

WEEK 38 18th SEP - 24th SEP 2007

THE *COMMODITY* TRADER'S GUIDE TO MAJOR MARKETS

PHILIP J ALLWRIGHT



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ENERGY

- 03 [LIGHT CRUDE OIL](#) Stay **BULLISH** after breach of 77.40 (Nov-07)
06 [NATURAL GAS](#) Stay **BEARISH** while below 7.50 (Nov-07)
08 [HEATING OIL](#) Stay **BULLISH** for 2.3000-2.3300 target (Nov-07)

METALS

- 10 [GOLD](#) Go **BULLISH** for later 752.00-772.00 target (Dec-07)
13 [SILVER](#) Stay **BEARISH** below 13.78 (Dec-07)
15 [HIGH GRADE COPPER](#) Stay **BEARISH** while below 350.00 area (Dec-07)

GRAINS AND SOFTS

- 17 [SOYBEANS](#) Go **BULLISH** after move above 888.25 (Nov-07)
19 [WHEAT](#) Stay **BULLISH** especially while above 658.00 (Dec-07)
21 [SUGAR 11](#) Stay **BULLISH** while above 9.14-18 (Oct-07)
23 [COCOA](#) Stay **BEARISH** below 2035, 1st target 1780-70 met (Dec-07)
25 [COFFEE](#) Stay **BULLISH** above 113.00, 126.00-128.00 1st tgt (Dec-07)
27 [COTTON NO.2](#) Stay **SQUARE**

OTHER

- 29 [LUMBER](#) Go **SQUARE** after break below 247.00 (Nov-07)
31 [CRB INDEX](#) Go **SQUARE** after break above 315.00

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.

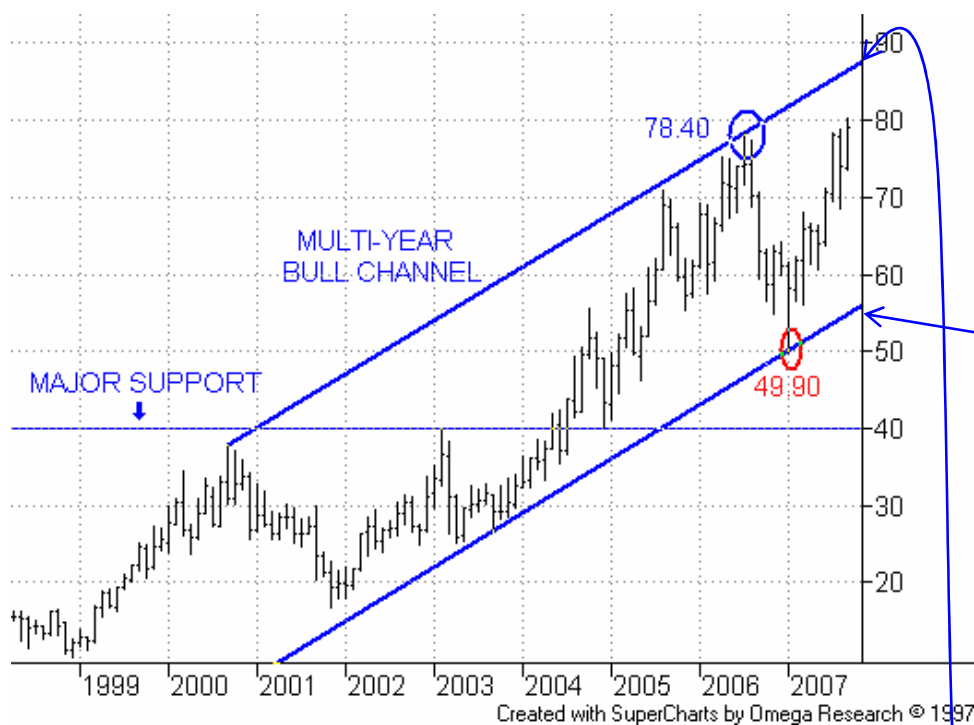
At UBS Futures & Options Ltd he developed his skills as a financial futures broker and analyst of intraday movements and latterly became a director.

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

This year's bullish trends in **Crude Oil** and **Heating Oil** have now gained a second wind, shaking off earlier negative signs. **Natural Gas** has seen at least a temporary halt in its bearish trend, but current gains are viewed as corrective only for now.

Light Crude Oil (NYMEX)

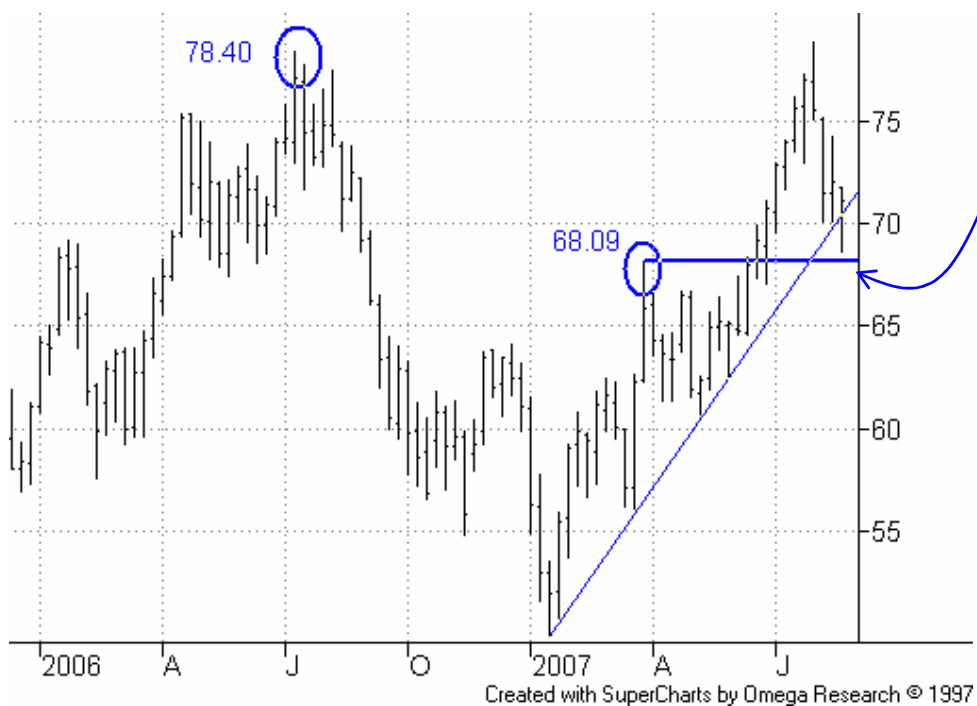


MONTHLY CHART -
CONTINUATION:
Overall price
action contained
within a long
term bull
channel.

The base of this
at 56.00 plus the
49.90 Jan low
offer key support
now.

Recent erosion of
the 78.40 2006
high (although
80.38 is the high
on the front
month Nov) sets
focus on the
channel top
around 88.00.

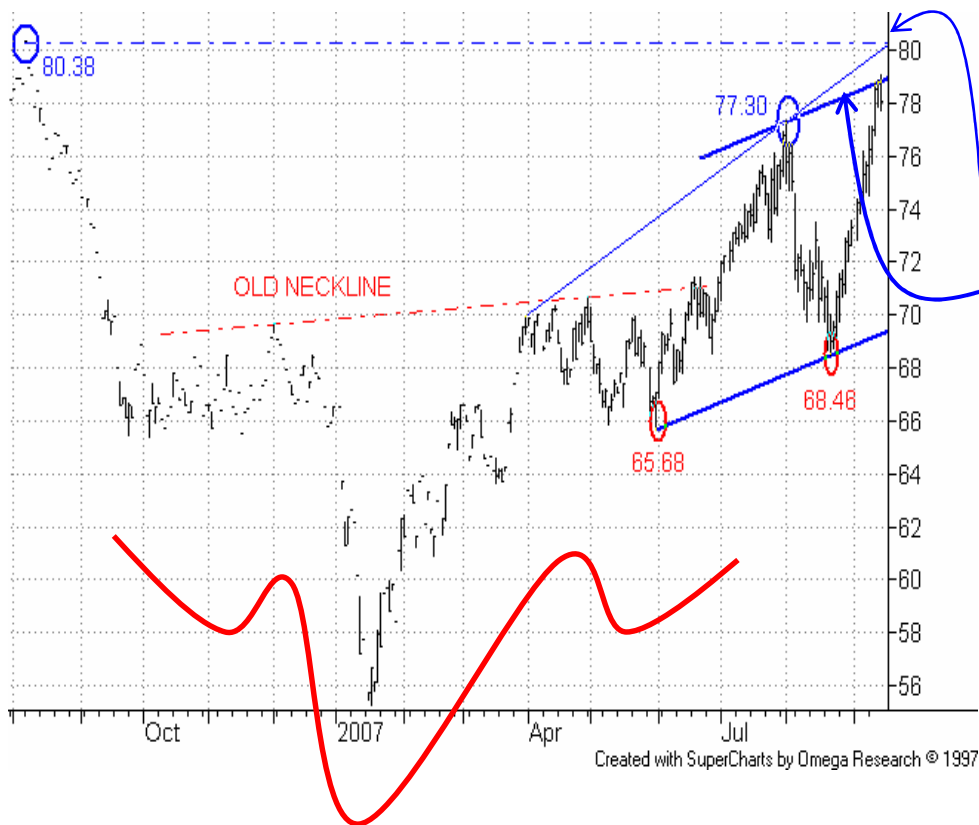
But price may
initially
struggle to HOLD
above this high.



WEEKLY CHART - CONTINUATION:

The 68.09 Mar high has acted as excellent support, helping to preserve upside momentum.

We do, however, note that the summer pullback was the largest so far this year - perhaps an early sign that bears are getting bolder.



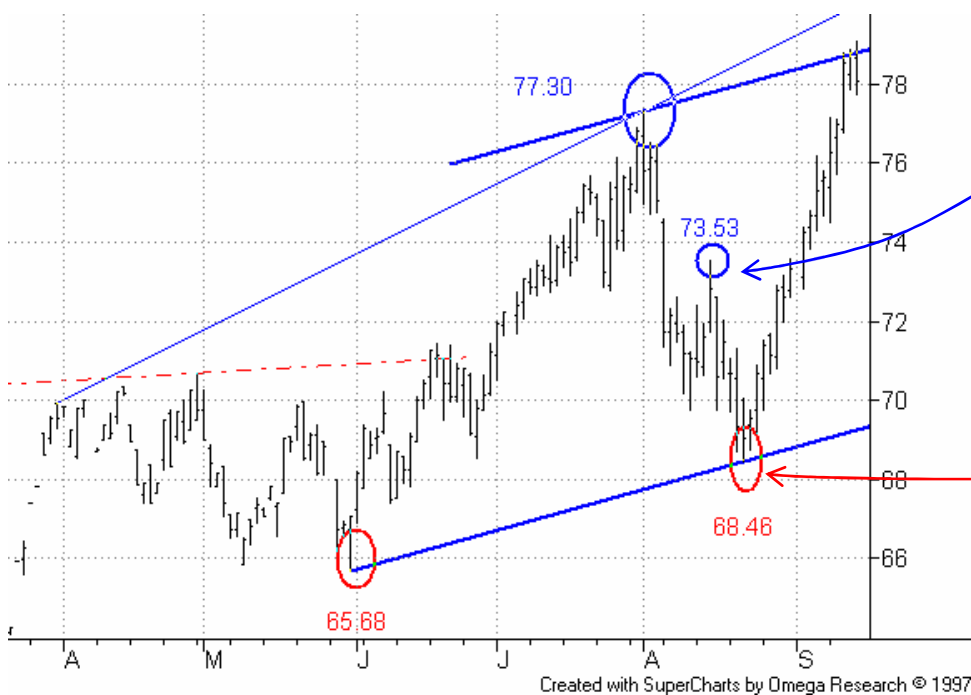
DAILY CHART -

NOV-07:

The steady rise
from 68.46 22-Aug
low has reached a
cluster of
resistance:

- the 3-month bull channel top
- the 5-month rising resistance line
- the Aug-06 high
- the equality target off 68.46, to prior 65.68-77.30 rise, at 80.08.

