THE *COMMODITY* TRADER'S GUIDE TO MAJOR MARKETS

PHILIP J ALLWRIGHT



ENERGY

03 LIGHT CRUDE OIL Stay BULLISH while above 70.00 (Oct-07)

6 NATURAL GAS Stay SOUAR

9 HEATING OIL Reverse to BEARISH while below 2.0800 (Sep-07)

METALS

11 GOLD Stay BEARISH below 701.00 (Dec-07)

4 STIVER Stay BEARTSH below 13 59 (Sep-07)

6 HIGH GRADE COPPER Stay BEARISH while below 352.00 area (Sep-07)

GRAINS AND SOFTS

18 SOYBEANS Go BEARISH while below 888.25 (Nov-07)

21 WHEAT Stay BULLISH especially while above 650.00 (Dec-07)

23 SUGAR 11 Stay BULLISH while above 9.14-18 (Oct-07)

5 COCOA Stay BEARISH below 2035, 1st target 1780-70 (Dec-07)

7 <u>COFFEE</u> Stay <u>BULLISH</u> above 113.00, 126.00-128.00 1st tgt (Dec-07

Go SOUARE

OTHER

31 <u>LUMBER</u> Stay <u>BULLISH</u> above 260.00 (Sep-07) 33 CRB INDEX Go <u>BEARISH</u> while below 315.00

SEVEN DAVS AHEAD

Authorised and Regulated by the FSA 124 REGENTS PARK ROAD LONDON NW18XL TEL +44 (0) 7849 922573 E-MAIL MSTURDY@SEVENDAYSAHEAD.COM WEB SITE SEVENDAYSAHEAD.COM

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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.

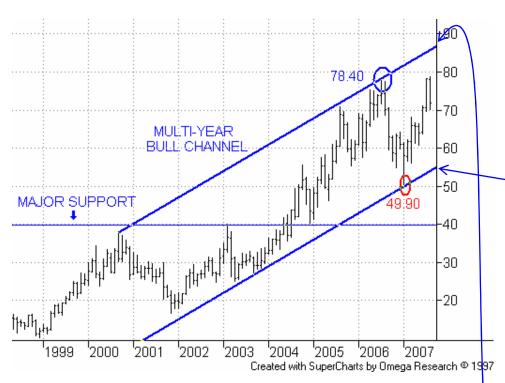
At UBS Futures & Options Ltd he developed his skills as a financial futures broker and analyst of intraday movements and latterly became a director.

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)



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

The base of this at 55.00 plus the 49.90 Jan low offer key support now.

Recent pressure

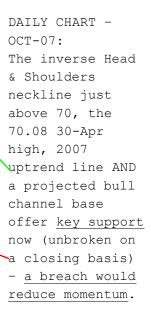
on the 78.40 2006 high (although 80.51 was high on the front month Oct) and beyond has been our longer term bullish objective. Note potential resistance from the channel top.

But price may initially struggle to HOLD above this high.



WEEKLY CHART - CONTINUATION:

The 2007 uptrend and 68.09 Mar high should ideally stay intact now, if the upmove is to retain maximum momentum.



70

68

-66

-64

-62

-60

-58

-56

Jul

Created with SuperCharts by Omega Research @ 1997

Lower 65.10 must ultimately hold else the whole 2007 uptrend could unravel.

Bulls clearly favoured while above here.



DAILY CHART OCT-07:
The slip back
from below the
80.08 equality
target off 65.10
low (to prior
55.10-70.08 JanApr 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...

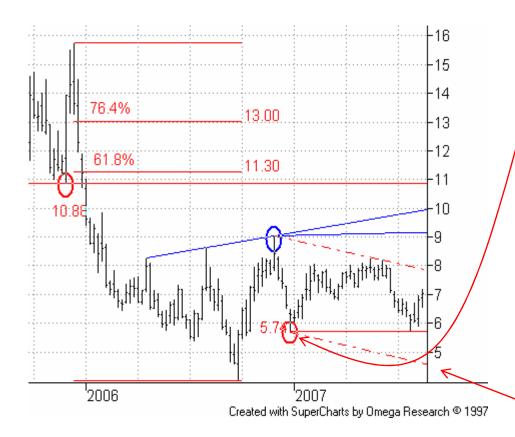
Natural Gas (NYMEX)



MONTHLY CHART - CONTINUATION:

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

It is <u>still</u>
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.

