



Week 8

19th - 25th February 2008

Summary

Currencies

- + Dollar Euro
- + Dollar Sterling
- + Dollar Yen
- + Sterling Euro

Stocks

- + Standard & Poors 500
- + European DJ Stoxx 50
- + FTSE 100
- + Nikkei 225

Bonds

- + Ten year US treasury note
- + Ten year Euro Bund
- + Ten year Japanese Bond

Interest rates

- + Dollar rates
- + Euribor rates
- + Sterling rates

Commodities

- + Oil
- + Gold

Disclaimer



the technical trader's guide to major markets

Mark Sturdy

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by the FSA



summary

Summary

Currencies

- + Dollar Euro
- + Dollar Sterling
- + Dollar Yen
- + Sterling Euro

Stay SQUARE
Stay SQUARE
Stay SQUARE ; **SELL** Dollars beneath 106.53
Stay SQUARE; **BUY** Euros above 0.7544

Stocks

- + Standard & Poors 500
- + European DJ Stoxx 50
- + FTSE 100
- + Nikkei 225

Stay **SHORT** beneath 1410; **SELL** again beneath 1315 (Mar 08)
Stay **SHORT** beneath 3937 (Mar 08); **SELL** again beneath 3671 (Mar 08)
Stay **SHORT** beneath 6144 (Mar 08); **SELL** again on a break of 5648 (Mar08)
Stay **SHORT** beneath 13930 (Mar 08); **SELL** again beneath 12930 (Mar 08)

Bonds

- + Ten year US treasury note
- + Ten year Euro Bund
- + Ten year Japanese Bond

Stay SQUARE; **BUY** on a break above 118-06 (Mar08)
Stay SQUARE
Stay **LONG** with stops beneath 137.37 (March 08); **ADD** on a break above 138.18.

Interest rates

- + Dollar rates
- + Euribor rates
- + Sterling rates

Stay SQUARE
Stay SQUARE
Stay SQUARE; **BUY** on a break of 95.61 (Dec 08)

Commodities

- + Oil
- + Gold

Stay SQUARE
Stay **LONG** while above \$873 (Feb 08)



Currencies

Last week the Dollar weakened in line with long-term trends, but without breaching important levels. Surely the market of most interest is Sterling because of its relentless weakness against both the Dollar and the Euro. That looks set to continue...

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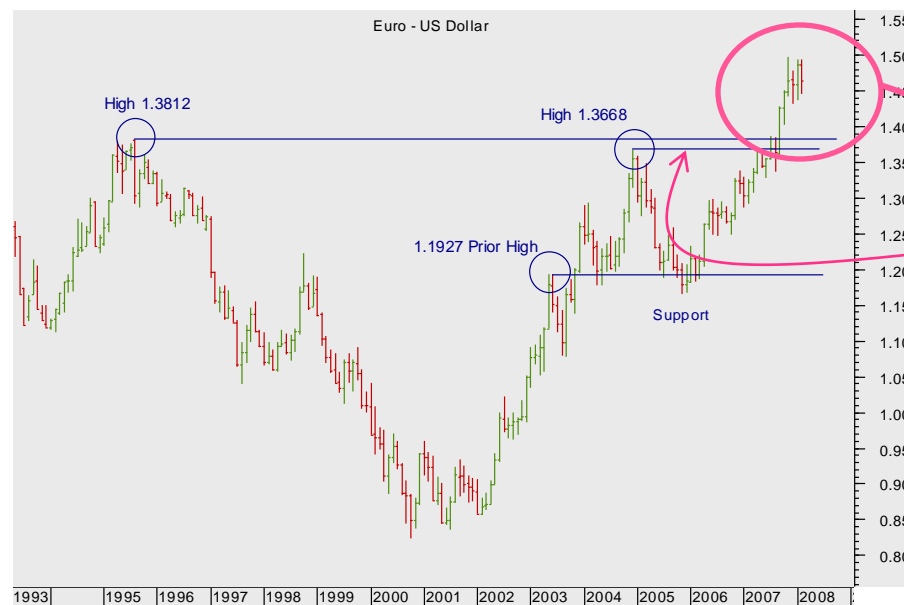
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- + Oil
- + Gold

Currencies: Dollar Euro



Dollar Euro monthly spot cash chart

The break out through the Prior Highs is now established.

Watch the horizontals beneath which are now the major long-term supports on any pull-back.

More



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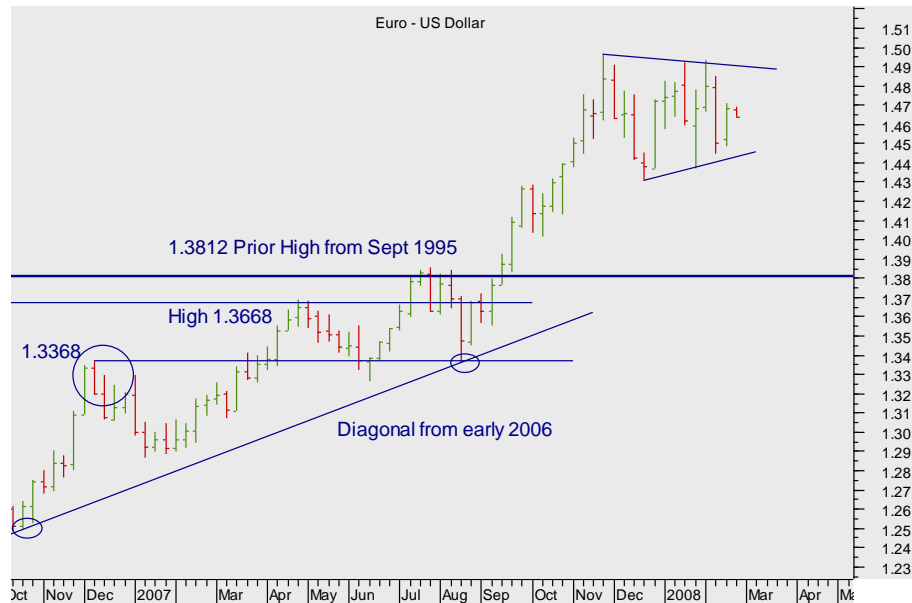
Interest rates

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Commodities

- + Oil
- + Gold

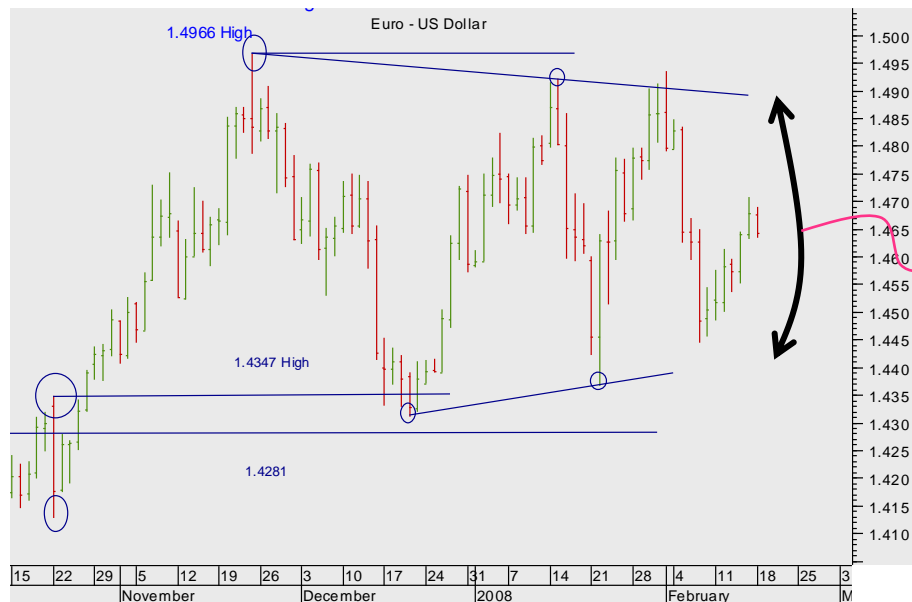
Currencies: Dollar Euro



Dollar Euro weekly spot cash chart

The market has paused since November so we potentially have a Continuation Triangle.

We favour a break to the upside because of the medium and long term bullishness...



Dollar Euro daily spot cash chart

But the detail is confusing - and because of the need for alternation the market looks unclear.

Look instead at the simple range.

Last week we stood back and that still seems right.



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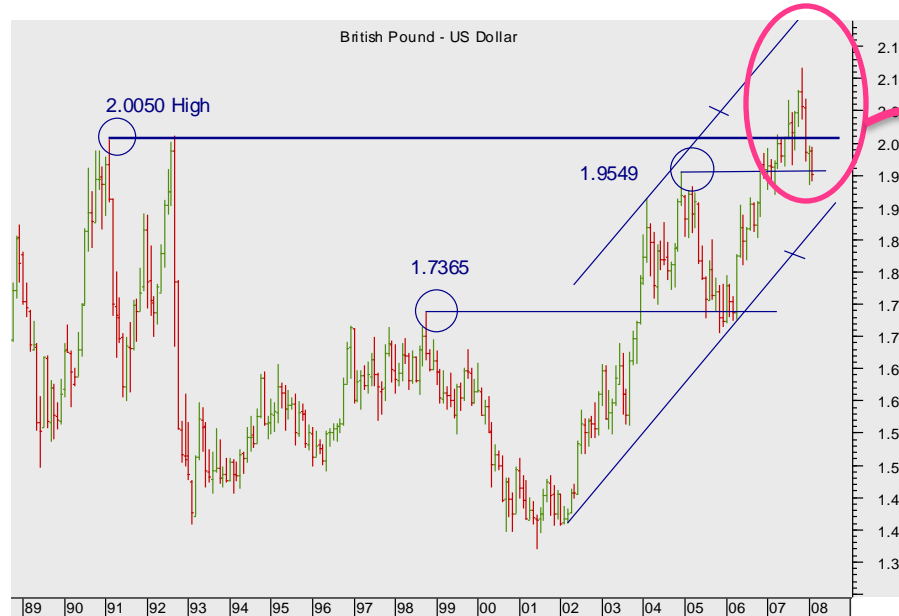
Interest rates

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Commodities

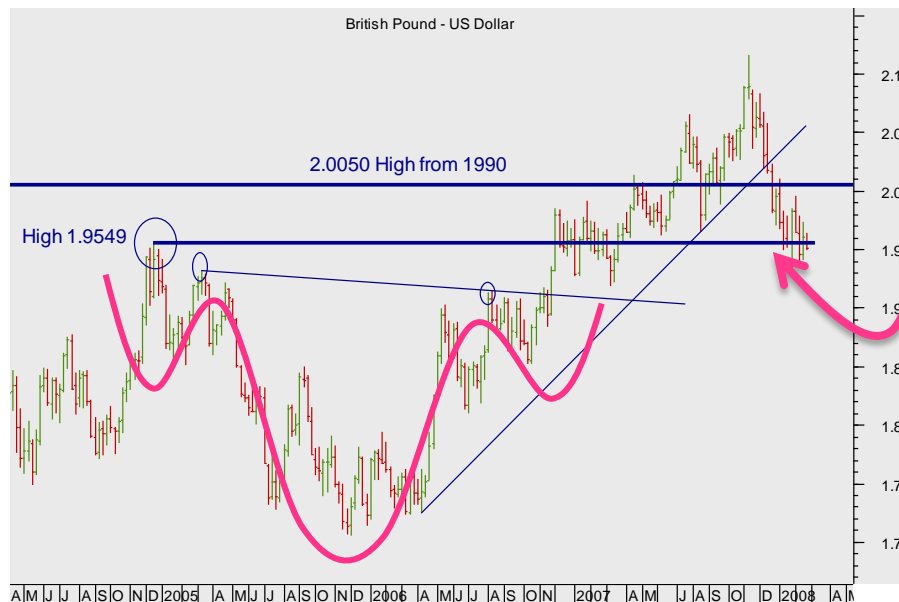
- + Oil
- + Gold

Currencies: Dollar Sterling



Dollar Sterling monthly spot cash chart

The fall back through the two prior High support levels is disappointing for the bulls... though the second support has yet to clearly break.



Dollar Sterling weekly spot cash chart

The market is failing at the support from the 1.9549 level – whence the market has bounced before - there is no sign of a bottom in place yet....

