



Week 23
3rd June 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

Authorised and regulated
by the FSA



summary

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Currencies

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

Stay SQUARE
Stay SQUARE
Stay SQUARE;
Stay **LONG** Euros above 0.7757; ADD on a close above 0.8000

Stocks

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

Stay SQUARE; SELL below 1370.70 (Jun 08)
Stay SQUARE; SELL below 3691 (Jun 08)
Stay **SQUARE**; **SELL below** 60140 (Jun 08)
Stay **SQUARE**;

Bonds

- + Ten year US Treasury Note
- + Ten year Euro Bund
- + Ten year Japanese Bond

SELL on a break of 113-21 (June 08)
Stay **SHORT** beneath 114.69 (Jun 08)
Stay **SHORT** beneath 136.00 (Jun08)

Interest rates

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

SELL on a confirmed break of 96.6350 (June 09)
Stay SQUARE
Stay SQUARE

Commodities

- + Oil
- + Gold

Stay **LONG** while above \$126 (Sep 08)
Stay **LONG** above \$890.80 (Aug 08); BUY on close above \$940.



Currencies

Not a great deal happened over the week – the Dollar strengthened for choice, but the trading ranges that have contained the price action of the Dollar crosses since mid March 08 are still intact. There is not clarity yet about which way the markets are going to break in the short and medium-term – though there is no reason yet to question our long-term bearish Dollar stance.

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Currencies: Dollar Euro



Dollar Euro monthly spot cash chart

The breakthrough the Prior Highs.

Only a pull back through these powerful supports could encourage the bears medium-term.

(That is a long way for the Dollar to strengthen/Euro weaken before there is support of substance...if the market wants to turn)

More



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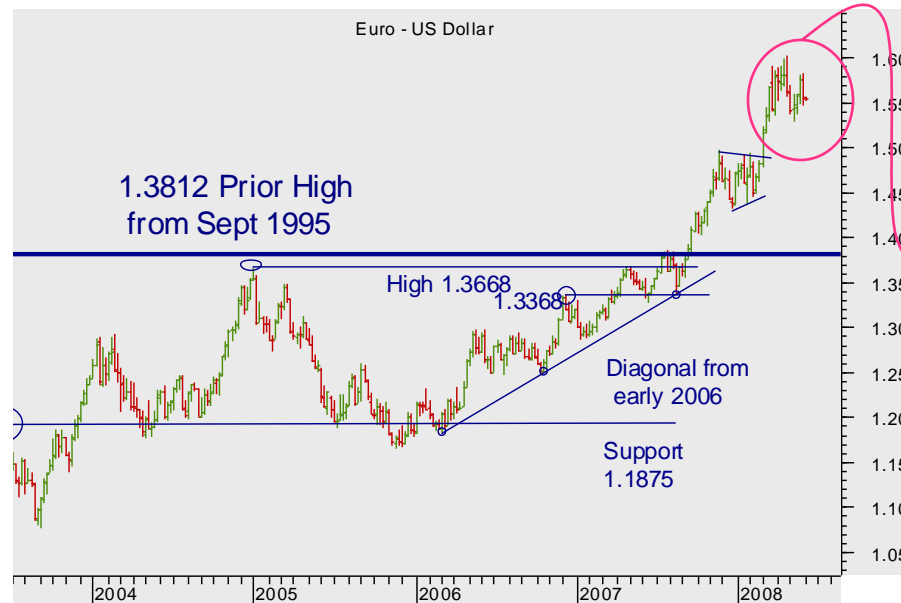
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Commodities

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- + Gold

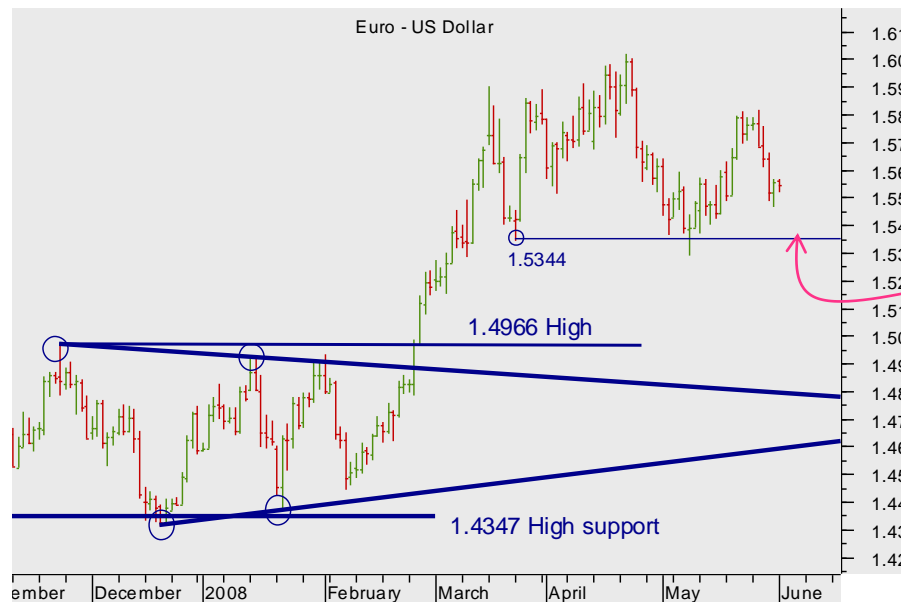
Currencies: Dollar Euro



Dollar Euro weekly spot cash chart

The market accelerated ahead to current levels and then hesitated.

Look closer.



Dollar Euro daily spot chart

This repeated failure at the 1.59 level looks Toppy, but there's no clear pattern in place.

Bears need a break of 1.5344...that would now complete a Head and shoulders Top....

But we away from that at the moment.