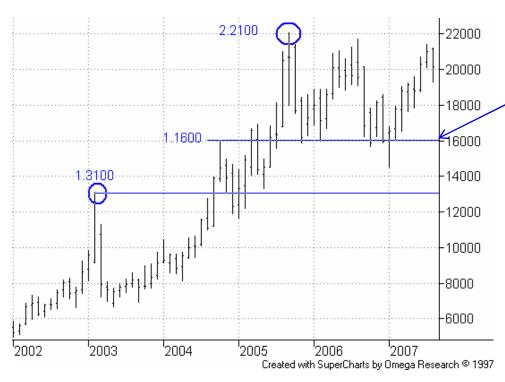
DAILY CHART OCT-07:
The recent
recovery broke
the first
important barrier
of 6.947 Jan low.

The 50% level and
7.534 low Mar low
offer further
impedance, ahead

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.

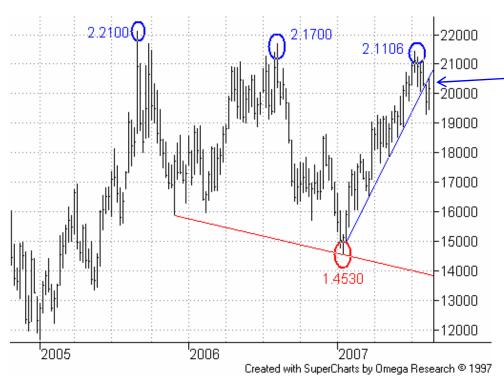
Heating Oil (CBOT)



MONTHLY CHART - CONTINUATION:

So far price has failed to hold below the 1.1600 support area...

...which keeps long term bulls in favour.

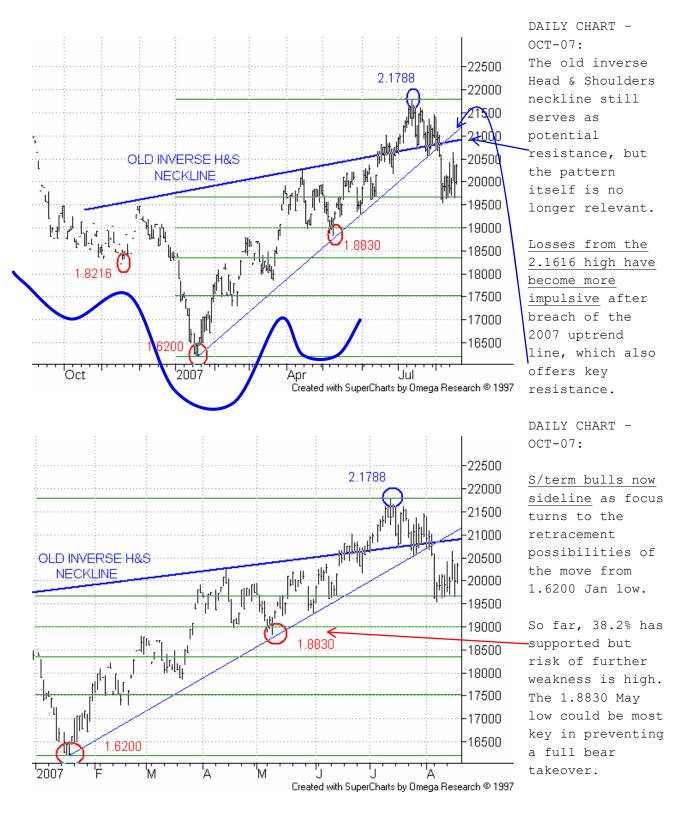


WEEKLY CHART - CONTINUATION:

The 2007 uptrend line was broken, after failure to challenge the old 2.1700-2.2100 highs.

Short/medium term bear risk has increased,

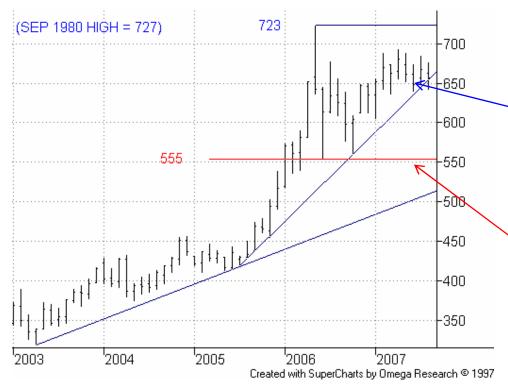
as we look for a part-retracement of the rise from 1.4530 Jan low.