More



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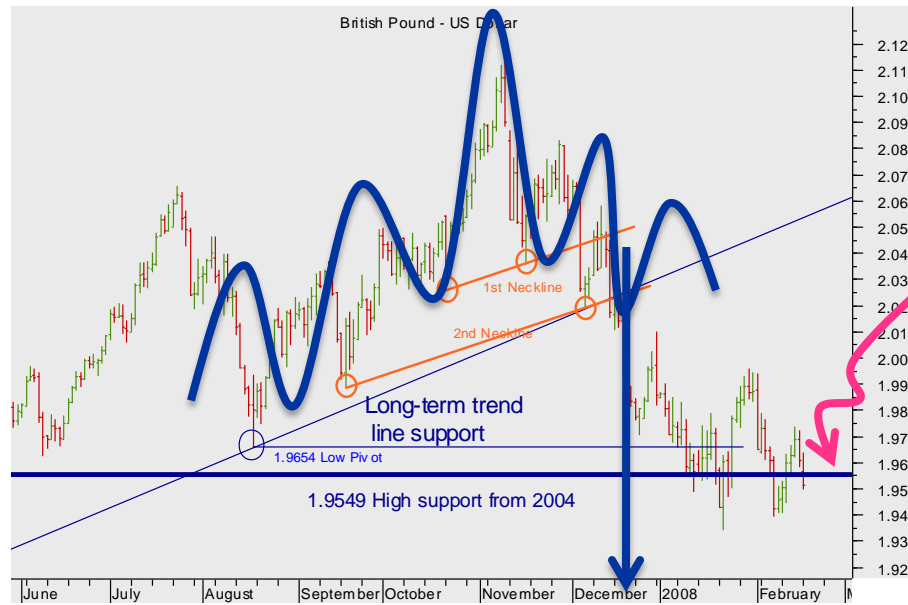
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Commodities

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- + Gold

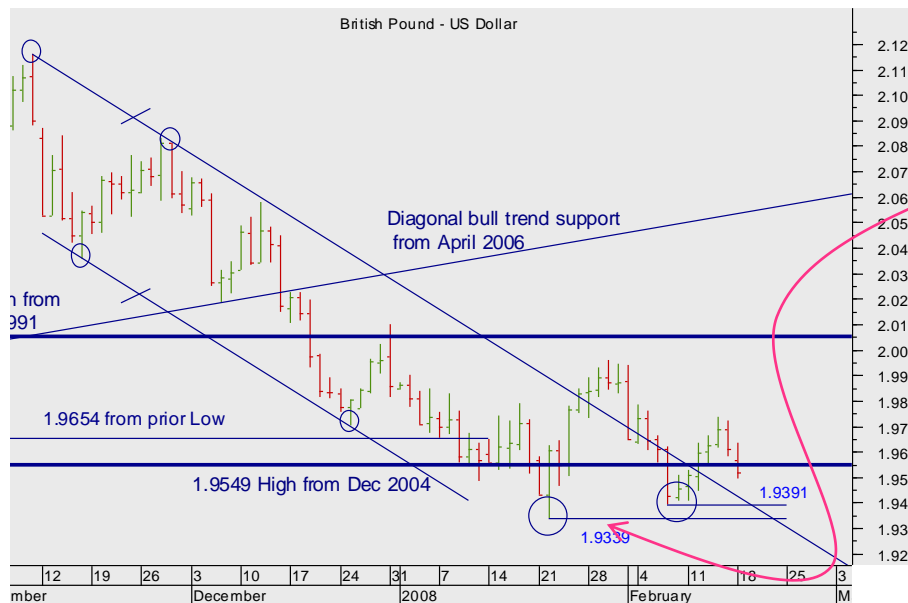
Currencies: Dollar Sterling



Dollar Sterling daily spot cash chart

The series of Head and Shoulders Tops driving the market down (the target of the larger one is around 1.92) and are trying to smash the good support from 2004 at 1.9549.

But it has yet to break.



Dollar Sterling daily spot cash chart

Bears should watch for a short-term signal – a push down through the near low at 1.9339.

Last week we stood back - that's still right - but the downside looks most likely through the pressure of the Top formations...



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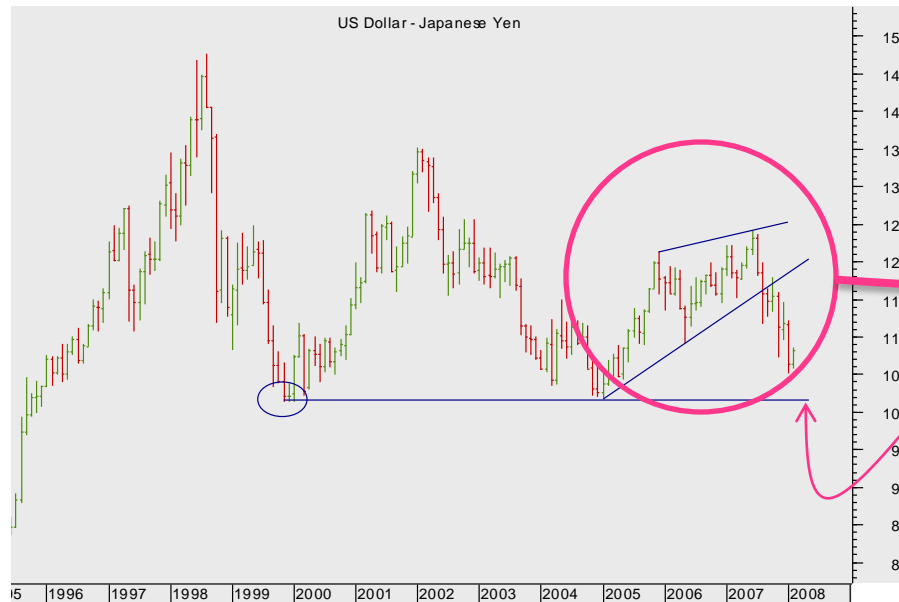
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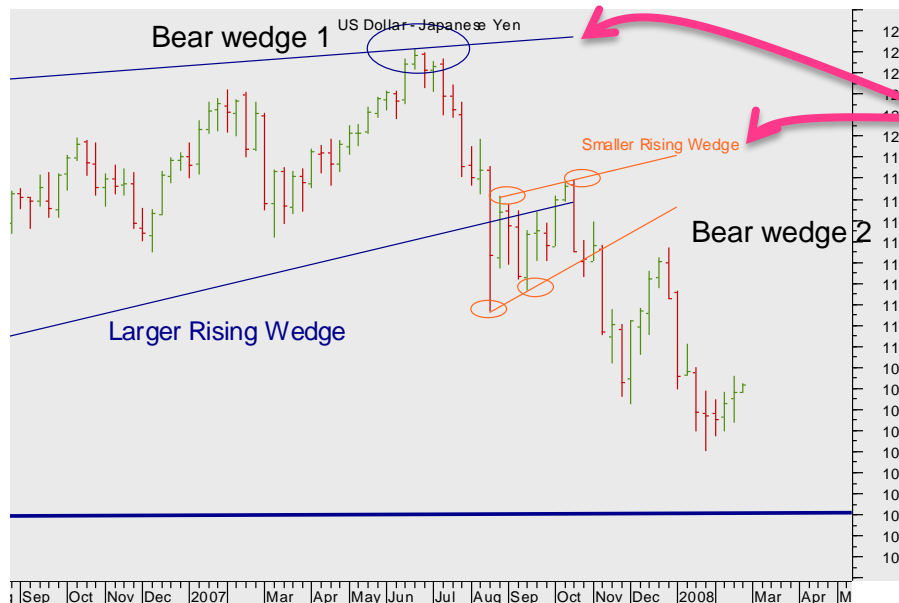
Currencies: Dollar Yen



Dollar Yen monthly spot cash chart

The completion of the bear Rising wedge has created bear momentum ...

On the downside the important Pivotal level is 102 where there are twin lows.



Dollar Yen weekly spot cash chart

In fact, there are two bear wedges driving the market down.

More



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Bonds

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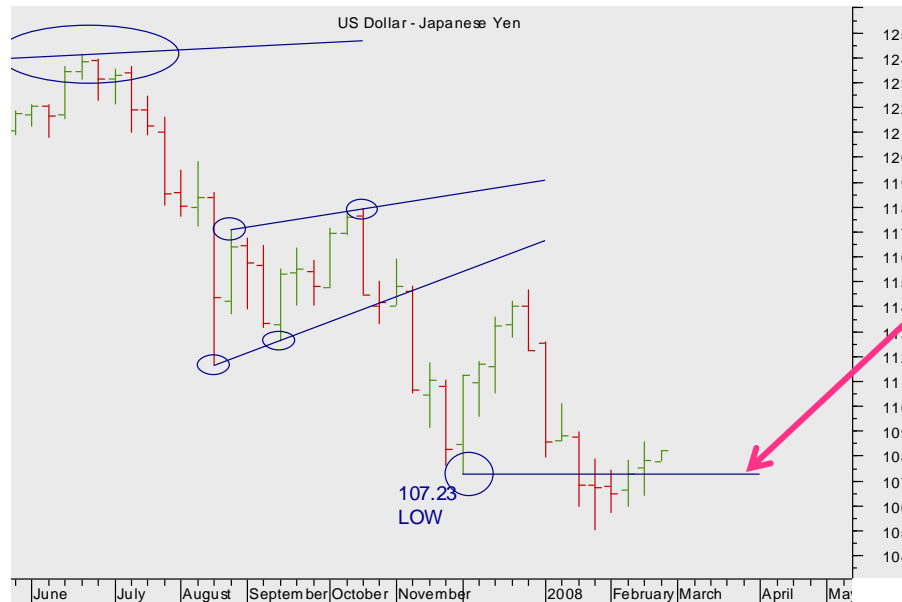
Interest rates

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Commodities

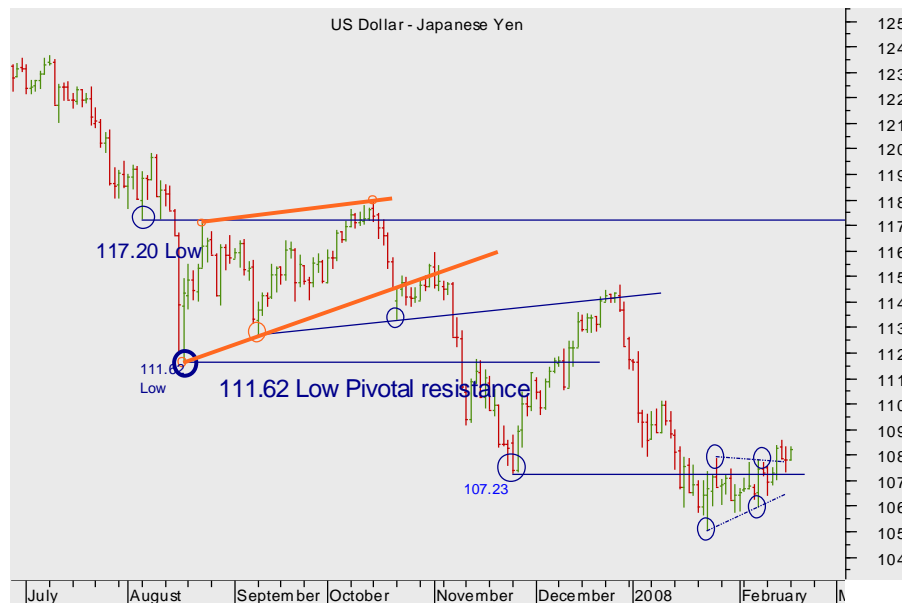
- + Oil
- + Gold

Currencies: Dollar Yen



Dollar Yen weekly spot cash chart

We had a breakdown through the prior Low at 107.23 - but the market has gone nowhere....and the market has edged back above that level.



Dollar Yen daily spot cash chart

That small triangle consolidation failed to complete...

More



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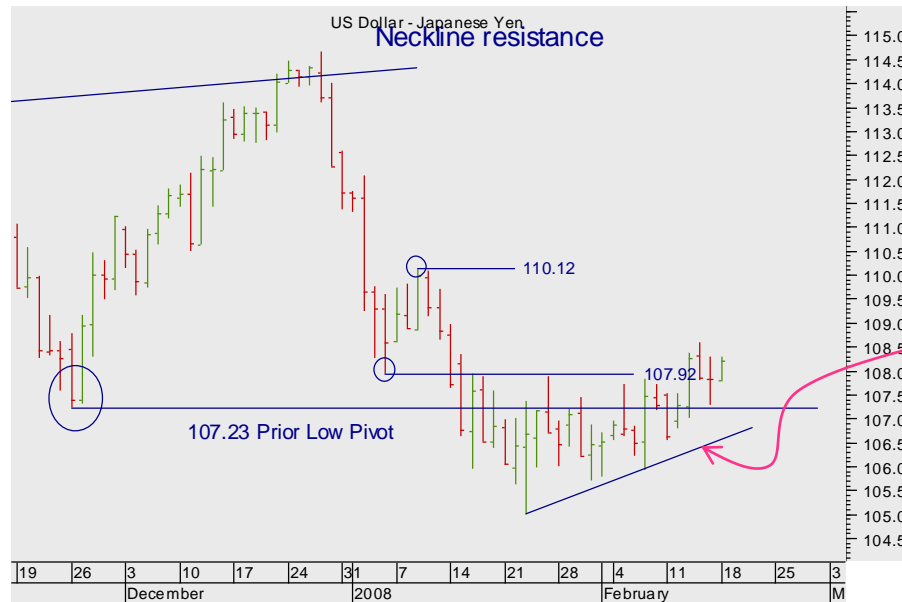
Interest rates

- + Dollar rates
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Commodities

- + Oil
- + Gold

Currencies: Dollar Yen



Dollar Yen daily spot cash chart

The bears (including us) were disappointed with the move back above 107.92 due to the strengthening Dollar. But we're still doubtful of the rally.