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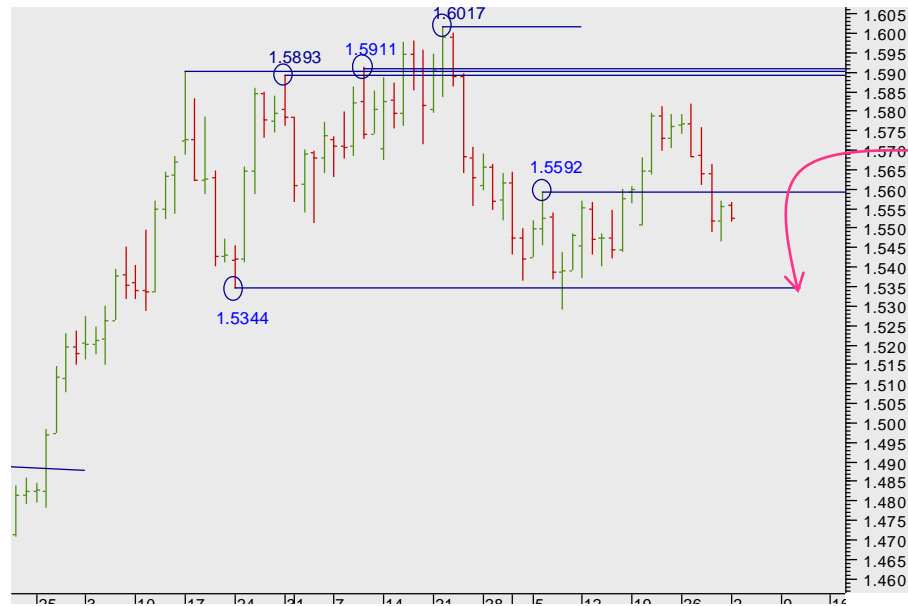
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- + Oil
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Currencies: Dollar Euro



Dollar Euro daily spot cash chart

The market is drifting for the moment: it's not compelling.

We remain on the sidelines – like last week.



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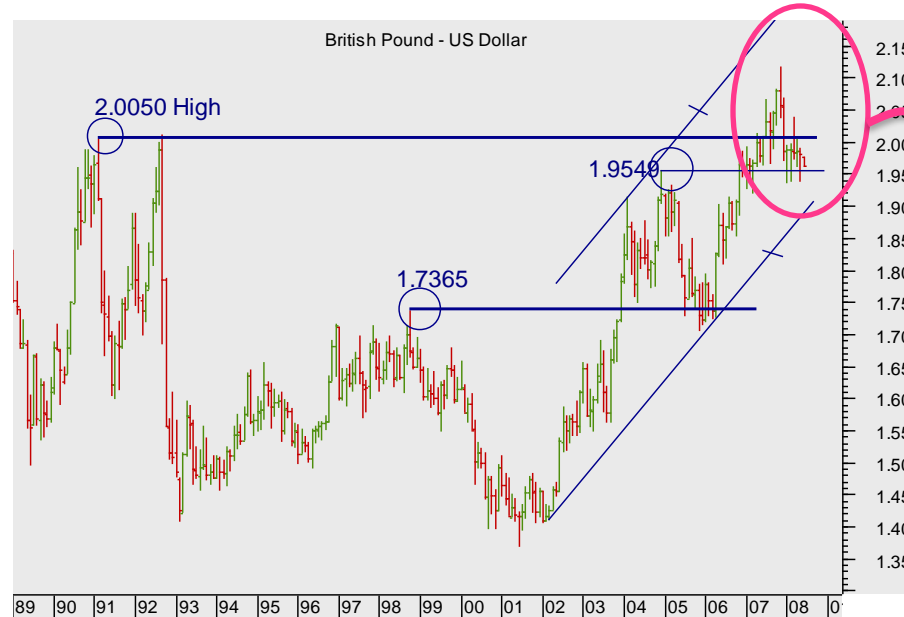
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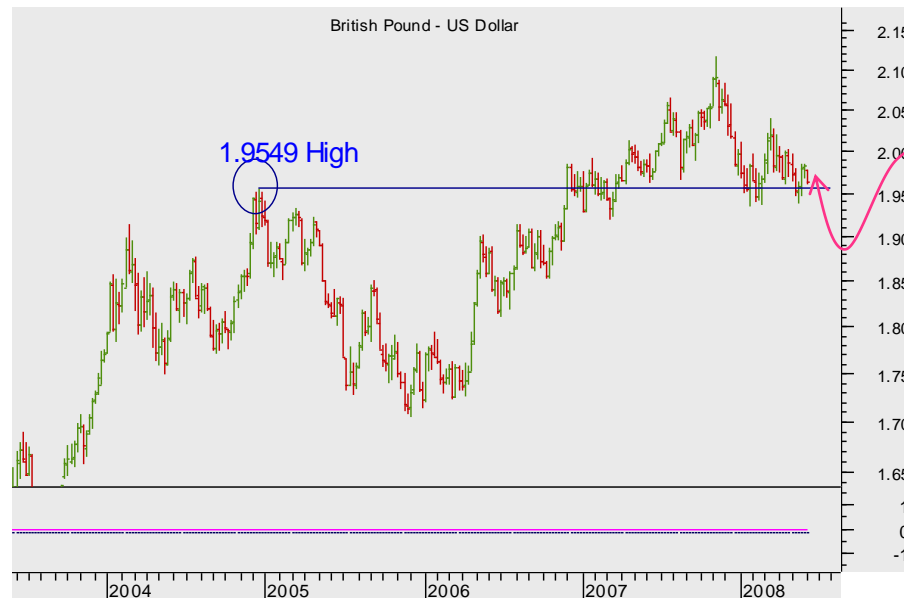
- + Oil
- + Gold

Currencies: Dollar Sterling



Dollar Sterling monthly spot cash chart

The fall back to the two prior High support levels was a setback for the bulls. But the market did hold there.



Dollar Sterling weekly spot cash chart

It has steadied at the support from the 1.9549 level - twice.