In case of a later breach of this note the 1.618 swing off 77.30-68.46 pullback, at 82.75, as a later target.



DAILY CHART -

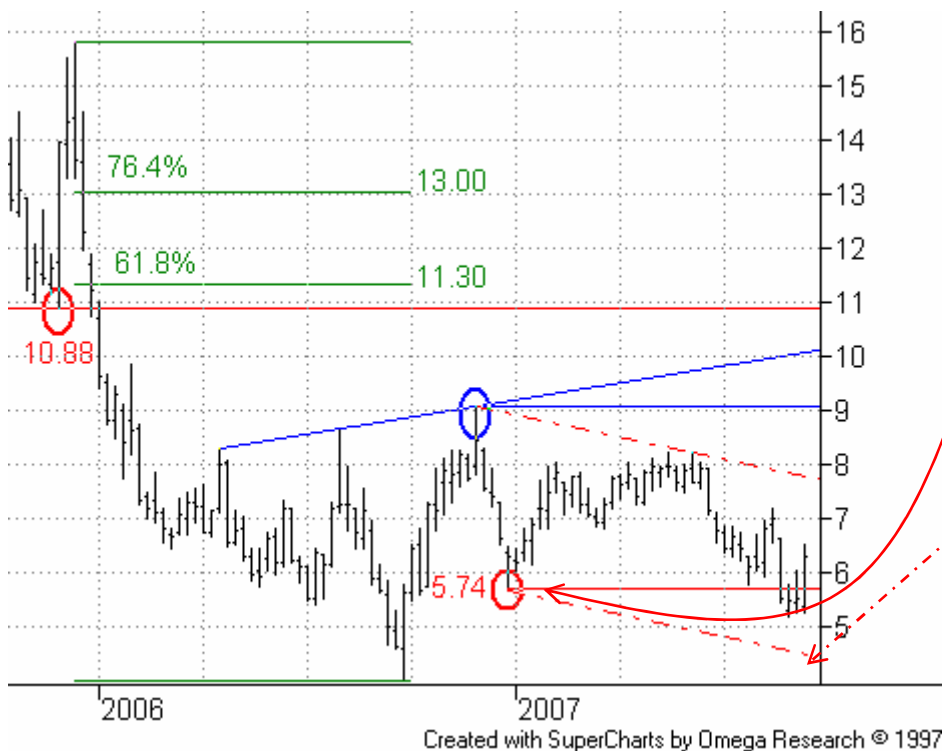
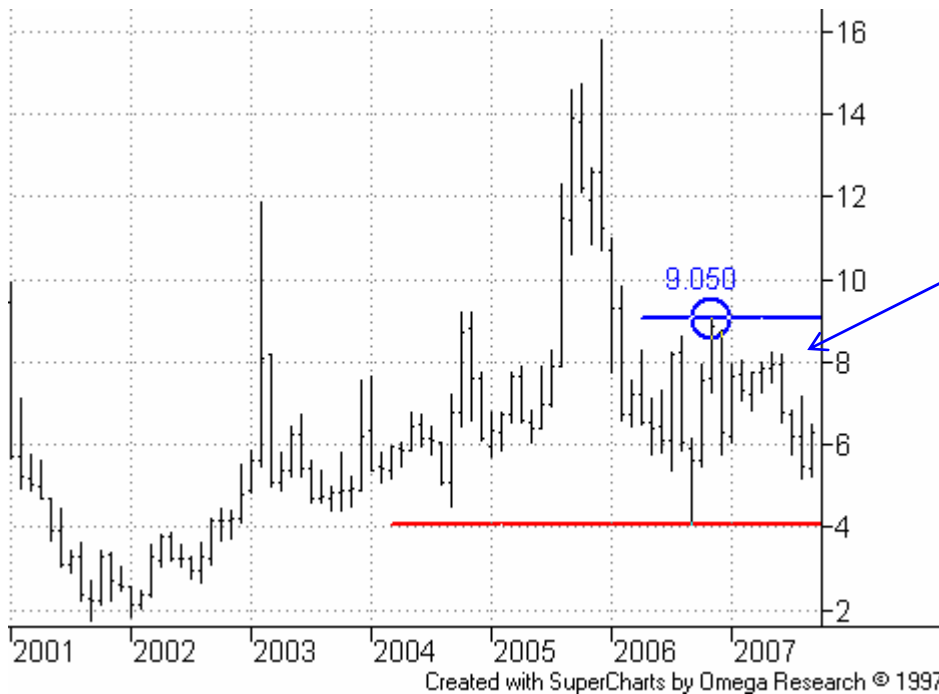
NOV-07:

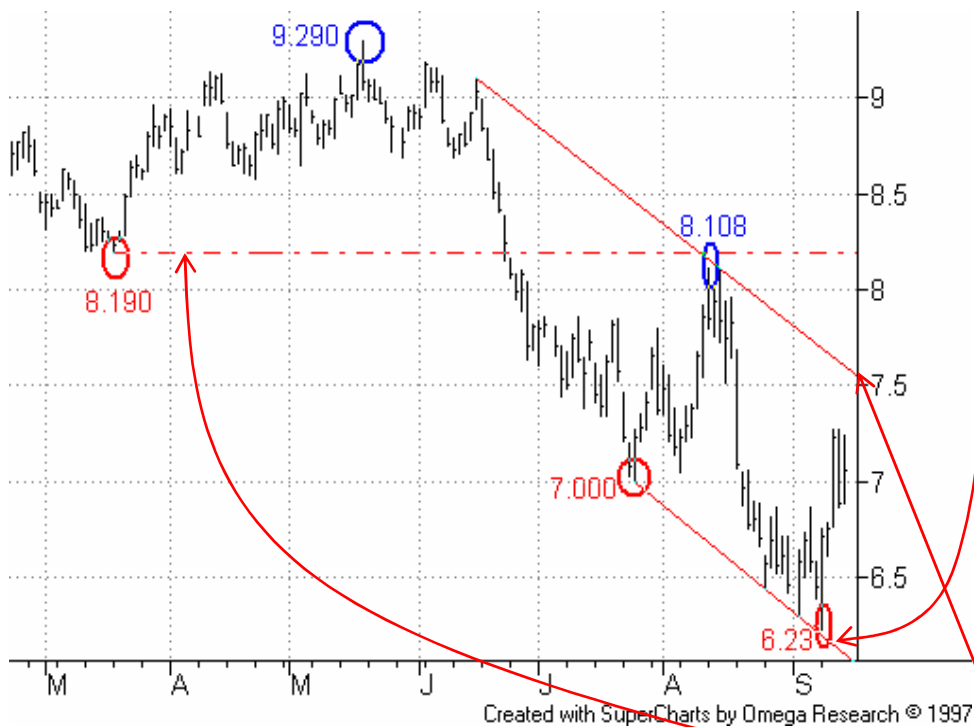
With bulls having
regained control
the 73.53 15-Aug high should support, in order to maintain s/term momentum.

Ultimately the rising support line and 68.46 22-Aug low need to hold now, for the bulls.

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Natural Gas (NYMEX)





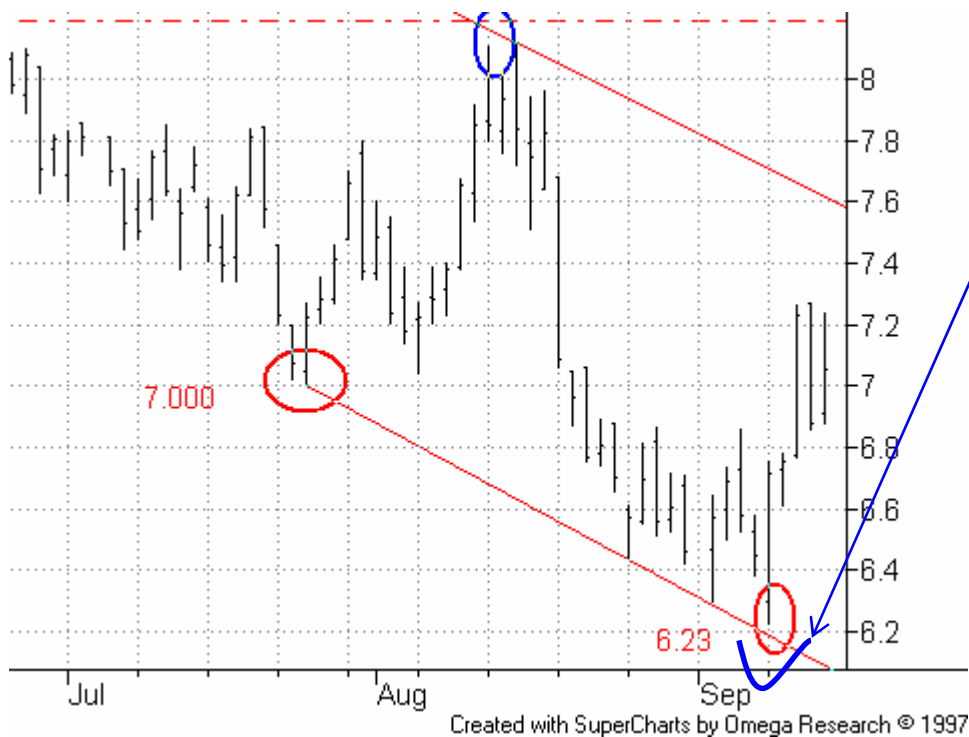
DAILY CHART -
NOV-07:

Note the area of the bear channel base has provided interesting support.

This was not far from the 1.618 swing off the 7.000-8.108 rally, at 6.315.

Bears currently remain favoured and, ideally, falling resistance at 7.500 will hold.

The 8.190 May low is probably more important, however.

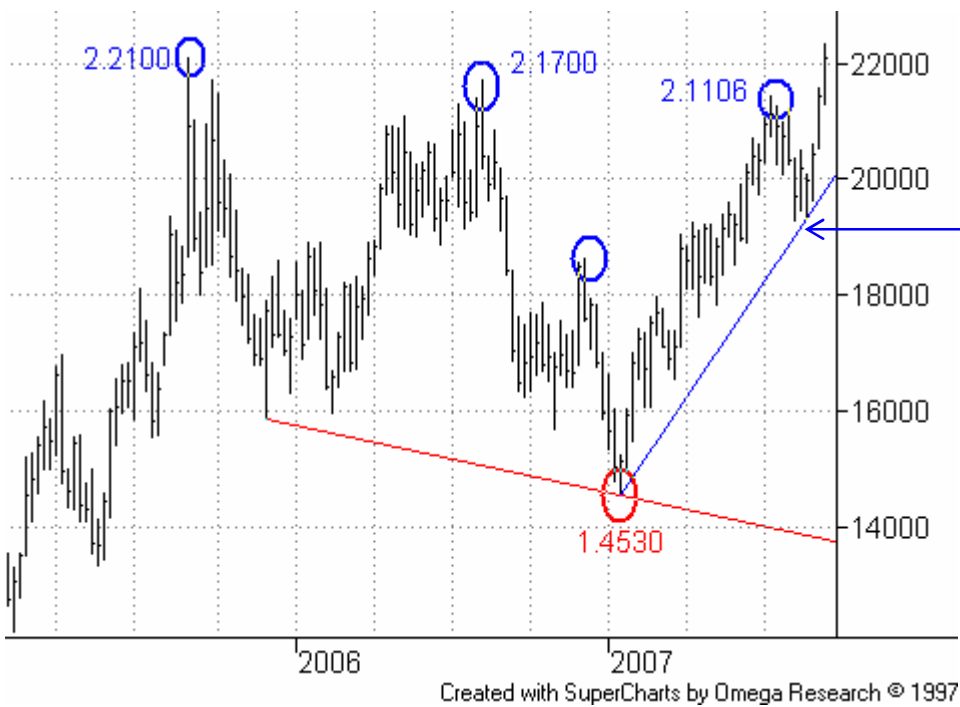


DAILY CHART -
NOV-07:

Note one bullish clue comes from the key reversal day last Mon, 10-Sep. This also resulted in a key reversal week...

