

WEEK 42 16<sup>th</sup> OCT - 22<sup>nd</sup> OCT 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.

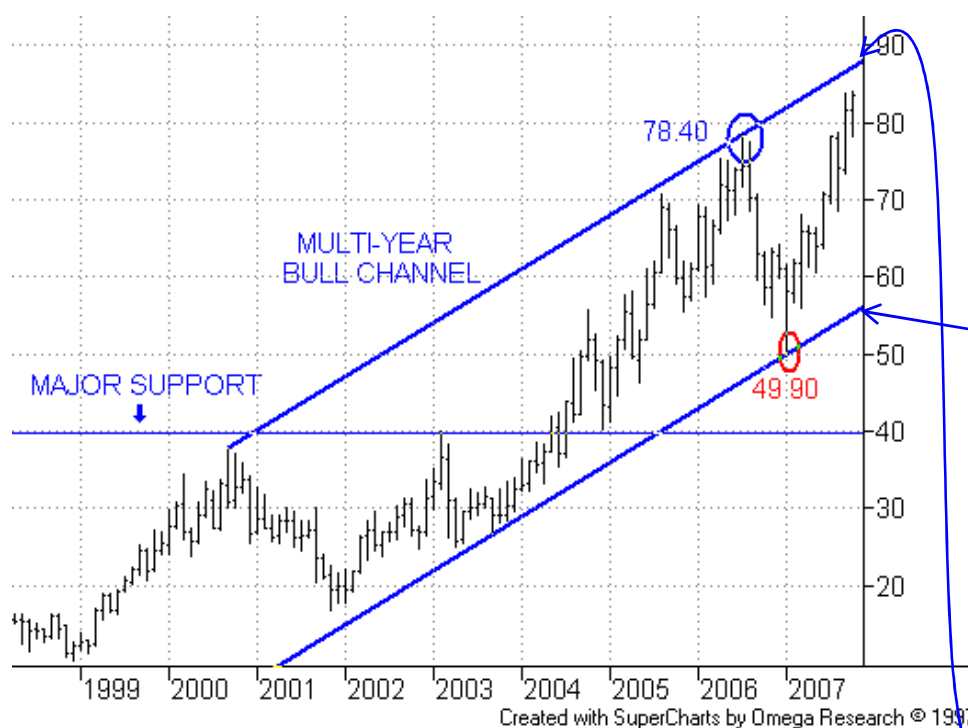
At UBS Futures & Options Ltd he developed his skills as a financial futures broker and analyst of intraday movements and latterly became a director.

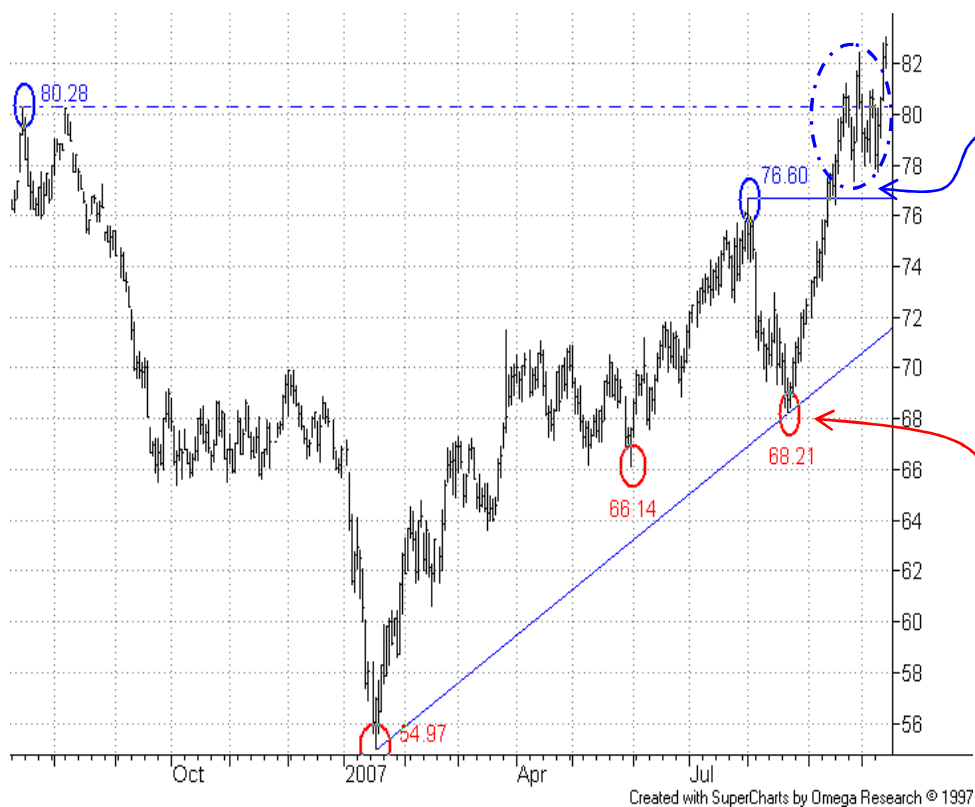
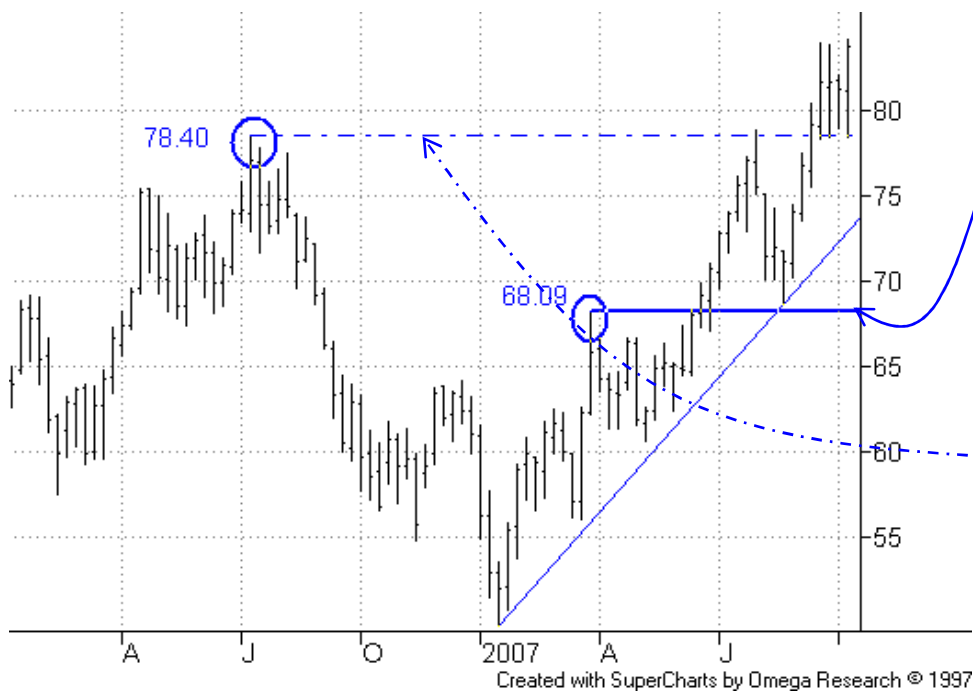
He then worked at (Standard & Poors) MMS as senior foreign exchange technical analyst, and most recently has continued the foreign exchange analysis as a consultant to the web-based G7FOREX.

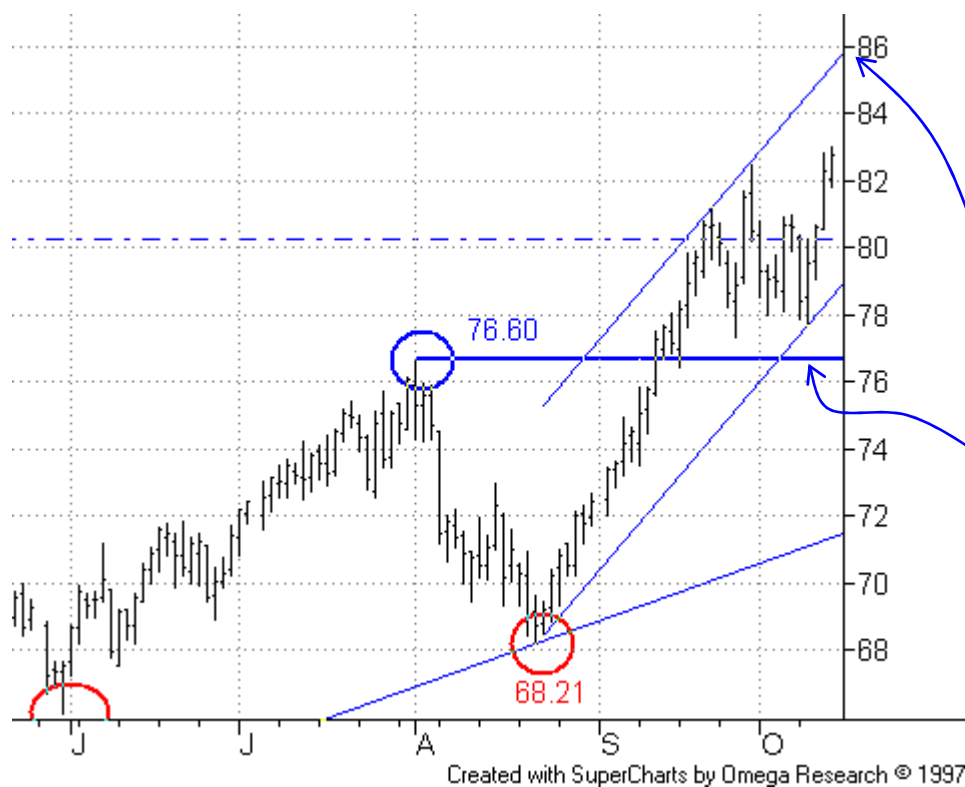
# Energy

This year's revived bullish trends in **Crude Oil** and **Heating Oil** remain a feature. **Natural Gas** has seen at least a temporary halt in its bearish trend, but a reversal attempt has not really got going yet.

## *Light Crude Oil (NYMEX)*







DAILY CHART -  
DEC-07:

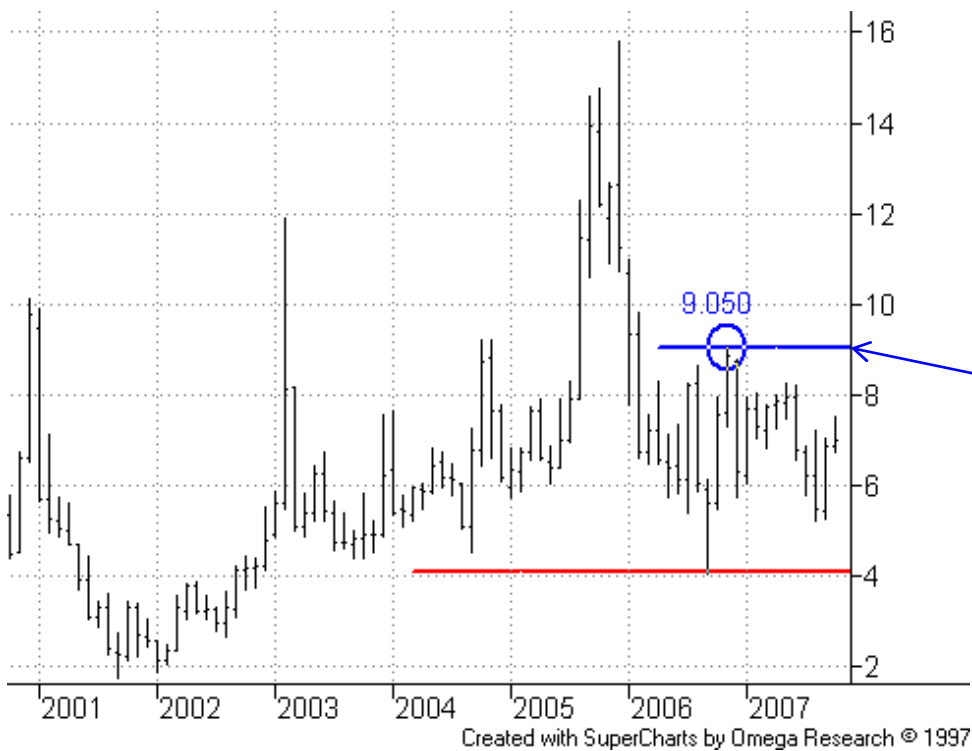
However, first note the s/term bull channel top projection near 86.00 currently, which may limit s/term gains.

Meanwhile, that Aug 76.60 high (after 78.40 from the weekly continuation chart above) is first key support.

A drop below here would be the first sign of momentum loss.

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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 remains  
possible that a  
long term base is  
forming.

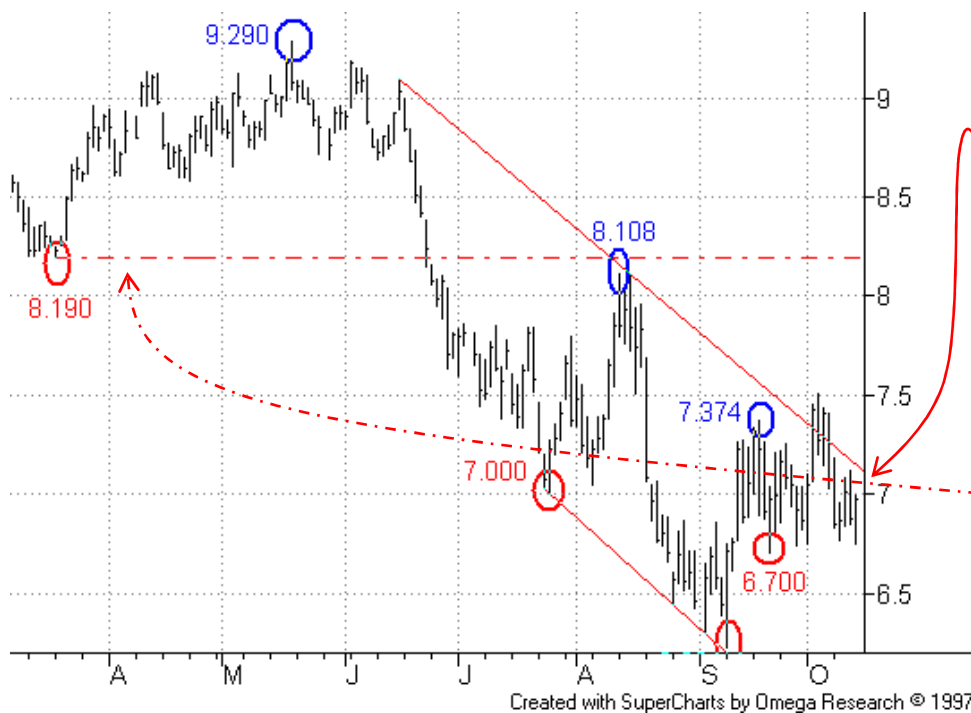


WEEKLY CHART -  
CONTINUATION:

Failure to hold  
below the old  
5.74 low was  
followed by a  
recovery towards  
falling  
resistance.