More



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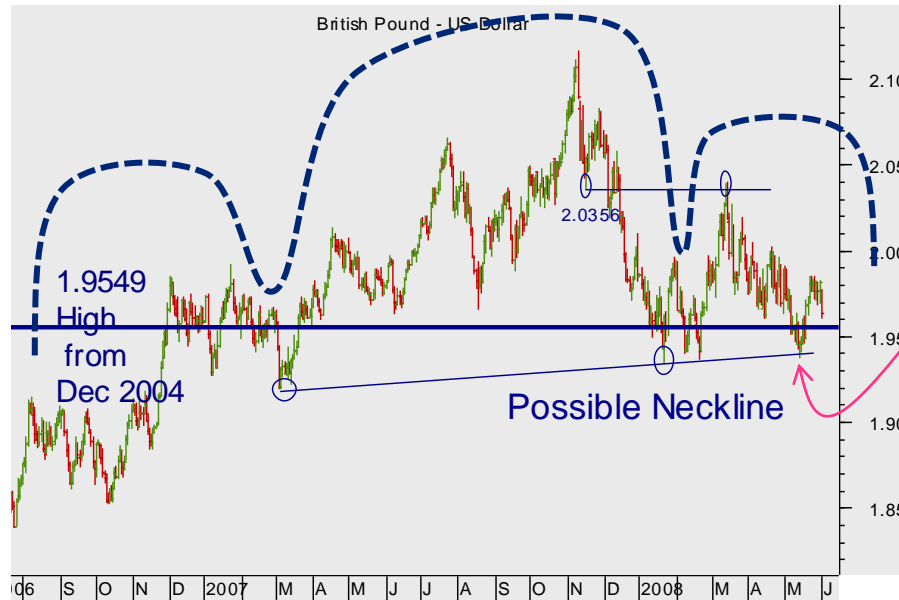
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Currencies: Dollar Sterling

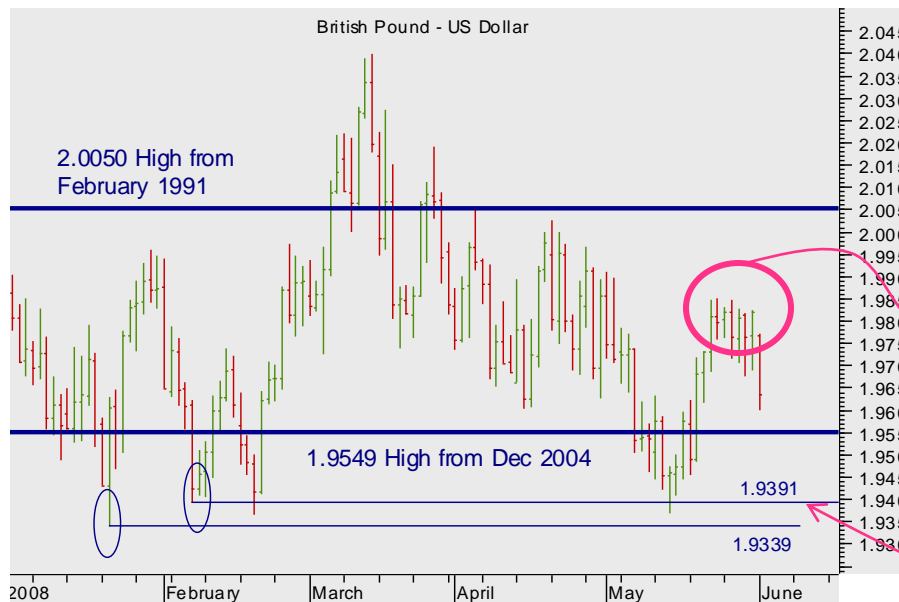


Dollar Sterling daily spot cash chart

Note the possible Head and Shoulders Top in the making.

There was a bounce off the possible Neckline.

Look closer.



Dollar Sterling daily spot cash chart

The market clearly lacks bull enthusiasm above the support of the Neckline...

The bulls need a drive up through the high at 1.99 before they can get going...

Whereas bears need to watch for a break of the Neckline at 1.9400 – or a break of the band 1.9391-39. **Stand back.**