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Heating Oil (CBOT)





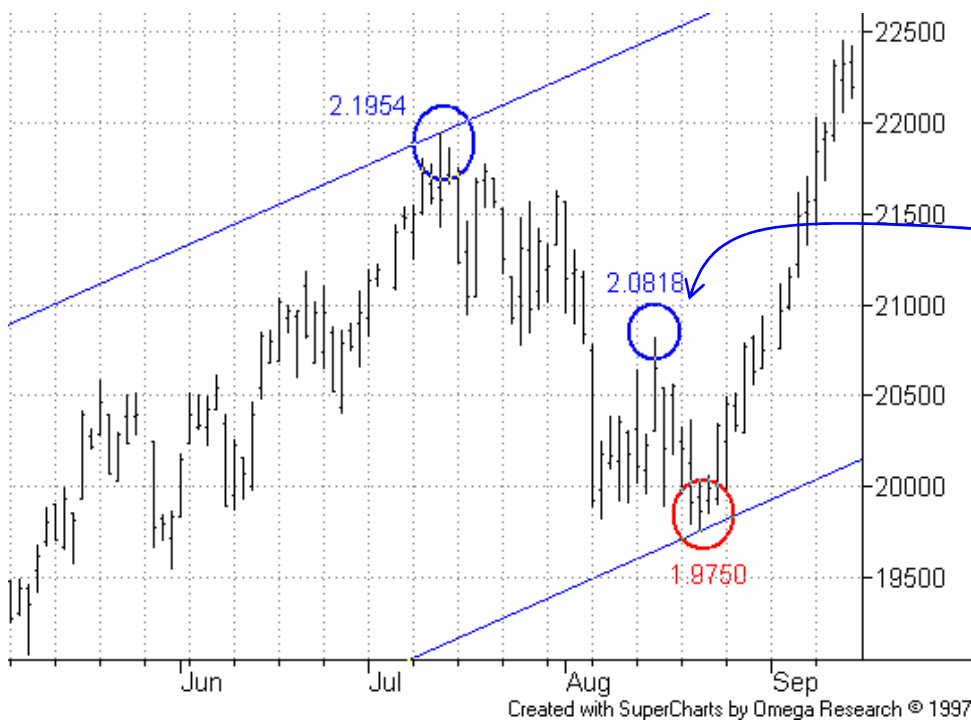
DAILY CHART -

NOV-07:

On the front month chart price has yet to reach the 2006 high, at 2.3100.

A bull channel top projection lies close to this, implying potential s/term resistance at least.

Not much beyond is the 1.618 swing target of the 2.1954-1.9750 pullback at 2.3300.



DAILY CHART -

NOV-07:

Natural support to any s/term pullback is offered by the 2.0818 15-Aug high.

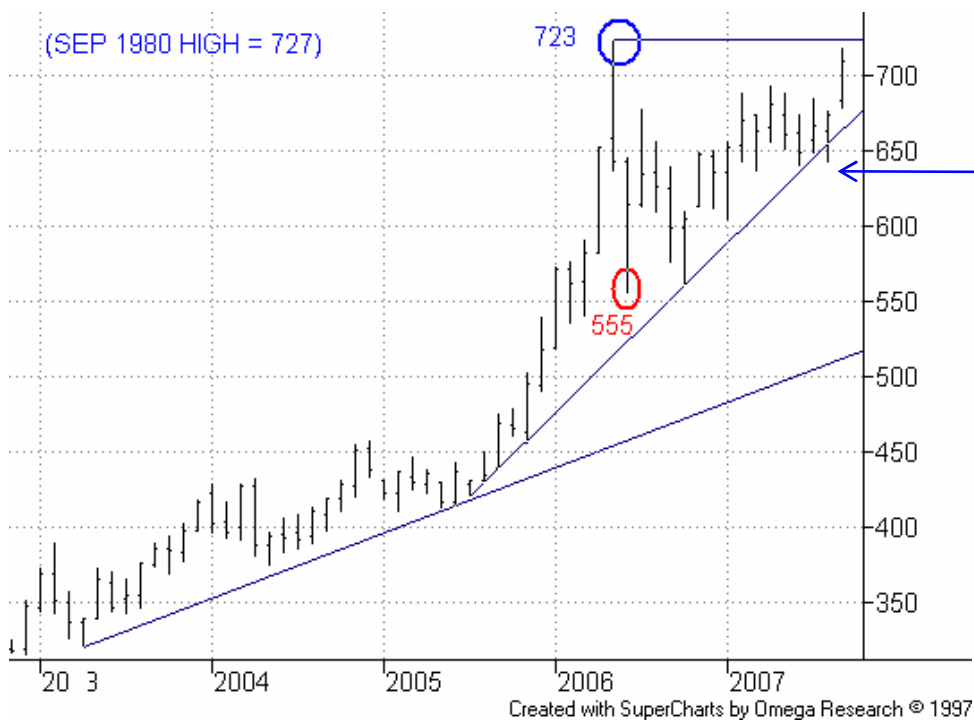
Bulls are favoured but the 5-wave (impulsive) appearance of the prior 2.1954-1.9750 decline warrants a degree of caution.

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Metals

Gold is making a bullish break from previous consolidation after bears failed to follow up on earlier negative signs, while the recent **Silver** downtrend has temporarily halted. **Copper** bears must remain patient, with the chance still that a double top could form.

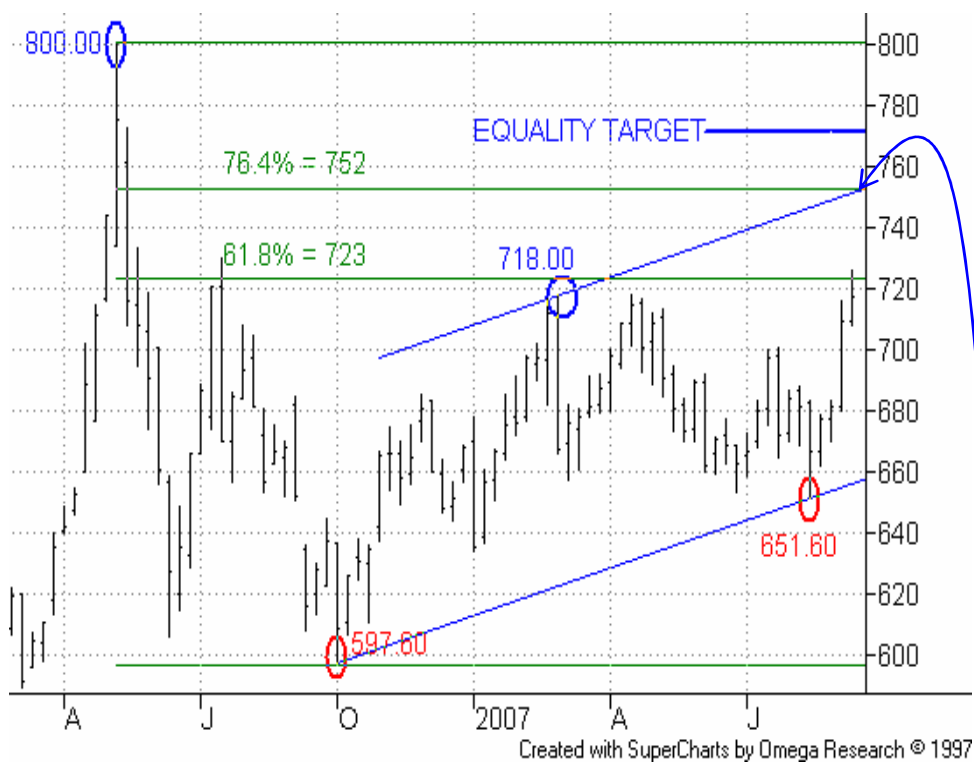
Gold (COMEX)

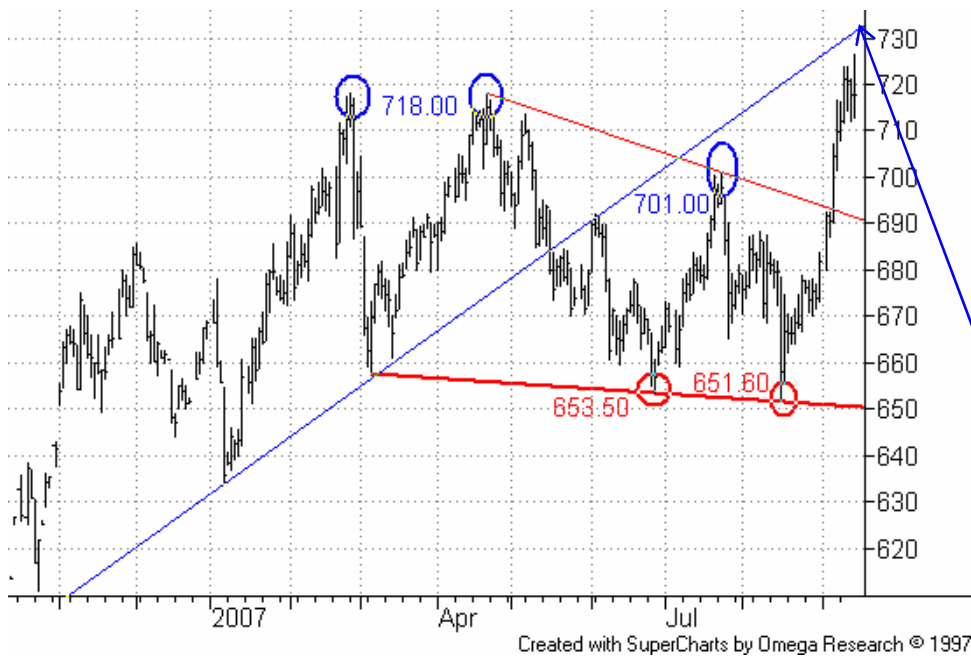


MONTHLY CHART -
CONTINUATION:

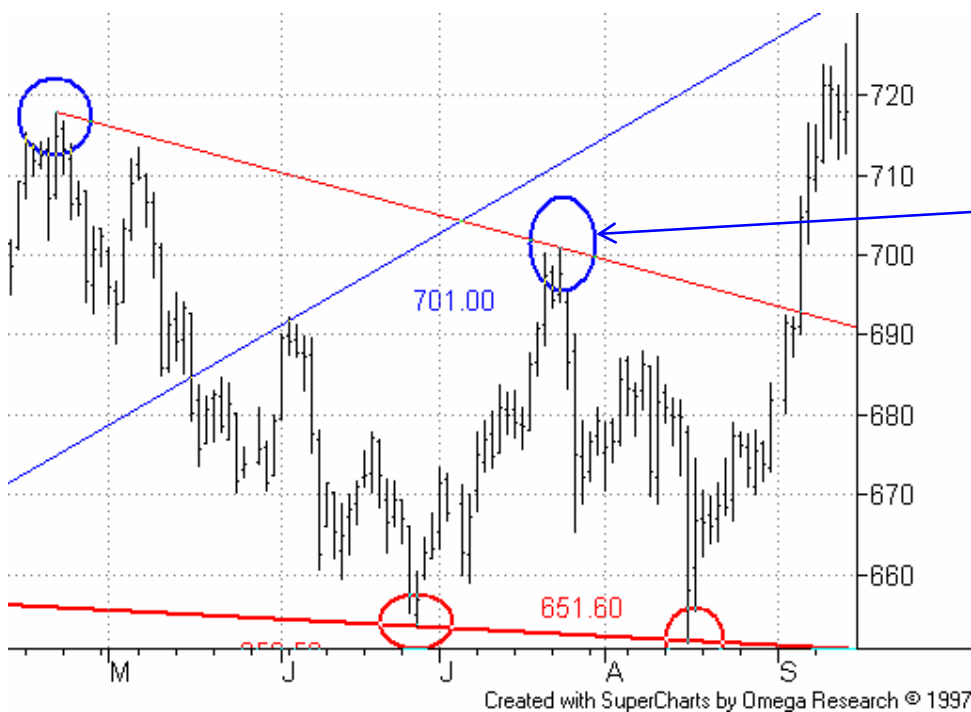
The 2005-07
uptrend line has,
while recently
coming under
pressure,
remained intact
on a closing
basis.