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.

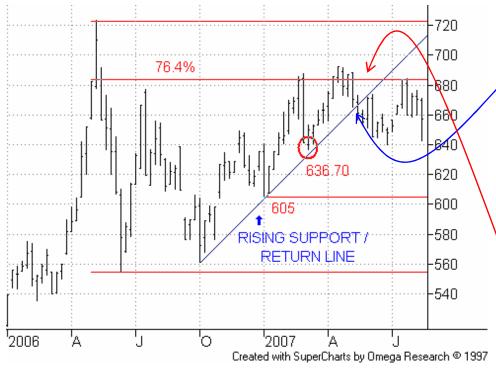
Gold (COMEX)



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.



WEEKLY CHART CONTINUATION
After the break
of the 8-month
fising support
line the medium
term outlook
remains more
negative.

This has been helped by the continued failure to hold above the 76.4% retracement level.



DAILY CHART DEC-07:
Failure of the
recent bounce to
exceed the old
support line
keeps bear
interest high.

A break/hold below the 653.50 Jun low would confirm medium term bearish implications, completing a top formation, next target towards 626.00 76.4%.

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

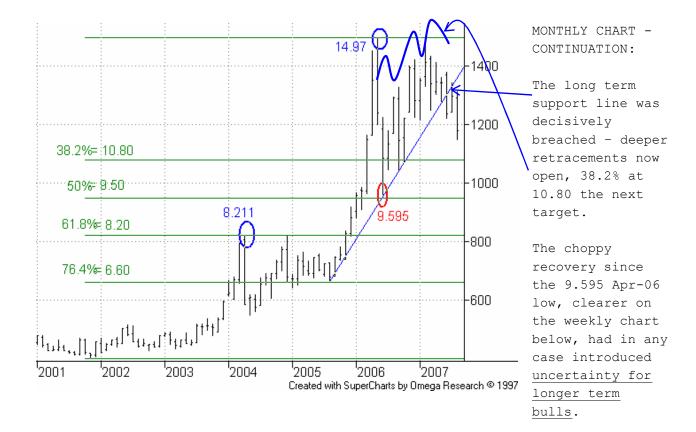


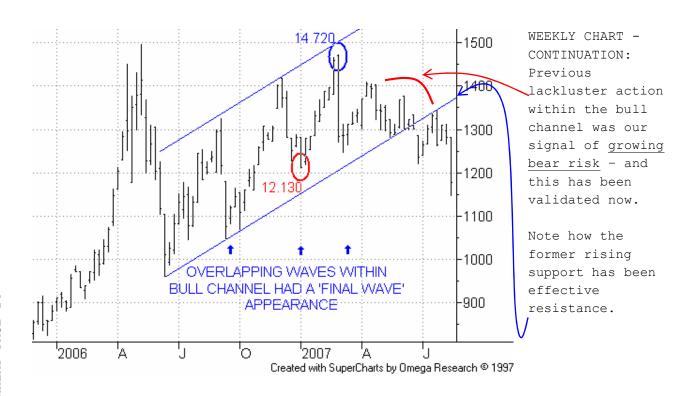
DAILY CHART DEC-07:
Falling
resistance and
the 701.00 24-Jul
high stand in the
way of any return
to the earlier
718.00 highs.

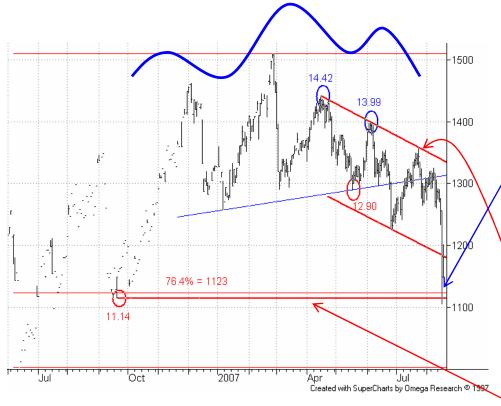
Note possible intermediary support below 653.50 from the bear channel base projection around 645.00 currently.