But perhaps of  
more technical  
significance is  
the May 8.23  
high.

Looking closer...

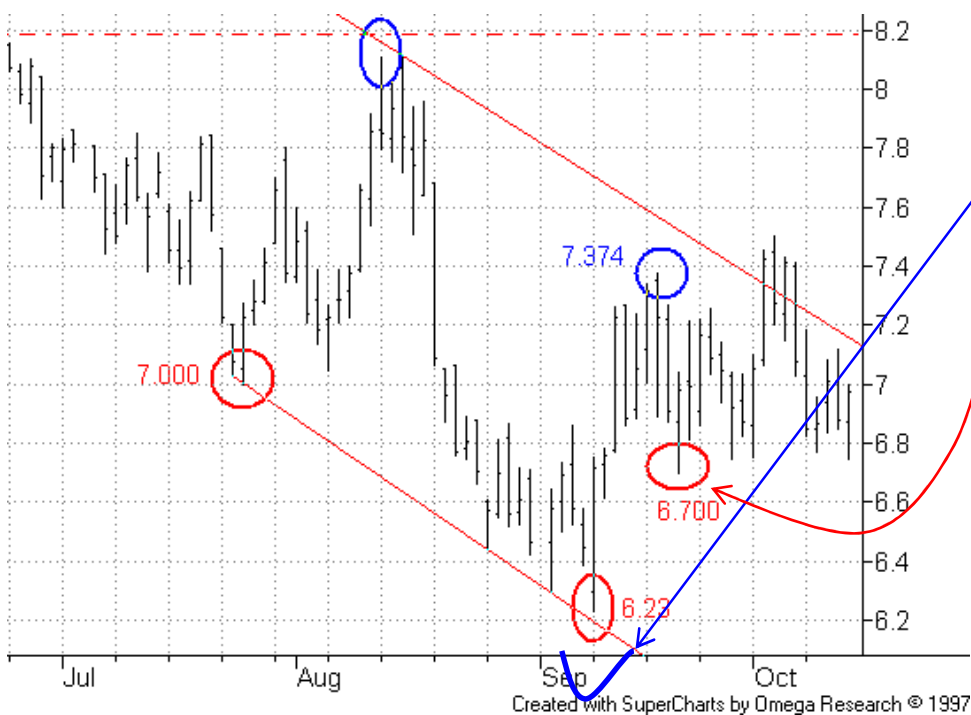


DAILY CHART -  
NOV-07:

Not much has been made of the recent bear trend erosion, so a push above the 7.500 area is now needed to spur bulls on (8.130 basis Dec).

A HOLD above here targets the 8.190-8.108 area (8.800-8.840 basis Dec), also bearing in mind that 8.23 high on the weekly chart.

Also note...



DAILY CHART -  
NOV-07:

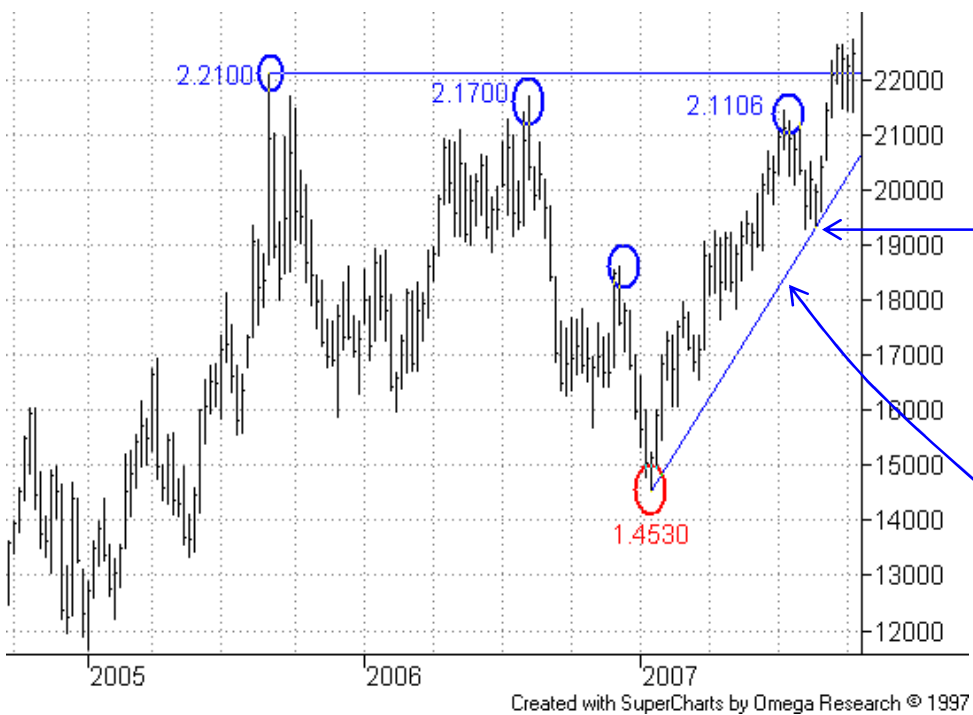
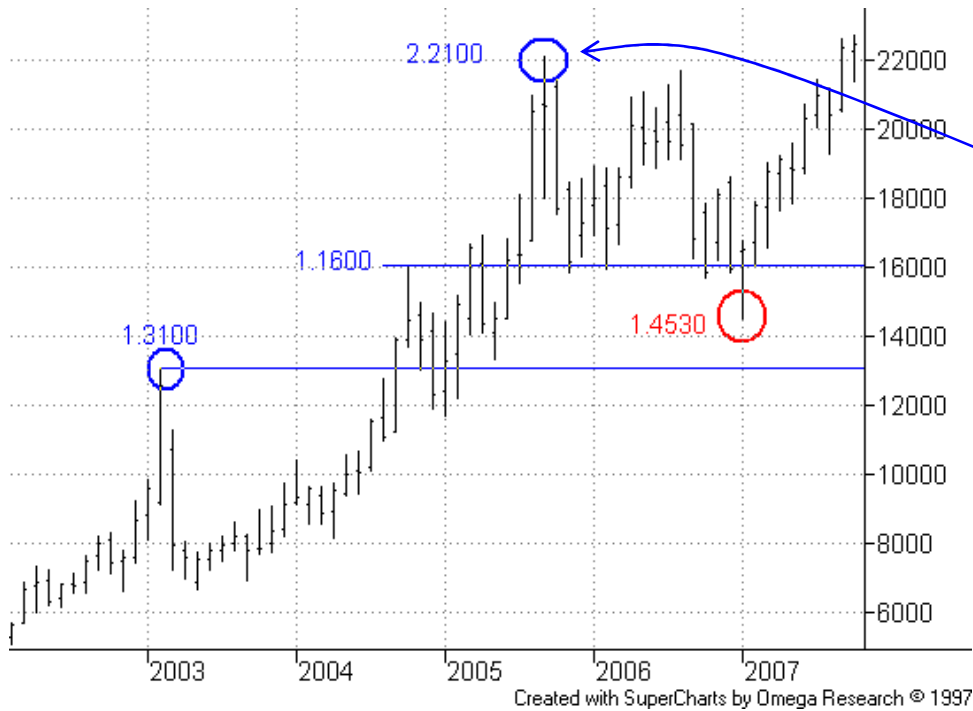
That Sep key reversal day (and week) remains of background interest.

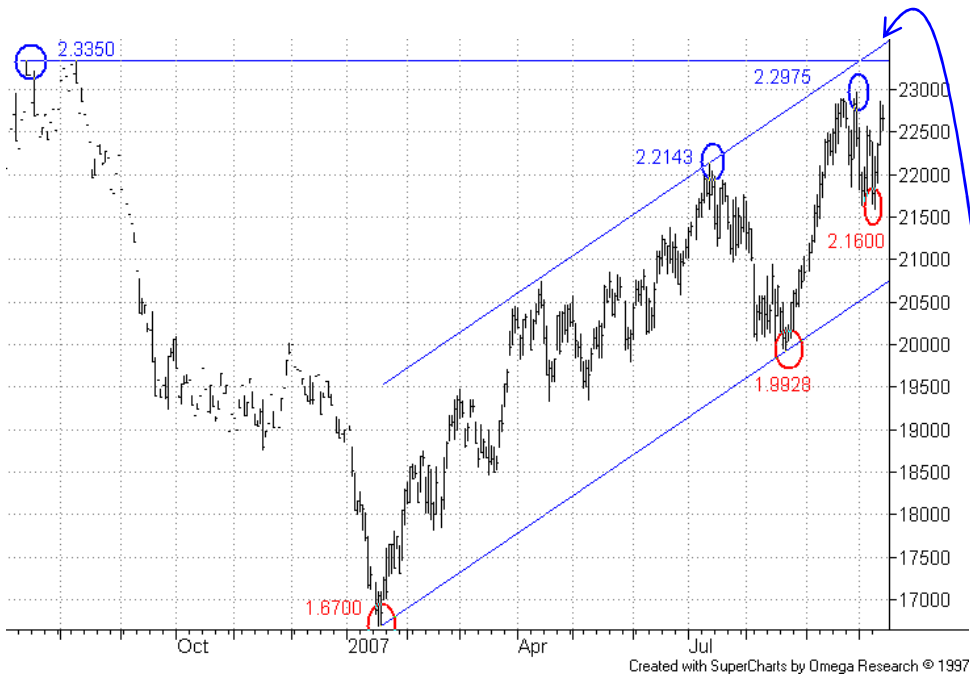
The 6.700 low (7.48 in Dec) has remained good s/term support, also offering a clear risk level for s/term bulls.

A break below this casts serious doubt on s/term recovery prospects.

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## Heating Oil (CBOT)

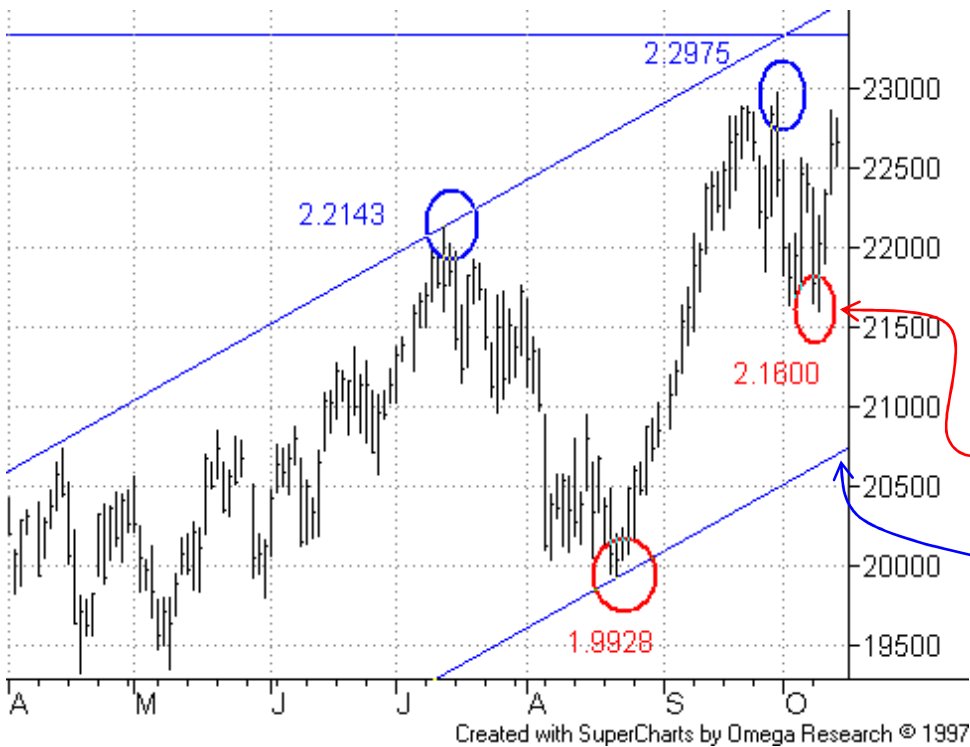




DAILY CHART -  
DEC-07:  
On the daily  
chart price  
continues to stay  
below the 2.3350  
2006 high.

A bull channel  
top projection  
around 2.3600  
also offers  
future  
resistance.

Beyond here  
brings into focus  
the 1.618 swing  
off 2.2975-2.1600  
pullback, at  
2.3825.



DAILY CHART -  
DEC-07:

S/term action  
remains  
consolidative,  
although a  
bullish  
resolution is  
expected.

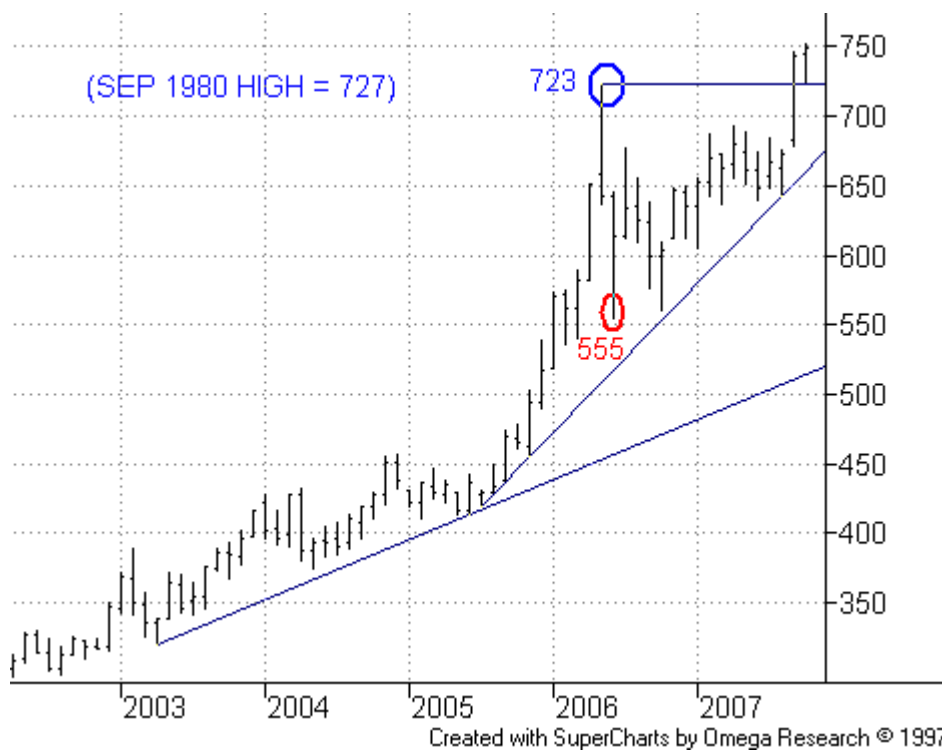
First support  
lies at 2.1600  
now, and  
ultimately the  
bull channel base  
needs to hold any  
deep pullback.