The major 723-727
highs are now
close at hand - a
break/HOLD above
these will be
further bullish,
bringing into
focus the 1.618
swing of prior
723-555 2006
drop, at 827.



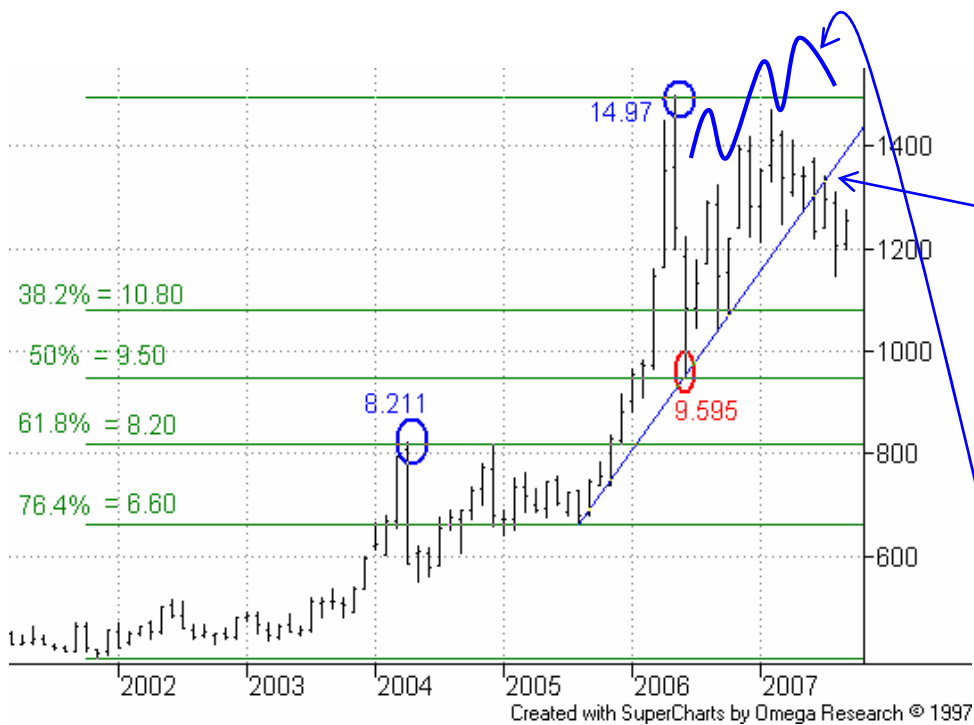


This counsels against chasing the market at current levels.



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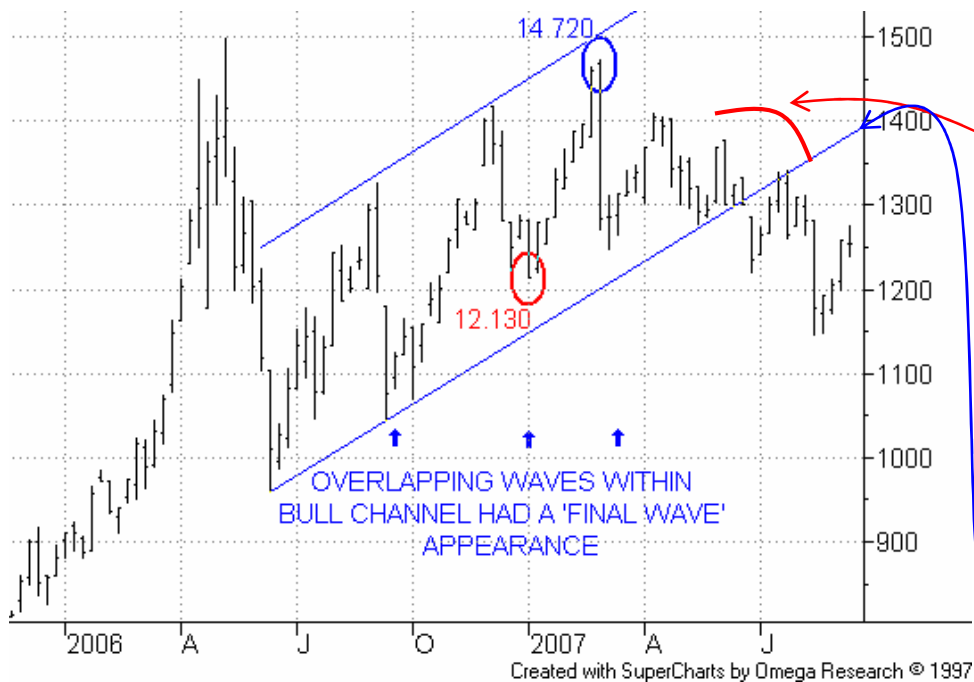
Silver (COMEX)



MONTHLY CHART -
CONTINUATION:

The long term support line was decisively breached - deeper retracement scope remains, 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.



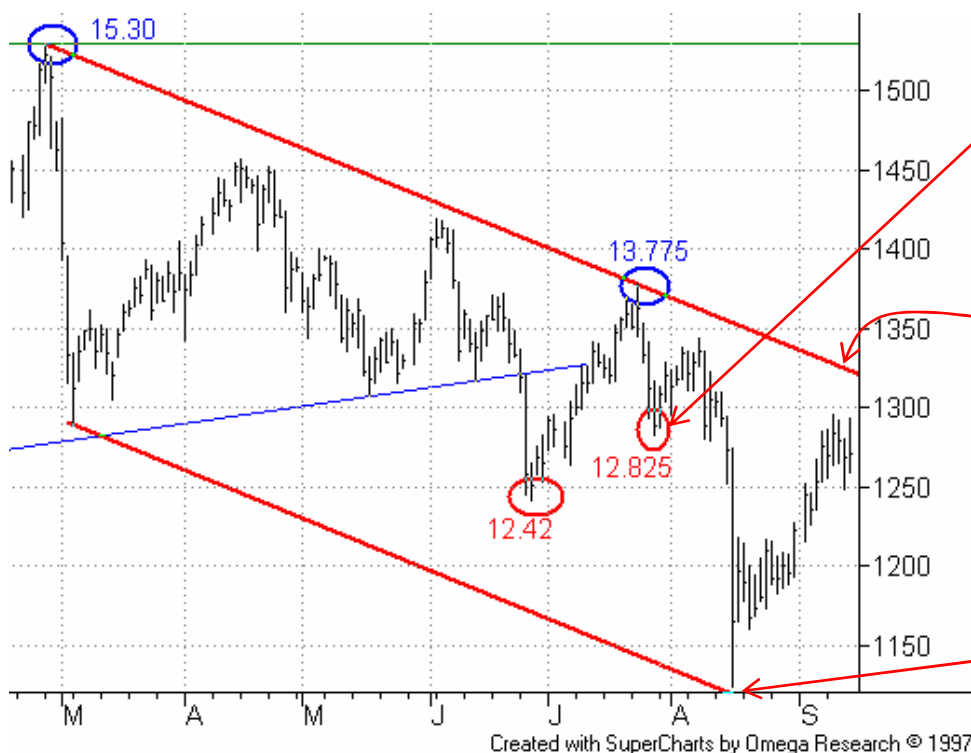
WEEKLY CHART -
CONTINUATION:

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.

An effective
falling
resistance line
from 15.30 Apr
high proved the
precursor to
acceleration
downward.

The 11.08 76.4% level (& 10.96 Sep-06 low) have provided underlying support - the current bounce is not a surprise.

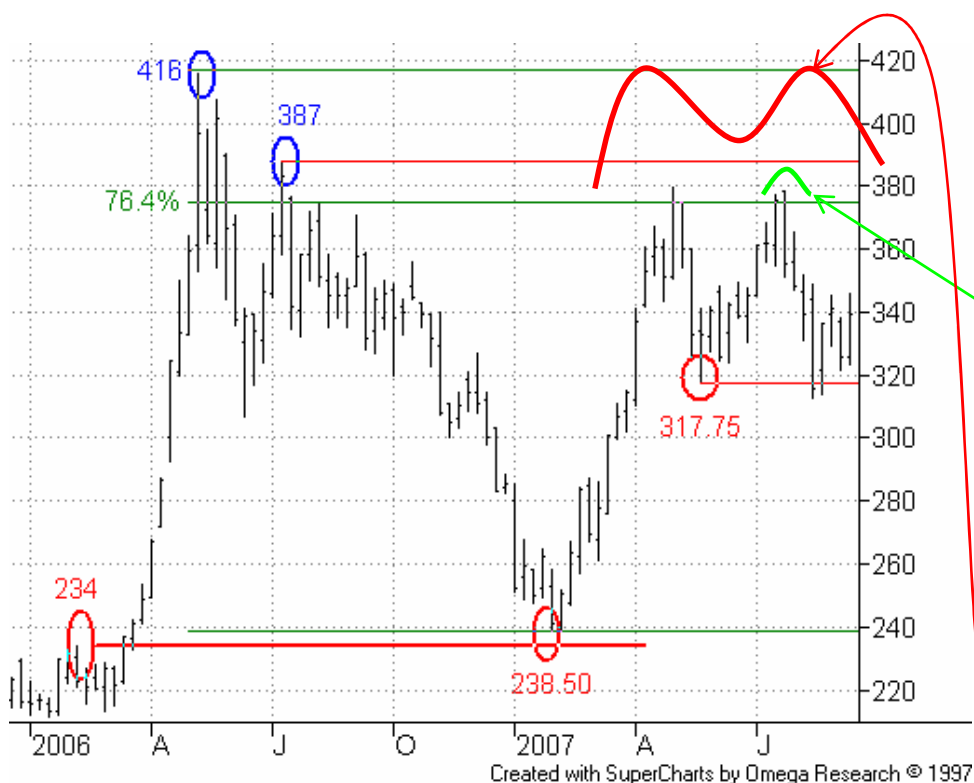
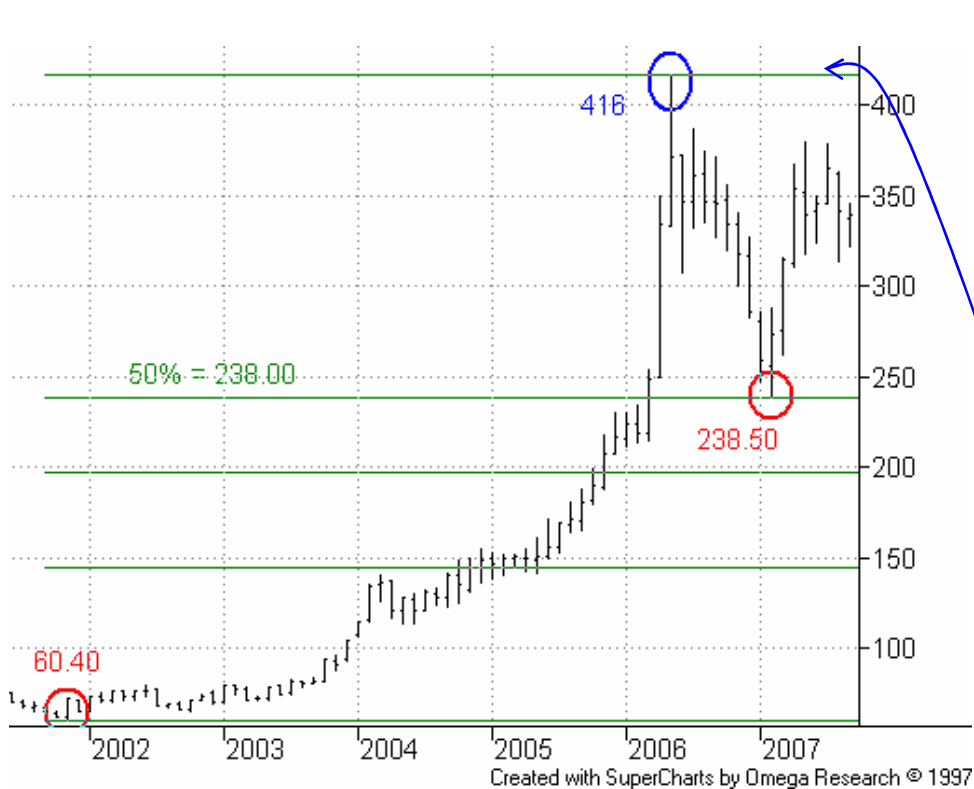