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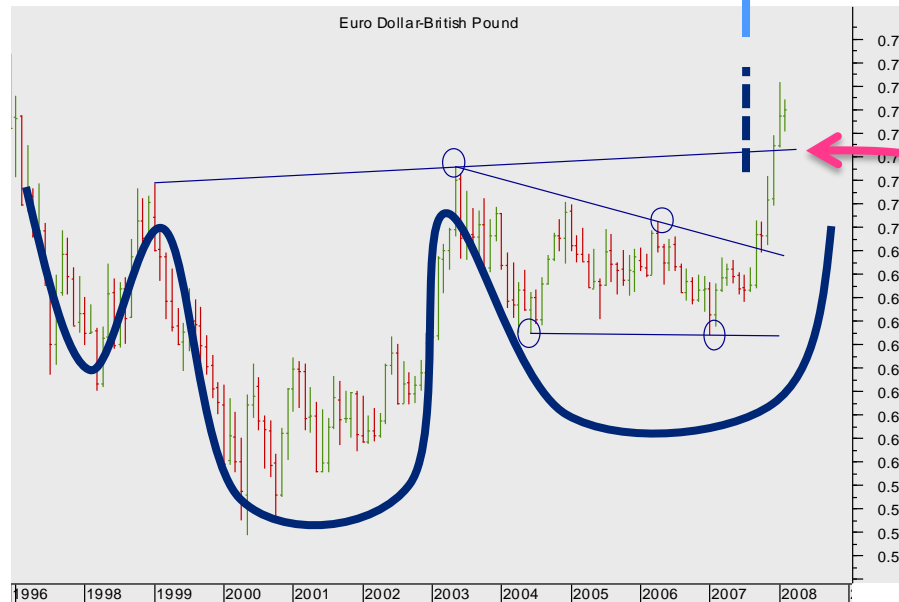
Interest rates

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Commodities

- + Oil
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Currencies: Sterling Euro



Sterling Euro monthly spot cash chart

The completion of a massive Head and Shoulders bottom suggests moves up as far as 0.8850... eventually

The H&S completion was made possible by the Continuation Triangle whose minimum move was 0.7530 .



Sterling Euro daily spot cash chart

The support of note is the Neckline of the massive Head and Shoulders Bottom at 0.7333

More



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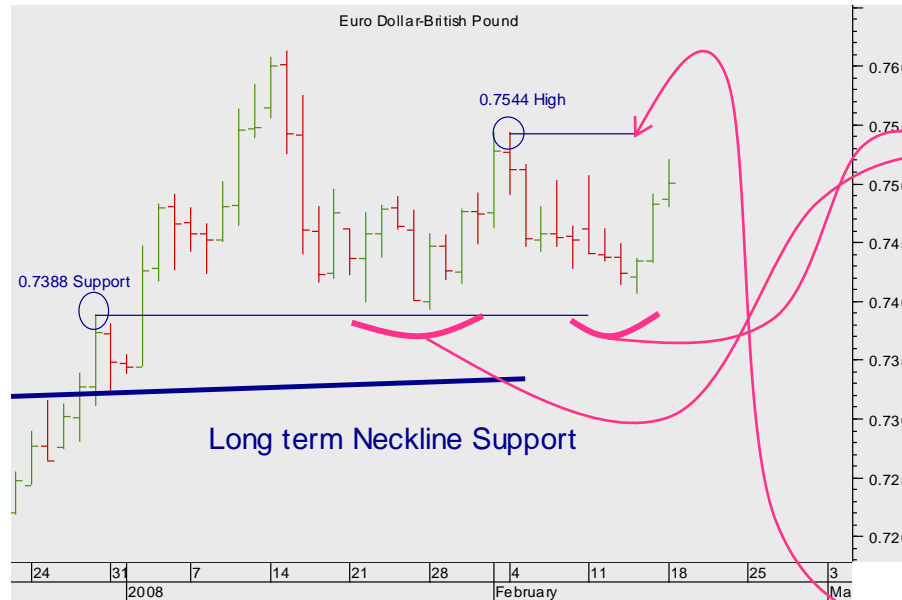
Interest rates

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Commodities

- + Oil
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Currencies: Sterling Euro



Sterling Euro daily spot cash chart

We thought the market was extended but it has tried to come lower and failed.

Look closer. No clear reversal pattern has yet been created though.

In the absence of one, as we suggested last week, use the Pivotal high at 0.7544 as a bull trigger to get into the market.

That would complete a neat little Double Bottom.

Now wait for a push up through 0.7544 to get long.



Stocks

Stocks have risen across the board over the last week - gently and unconvincingly. They remain beneath major resistances and may be completing good short-term bear continuation patterns.....

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Stocks: Standard & Poors 500



Standard & Poors 500 monthly cont. chart

The market was testing those important levels around 1555. The importance of which was that if the market got through, they would act as massively good support and thus help ratchet up the market.

But the market is pulling back sharply to the first support of substance at 1330.

Look closer.

More



Stocks: Standard & Poors 500

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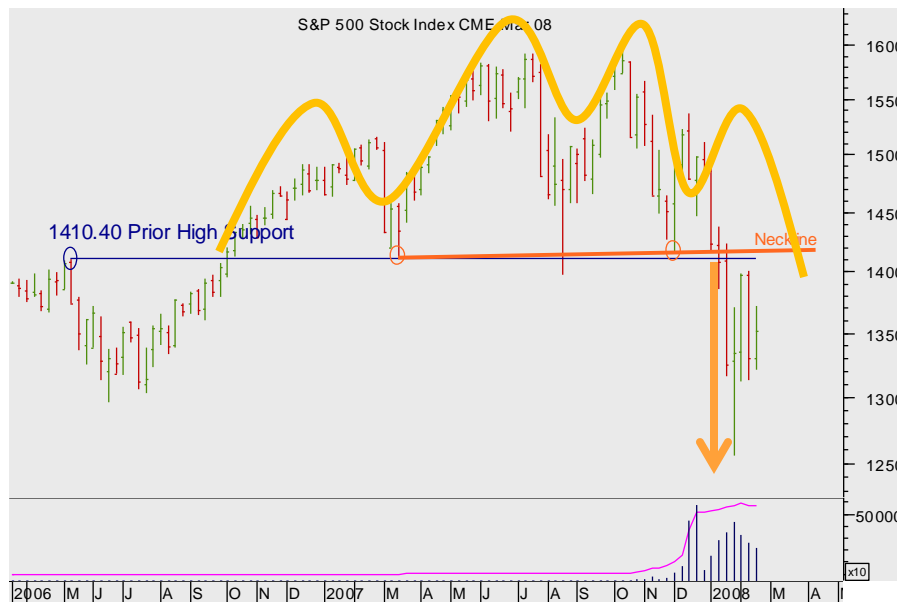
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Commodities

- + Oil
- + Gold



Standard & Poors 500 weekly cont. chart

The drive behind the bear move is the completion of a H&S (Double Headed) Reversal Top.

1. But note that the minimum target was more or less achieved.
2. The fierce retracement was rejected by the Neckline resistance.

Standard & Poors 500 weekly futures chart

The market has driven up close the powerful resistances at the Neckline and the old broken Prior high support.

We thought the Neckline was an area to sell.

What now?

More



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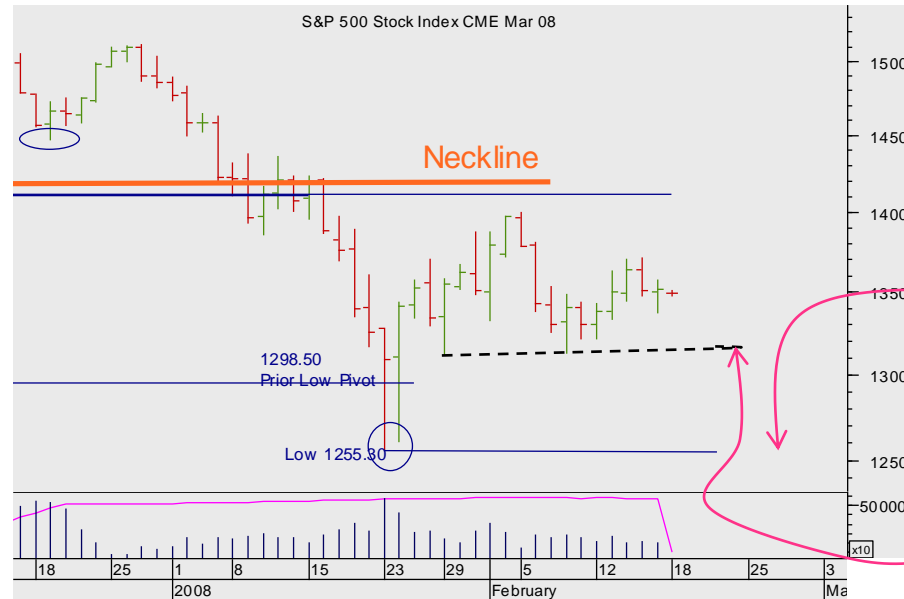
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Commodities

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Stocks: Standard & Poors 500



Standard & Poors 500 daily futures chart

There's no clear short-term pattern at work.

If not already short from the close retracement to the Neckline, **wait for a break of the near low at 1255.30.**

Last week we were sellers near the 1410 neckline **and that has worked well.**

We remain bears.

Now note the possible trigger of a very short-term Neckline around 1315.



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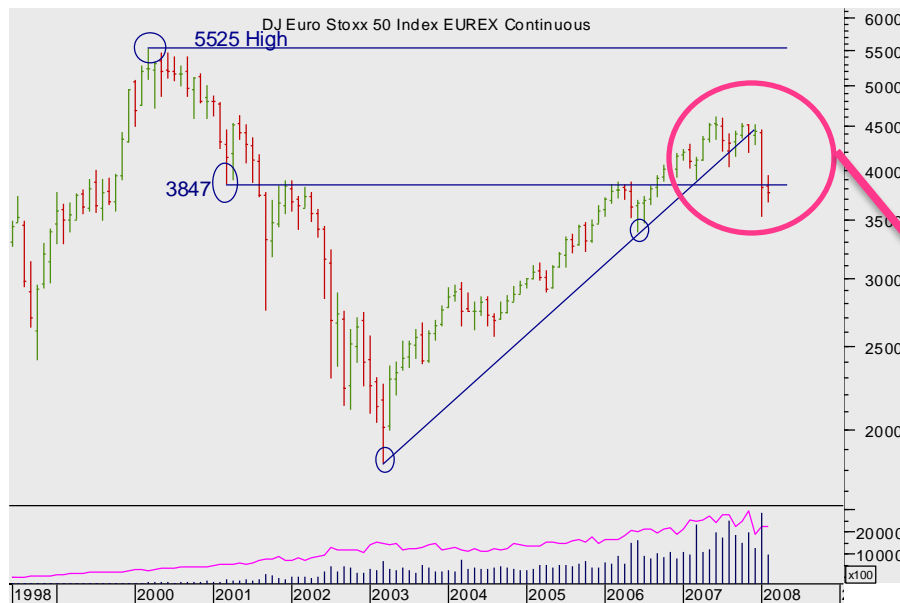
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Commodities

- + Oil
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Stocks: DJ Euro Stoxx 50



European DJ Stoxx 50 monthly continuation futures chart

The long rally of the market has fallen well short of the market's Highs.

And now has pulled back through support.

Look closer.



European DJ Stoxx 50 weekly cont. futures chart

There is a sort of Head and Shoulders Top in place – it's not very tidy – but the Neckline was coincident with a small pivotal low at 4175, and led to a fast move down to 3877/3847 and then through it.

Note well the rally back to 3847 – and it's clear failure to get back through it

Next support of subs
3478.