However it is right to stay negative for now.

Silver (COMEX)







DAILY CHART SEP-07:
The type of <u>Head</u>
& 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.

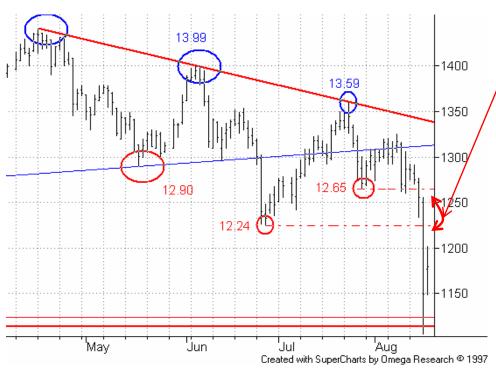
The 11.23 76.4% level (& 11.14 Sep-06 low) has been quickly tested - failure to hold above here would be further bearish.

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 <u>current</u> bearish outlook.



Return to Contents

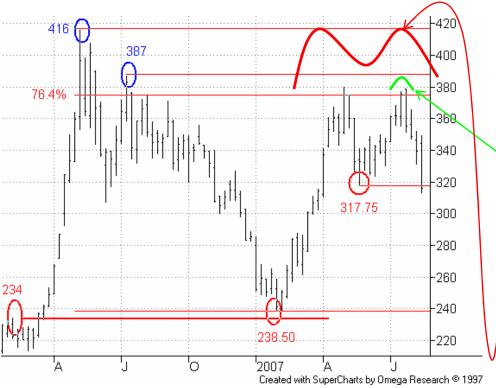
High Grade Copper (COMEX)



MONTHLY CHART - CONTINUATION:

Key 238.00 50% support provided a springboard for a sharp recovery.

This has so far fallen short of the major 416 high.



WEEKLY CHART - CONTINUATION:

The continued failure to hold above 76.4%, plus the recent negative reversal /outside week provided an additional, valid bearish sign.

Indeed, the close below 317.75 May low marks the initial completion of a double top.

SEVEN DAYS AHEAD PAGE 16

DAILY CHART - SEP-07:

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

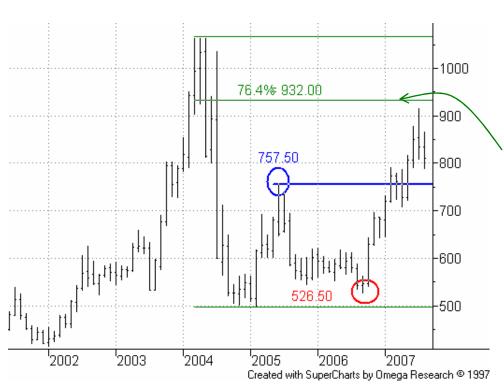
S/term rallies to be viewed as corrective only.

Grains and Softs

Soybeans remain in s/term pullback mode, while Wheat's notable upmove continues to look in its final stages.

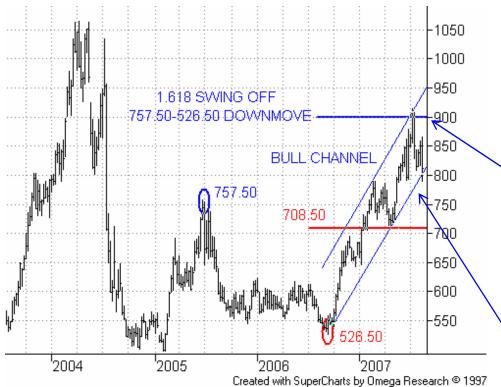
Sugar may yet be in the process of turning, probably having completed its medium/long term downmove. Cocoa remains on the bearish tack while Coffee may still hold promise for the bulls. Cotton's pullback is turning out to be deep, following a very strong upmove.