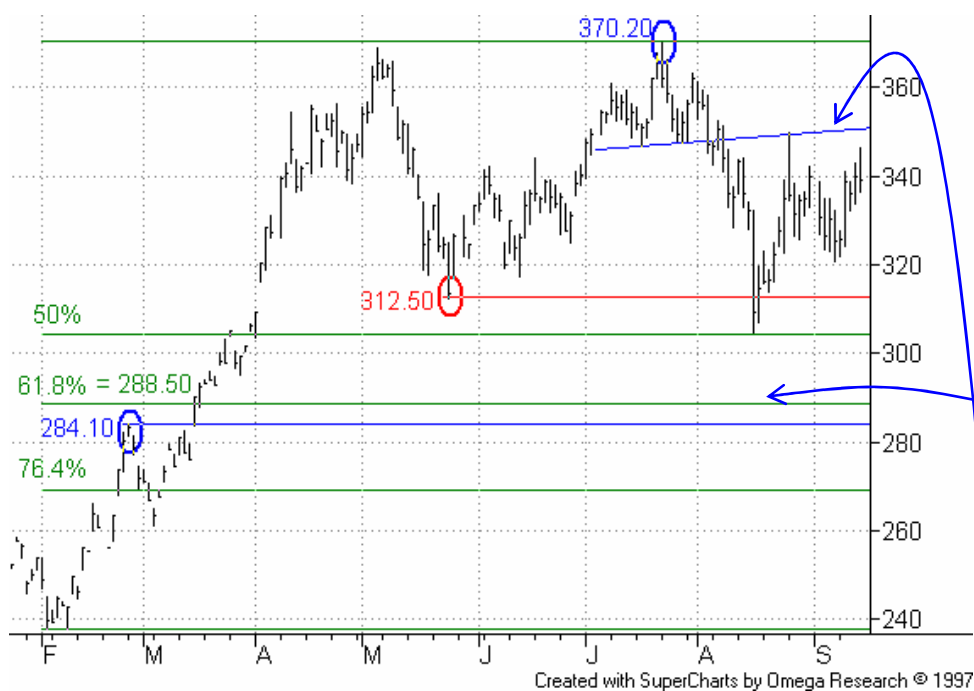
The 12.825 area still offers resistance but, in the end, only a move back above falling resistance (13.20) and 13.775 Jul high would completely negate the current bearish outlook.

Note how well the
bear channel base
has been in
supporting the
recent decline.

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High Grade Copper (COMEX)





DAILY CHART -
DEC-07:

A deeper corrective phase is still a real possibility.

The 288.50-284.10 area (includes 61.8%) offers interesting lower support.

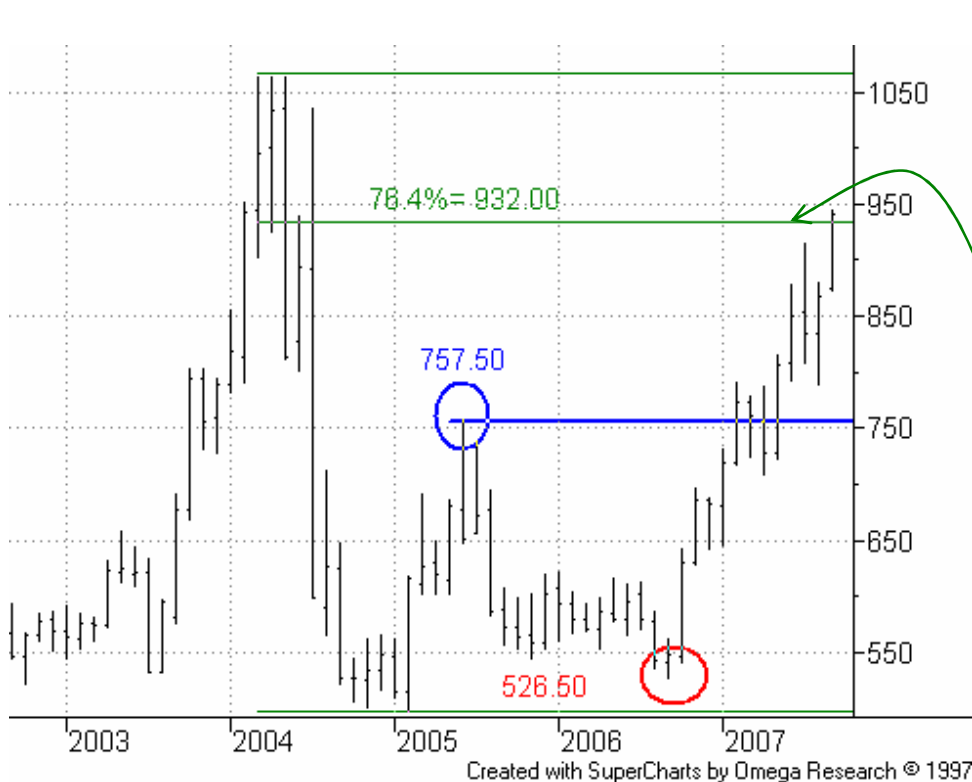
S/term rallies to be viewed as corrective only, and ideally the old neckline of the Jul Head & Shoulders will continue to prove effective natural resistance (above here would revert the s/term outlook to neutral).

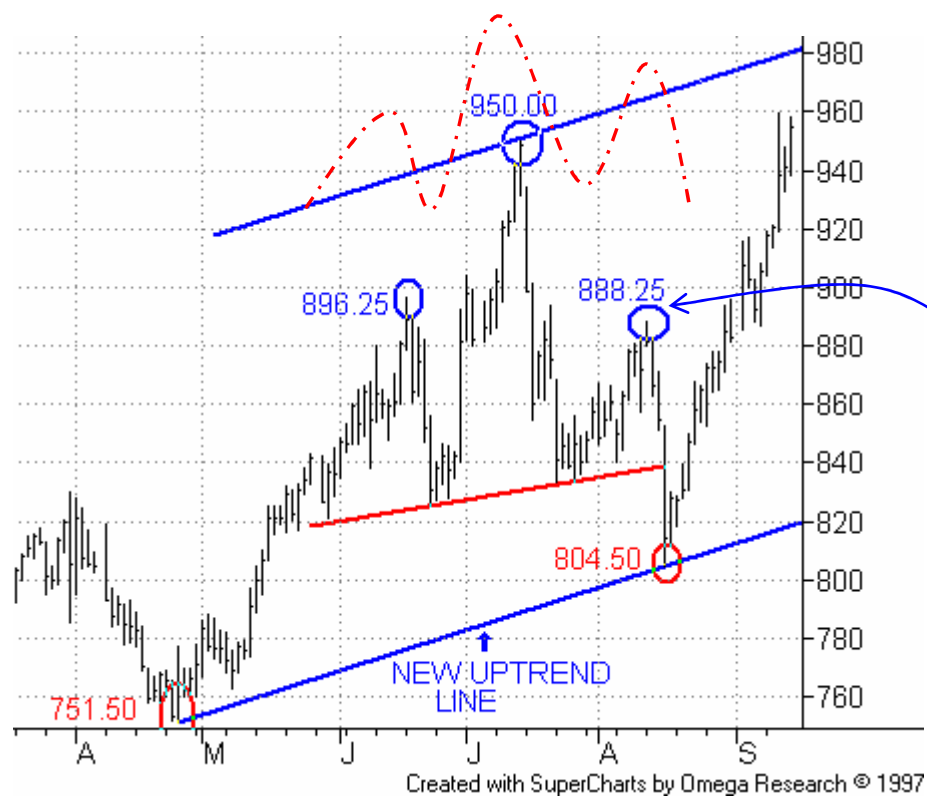
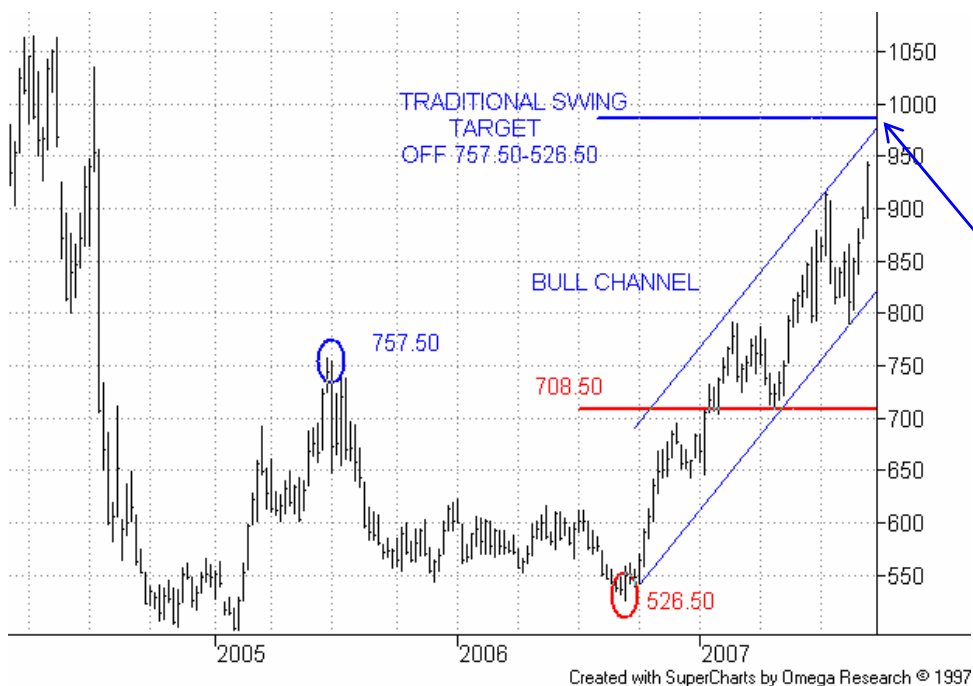
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Grains and Softs

Soybean bulls have now regained control, and **Wheat's** current strong upleg has become a major feature. **Sugar** may yet be in the process of turning, probably having completed its medium/long term downmove. The **Cocoa** pullback has temporarily halted, while bounce prospects remain in **Coffee**. **Cotton** continues its bounce off interesting support after a deep slip back.