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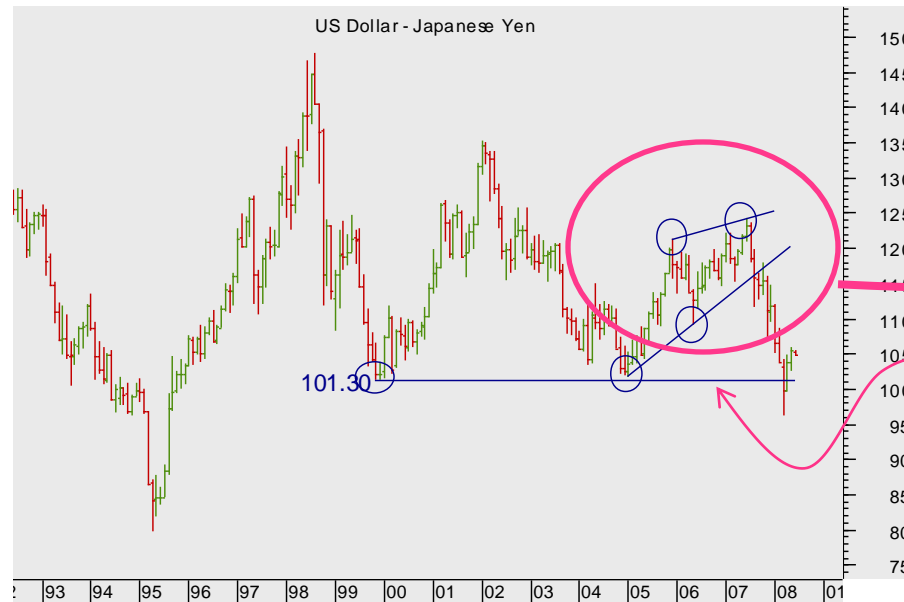
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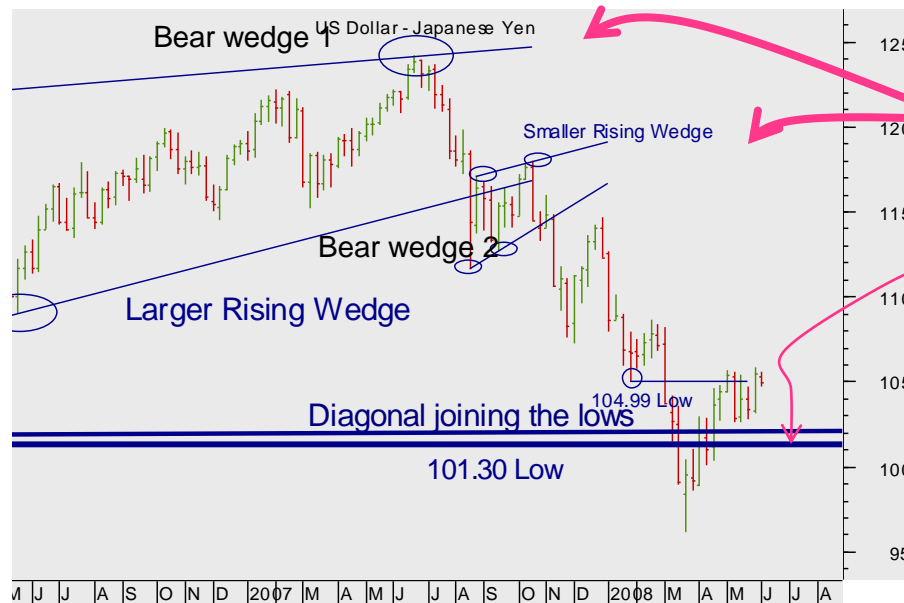
Currencies: Dollar Yen



Dollar Yen monthly spot cash chart

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

The market has plummeted to the crucial diagonal from the Prior Lows....which has held.



Dollar Yen weekly spot cash chart

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

Note that the market has smashed through crucial pivot at 102....and then recovered.

Look closer still.

More



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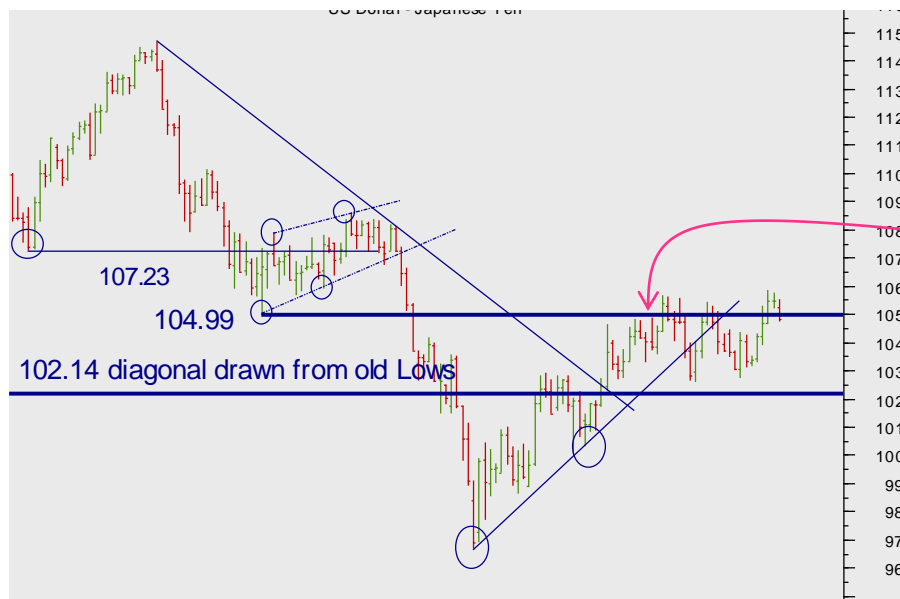
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Currencies: Dollar Yen

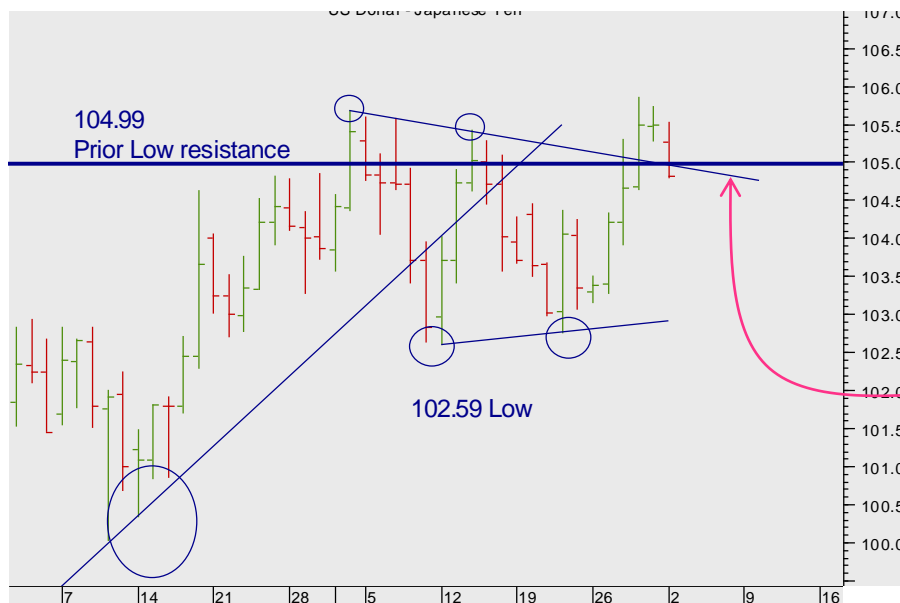


Dollar Yen daily spot cash chart

The market's rally back the 102.14 has been impressive .