Soybeans (CBOT)



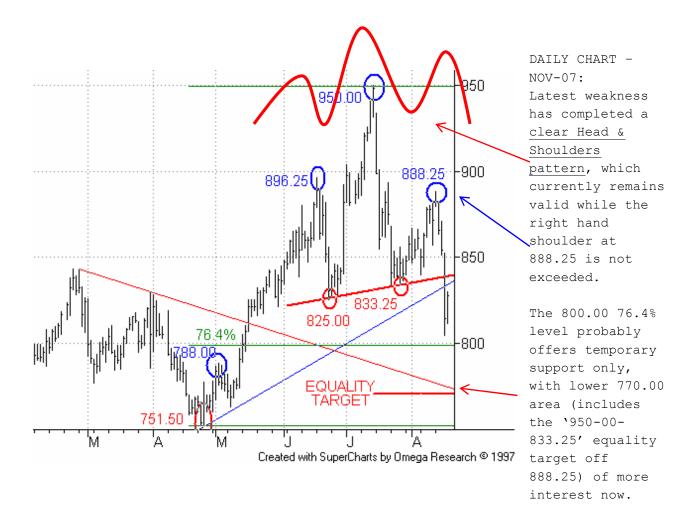
MONTHLY CHART - CONTINUATION:
The medium term upmove, after clearing the old 757.50 high, has extended towards the 932 76.4% retracement level, before pausing.

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



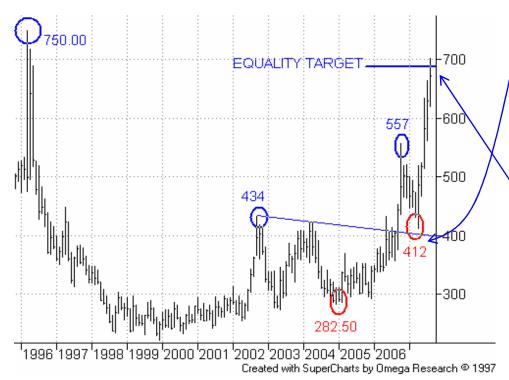
WEEKLY CHART CONTINUATION:
The recent strong
rally failed
around the two
resistance areas
we had pointed
out - the bull
channel top and
the 1.618 swing
target of the
prior 757.50526.50 fall.

The medium term upmove remains impulsive, but note that the bear channel base is coming under attack. Now look closer...



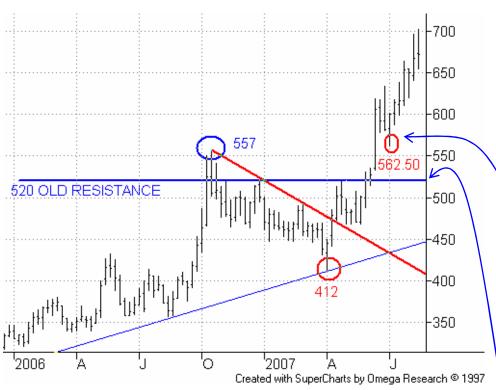
The picture remains s/term bearish.

Wheat (CBOT)



MONTHLY CHART - CONTINUATION:
Continued
recovery off the old resistance/
return line has remained
powerful, testing 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
stance stays
valid, but note
the rise from
412.00 has a 5wave (impulsive)
look, the
5th/final wave
from 562.50 well
underway now.

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

The 520 area would then offer further support.



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 \underline{we} remain bulls for now.

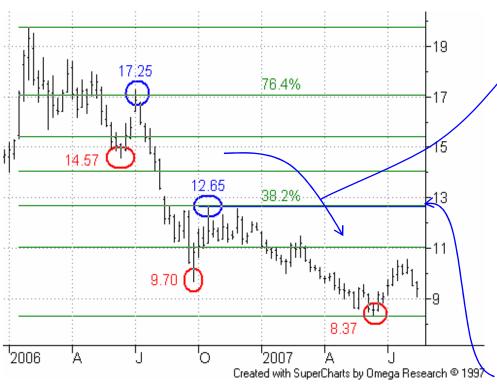
Sugar 11 (NYBOT)



MONTHLY CHART - CONTINUATION:
After testing the 76.4% level, as part of a possible final bear wave, we have been on the lookout for support signs.

We had previously suggested that price may struggle to hold below 76.4%.

However, the <u>long</u> term trend is still down, for now.