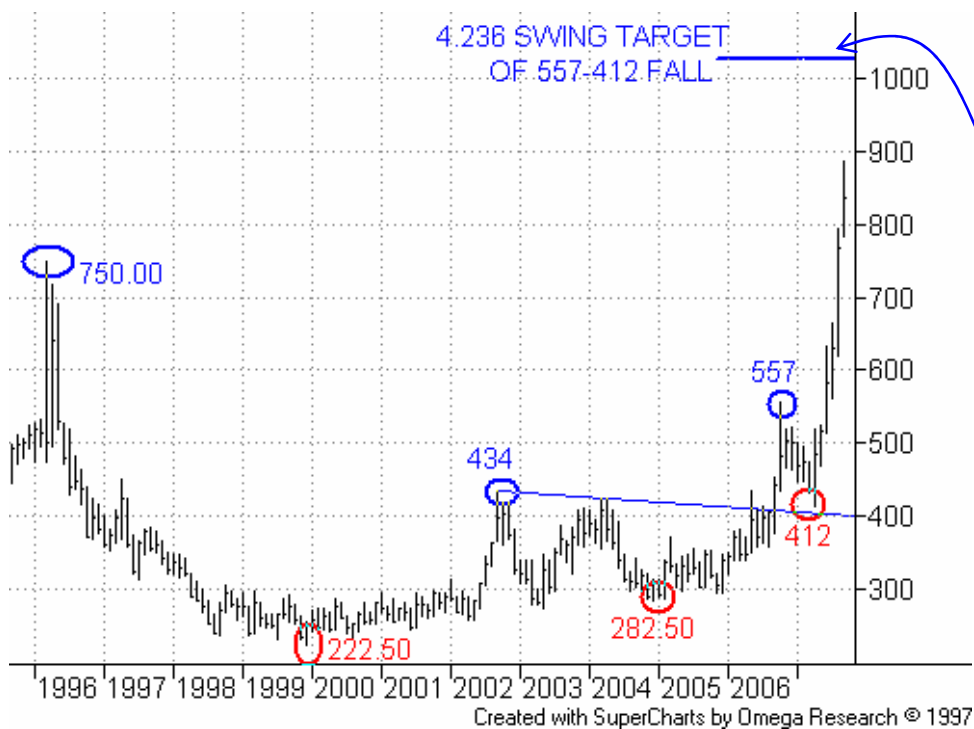
Soybeans (CBOT)





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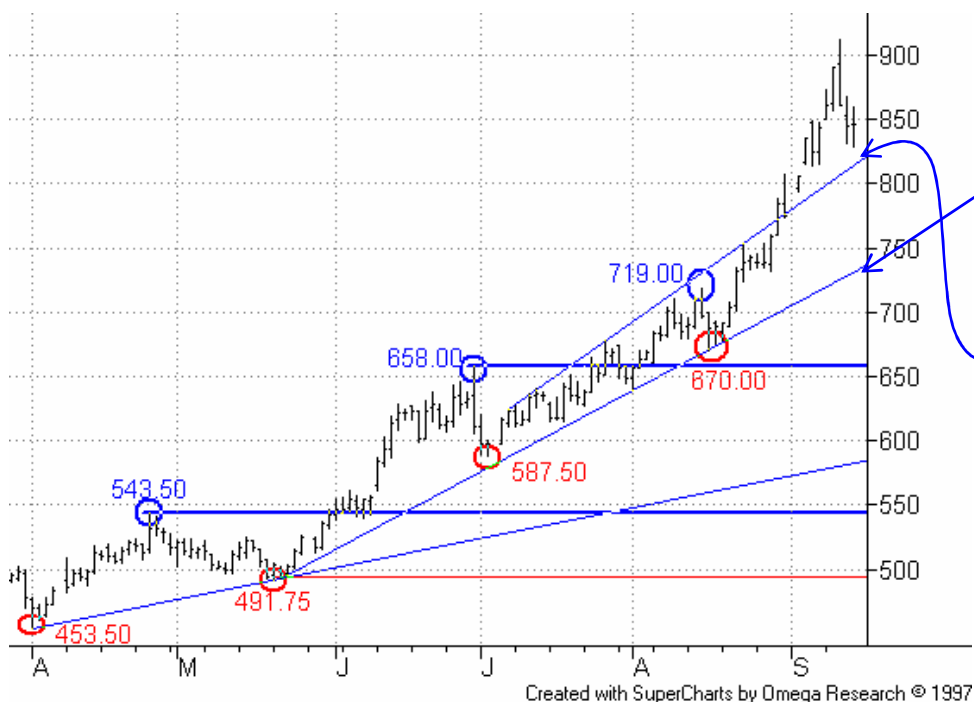
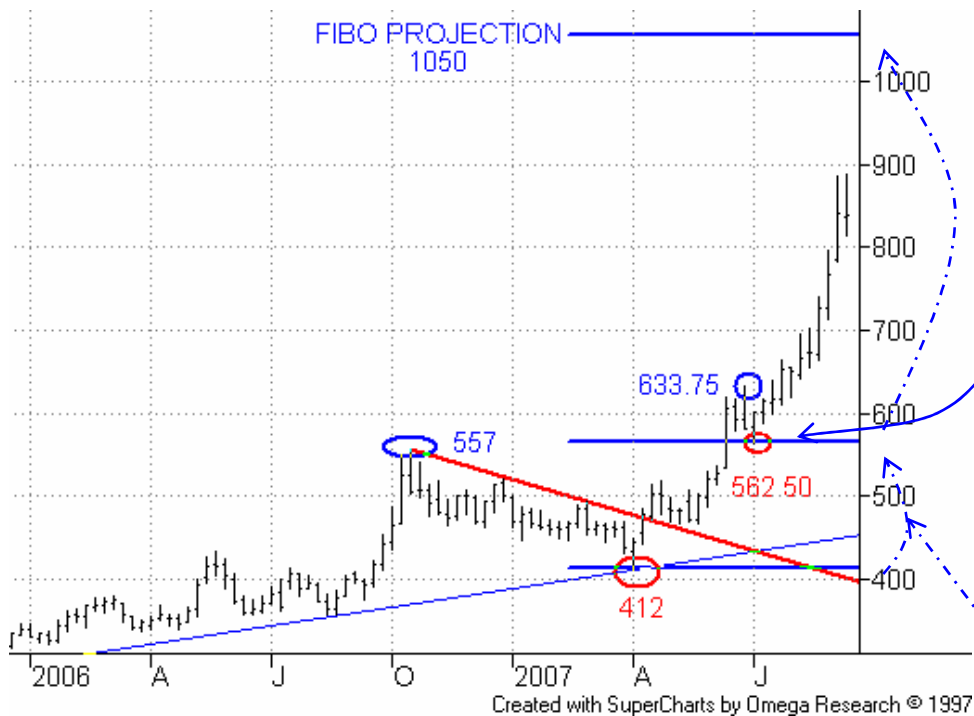
Wheat (CBOT)



MONTHLY CHART -
CONTINUATION:
Further gains
call for higher
projection
levels, one being
the 4.236
(Fibonacci-
related) swing/
growth target
around 1026.00,
off the prior
557.00-412.00
pullback.

Also note the
higher 1076.00
level, 1.618
swing of the long
term 750.00-
222.50 decline.

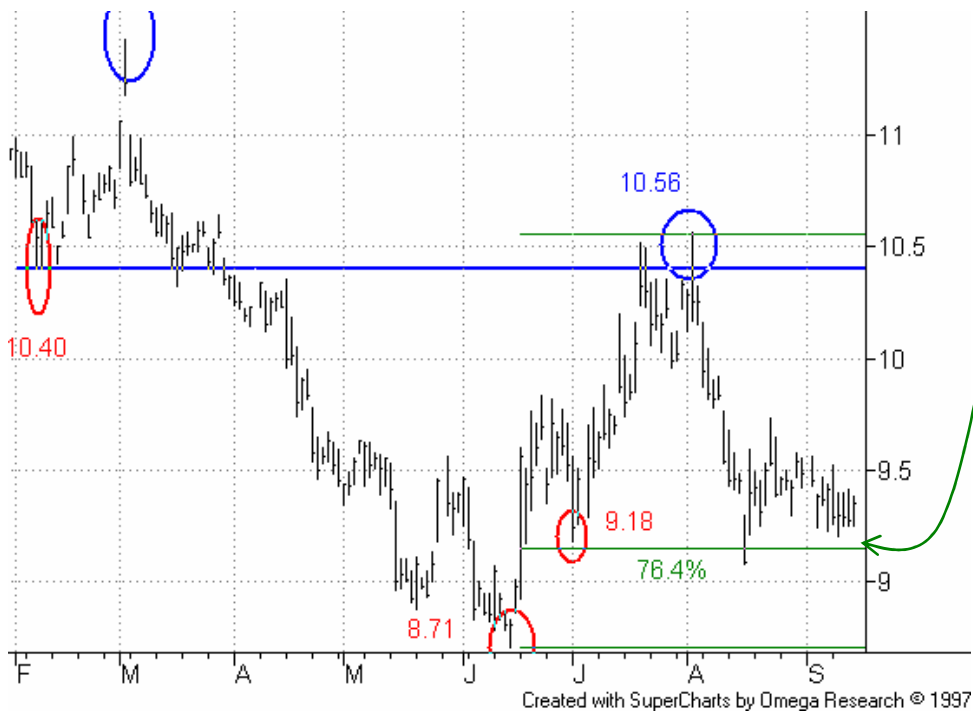
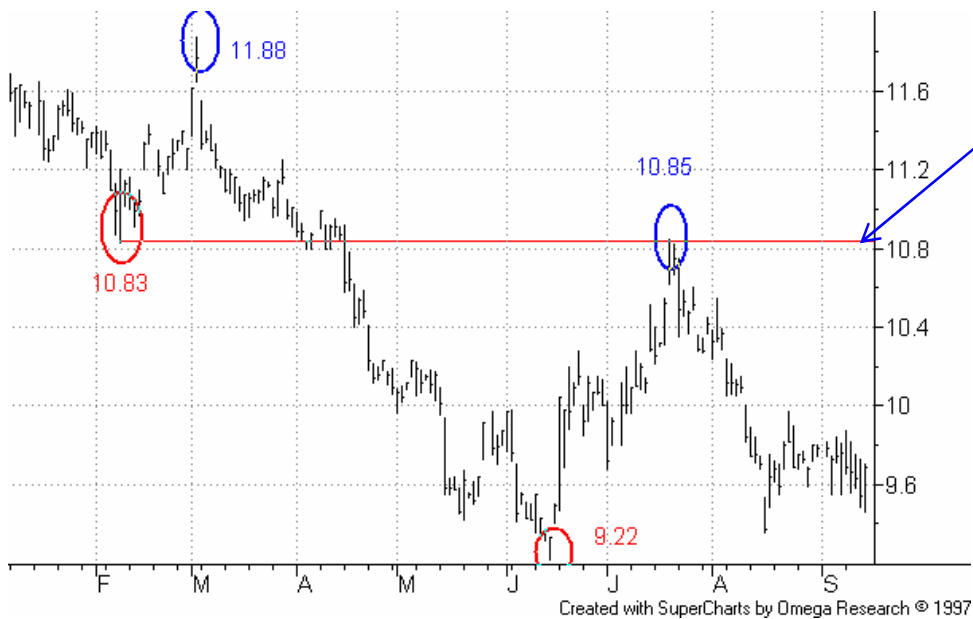
The old 750.00
and 557.00 highs
now become future
support points.