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# Metals

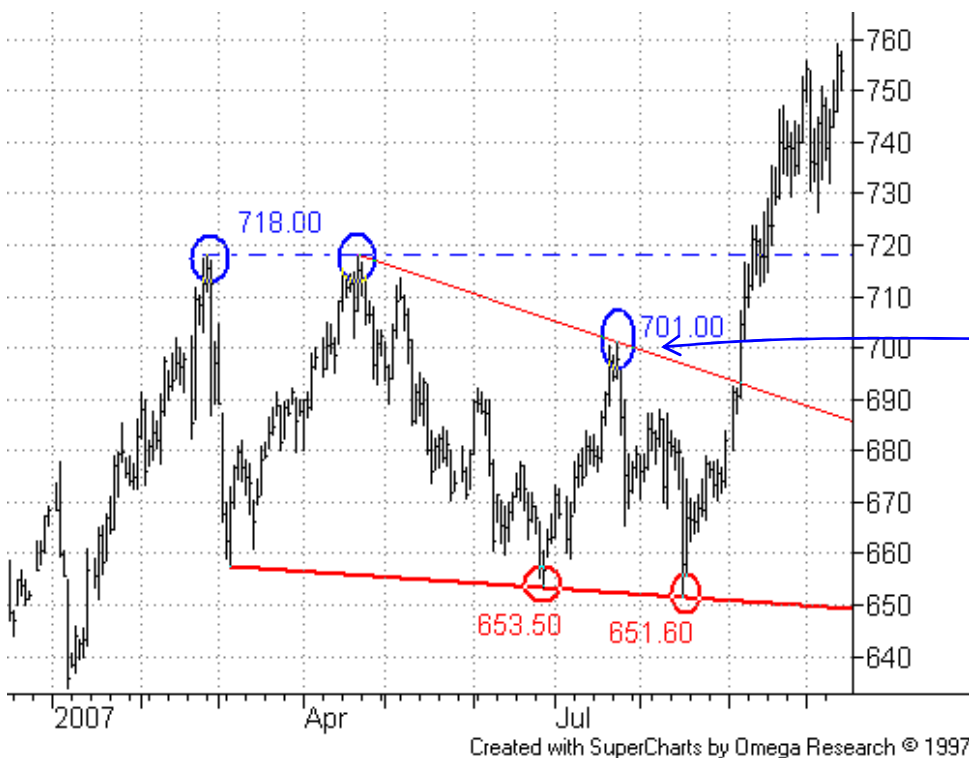
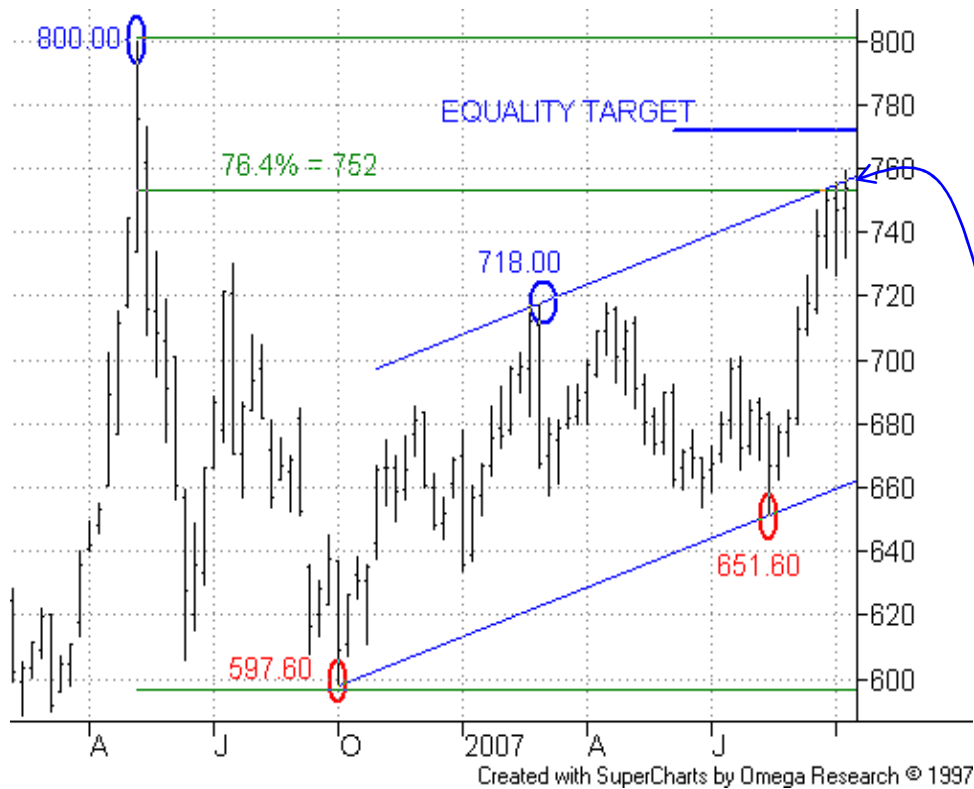
After **Gold's** strong upmove reached an interesting resistance area pressure has remained on this, and **Silver** remains constructive s/term too. **Copper** tested the top of its trading range, but has so far been reluctant to break through.

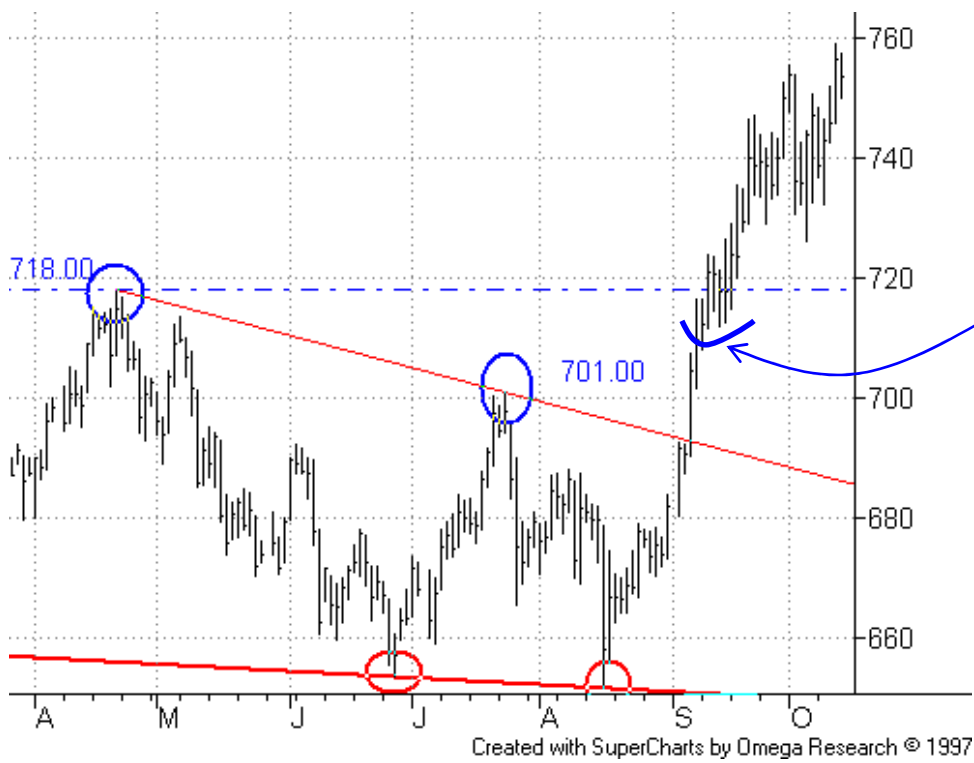
## Gold (COMEX)



MONTHLY CHART -  
CONTINUATION:

The major 723-727  
highs have now  
been eroded, and  
a HOLD above  
these is further  
bullish, bringing  
into focus the  
1.618 swing of  
prior 723-555  
2006 drop, at  
827.



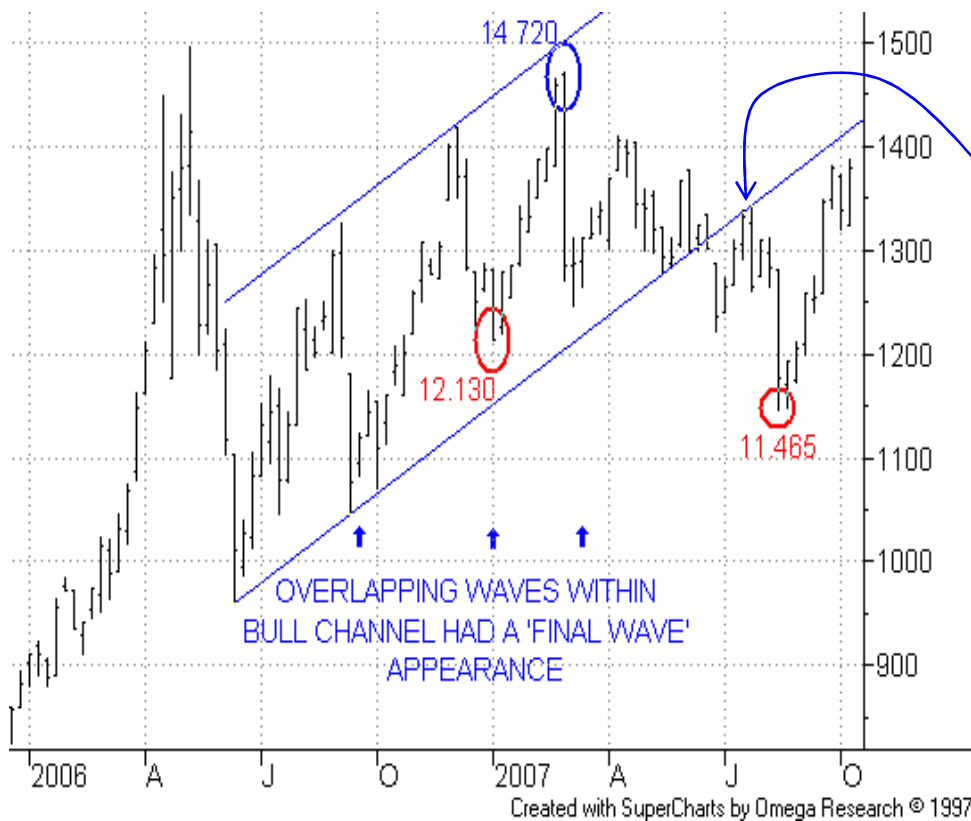
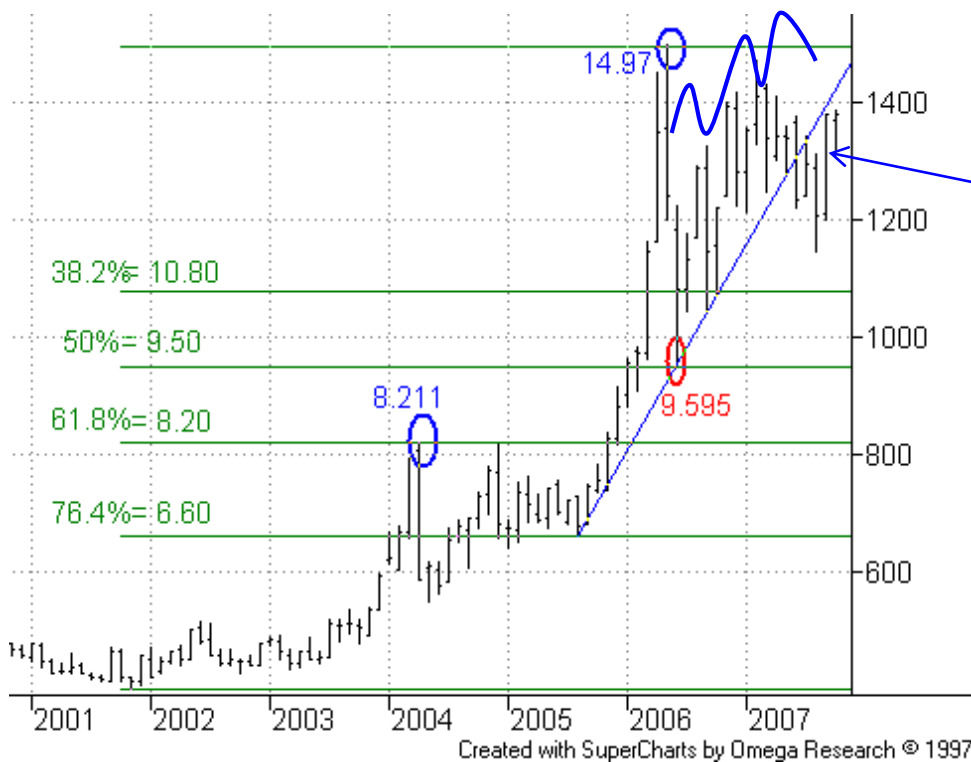


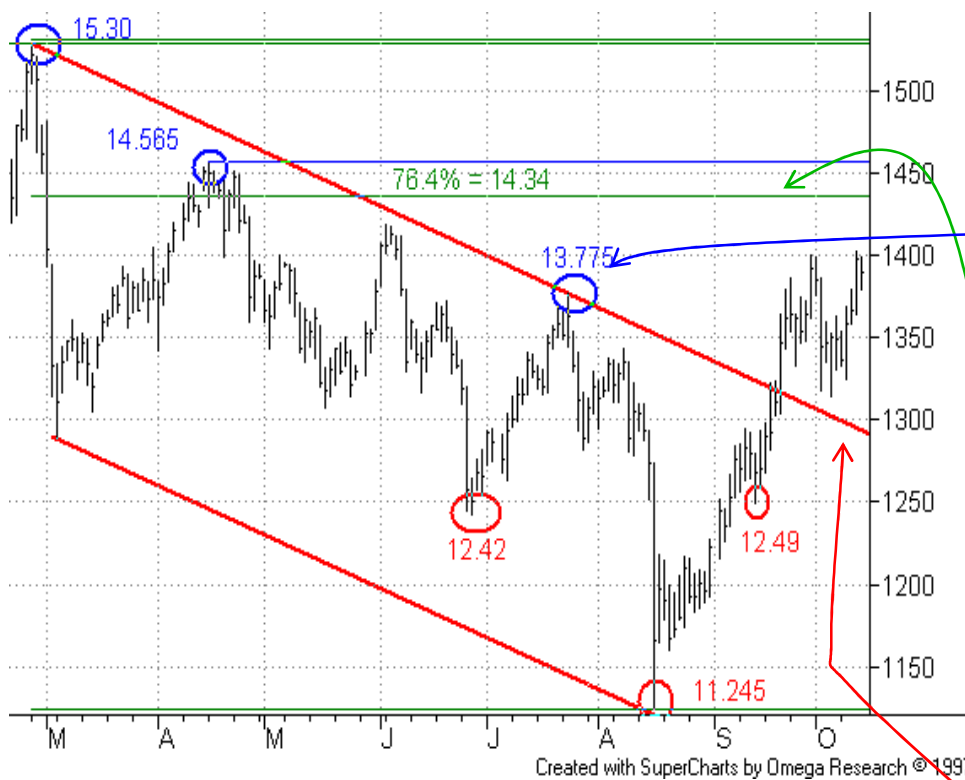
DAILY CHART -  
DEC-07:

It is still possible that the s/term chart structure from this point has a 'final wave' look, warning against chasing the market.