But there has been good resistance at 104.99....

Look closer still.



Dollar Yen daily spot cash chart

The market is testing the 104.99 resistance, and in so doing may have formed a bull Continuation Triangle...

Watch carefully the price action - we need a confirmation of the completion of the small triangle as well as a breakup through the 104.99 is needed. Until then: stand back!



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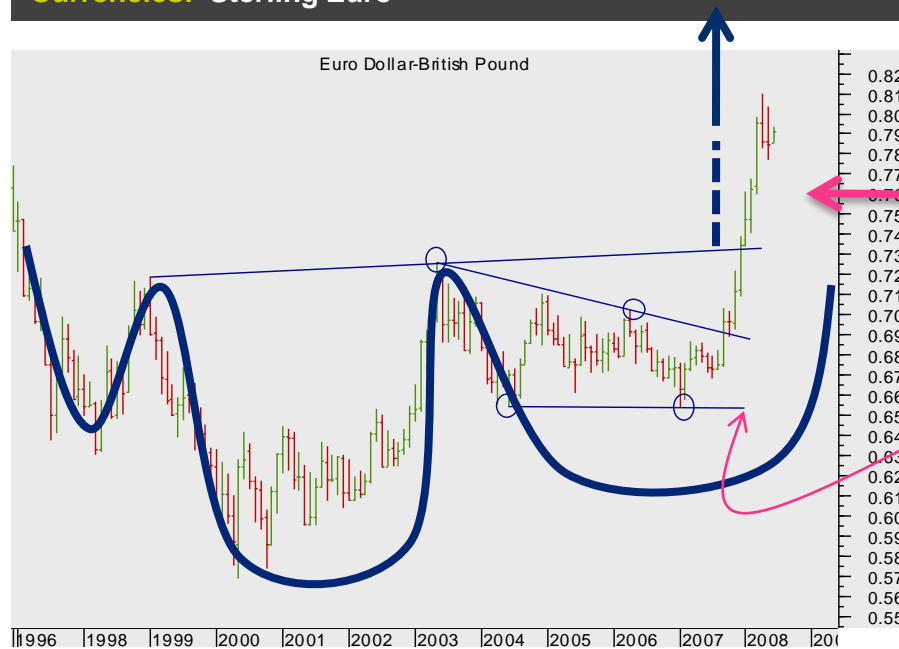
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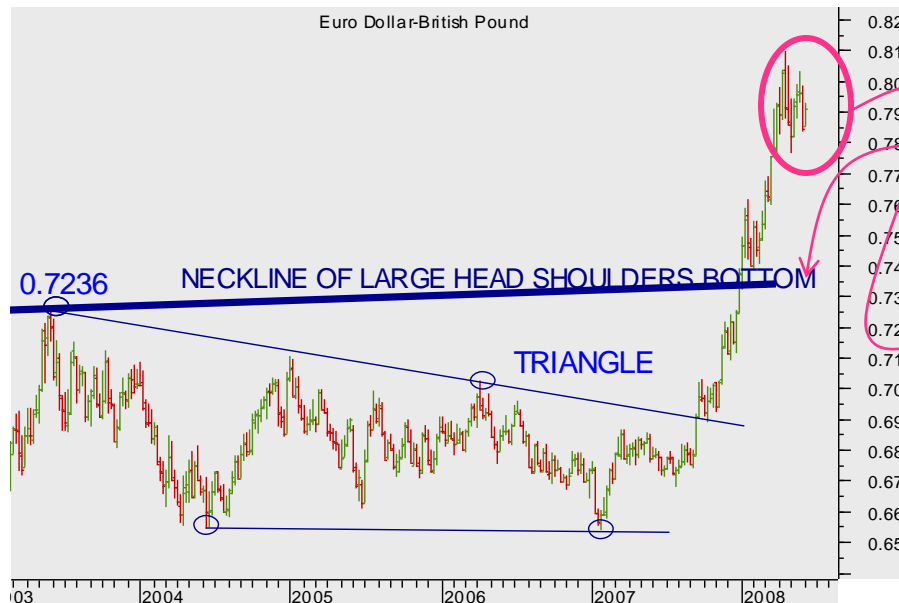
Currencies: Sterling Euro



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 weekly spot cash chart

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

But look at the acceleration...

Now study the consolidation at current levels.

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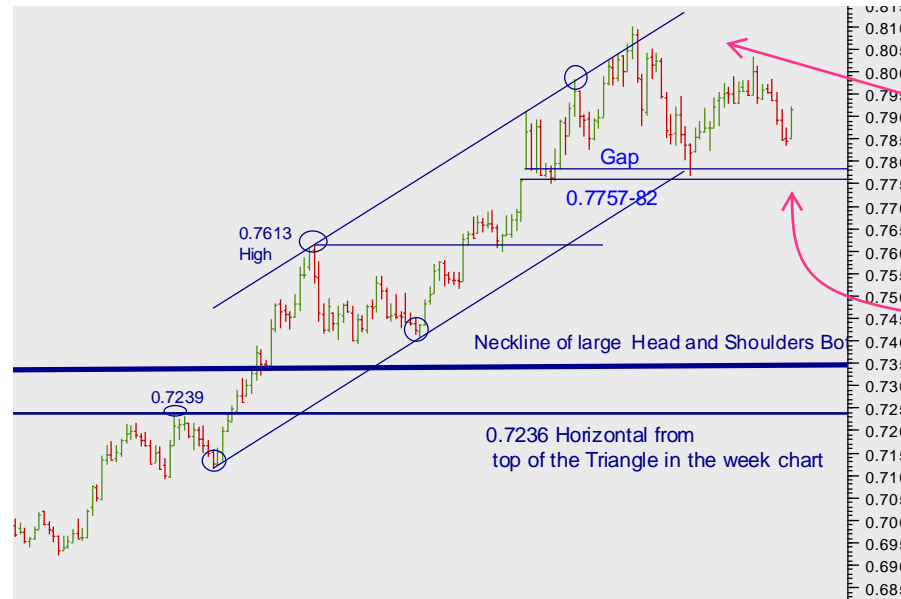
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Currencies: Sterling Euro



Sterling Euro daily spot cash chart

The market has driven on steadily from the completion of the H&S Bottom – in a bull channel structure until very recently.