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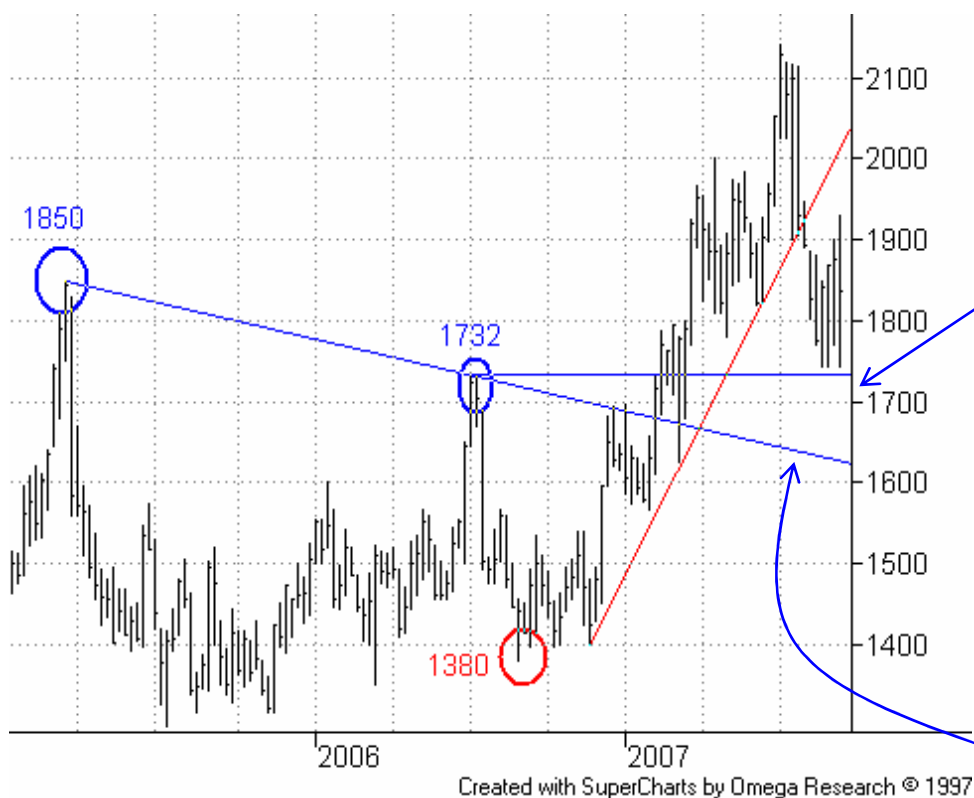
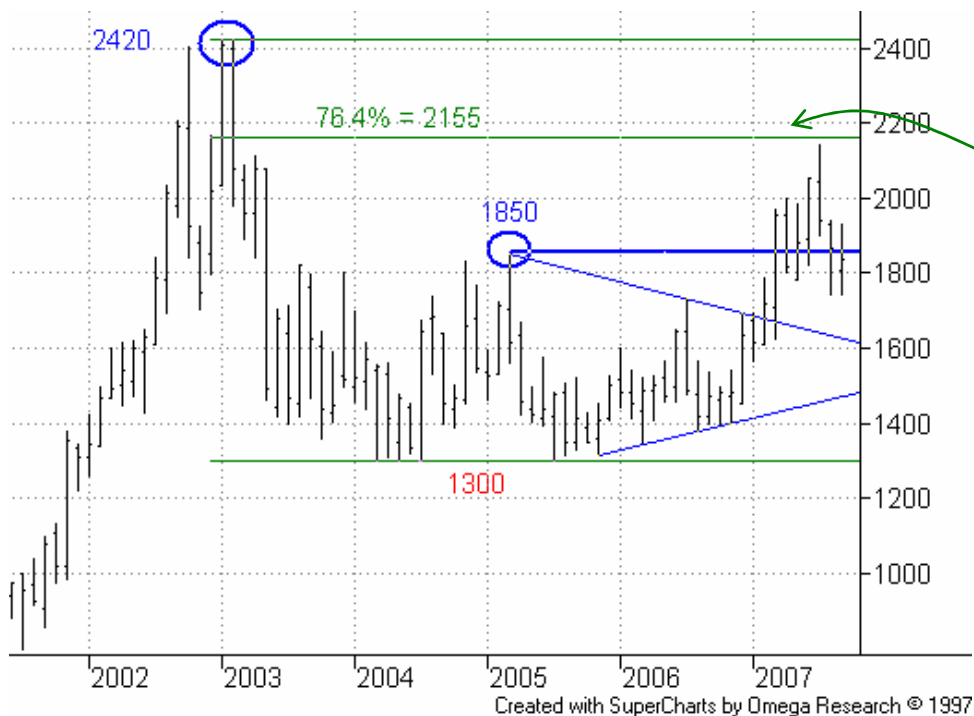
Sugar 11 (NYBOT)





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Cocoa (NYBOT)





DAILY CHART -
DEC-07:

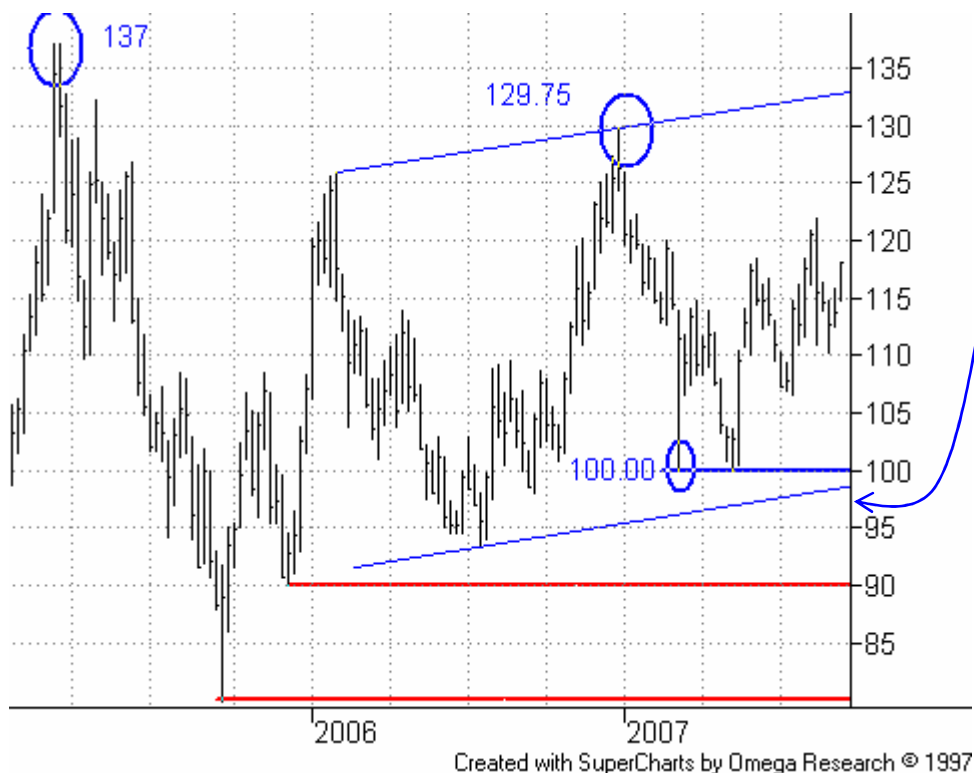
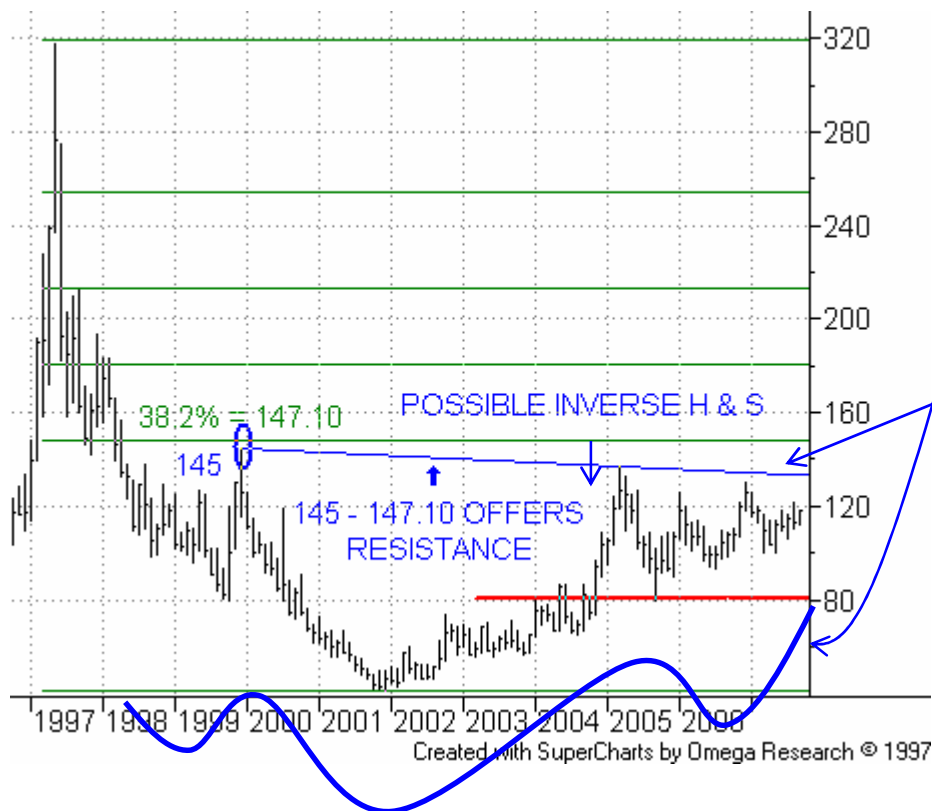
We have rightly adopted an increasingly bearish posture, the earlier breach of uptrend support, following the 26/27-Jul down gap, adding wind to the bears' sails.

61.8%, around the 1770 Dec-06 high, offered next key support and a likely area to prompt a rebound, corrective or otherwise (this support proved spot on in the expired Sep contract).

That 1990-2035 late Jul gap offers main resistance to recovery attempts now.

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Coffee (NYBOT)





DAILY CHART -
DEC-07:

The old bull
channel base
support has
worked nicely so
far, protecting
the 113.00 Jul
low. In between
these lies a
further channel
base projection
around 114.50.

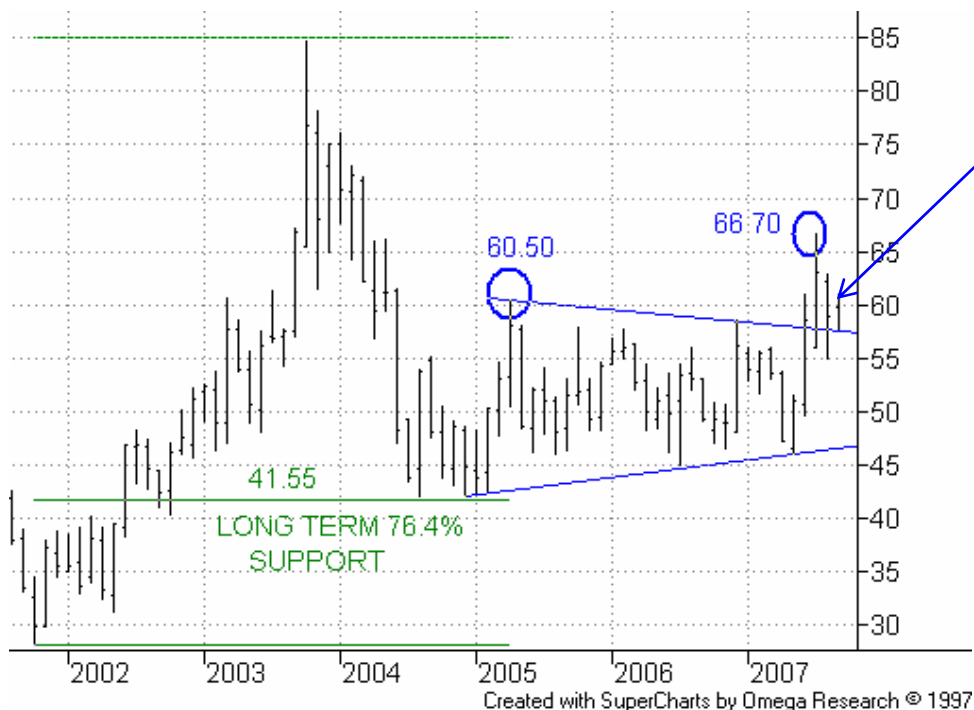
These all keep
the 110.00 01-May
low out of reach,
and allow for
another s/term
recovery.