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## Silver (COMEX)





DAILY CHART -  
DEC-07:  
Looking closer,  
bulls still need  
a better HOLD  
above the 13.775  
Jul high, but  
eventual upside  
scope stays  
unclear.

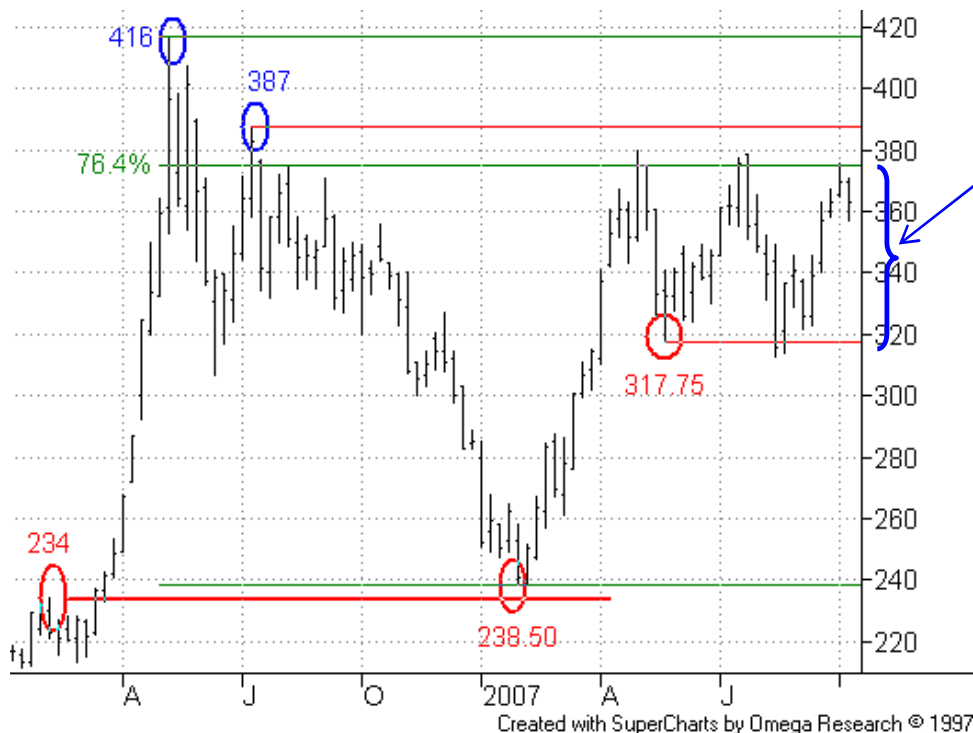
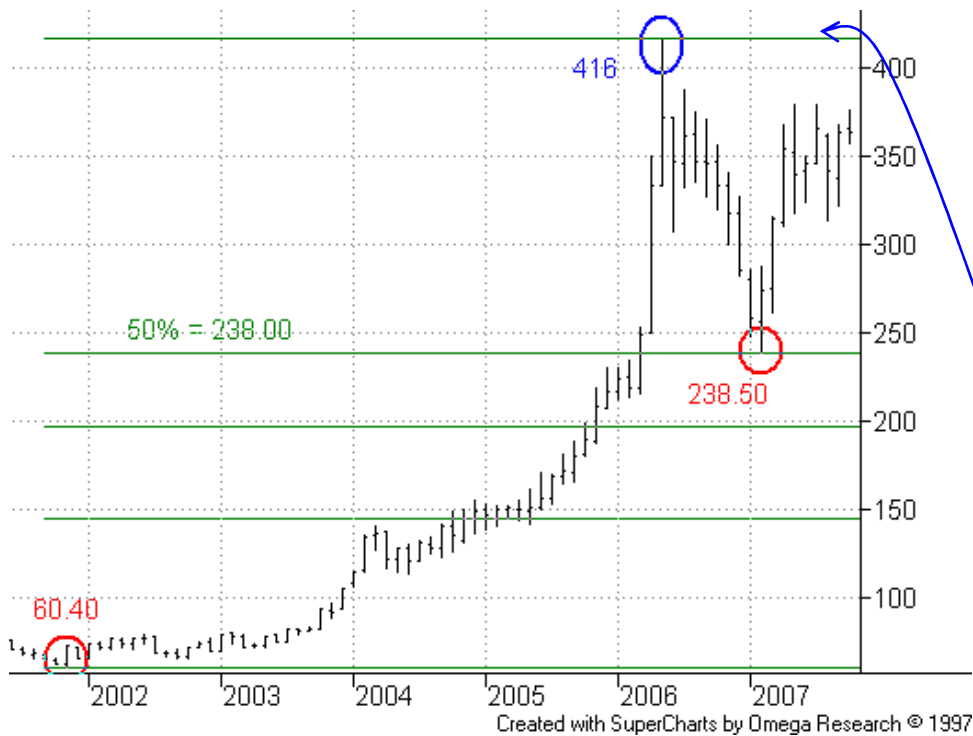
- the higher  
14.34-14.565 area  
(a Fibonacci  
projection lies  
within this too)  
may prove tough  
to crack, if  
reached.

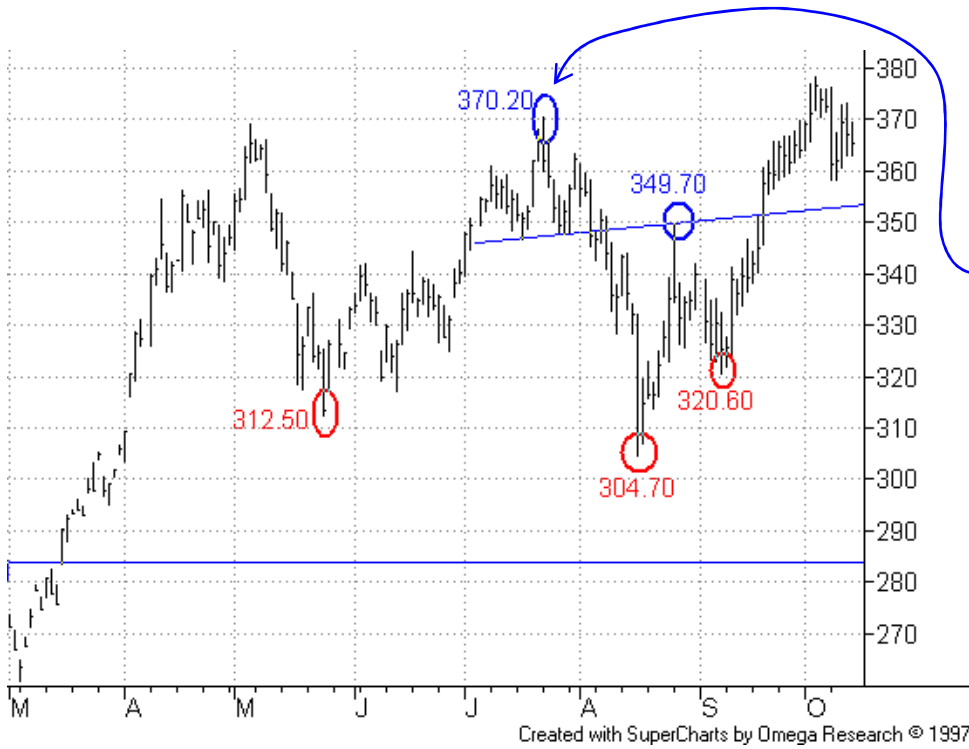
The old bear  
channel top,  
around 12.90,  
reverts to first  
support now.

However, a s/term  
bullish stance,  
especially while  
above 12.49-42,  
remains  
attractive.

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# High Grade Copper (COMEX)

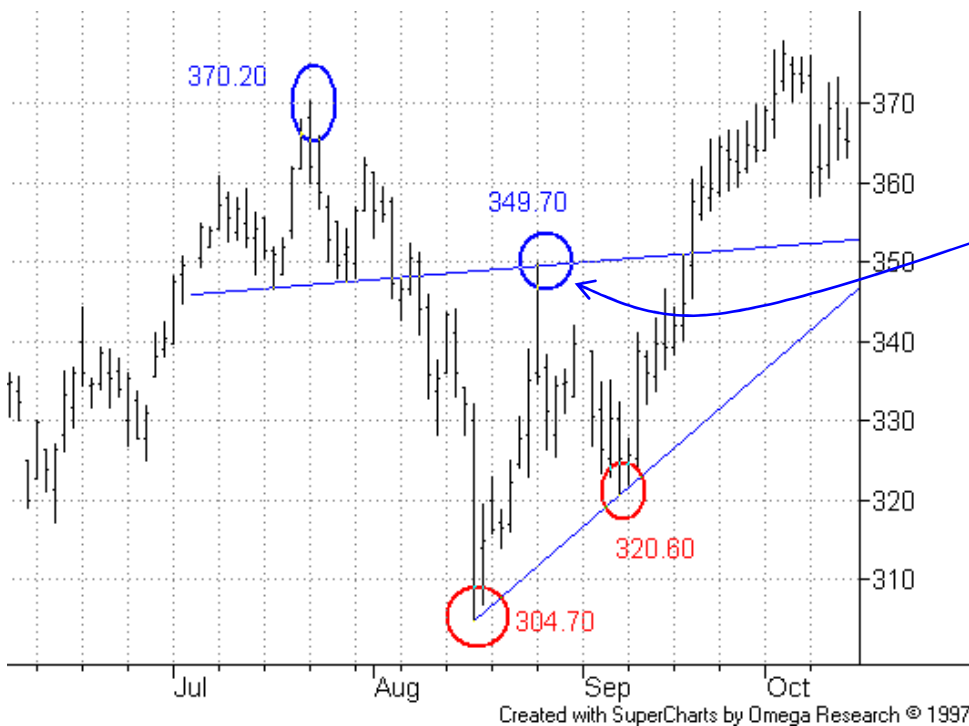




DAILY CHART -  
DEC-07:  
Last week we said  
the picture would  
be initially  
bullish on a HOLD  
above 370.20, but  
this has not yet  
happened.

That 76.4% area  
is still  
influential and  
the range-trading  
mode remains in  
place for now.

The 2.618 swing  
off 349.70-320.60  
pullback at  
396.80 remains a  
later possible  
target.



DAILY CHART -  
DEC-07:

Meanwhile first  
interesting  
support lies  
around 349.70.

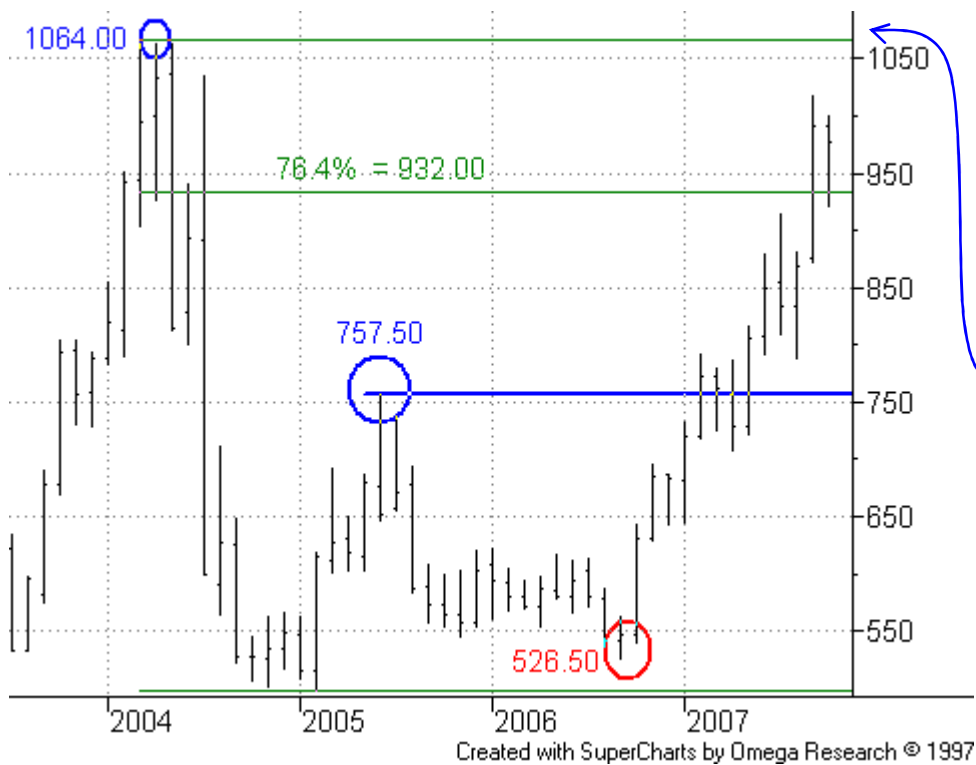
A drop below here  
would lessen  
chances of a  
s/term bullish  
break.

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# Grains and Softs

**Soybeans** and **Wheat** remain overall bullish, but s/term fatigue signs have started to appear. **Cocoa** is now testing interesting s/term support after its pullback, while **Coffee** bulls continue to grind higher.