More



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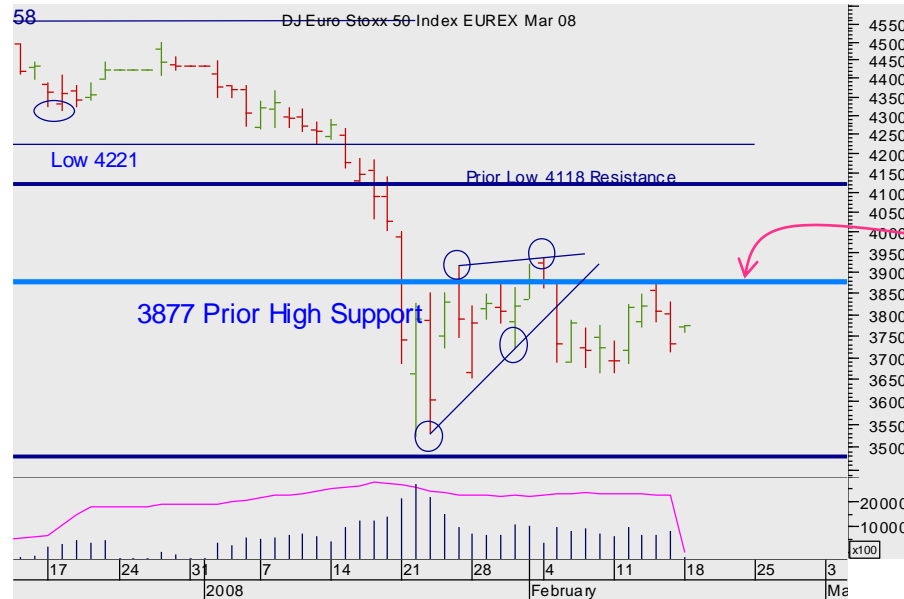
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Commodities

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Stocks: DJ Euro Stoxx 50

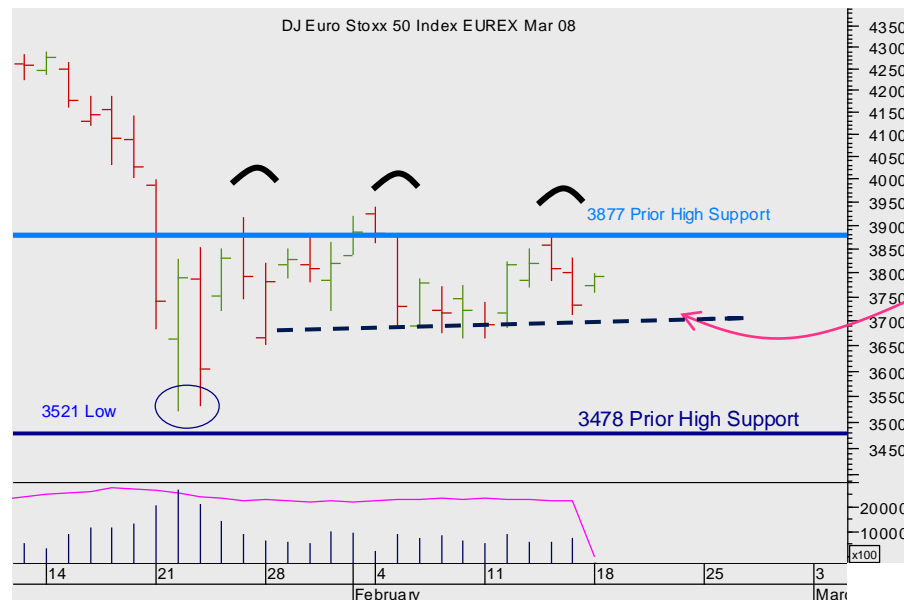


European DJ Stoxx 50 daily futures chart

The market completed the small Double top and now, additionally, has pushed through the 3877 support.

(Note that the minimum target (for the double Top) was reached.)

Now study the price action beneath the 3877 level.



European DJ Stoxx 50 daily futures chart

A small Head and Shoulders Reversal is on the cards... watch the possible Neckline at 3671.

Taken together that looks bearish. Stay short with Stops above 3937 and add on a break of 3671.



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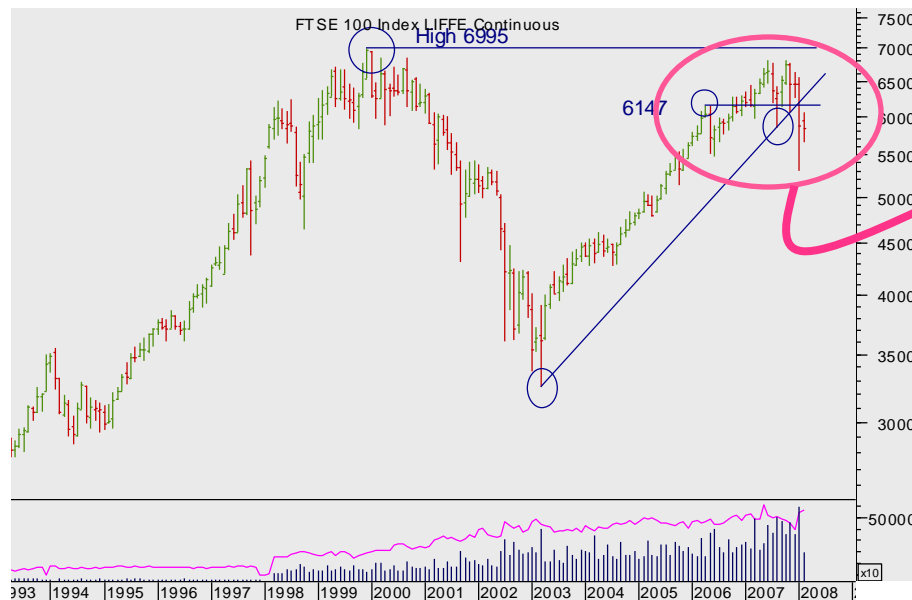
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Commodities

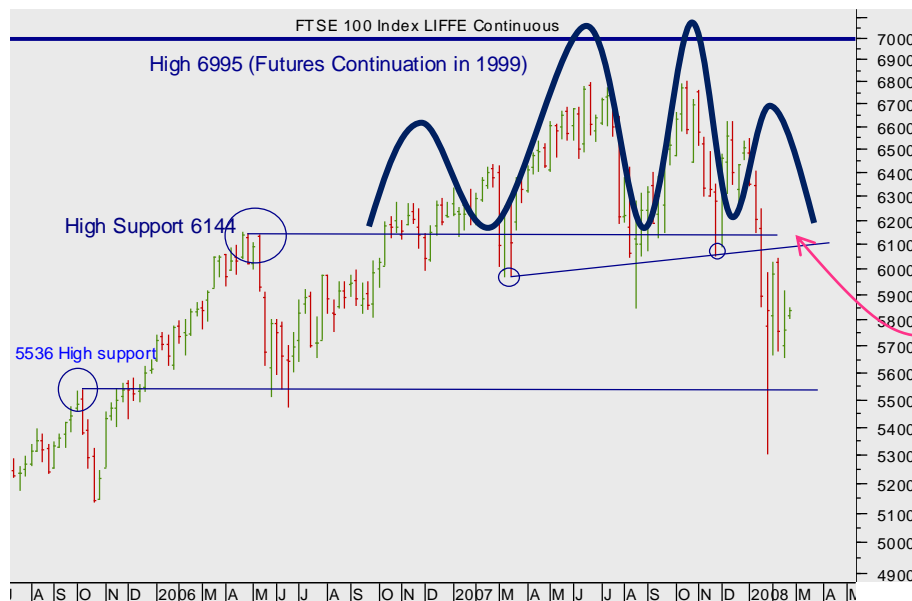
- + Oil
- + Gold

Stocks: FTSE 100



FTSE 100 monthly Continuation futures chart

The FTSE is approaching the prior High ... but has stalled and fallen back abruptly.



FTSE 100 weekly Continuation futures chart

The market has smashed the support from the 6144 prior High.

And completed a Double Headed Head and Shoulders Top.

The initial drive down more or less achieved the minimum target for the Top, but the fresh failure at the Neckline suggests there is more to come.

More



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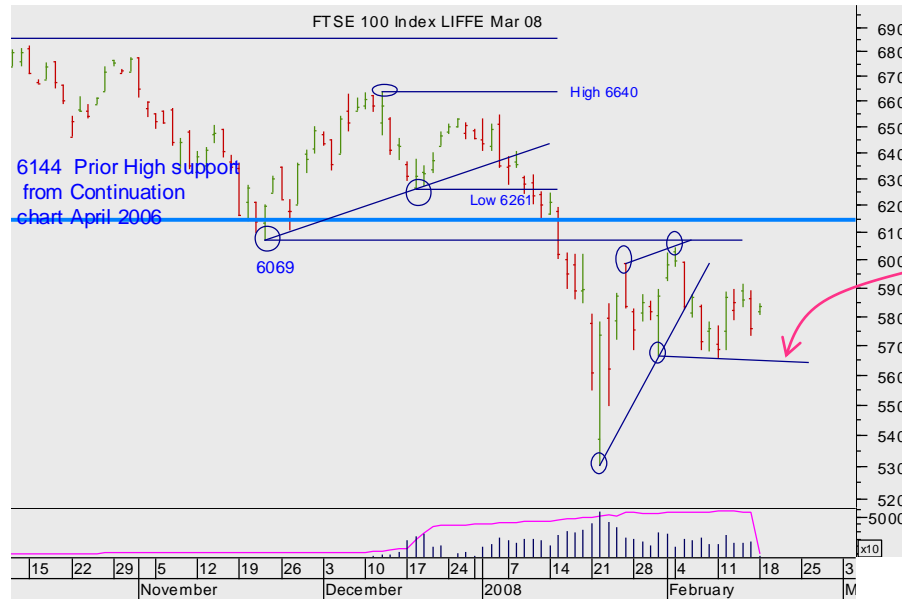
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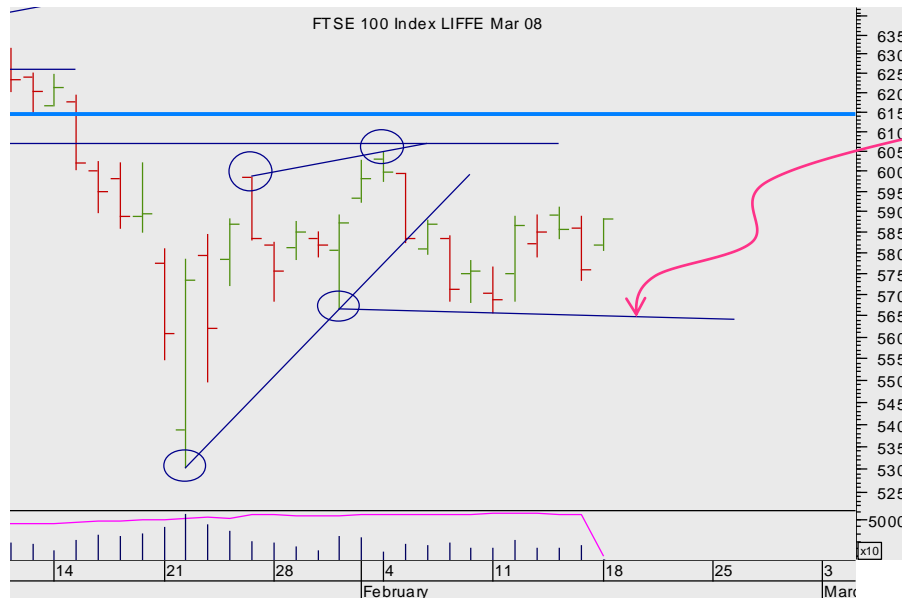
- + Oil
- + Gold

Stocks: FTSE 100



FTSE 100 daily futures chart

Note well the completed Rising Bear Wedge....and additionally, see the possible bear Head and Shoulders Reversal ... Watch for a breakdown through the possible Neckline.



FTSE 100 daily futures chart

In greater detail. That possible Neckline lies at 5648.

We were sellers last week and would sell again on a break of 5648.



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Stocks: Nikkei 225



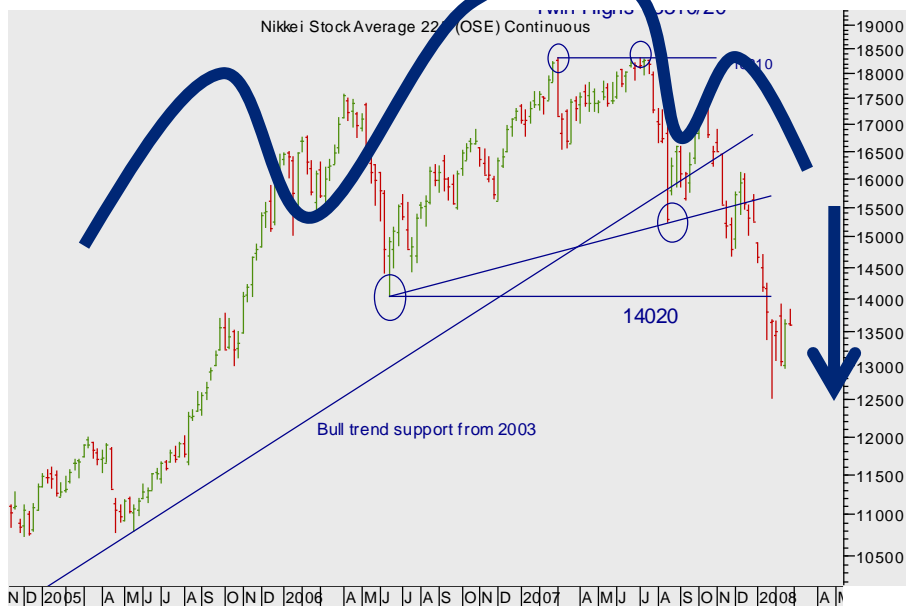
Nikkei 225 monthly Continuation futures chart

The market has driven up solidly from early 2003. From a completed Head and Shoulders Bottom.