The Gap has been good support. Look closer.



Sterling Euro daily spot cash chart

The pause since mid march has created a small continuation triangle – potentially.

The bulls need a break of the upper boundary currently at 0.8 or thereabouts

Only a break of the Gap at 0.7782 would encourage the bears.

We remain bullish of the Euro against Sterling.



Stocks

Last week we were thrilled by the spectacular failure of the S&P to penetrate vital resistance with a weekly Key Reversal as well - but since then bears like us will have been frustrated by the lack of selling follow-through. Nonetheless we remain bearish... most of all of the S&P, but the others too. Only they are less well-structured. With the notable exception of the Nikkei which stands out as the most bullish of all the markets.

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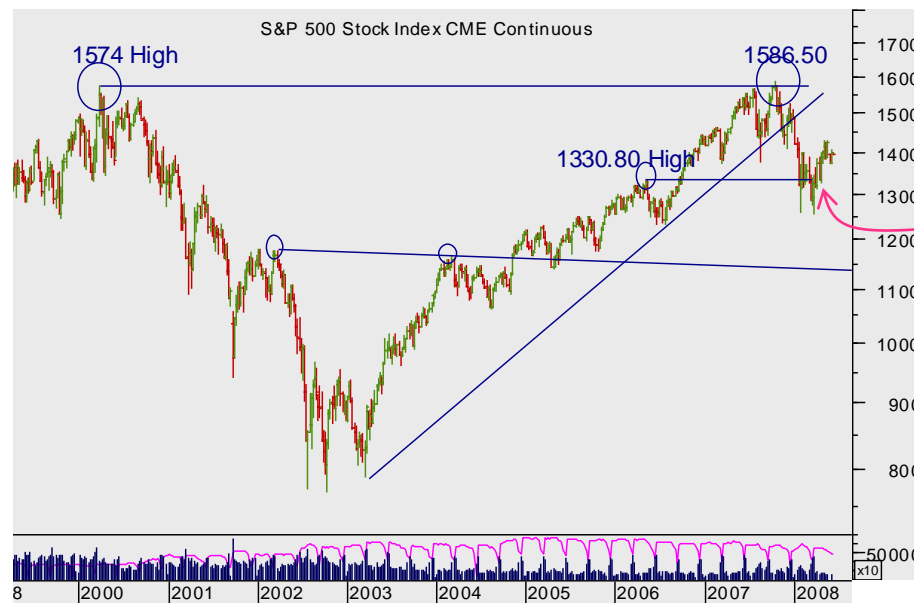
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Stocks: Standard & Poors 500



Standard & Poors 500 monthly cont. chart

The market tested that important High from the past and failed..

The failure fell to the support from the prior High.....at 1330.80.

More



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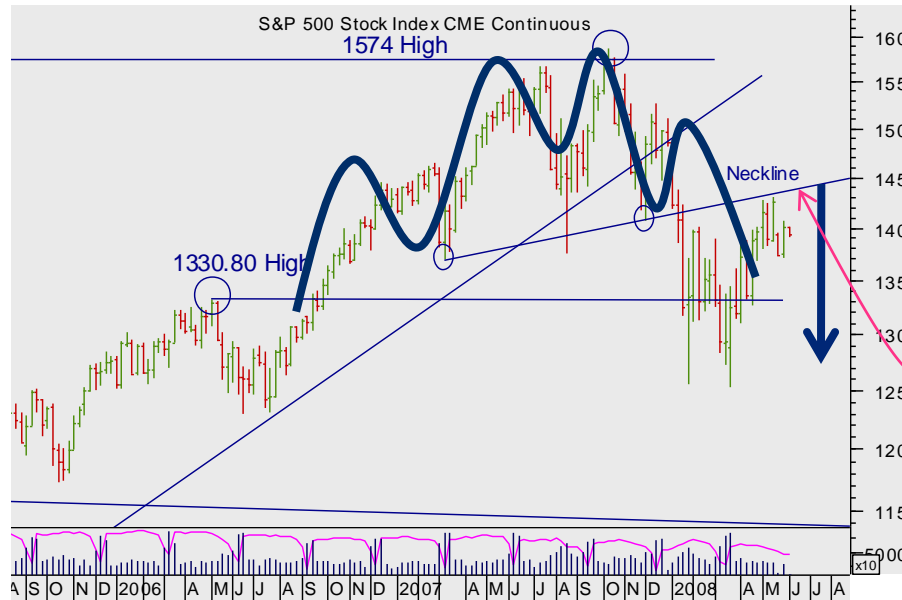
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Commodities

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Stocks: Standard & Poors 500



Weekly Chart: June 08

The second failure at the 1574 level turned into a Top formation.