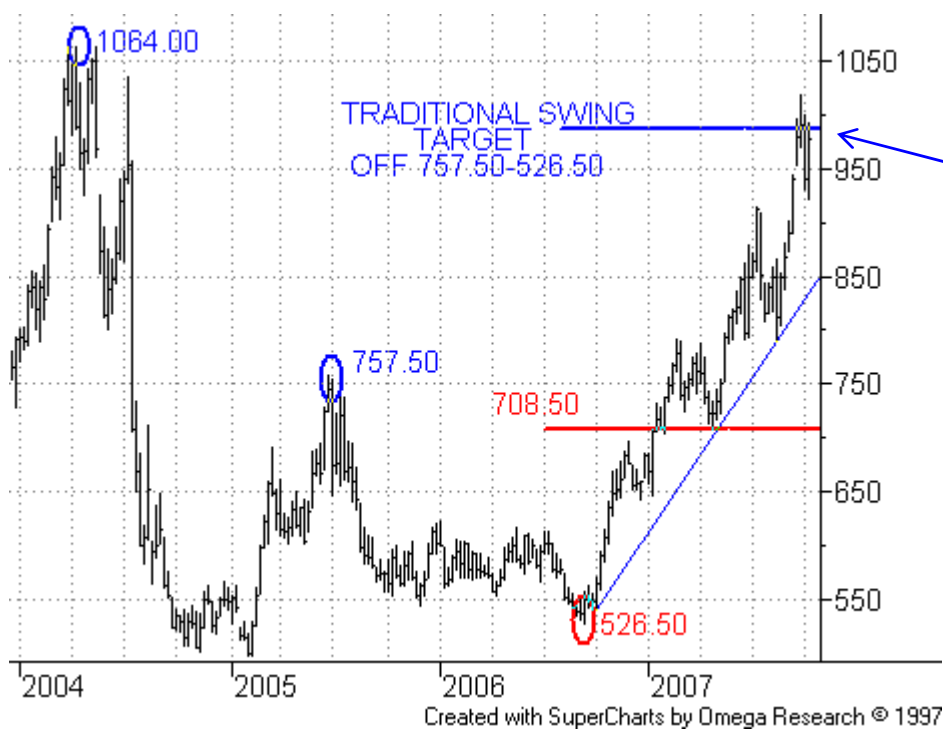
## *Soybeans (CBOT)*

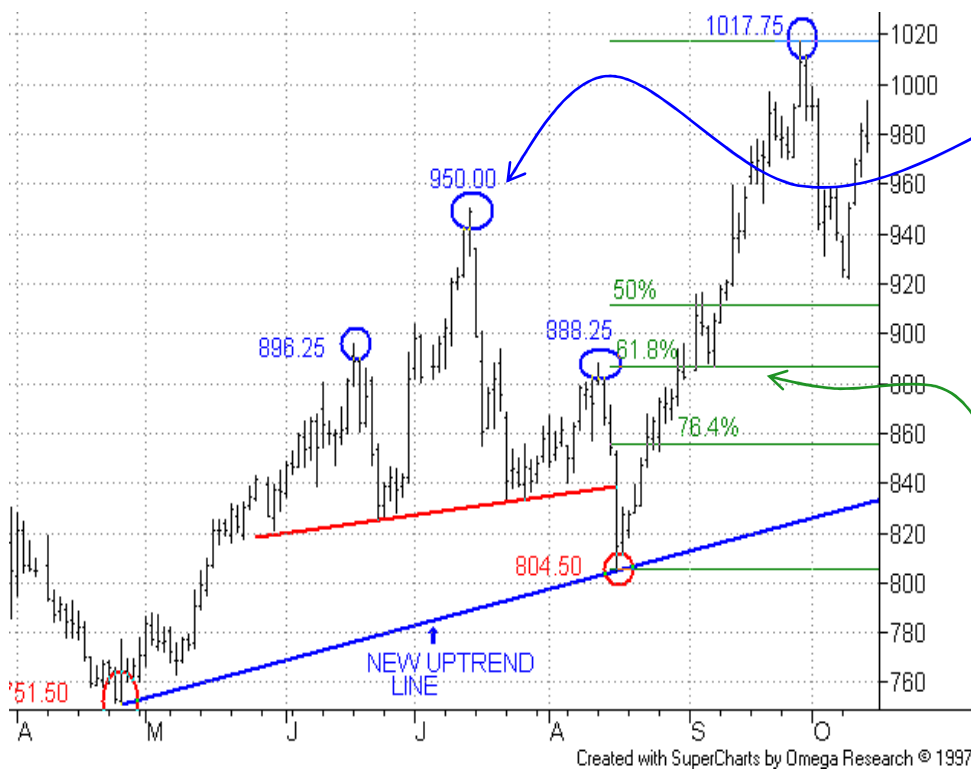


MONTHLY CHART -  
CONTINUATION:

The medium term  
upmove, after  
clearing the 932  
76.4% retracement  
level, sees  
little in the way  
of the old 2004  
1064.00 high now.

But, as  
previously  
cautioned, there  
seems to be a  
residual effect  
from resistances  
on the weekly  
chart...



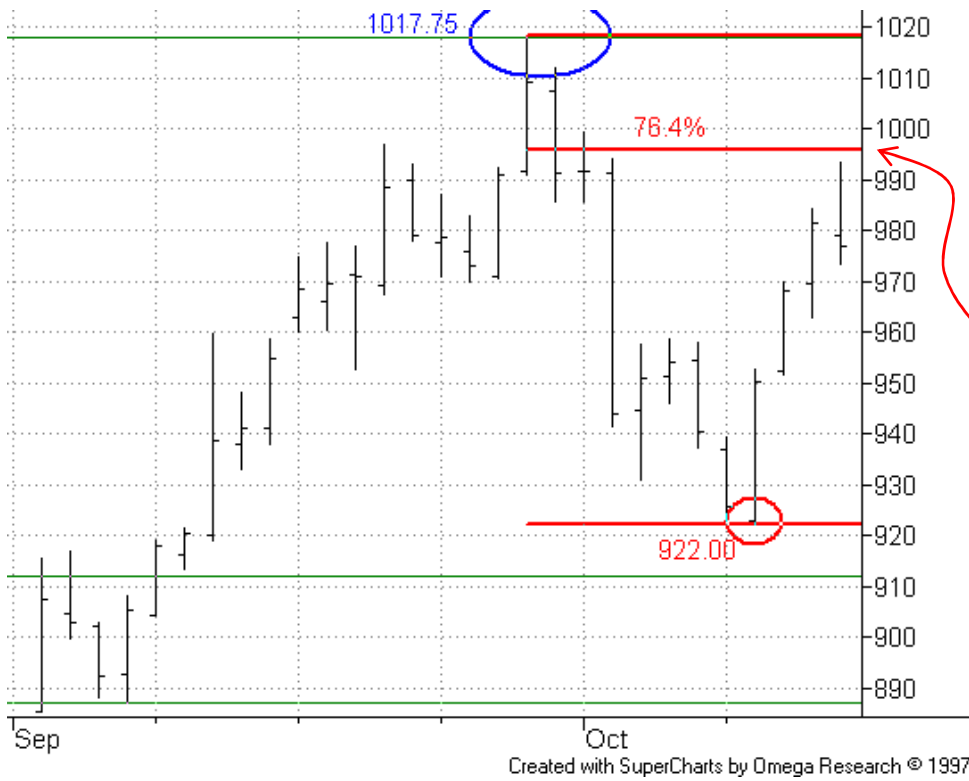


DAILY CHART -  
 NOV-07:  
Break of 950.00  
Jul high seemed  
to lessen  
immediate  
momentum -  
 another downleg  
 would see 888.25  
 13-Aug high gain  
 in importance as  
 it now coincides  
 with the 61.8%  
 pullback.

(This is a clear  
risk level for  
buyers on dips).

Note higher  
 levels for later  
 on, e.g. the  
 1.618 swing off  
 950.00-804.50 at  
 1040.

Looking much  
 closer...

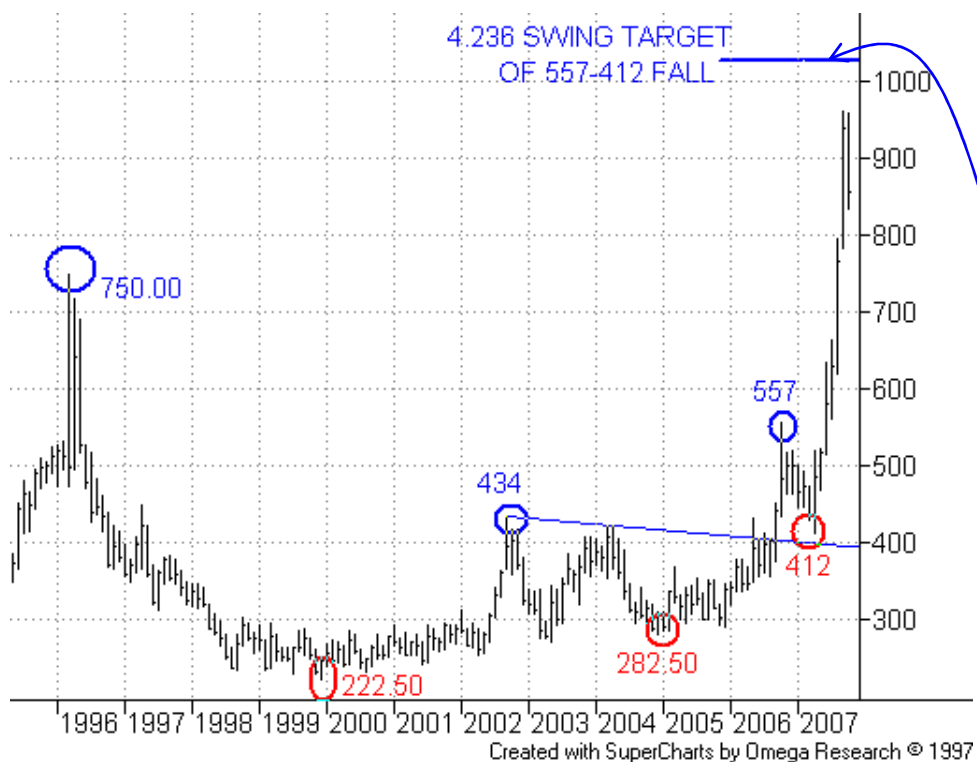


DAILY CHART -  
NOV-07:

The chances of  
another s/term  
downleg that  
pierces recent  
922.00 low remain  
good while the  
76.4% bounce  
level resists.

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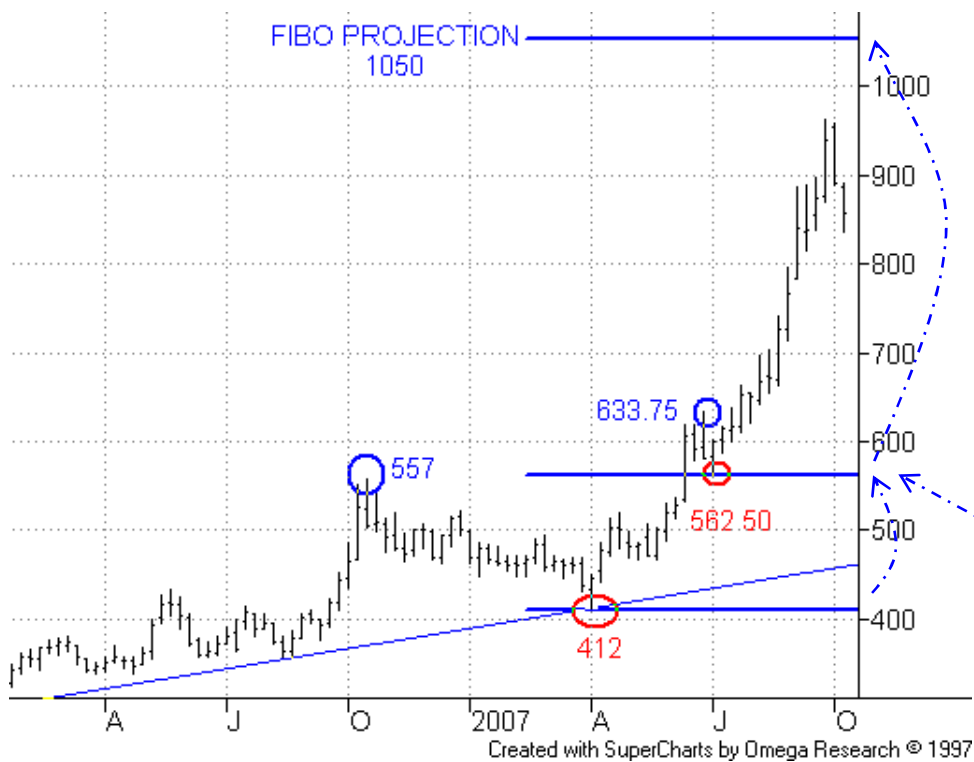
## Wheat (CBOT)



MONTHLY CHART -  
CONTINUATION:  
Further gains  
keep focus on  
higher projection  
levels, such as  
the 4.236  
(Fibonacci-  
related) swing/  
growth target  
around 1026.00,  
off the prior  
557.00-412.00  
pullback.

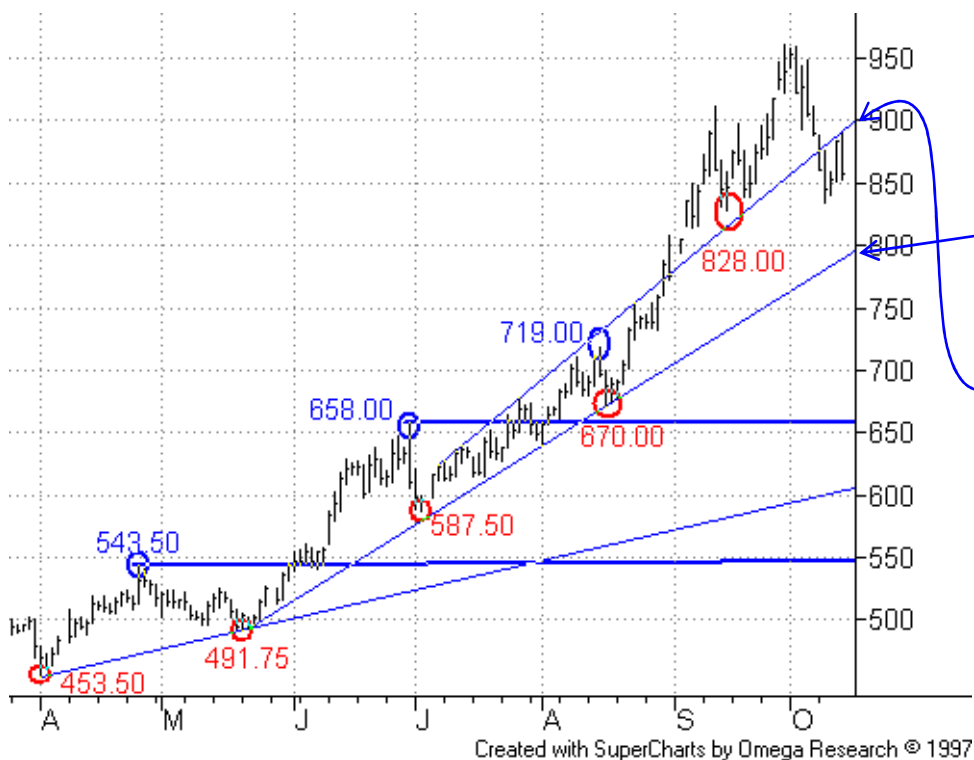
Also note the  
higher 1076.00  
level, 1.618  
swing of the long  
term 750.00-  
222.50 1996-99  
downmove.

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



WEEKLY CHART -  
CONTINUATION:  
Our bullish  
stance remains  
correct. The rise  
from 412.00 has  
been impulsive,  
extending  
notably.

A further Fibo  
projection lies  
at 1050.00,  
utilizing the  
412.00 and 582.50  
lows.



DAILY CHART -  
DEC-07:  
We are right to  
retain our  
bullish view, all  
the while with  
uptrend support  
staying nicely  
intact.

Note that support  
from the rising  
return line has  
given way now,  
but the 828.00  
14-Sep low is  
still intact -  
failure of this  
would confirm an  
initial negative  
sign.