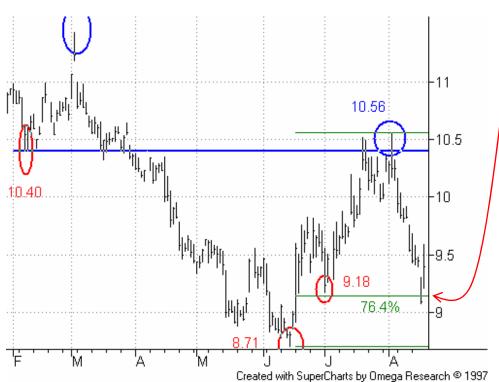
WEEKLY CHART CONTINUATION:
The presumed last
downleg, from
12.65, in which
momentum has not
been relatively
strong, may have
completed.

The 38.2% level sometimes coincides with a prior notable high and the start of the final leg, which differs in character. THIS HAS CURRENTLY HAPPENED HERE AFTER THE 12.65 HIGH.



DAILY CHART OCT-07:
The 10.40 area
did, as expected,
hinder progress
to a medium
term(?) recovery
phase (there have
been no closes
above here so
far).

The recent 10.56 high now becomes the new hurdle that bulls need to jump.

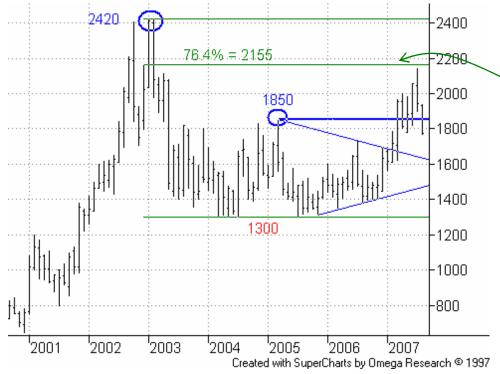


DAILY CHART - OCT-07:

The 9.18 02-Jul low and 9.14 76.4% pullback level (note how they coincide) needed to contain pullbacks to keep the bulls' fire burning - this is the case for now.

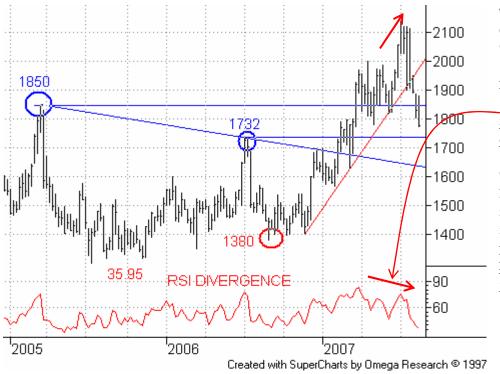
Note that Jun proved to be a (albeit modest) reversal month.

Cocoa (NYBOT)



MONTHLY CHART - CONTINUATION: The uptrend has faltered at the 76.4% level, subsequent slip back unable to hold above the 2005 1850 high.

Any test towards the major 2420 high is now postponed.



WEEKLY CHART CONTINUATION:
The rising
support line has
been breached,
following the
negative RSI
divergence.

The 1732 2006 high ideally needs to hold now, in order to preserve a bullish medium term outlook.



DAILY CHART DEC-07:
We have been
rightly adopting
an <u>increasingly</u>
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.

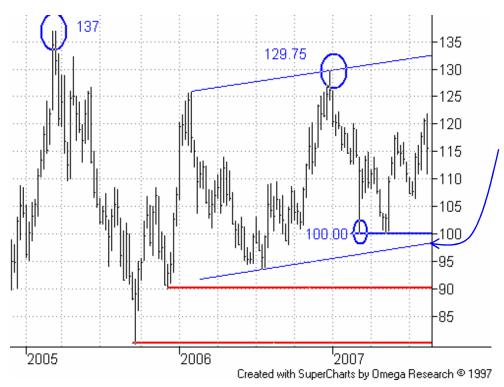
Coffee (NYBOT)



MONTHLY CHART CONTINUATION:
A large <u>inverse</u>
head & shoulders
seems near to
completion.

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

The <u>long term</u> <u>bias remains up</u>, 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.



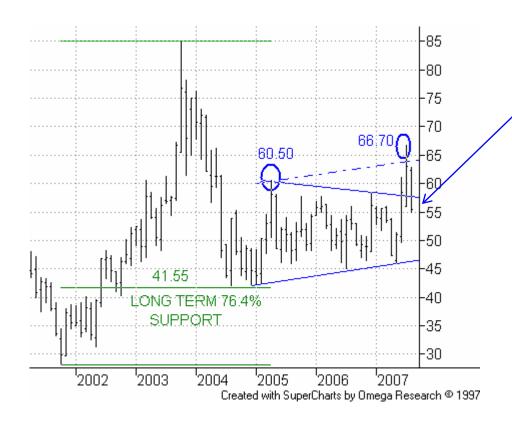
DAILY CHART DEC-07:
Focus is
currently on
115.00 bull
channel base
support (working
nicely so far)
and the 113.00
Jul low.