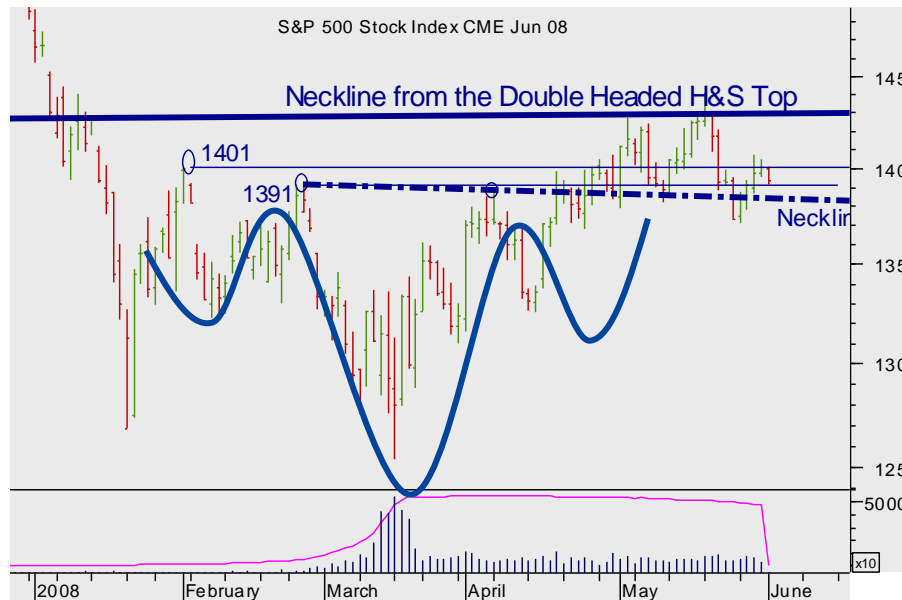
Which completed and had a minimum target of about 1250.

Which the market reached.

And then rallied.

All the way back to the Neckline resistance.

Look closer.



Standard & Poors 500 daily JUNE 08 chart

This emphasises the small bull H&S reversal that has been driving the bull run to the Neckline.

Note the Double Failure at the 1430 resistance.

And the Triple bounce from the small weaker more short-term Neckline support at 1380 or so.

Look closer.

More



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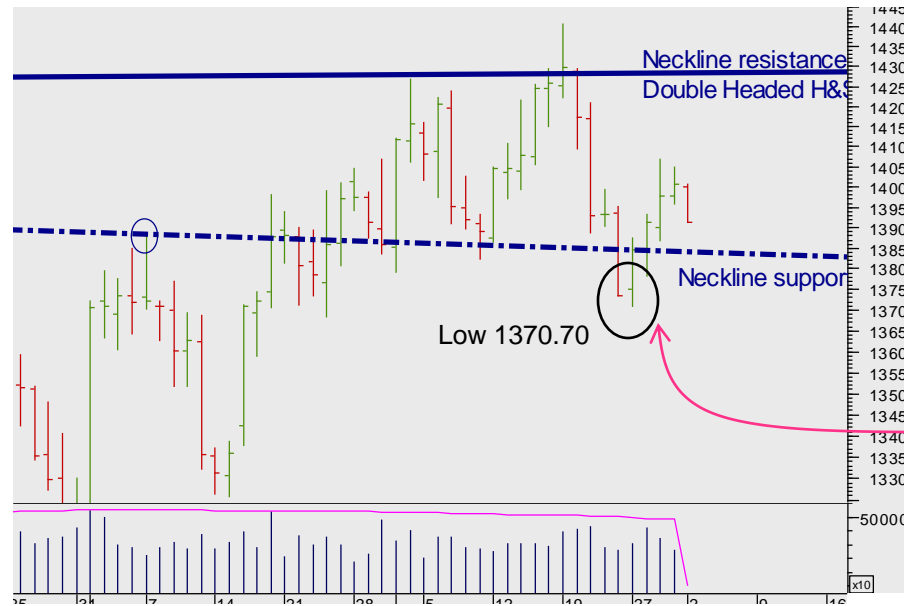
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Commodities

- + Oil
- + Gold

Stocks: Standard & Poors 500



Standard & Poors 500 daily JUNE 08 chart

Last week we thought the bears had broken the support at the Neckline at 3877.

But the market has teased by bouncing.

Yet we remain bearish.

Wait for a confirmed breakdown – at least a close beneath 1370.70.



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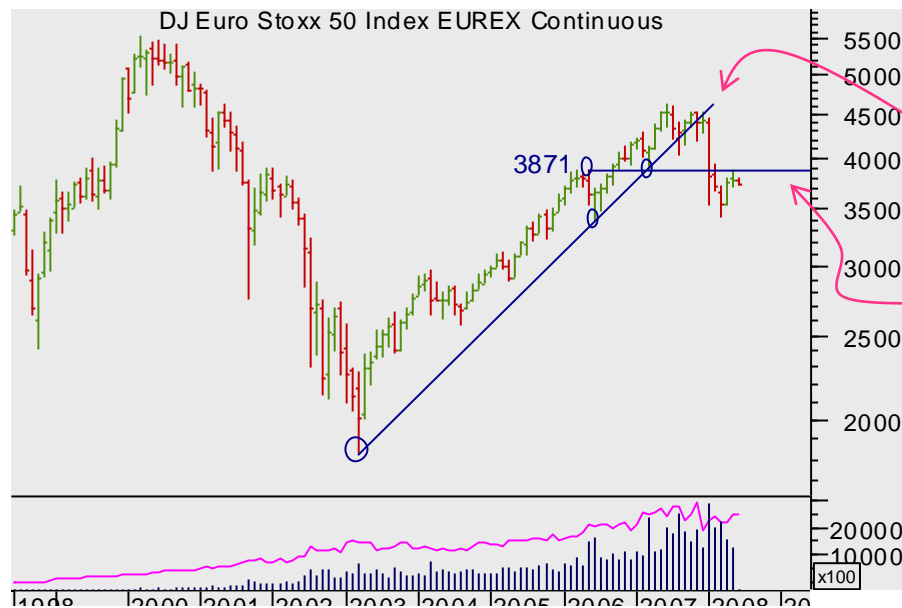
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Stocks: DJ Euro Stoxx 50