Whose target was achieved.

Now look at the turn.

And note that the market has already come back to the diagonal support.



Nikkei 225 weekly Continuation futures chart

That turn in detail. A big bear H&S pattern.

The minimum move implied is down to 12750.

So the minimum target has already been achieved.

What now?

More



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Stocks: Nikkei 225



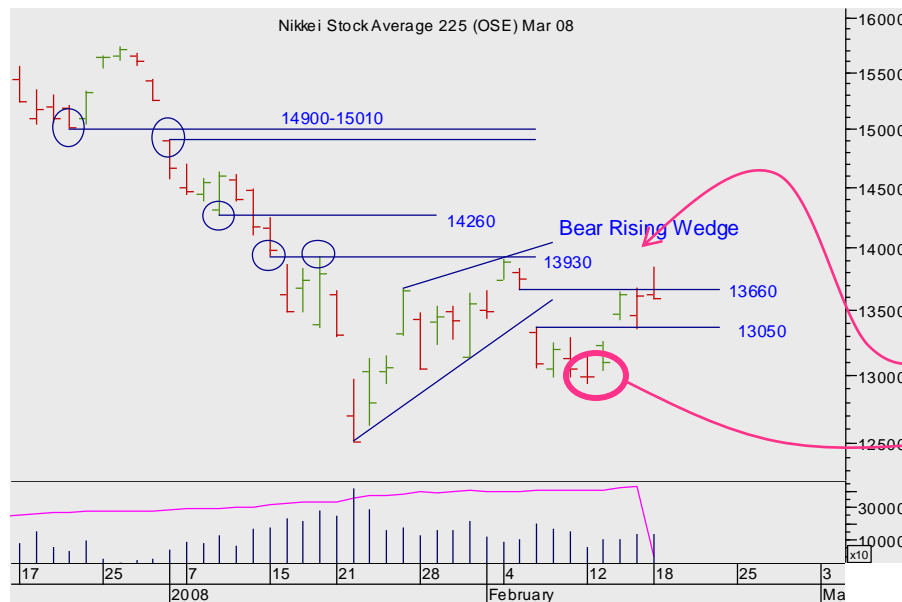
Nikkei 225 daily futures chart

The market has rallied hard.

There was no bottom formation in place of consequence.

Yet the rally failed close to where it failed before.

Look closer still.



Nikkei 225 daily futures chart

The market's inability to get above the near High at 1.3930 robs the bears of much enthusiasm – in particular the inability to stay above the Gap ...

Stay short with Stops above 13930.

Sell again beneath 12930 (because then a small Double Top would have been created)



Bonds

Bonds remain varied and difficult to read. They have all moved sideways for three weeks. But traders should note that they have no inclination –yet – to give up the gains of the last seven months. Their medium-term trends are intact.

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Bonds: Ten year US treasury note



Ten year US treasury note monthly futures continuation chart

The market remains on an uptrend of falling yields – despite the recent test of that support.

More



Bonds: Ten year US treasury note

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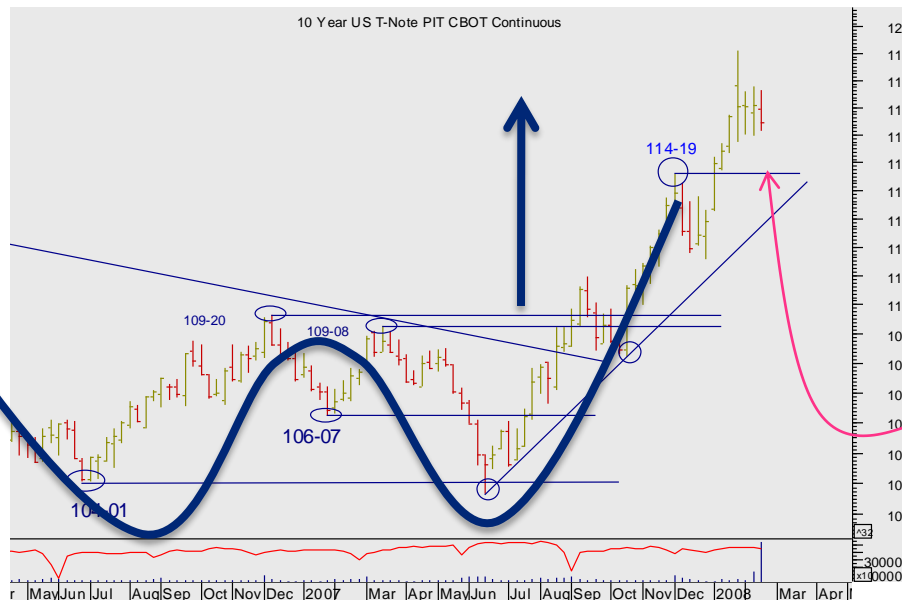
Ten year US treasury note weekly futures continuation chart

And in bouncing from the 104-01 level twice (which was the level of the rising trendline support) **the market has managed to breach the downtrend from 2003.**

And then completed a Double Bottom formation which suggests moves as far 115-00 or so.

We have already achieved the minimum move.

Where now?



Ten year US treasury note weekly futures chart

In greater detail.

The bull run has been impressive.

And though the minimum target has been reached there is no sign of the market topping out.

First support 114-19.

More



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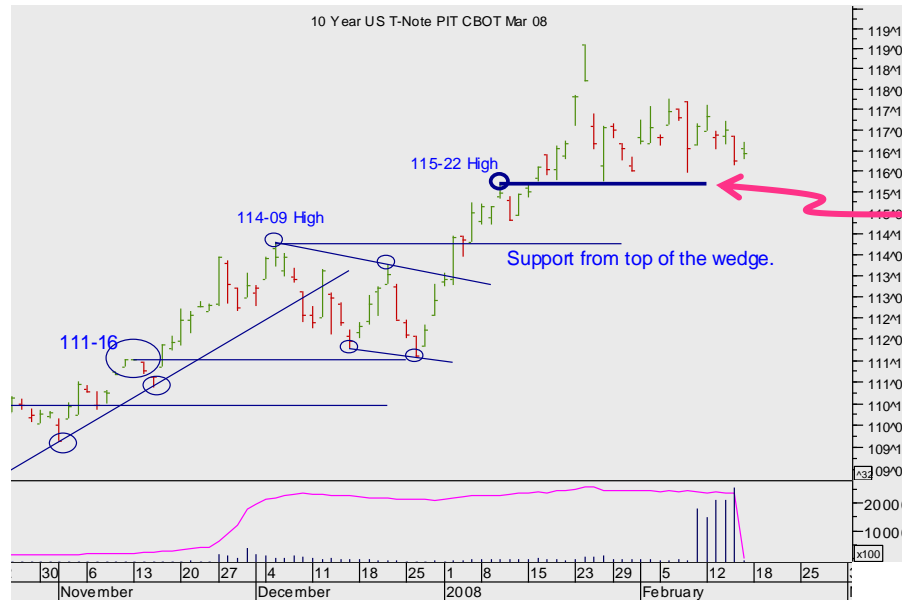
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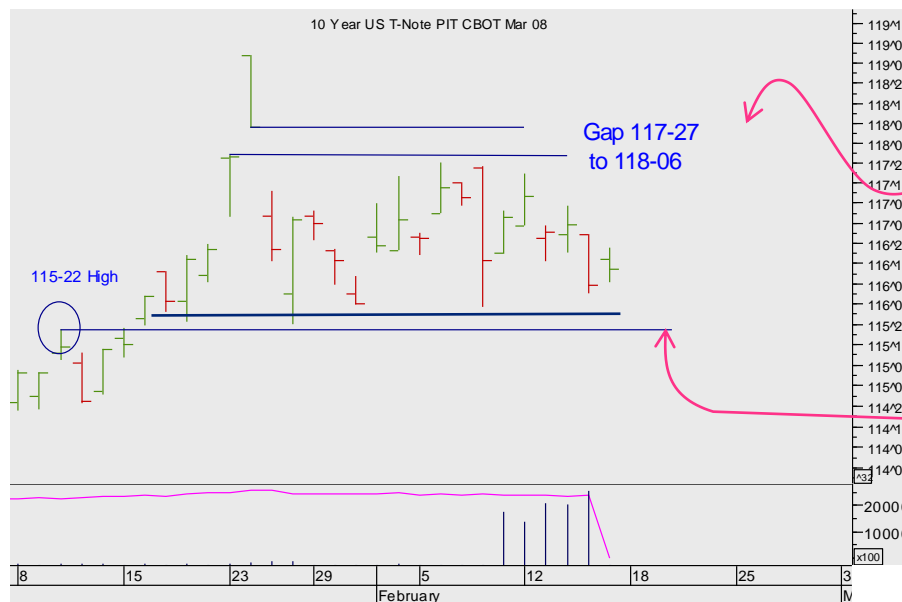
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Bonds: Ten year US treasury note



Ten year US treasury note daily futures chart

The market needs to get back through there to convince the bears...



Ten year US treasury note daily futures chart

But the price action has been very erratic.

Watch the resistance at the Gap 117-27 to 118-08.

We were right to feel that the market was extended but on the pull-back 115-22 has been good support.

So we still remain bulls until 115-22 is broken.



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- + Dollar Sterling
- + Dollar Yen
- + Sterling Euro

Stocks

- + Standard & Poors 500
- + European DJ Stoxx 50
- + FTSE 100
- + Nikkei 225

Bonds

- + Ten year US treasury note
- + **Ten year Euro Bund**
- + Ten year Japanese Bond

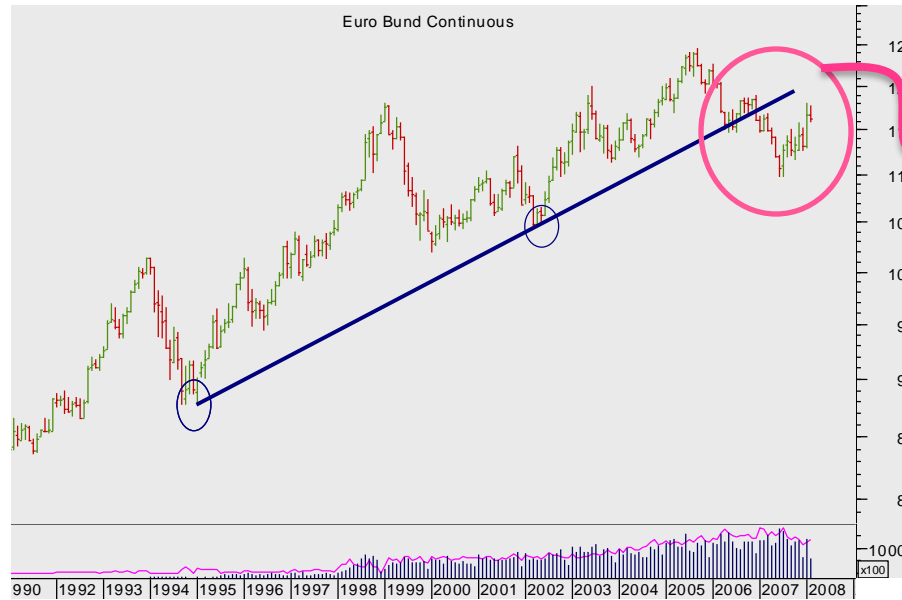
Interest rates

- + Dollar rates
- + Euribor rates
- + Sterling rates

Commodities

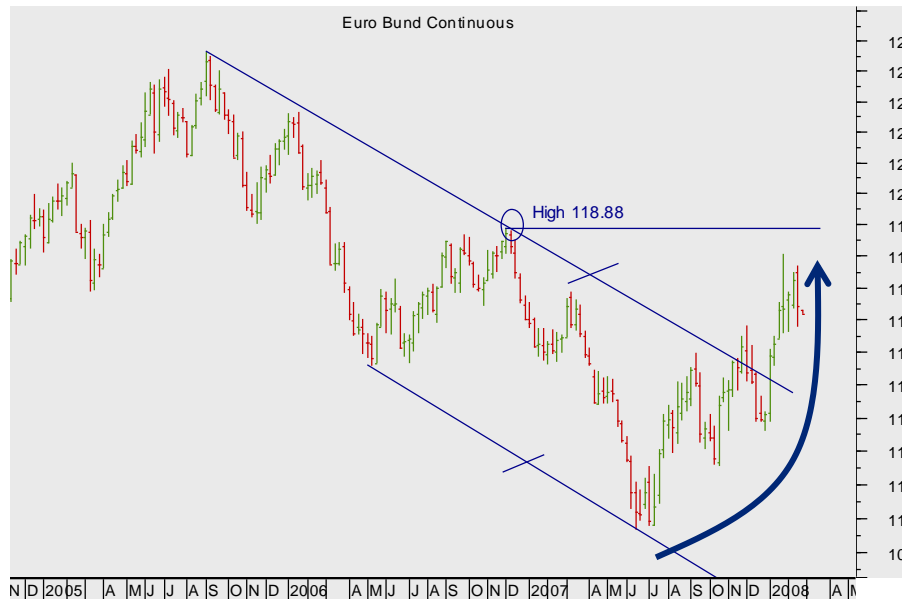
- + Oil
- + Gold

Bonds: Ten year Euro Bund



Ten year Euro Bund quarterly futures continuation chart

The market has broken the uptrend.