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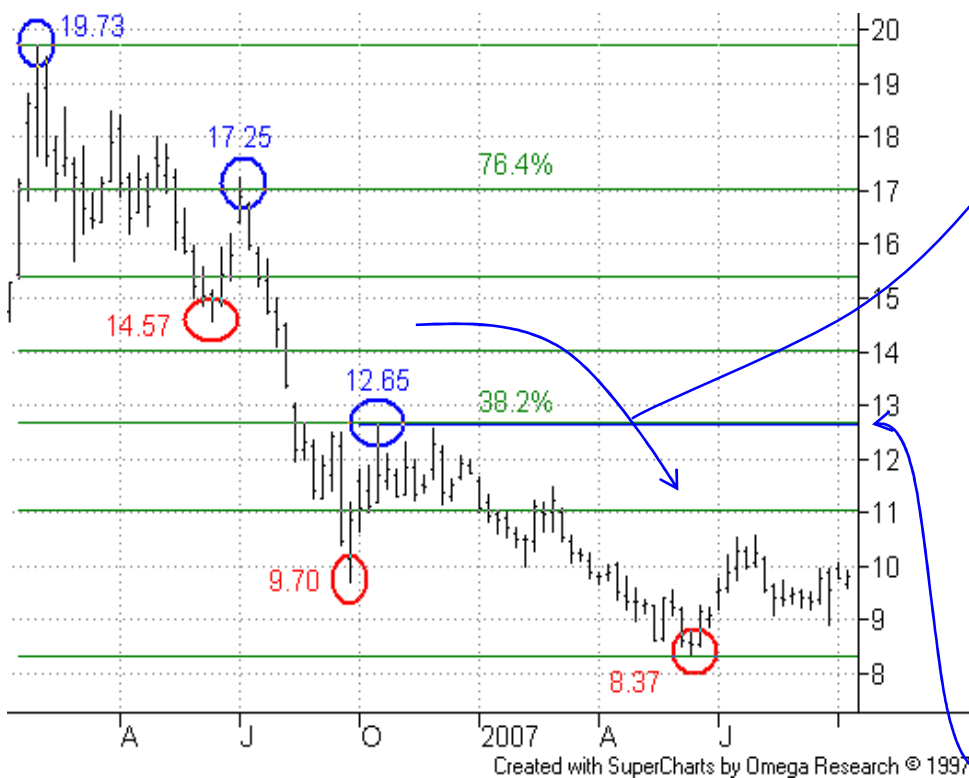
# Sugar 11 (NYBOT)



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.

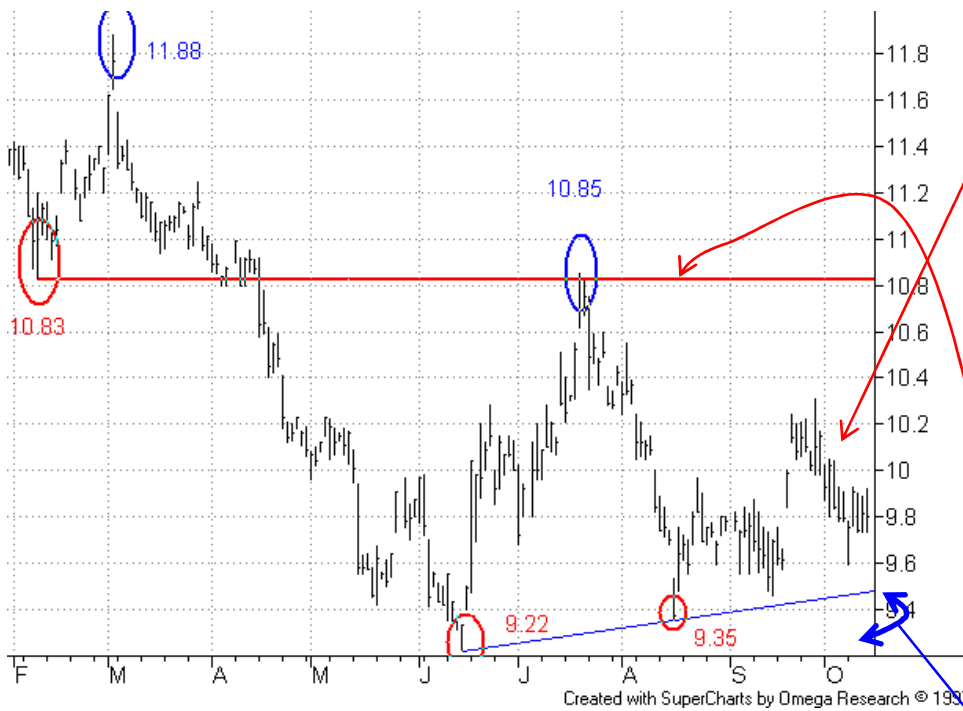
We had previously  
suggested that  
price may  
struggle to hold  
below 76.4%.

However, the long  
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 THAT 12.65**  
**HIGH.**



DAILY CHART -  
MAR-08:

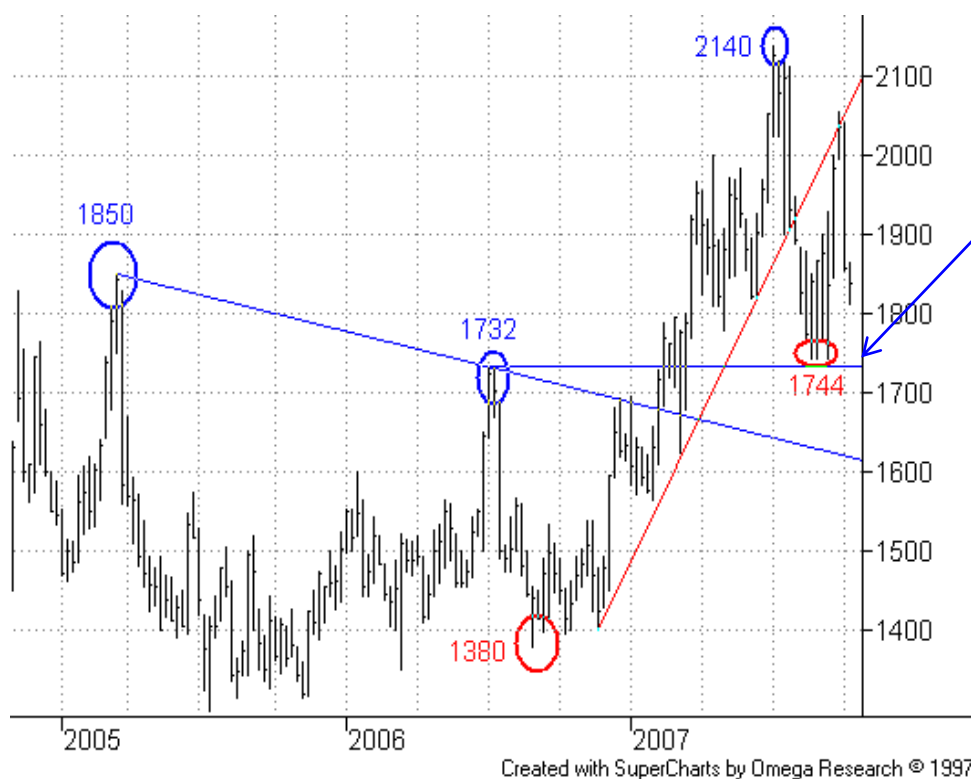
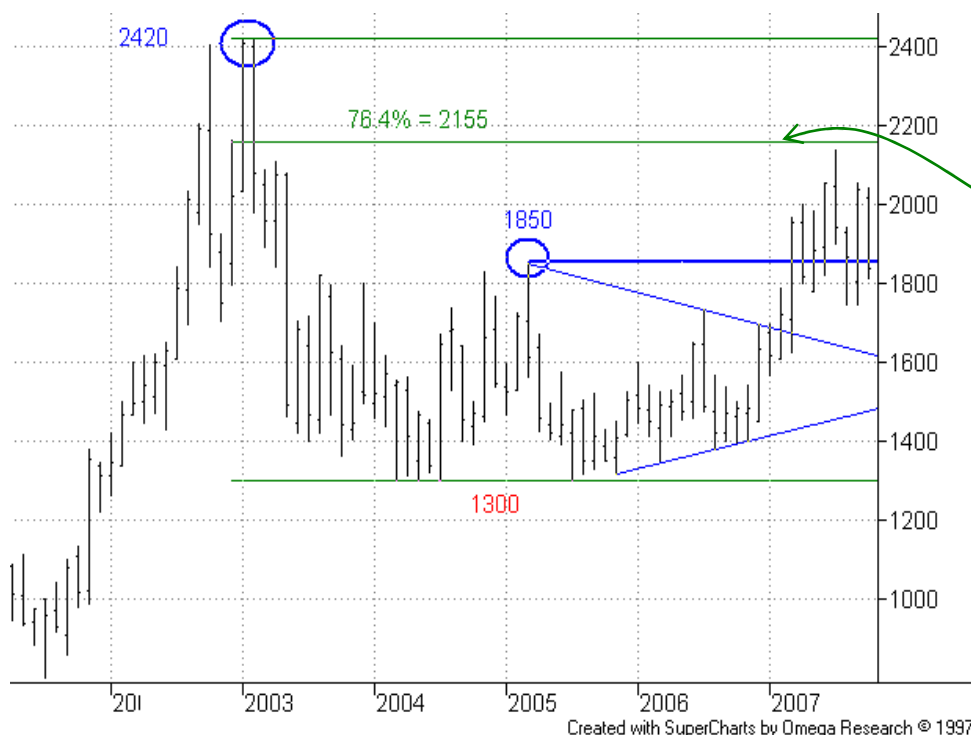
Recent weakness  
may yet be  
corrective only,  
ahead of another  
s/term upleg.

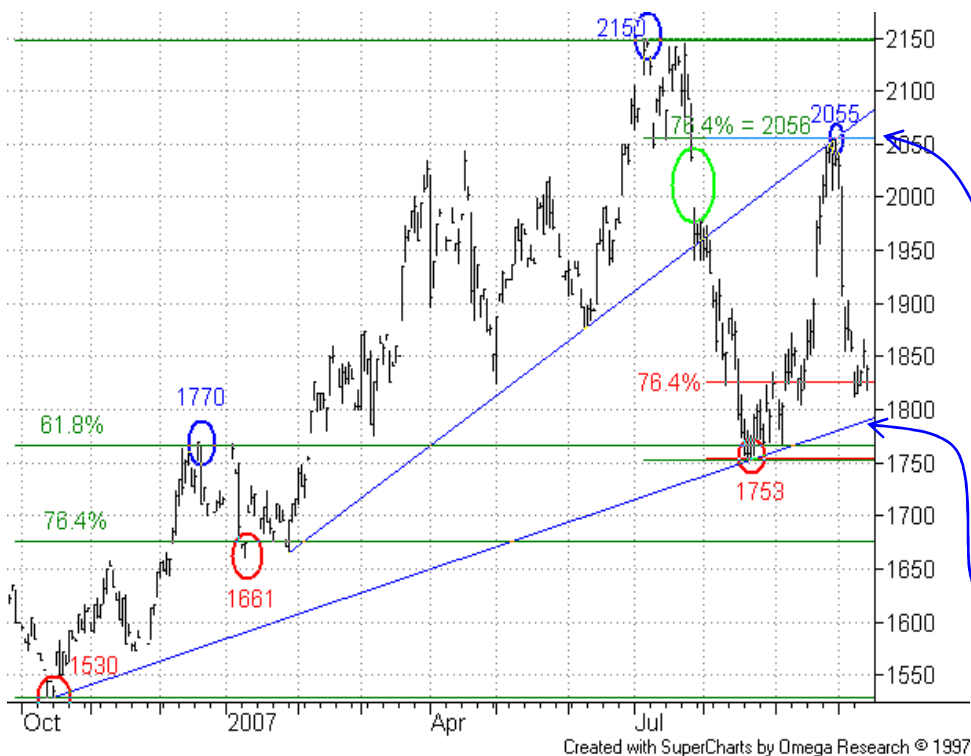
The 10.83-85 area  
remains the key  
resistance  
though, a breach  
of which is  
needed to suggest  
a medium term  
recovery phase is  
underway.

Key support is  
now at 9.50-22.

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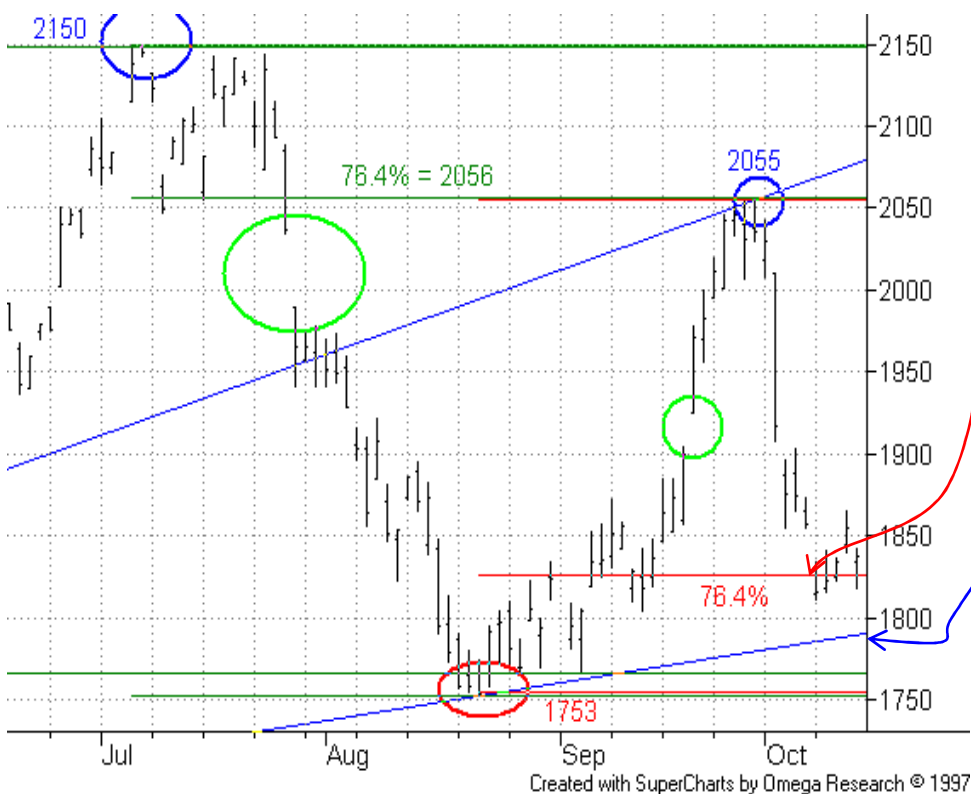
# Cocoa (NYBOT)





DAILY CHART -  
DEC-07:  
The expected strong s/term resistance from the rising return line and 76.4% recovery level has prompted a deep s/term setback.

Although not our first support (see below), the new medium term support line is of interest, and may now be more important than the 1753 low.



