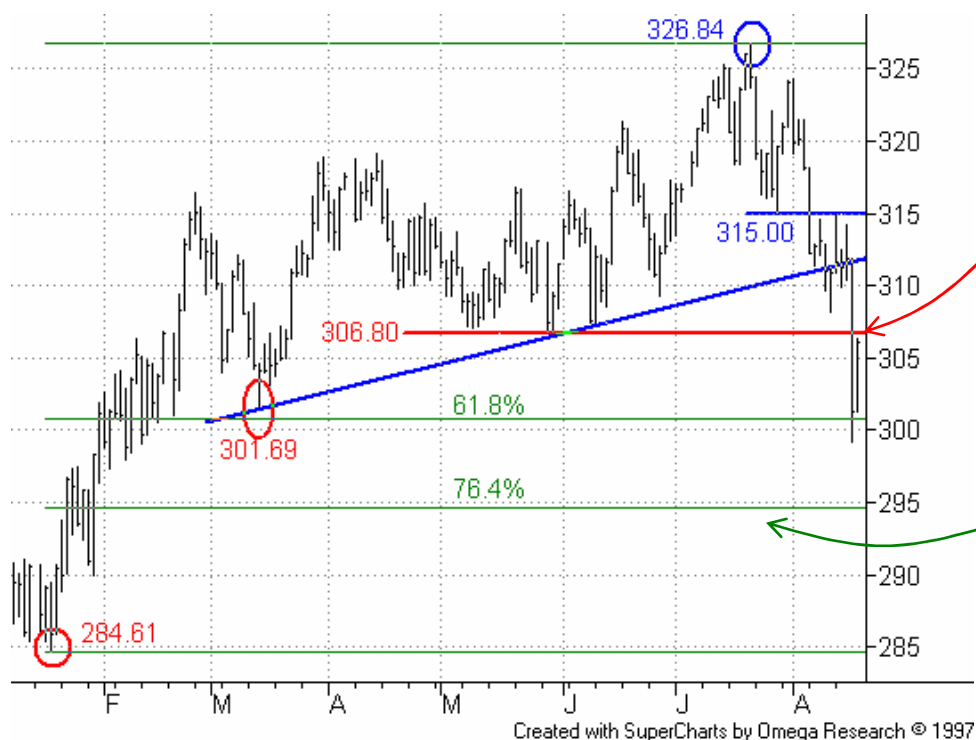


WEEKLY CHART:

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.

This has clearly been the case of late.



DAILY CHART:

We had been turning more negative here and, after breaching rising support and the key 306.80 level, a HOLD below here would signal a fresh bear move underway.

Already 61.8% of this year's gains has been retraced, and 76.4% near 295.00 becomes the next focus, the protection against a 284.61 return.

Ultimately 315.00
resistance must
hold to preserve
a bearish
outlook.

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