Ten year Euro Bund Weekly futures continuation chart

But the bull run of late 2007 has smashed a powerfully clear bear channel.

More



Summary

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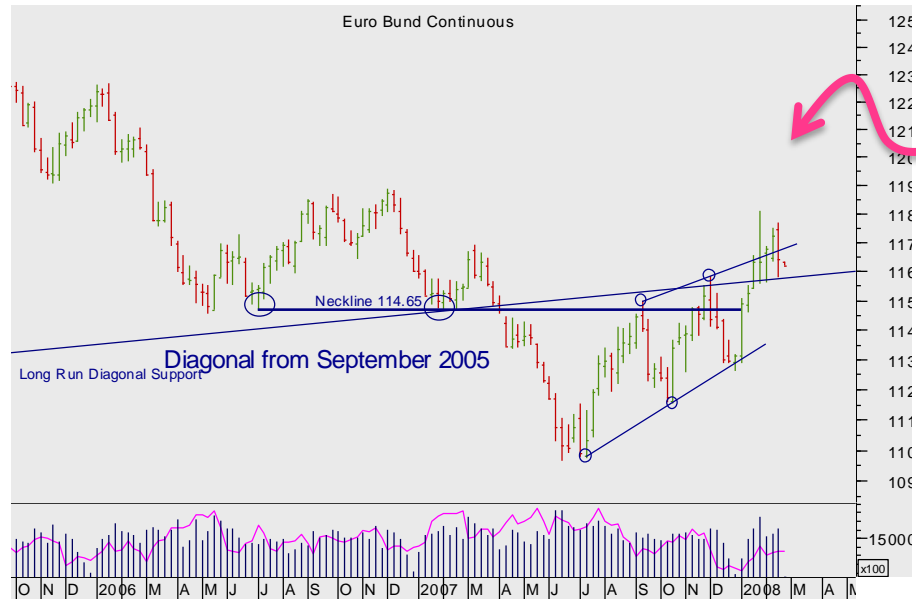
Interest rates

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- + Euribor rates
- + Sterling rates

Commodities

- + Oil
- + Gold

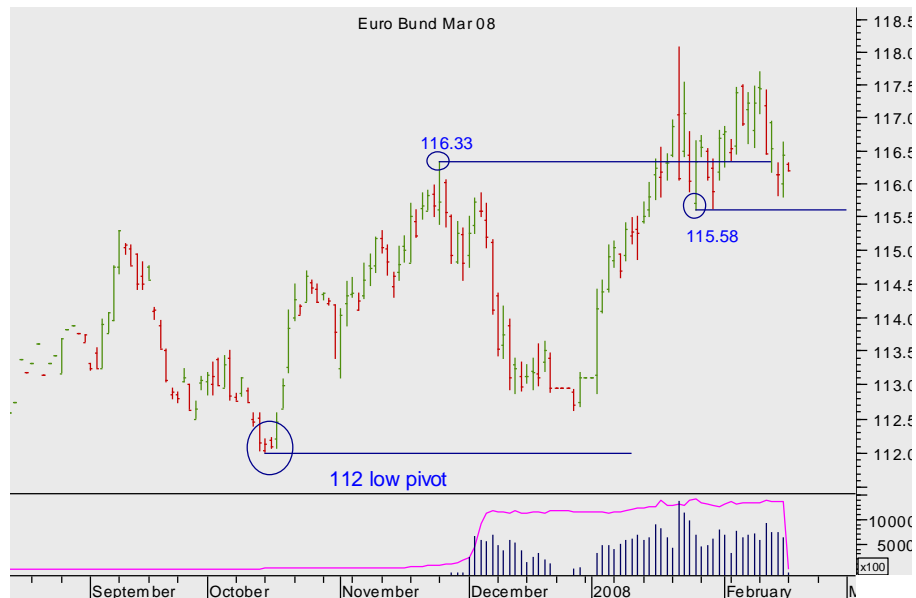
Bonds: Ten year Euro Bund



Ten year Euro Bund daily futures chart

And the way the market has traded around that 116-33 Prior high support suggests there is some good bull energy left in the market...

But nonetheless still we crave more clarity



Ten year Euro Bund daily futures chart

The daily chart has created a clear trading range.

If the 115.58 low breaks the bears will gain great confidence – until then stay square.



Bonds: Ten year Japanese Bond

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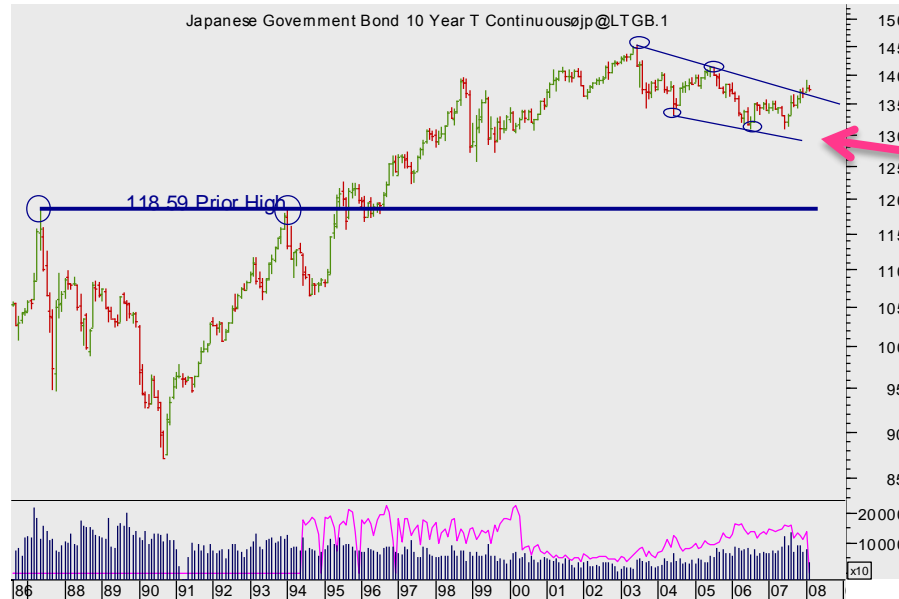
- + Ten year US treasury note
- + Ten year Euro Bund
- + Ten year Japanese Bond

Interest rates

- + Dollar rates
- + Euribor rates
- + Sterling rates

Commodities

- + Oil
- + Gold



Ten year Japanese Bond monthly futures continuation chart

The completion of a bull falling wedge looks compelling for the medium and long-term bulls.



Ten year Japanese Bond weekly futures continuation chart

Note that the catalyst for the completion of the bear wedge was the completion of a small Double Bottom.

The minimum target of the Double Bottom is 140.50.

Look closer.

More



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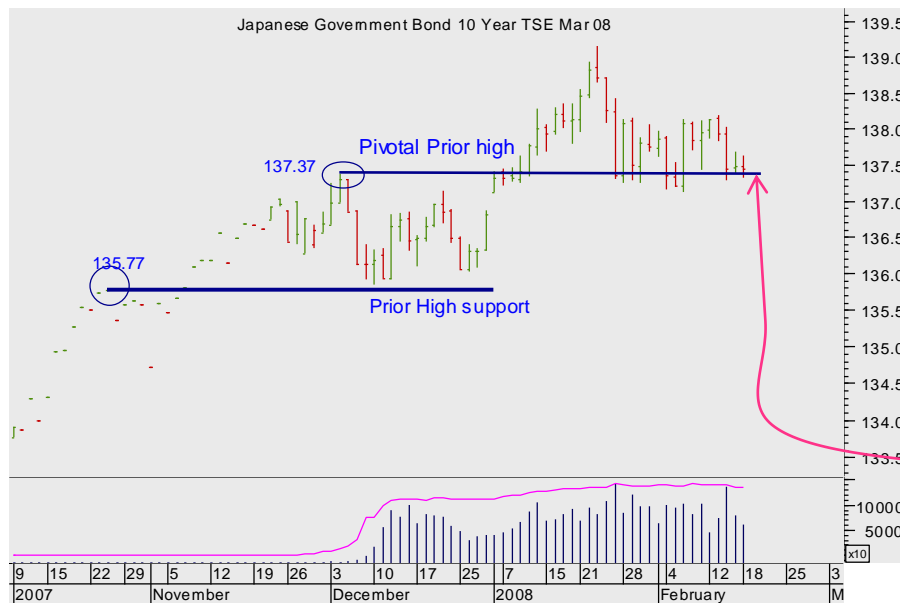
Interest rates

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- + Sterling rates

Commodities

- + Oil
- + Gold

Bonds: Ten year Japanese Bond



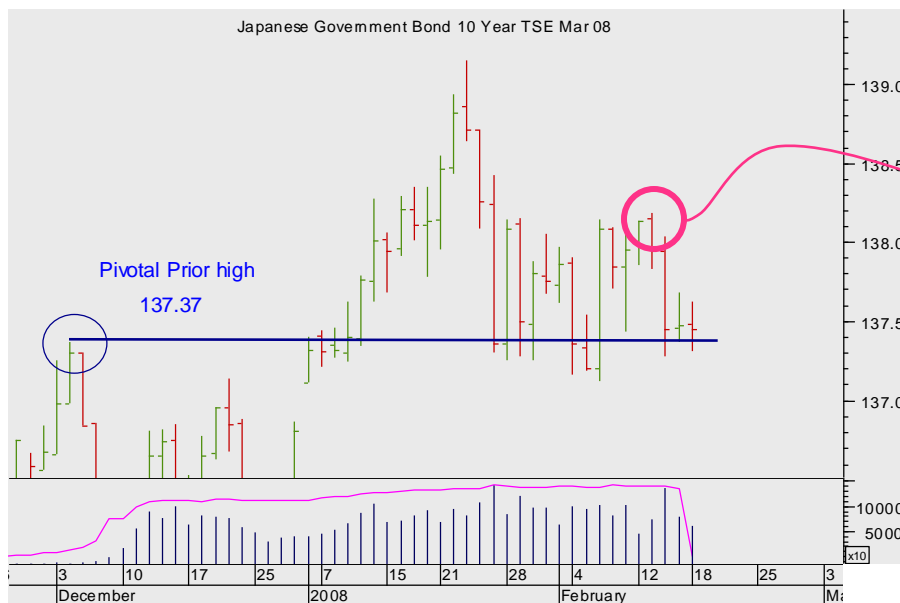
Ten year Japanese Bond daily futures chart

The market looks well-set – but volatile. But in fact the March contract looks reasonably well – supported – while 137.37 remains intact – just.

The long and medium-term picture is powerfully bullish.

And short-term bulls have a clear support of substance from which to trade the long side.

We were buyers last week and remain so.



Ten year Japanese Bond daily futures chart

More cautious buyers will want to wait for a push up through the High at 138.18.



Interest rates

Eurodollars are still the leading market and so far are reluctant to come off. But we prefer the structures and target implicit in the Short Sterling and Euribor. None of these markets is moving at the moment, and we await short-term patterns to guide us into our longer term stances...

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Interest rates

- + Dollar rates
- + Euribor rates
- + Sterling rates

Commodities

- + Oil
- + Gold

Interest rates: Dollar rates



Dollar rates monthly futures chart

The market has driven up hard through the resistance at the Top of the bull channel – and looks likely to close above it.