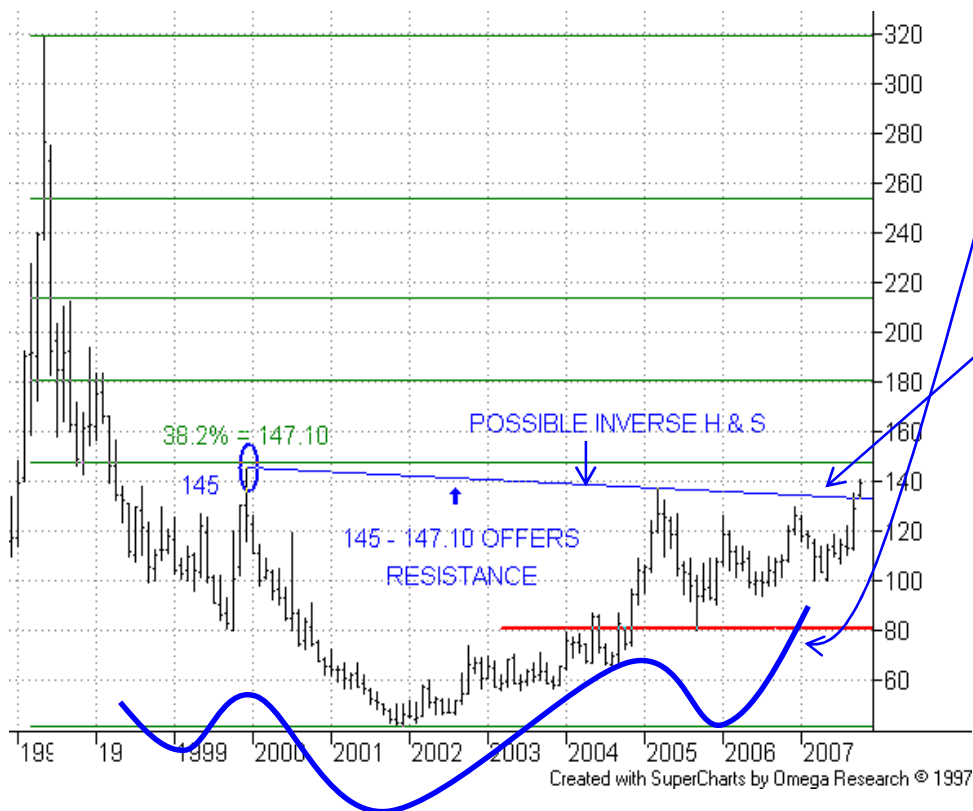
DAILY CHART -  
DEC-07:  
Last week we said we were interested in the reaction around the 1824 76.4% pullback level.

Nothing definite as yet - but **speculative** bulls have clear risk levels, either that uptrend line or the Aug 1753 low.

On balance bulls are currently favoured over the bears, who must wait for at least an uptrend line break.

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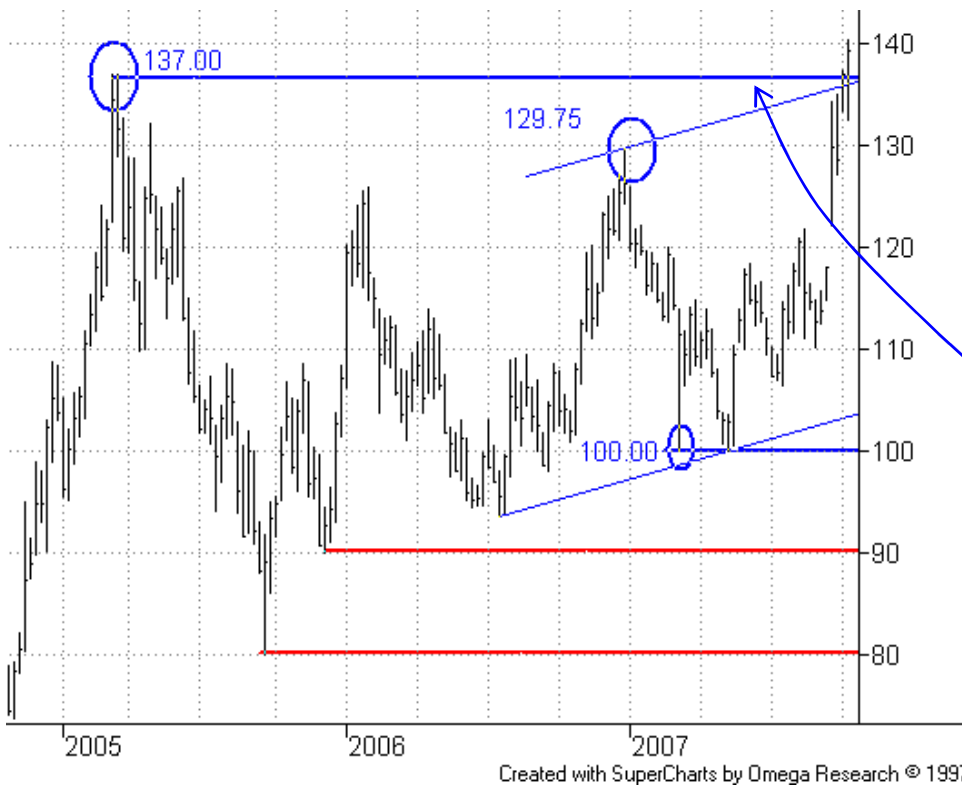
## Coffee (NYBOT)



MONTHLY CHART -  
CONTINUATION:  
A large inverse  
head & shoulders  
could now be  
completing.

A break/HOLD  
above the 133  
neckline sees  
145.00-147.10 as  
the next  
important  
resistance.

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



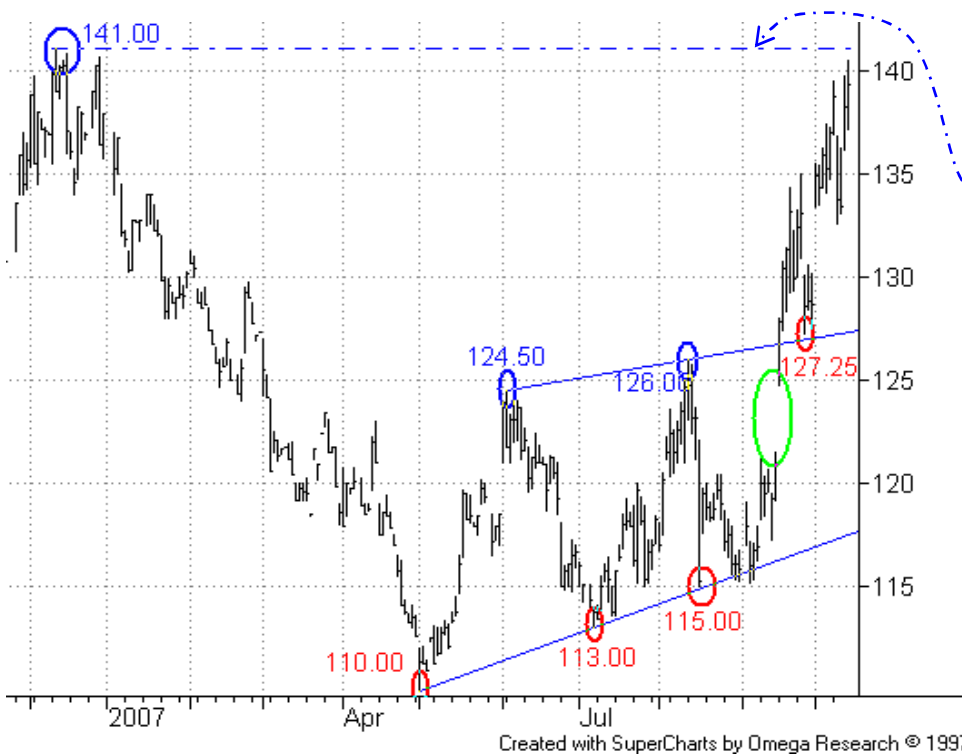
WEEKLY CHART - CONTINUATION:

The medium term picture must now be regarded as bullish.

The bull channel top projection and 2005 137.00 high have now been breached.

A HOLD above here is bullish but note the Dec-06 141.00 high on the front month, which complicates the issue slightly.

Meanwhile the old Dec-06 high at 129.75 on the continuation chart becomes a support point.

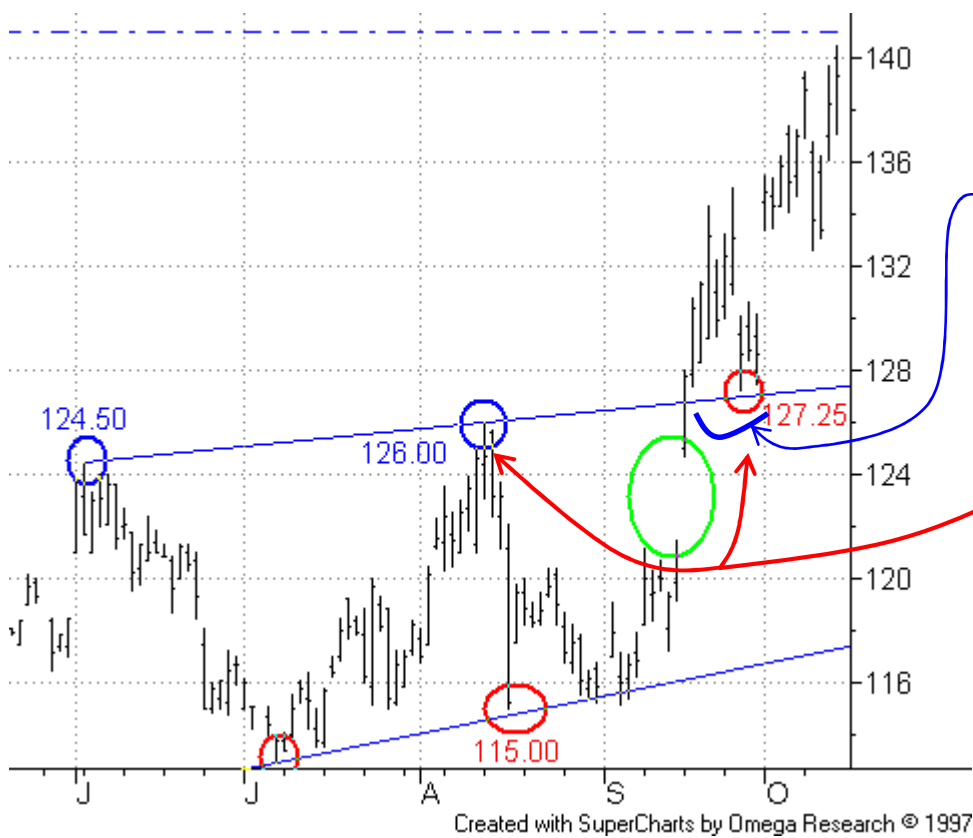


DAILY CHART - DEC-07:

We said there was little in the way of a 141.00 Dec-06 high return, which has proved the case.

Later on, bullish targets such as the 2.618 swing of prior 126.00-115.00 pullback, at 143.80, and a higher Fibo projection lying at 146.75, are possible.

But s/term...



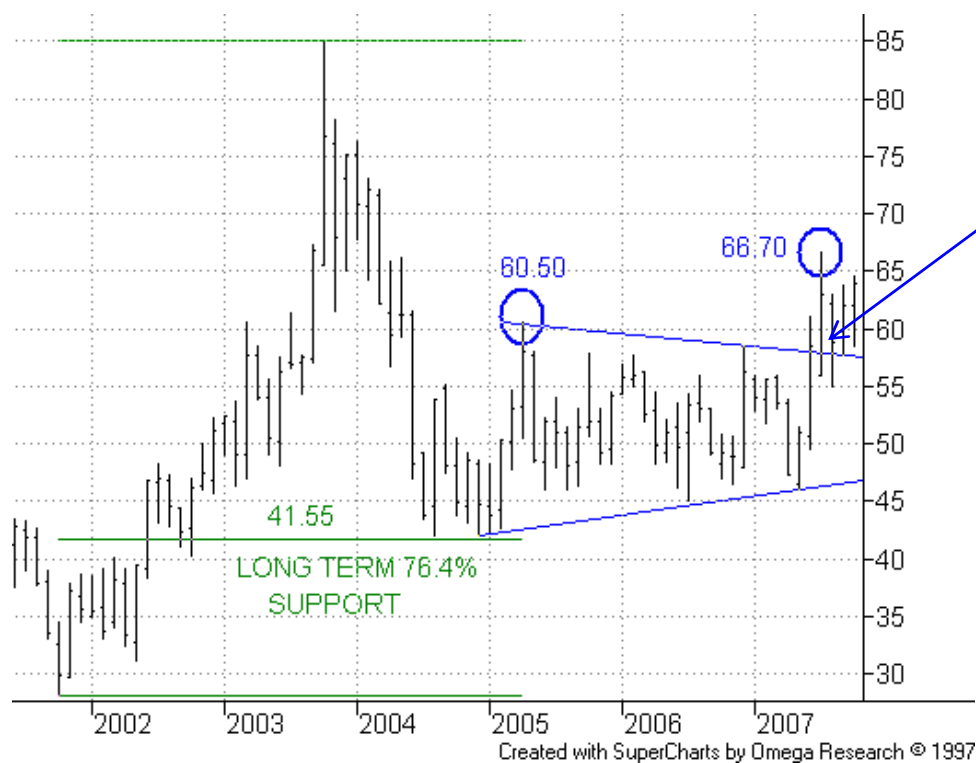
DAILY CHART -  
DEC-07:

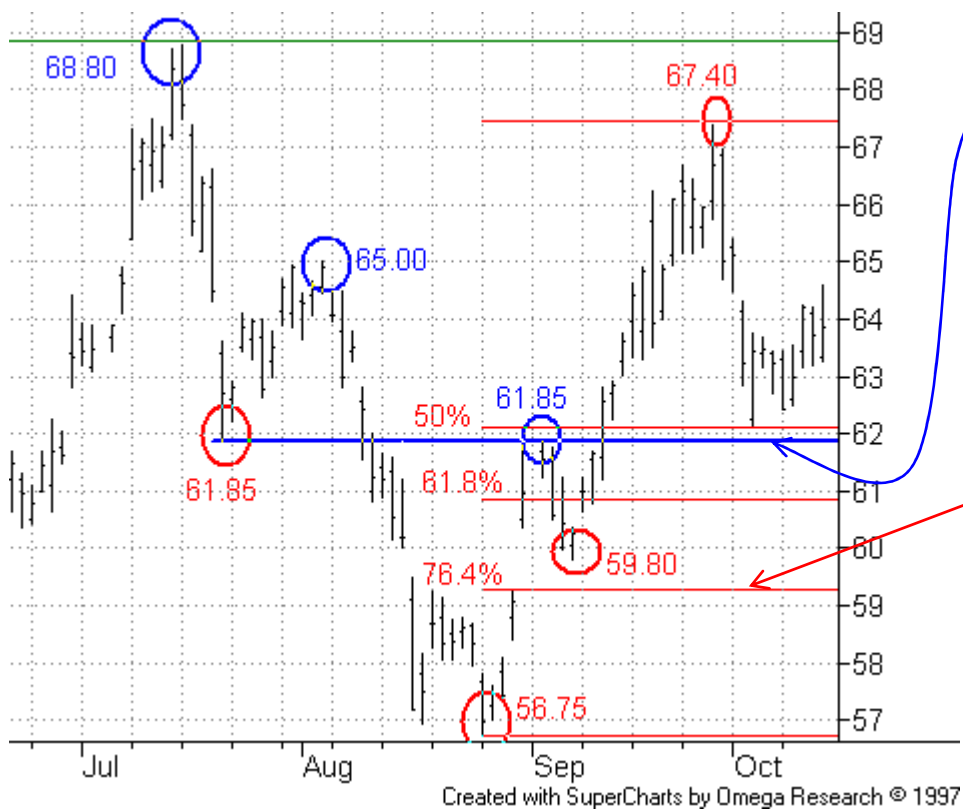
Note the chart structure from this point has a 'final wave' look (similar to the daily Gold chart) and a pullback may not be far off.