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.

Cotton No. 2 (NYSE)



MONTHLY CHART - CONTINUATION:

The bullish break from the 2005-07 consolidation has been clouded by a close back below the Apr-05 60.50 high and former falling resistance line.

However, this may just serve to slow recovery prospects rather than negate them.



WEEKLY CHART CONTINUATION:
Our 66.20 1.618
swing target (off
prior 58.50-46.00
decline) proved
very effective as
resistance.

The ensuing corrective downswing has been deeper than first thought.

Just worth keeping in mind the 50.90 76.4% retracement which is somewhat lower than on the front month chart.

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.

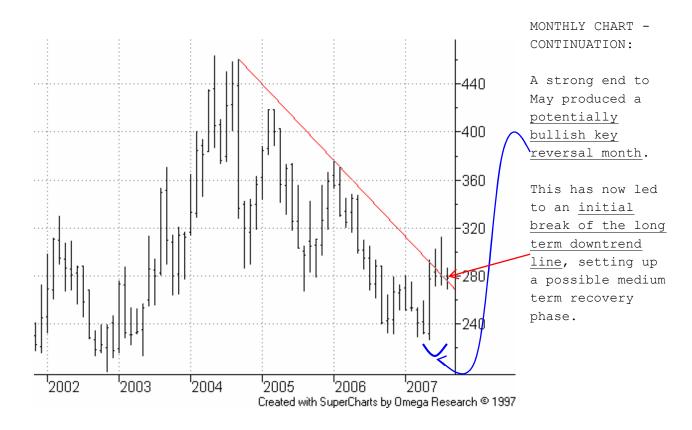
However, there is a Fibonacci projection that allows for 52.80, while 76.4% on the weekly chart (see above) lies at 50.90 -

- so the <u>pullback</u>
<u>could be very</u>
<u>deep</u>, warning
against hasty
bottom-picking.

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)





WEEKLY CHART CONTINUATION:
The 2006-07
downtrend line
breach and broad
HOLD above the
key 280 level (on
a closing basis)
suggests a double
bottom base
remains in place.

Currently note that the 1.618 swing off prior 279.50-227.00 downmove, around 312.00, has worked well as resistance.

Ideally 260.00 will support any deeper pullback now.

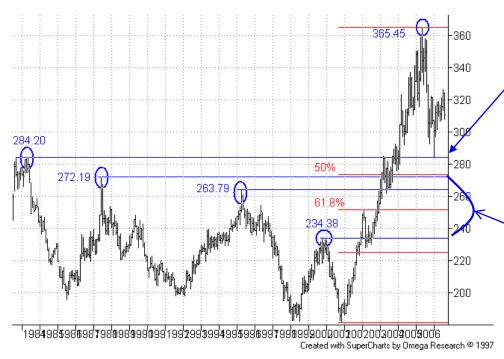


DAILY CHART -SEP-07: Recovery from the May low was unable to HOLD above 76.4%.

However, nice support has so far come from the 76.4% pullback level (although we must ultimately allow for 260.00 - see weekly chart).

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

CRB Index (CBOT)

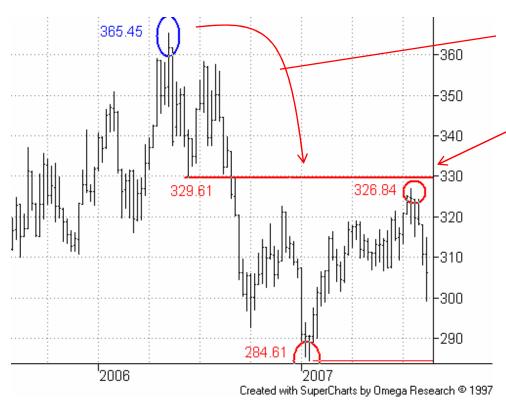


MONTHLY CHART:

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 <u>bearish</u>, 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.