More



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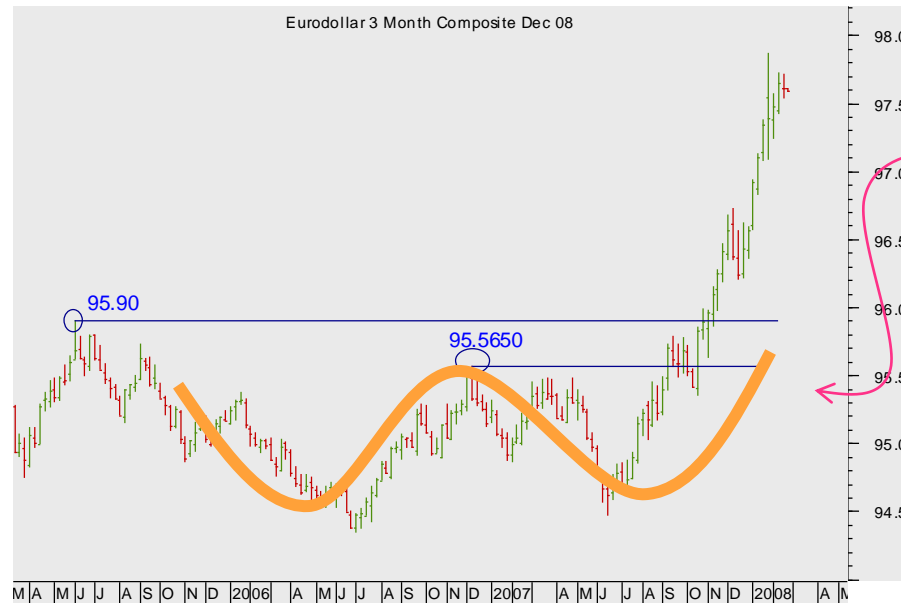
Interest rates

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Commodities

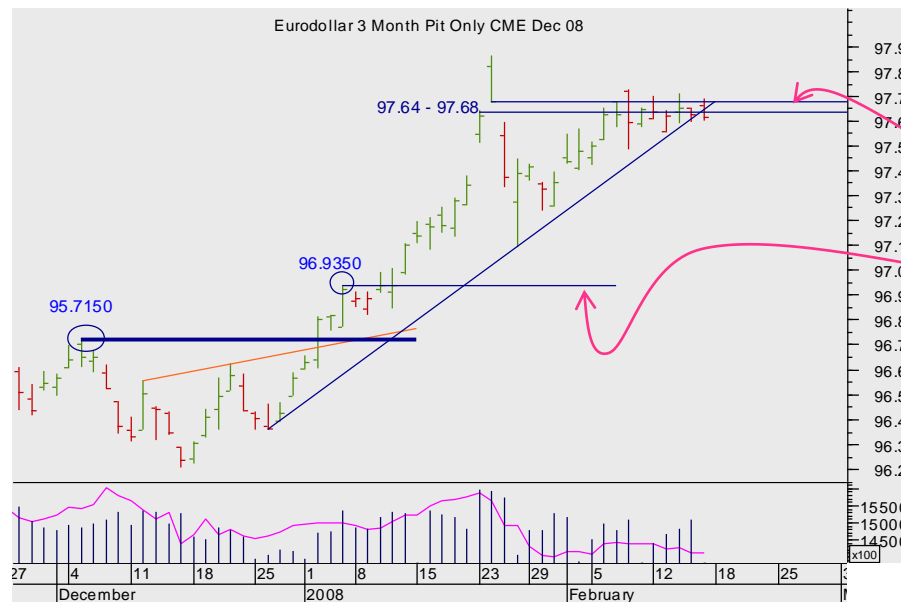
- + Oil
- + Gold

Interest rates: Dollar rates



Dollar rates weekly futures chart

The acceleration has been impressive driven by the Double Bottom



Dollar rates daily futures chart

But the recent pause is rather shapeless; bulls should wait for a break up through the Gap before buying again. Or a pull-back to the support.

Stand **back**.



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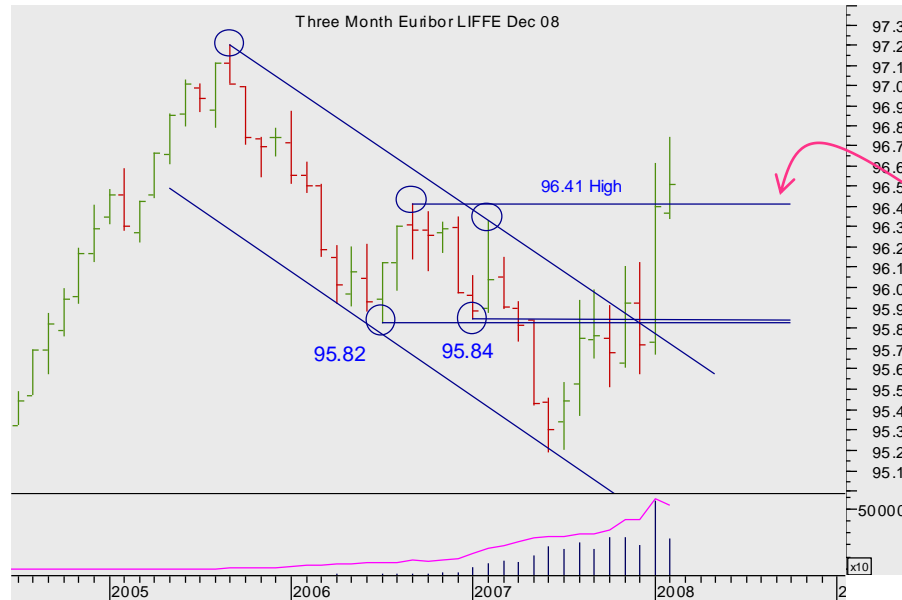
Interest rates

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- + **Euribor rates**
- + Sterling rates

Commodities

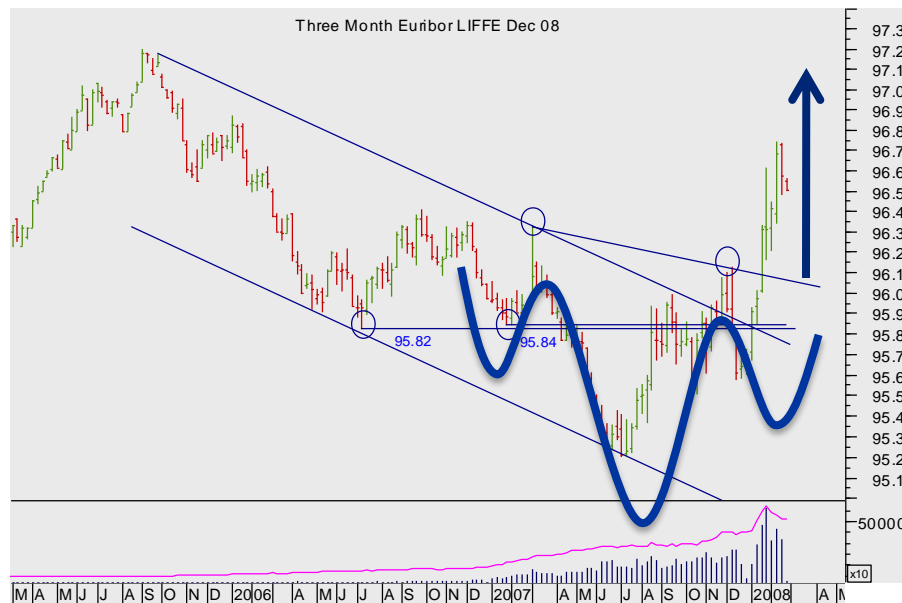
- + Oil
- + Gold

Interest rates: Euribor rates



Euribor rates monthly futures chart

The market has driven up out of the channel beyond the Old Highs at 96.41.



Euribor rates weekly futures chart

The Head and Shoulders formation looks powerful

The minimum move? 97.10 or so.

It's powerfully bullish.

More



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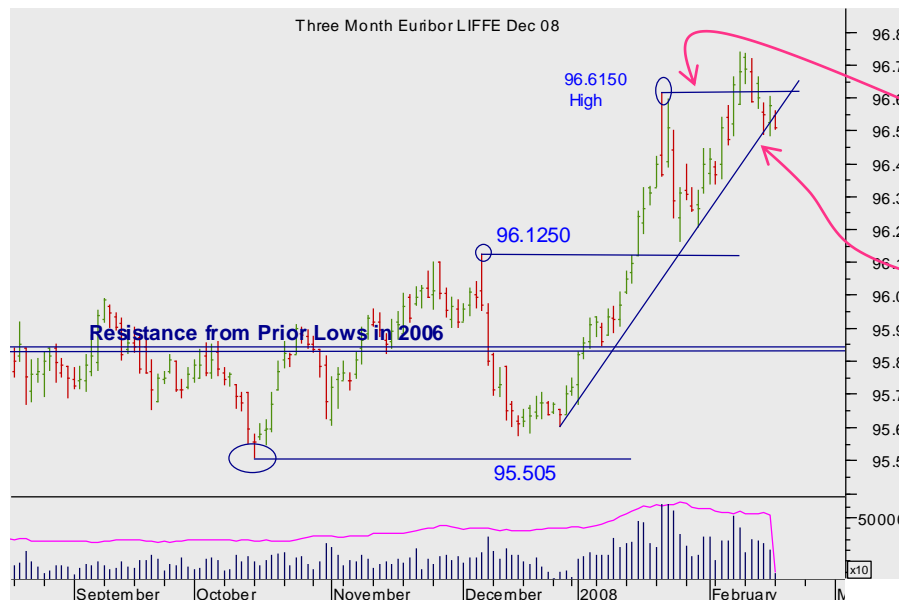
- + Oil
- + Gold

Interest rates: Euribor rates



Euribor rates daily futures chart

Note the fierce rally after the completion of the Head and Shoulders pattern. And now the market has driven through the resistances from the old highs.



Euribor rates daily futures chart

The market smashed up through the Pivotal high at 96.6150 – but that has not proved to be good support.

Watch closely for a break down through the short term diagonal support

If that breaks then expect the market to come back further... **which will be a buying opportunity for the medium to longer term.**



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Commodities

- + Oil
- + Gold

Interest rates: Sterling rates

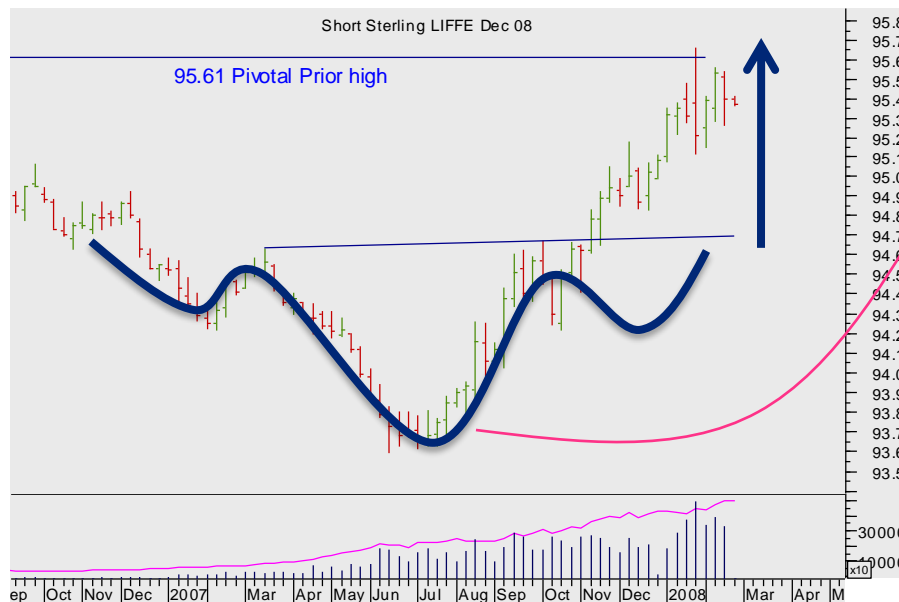


Sterling rates monthly futures chart

The market has retraced back hard over the last six months.

But remains still within a large trading range.

Look closer.



Sterling rates daily futures chart

The major driving force at the moment is the completed Head and Shoulders Bottom that calls the market up beyond the 95.61 Prior High.

Look closer still.

More



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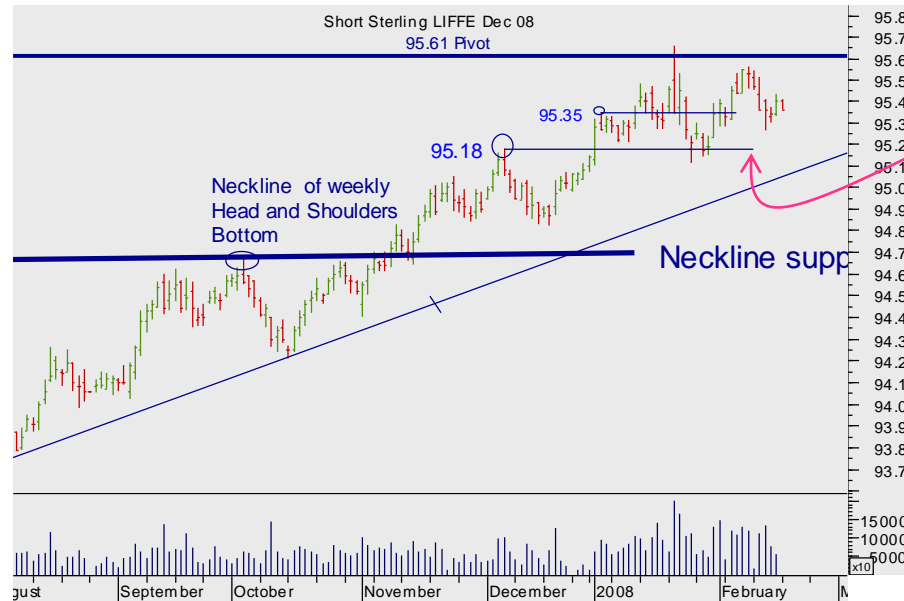
Interest rates

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- + Euribor rates
- + Sterling rates

Commodities

- + Oil
- + Gold

Interest rates: Sterling rates



Sterling rates daily futures chart

There is good support beneath the market at 95.18...