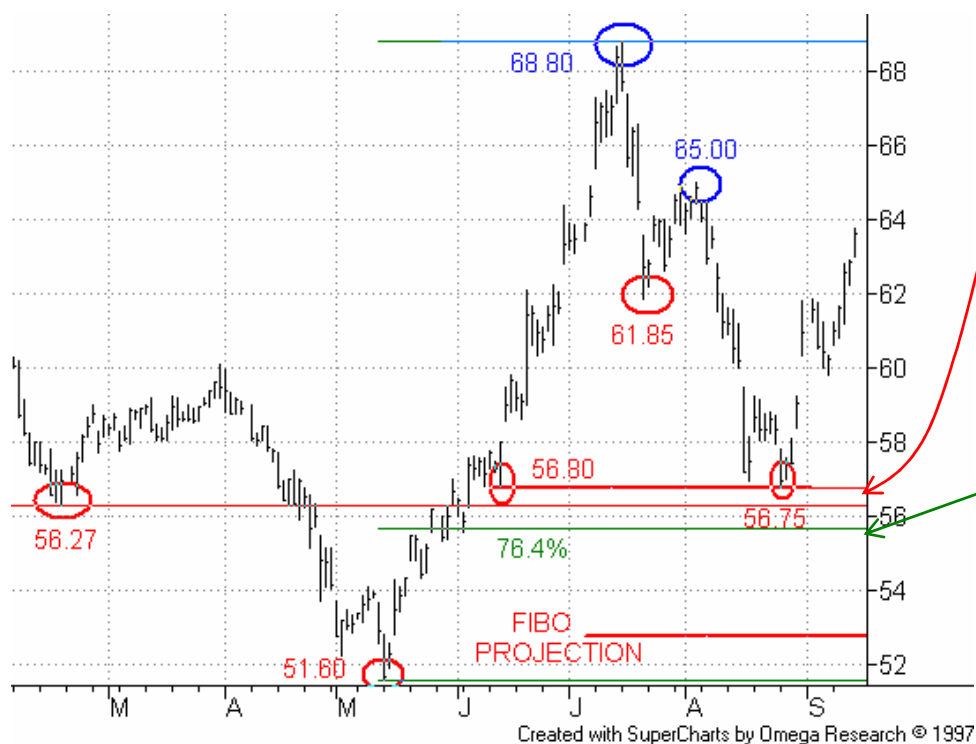
Above the 126.00
high note the old
bull channel top
projection, now
coinciding with
the 61.8%
retracement
level.

Shorter term
bulls remain in
favour for now.

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Cotton No.2 (NYSE)





DAILY CHART -
DEC-07:

The deep Jul-Aug pullback found support from the prior 13-Jun low and take-off point, and also **exactly** from the 2.618 swing off prior 61.85-65.00 rally.

The 56.27-55.65 (76.4%) area has therefore stayed out of reach.

The 61.85-65.00
band which we
previously noted
has been entered,
but remains
potentially
strong
resistance,
through which is
needed to put the
68.80 Jul high at
risk.

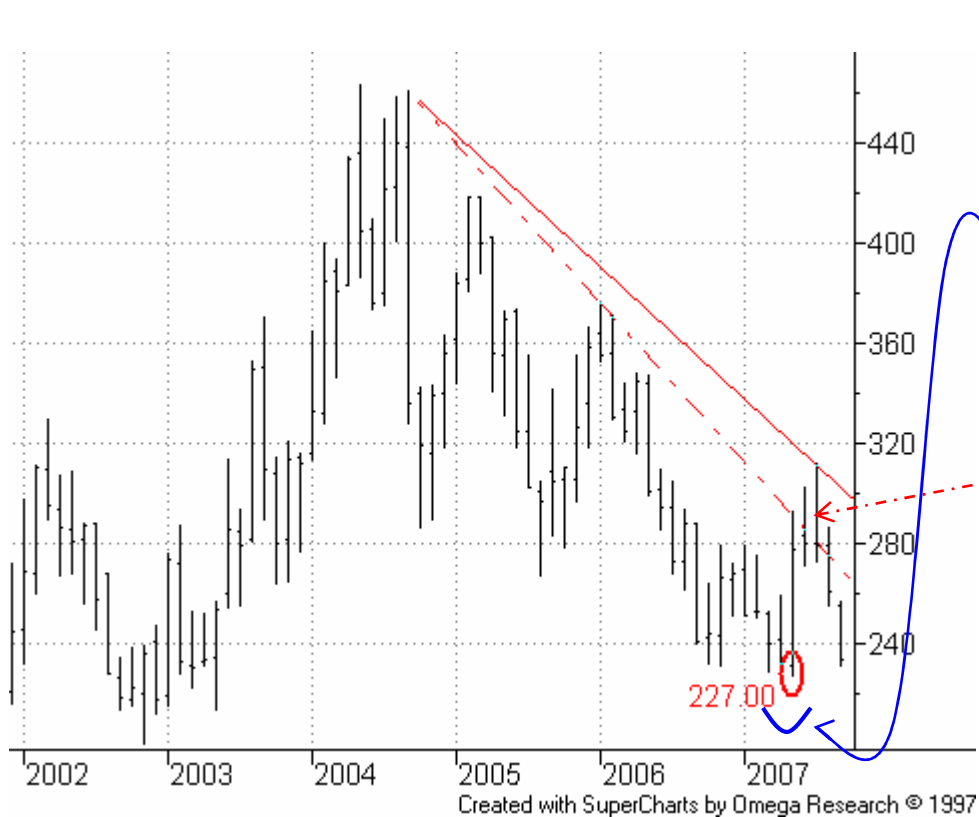
The s/term
outlook remains
neutral/bullish.

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Other (these may vary occasionally)

Potential base formation in **Lumber** is in severe doubt now. The short term chart of the **CRB index** has seen bears sideline as an unfaltering rebound has breached several resistance levels.

Lumber (CME)

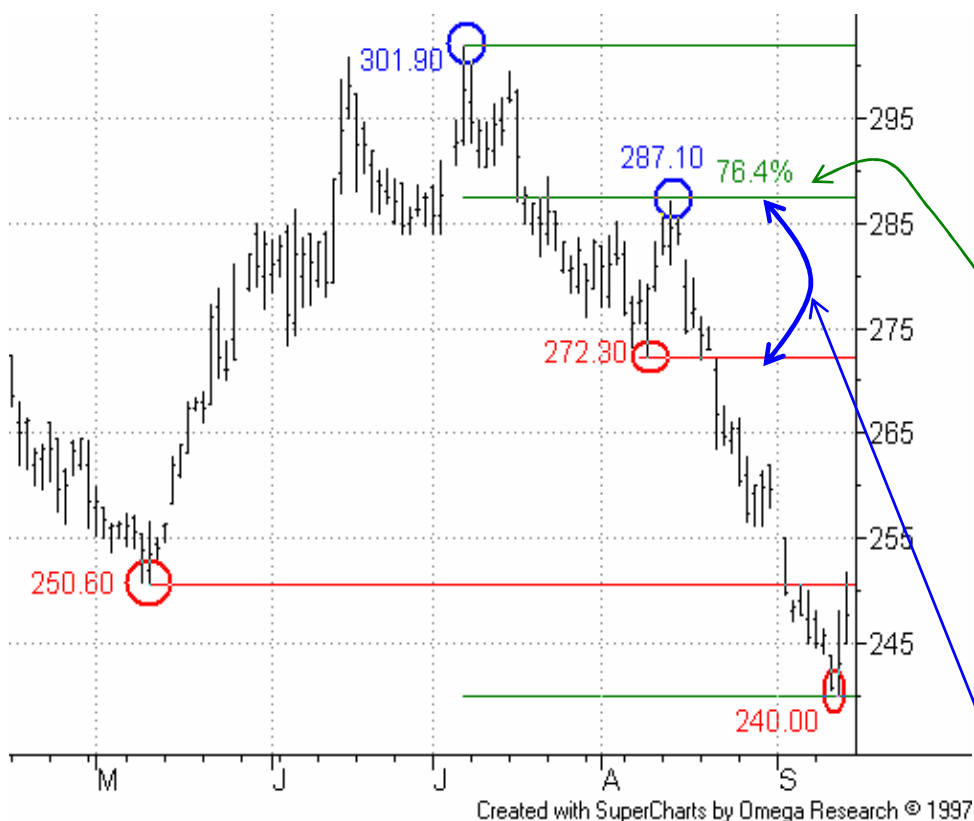


MONTHLY CHART -
CONTINUATION:

The bullish implications from May's key reversal month have all but disappeared now.

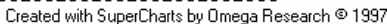
The initial break of the long term downtrend line has come to nothing.

Bulls must await a fresh signal.



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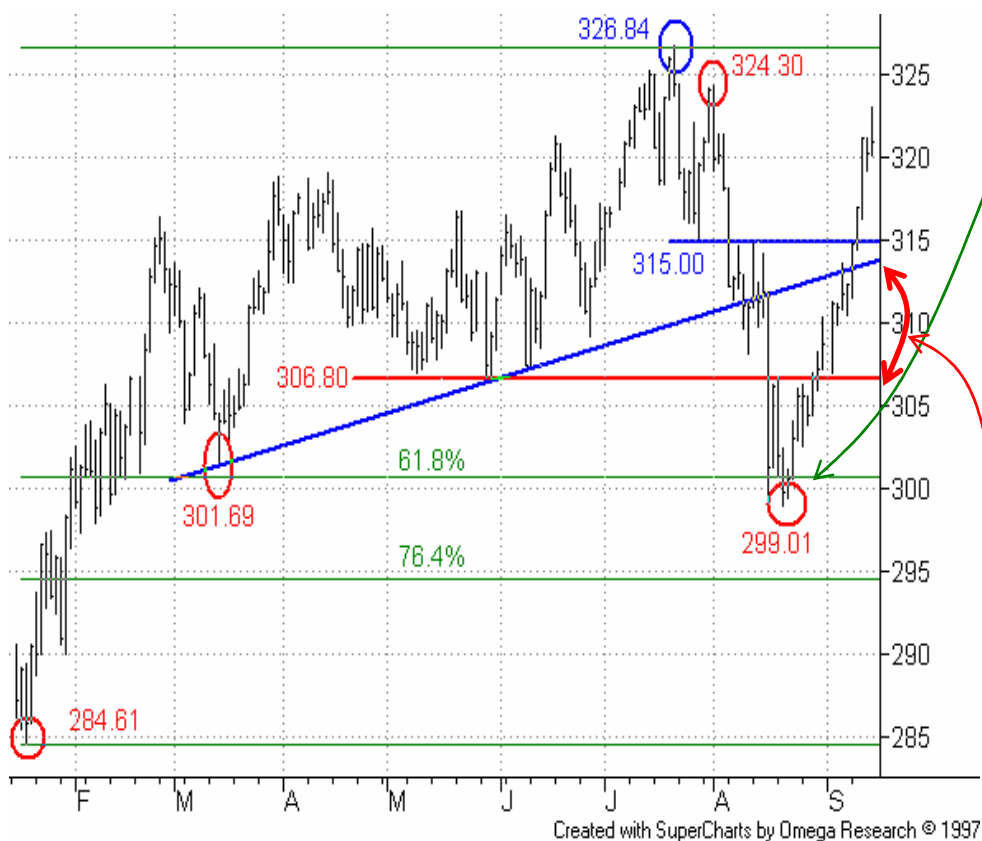
The pullback from 365.45 has so far found support from the first of four old major highs.

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



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:

After finding 61.8% support (plus note the 2.618 swing of the 315.00-324.30 rally came in at 300.00) a strong bounce resets focus on the 324.30-326.84 area, ahead of that major 330.00.

We have kept the old support lines as they may still offer valid technical levels for any pullbacks.

There is currently little sign of s/term bull fatigue however.

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