127.25-126.00 remains the first key support, helping to preserve upward momentum.

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## Cotton No.2 (NYSE)





DAILY CHART -  
DEC-07:

Our first key support at 61.85 has proved very effective s/term.

But the lower key support area around 59.80-59.25 may prove more crucial, which includes the 76.4% pullback level.

Keep in mind our previous observations that the structure of the whole move from 56.75 Aug low to 67.40 high does not have the typical impulsive appearance.

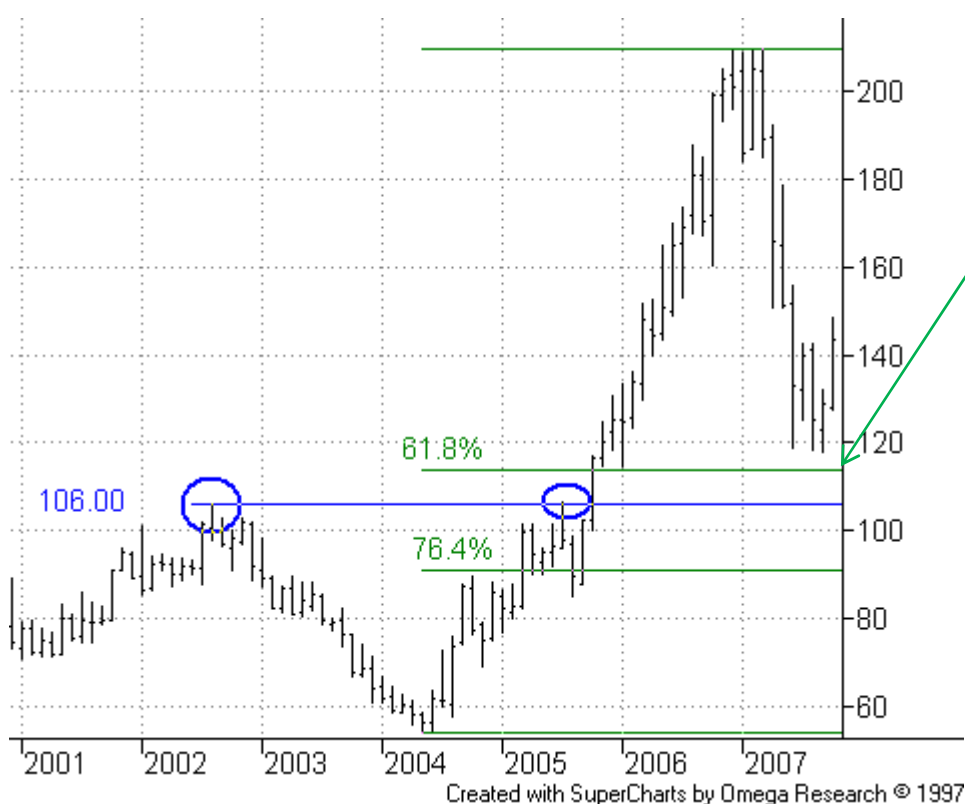
At least another s/term downleg would not surprise.

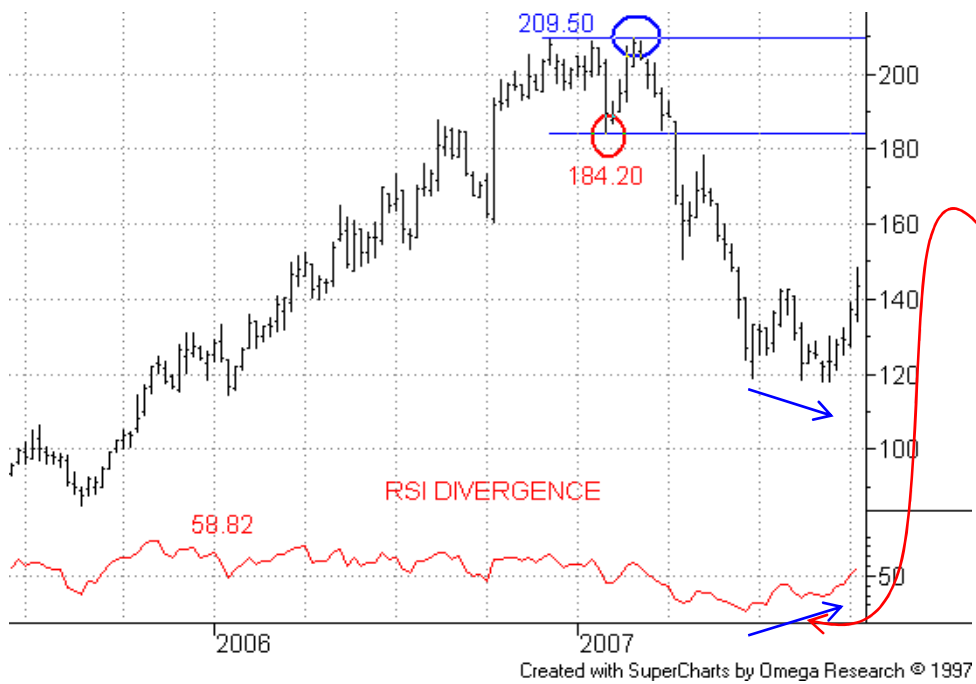
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## Other (these may vary occasionally)

Bullish clues in **Orange Juice**, both on the weekly and daily chart, have proved good ones. The shorter term chart of the **CRB index** remains bullish, but a s/term correction/consolidation is now in progress.

## Orange Juice (NYBOT)







DAILY CHART -  
JAN-08:  
The breakaway  
gap,  
downtrend break,  
and push above  
the bear channel  
top projection  
all served to  
strengthen our  
bullish  
convictions.

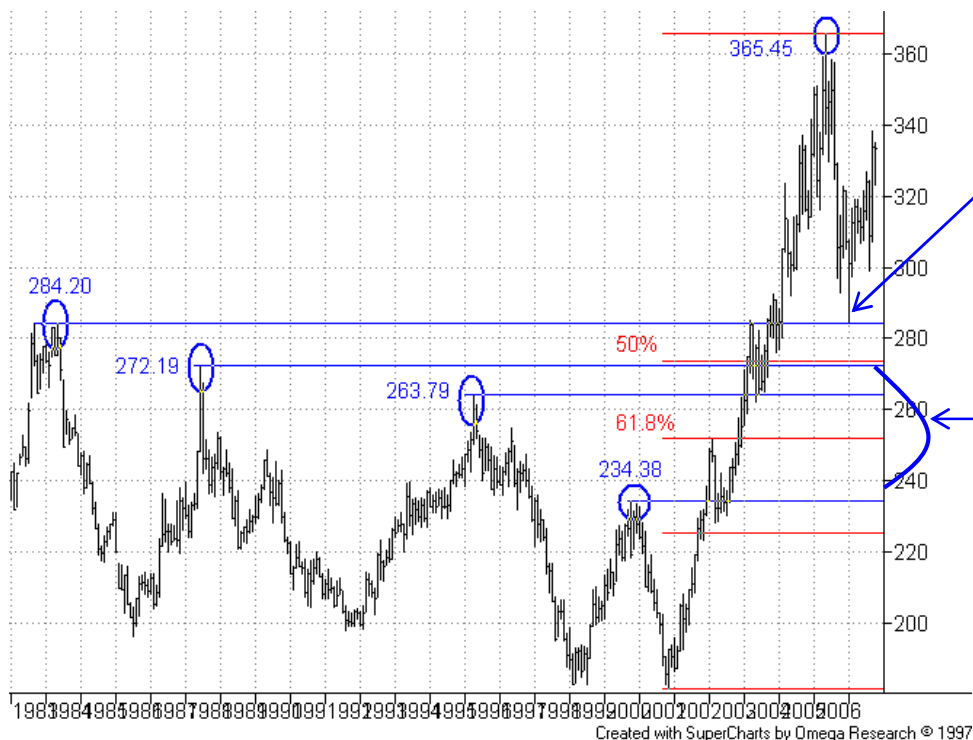
Our initial  
143.50-146.00  
target (143.25-  
145.00 on the Nov  
contract) was  
quickly met.

This is the best  
recovery since  
the downtrend  
began in late  
2006 BUT price  
needs to HOLD  
above 146.00 to  
confirm a better  
recovery is  
underway.

A relatively deep  
pullback soon  
would be quite in  
order, even as  
far as the 120.00  
area without  
casting doubt on  
the recovery  
picture.

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## CRB Index (CBOT)

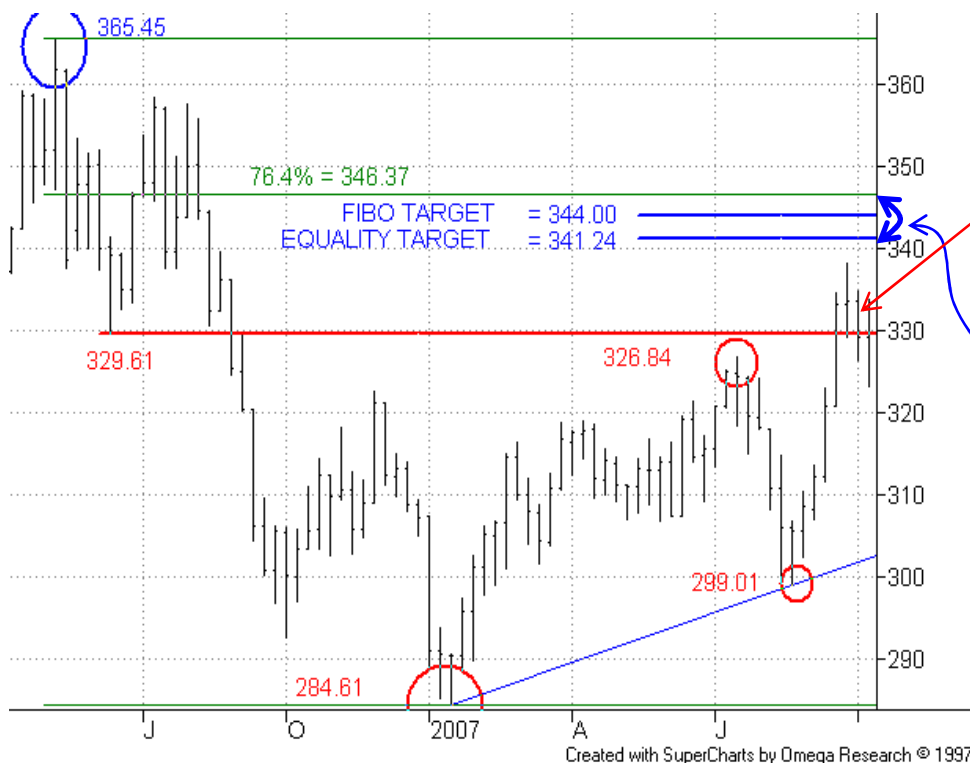


### MONTHLY CHART:

The pullback from 365.45 found good support from the first of four old major highs.

Recovery has postponed any tests of the lower ones.

The current bounce may yet be corrective, but bears currently keep their powder dry.



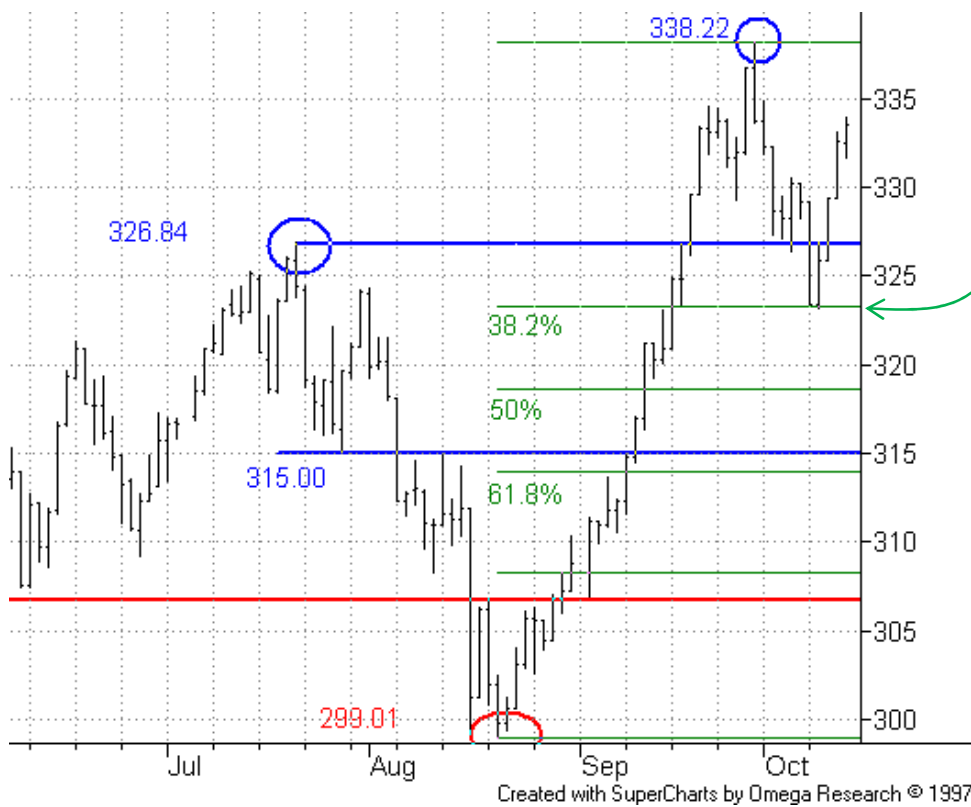
### WEEKLY CHART:

The break above key 330.00 area remains a bullish signal.

Keep in mind the cluster of projections:

- '284.61-326.84' equality target off 299.01=341.24
- 1.618 swing off 326.84-299.01=344
- further Fibo projection=345.63
- 76.4% =346.37

We continue to target towards the top end of this.



#### DAILY CHART:

The recent drop back below the 326.84 Jul high suggested s/term bull fatigue, but so far 38.2% has been effective support.

A deep pullback at this stage may not be seen, but the picture at least stays consolidative while price holds below the 338.22 high.

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