Stand back until the range is broken.



Commodities

Oil has puzzled us with its resilience and solid bullishness. But we remain sceptics. Gold is pausing – but don't forget the bullishness of the medium-term and long-term context.

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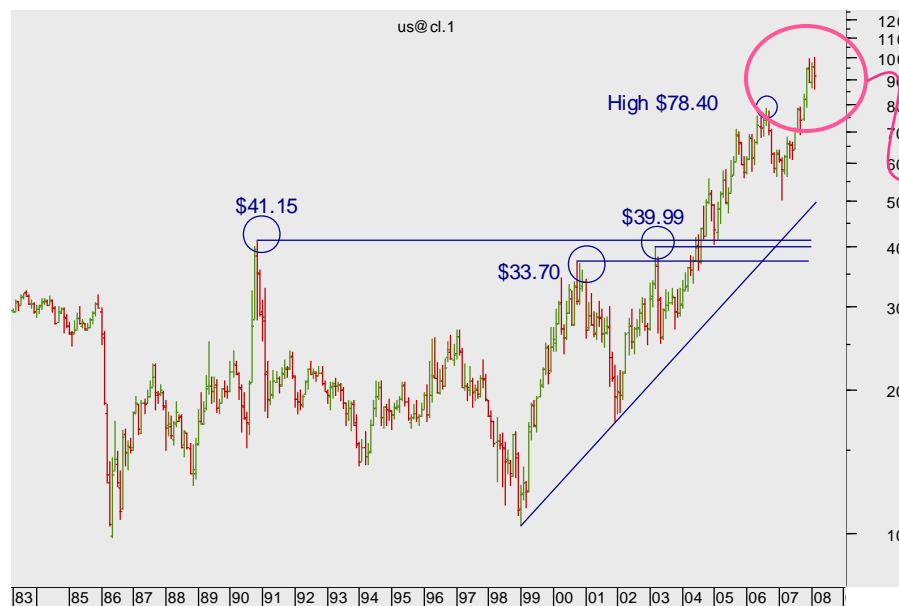
Interest rates

- + Dollar rates
- + Euribor rates
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Commodities

- + Oil
- + Gold

Commodities: Oil



Oil monthly futures continuation chart

The continuation futures market is driving better – surpassing the old High of \$78.40.

More



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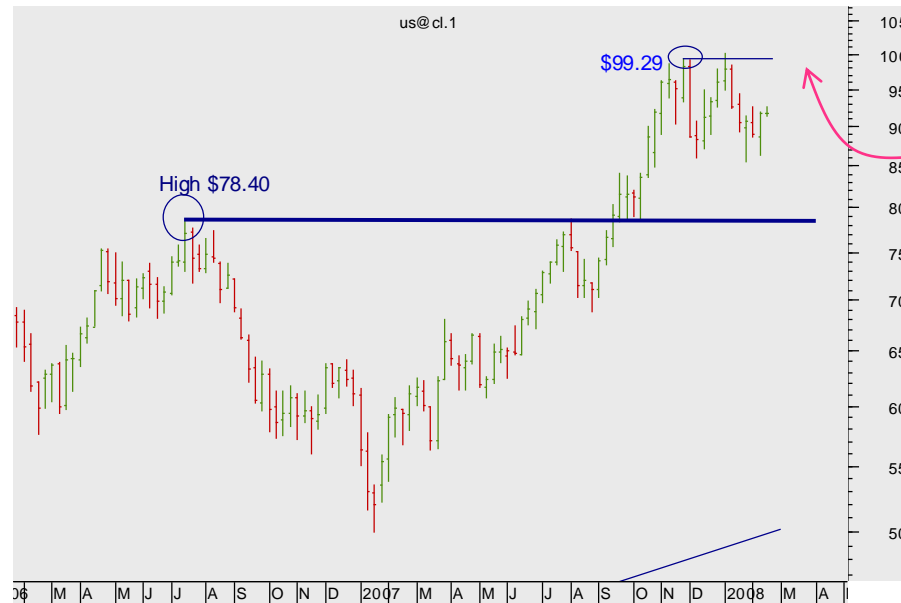
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Commodities

- + Oil
- + Gold

Commodities: Oil



Oil weekly futures continuation chart

But the market has failed at the previous High of \$99.29.

Look closer.



Oil daily futures chart

But equally, the market shows no desire to break back through the lower boundary at \$85.20.

Indeed, there is a small bull Double Bottom that has been completed, supporting the market further still.

But we are sceptics - stand back and watch the range – like last week.

More



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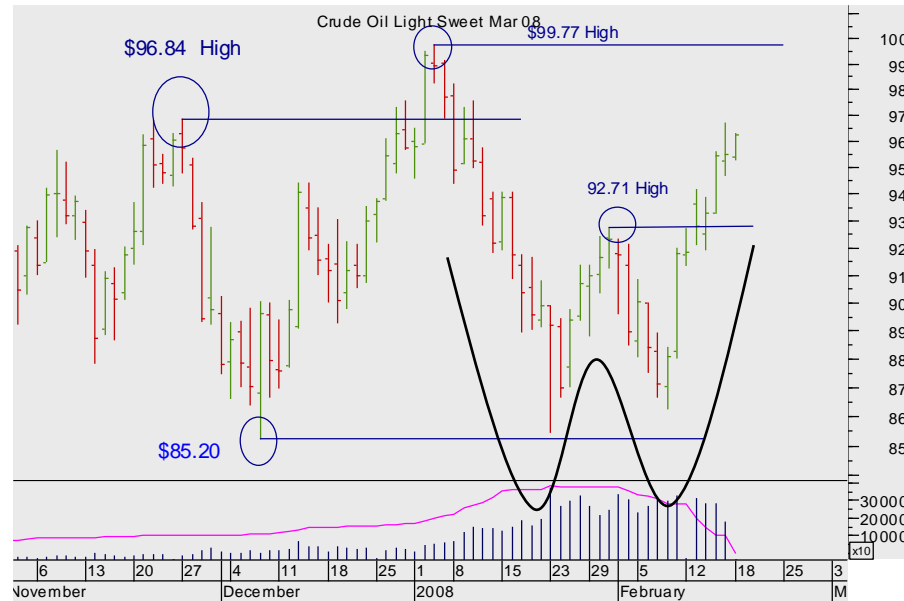
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- + Sterling rates

Commodities

- + Oil
- + Gold

Commodities: Oil



Oil daily futures chart

That small Double Bottom in greater detail.

The bulls may be excited, but we remain sceptical. Stand back for clarity.

Short-term support at the completion level of 92.71.



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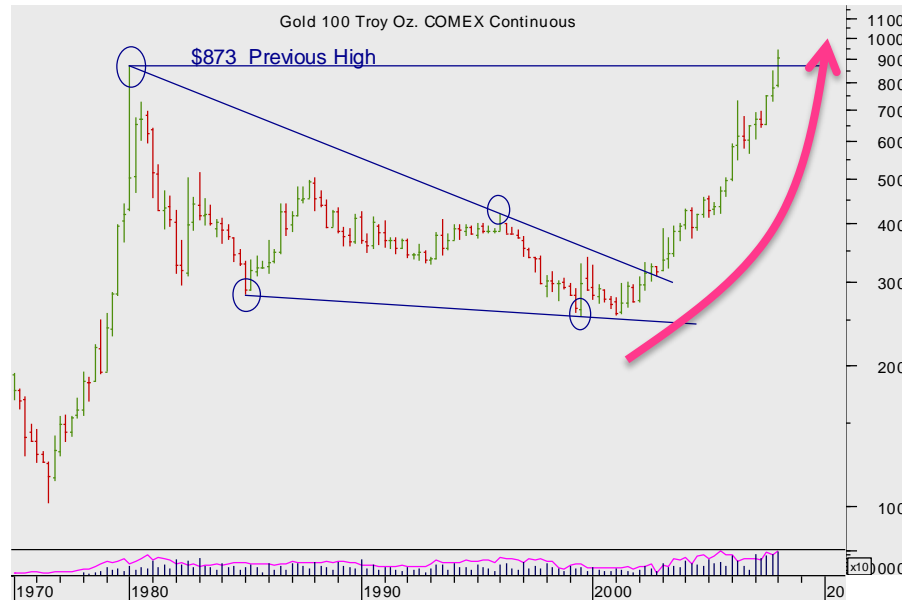
Interest rates

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Commodities

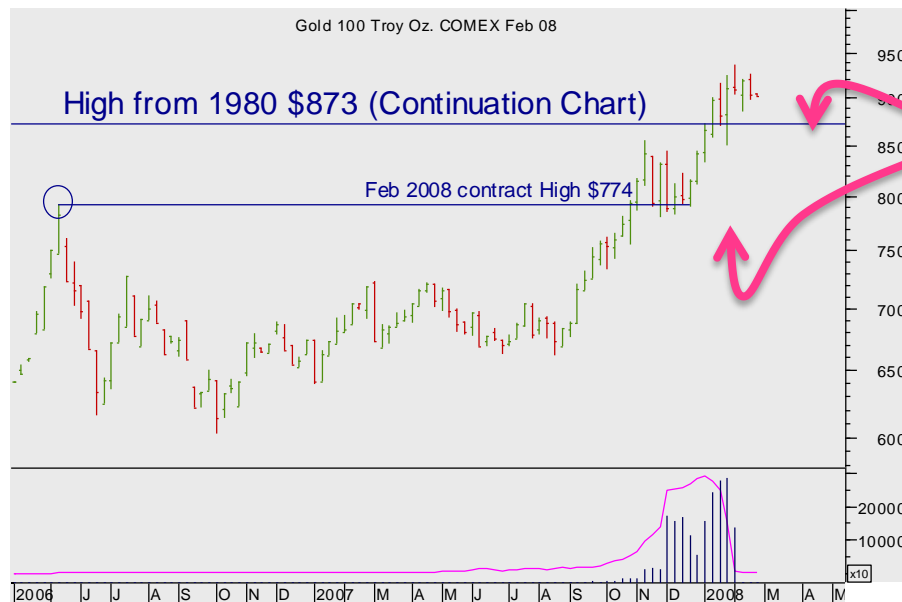
- + Oil
- + Gold

Commodities: Gold



Gold monthly futures continuation chart

The market has completed a massive Continuation Triangle which has driven it up and through the all-time Highs.



Gold weekly futures continuation chart

That \$873 High is first support and beneath that is clear support beneath the market at \$774.

More



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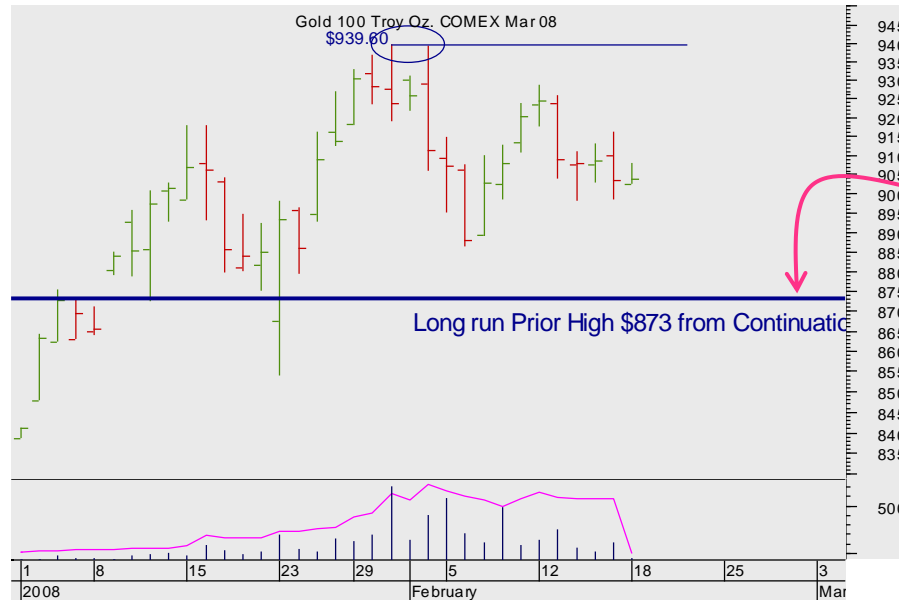
Interest rates

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Commodities

- + Oil
- + Gold

Commodities: Gold



Gold daily futures continuation chart

We said last week that \$873 should act as good support, underpinning the market. And so far, it has.

We remain bullish, but a retest of the support \$873 is possible.



Summary

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Currencies

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Stocks

Bonds

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Interest rates

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Commodities