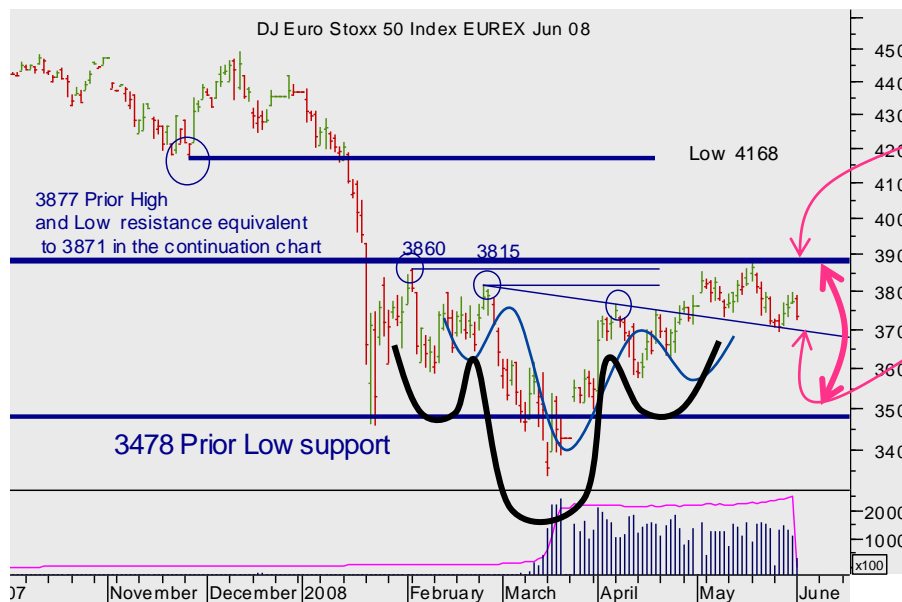


European DJ Stoxx 50 monthly continuation futures chart

The long rally of the market has fallen well short of the market's Highs in 1999.

And now has pulled back through support at 3871 from 2006.

Look closer.



European DJ Stoxx 50 weekly futures chart

The level 3871 in the continuation chart is 3877 in June: that is now acting as good resistance,

just as 3478 is good support - whence we have bounced twice.

Look closer.

More



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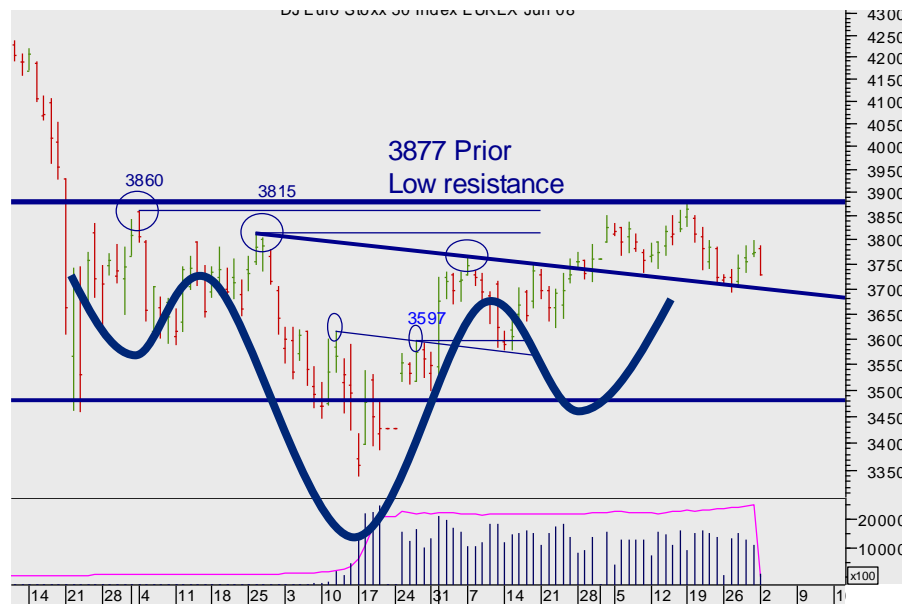
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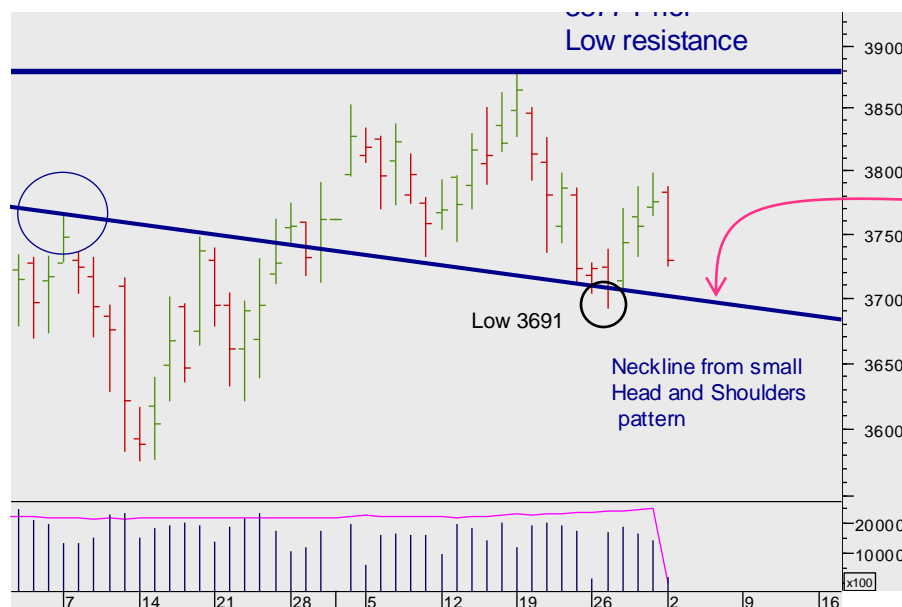
- + Oil
- + Gold

Stocks: DJ Euro Stoxx 50



European DJ Stoxx 50 daily futures chart

For the bulls to gain fresh confidence, the market needs to break the 3877 level - with two confirmed closes above that level before getting long.



European DJ Stoxx 50 daily futures chart

But equally, bears want a break of the Neckline support currently at 3690 or so and falling.

Stand aside for a break of the range.

But we favour the bear tack still....



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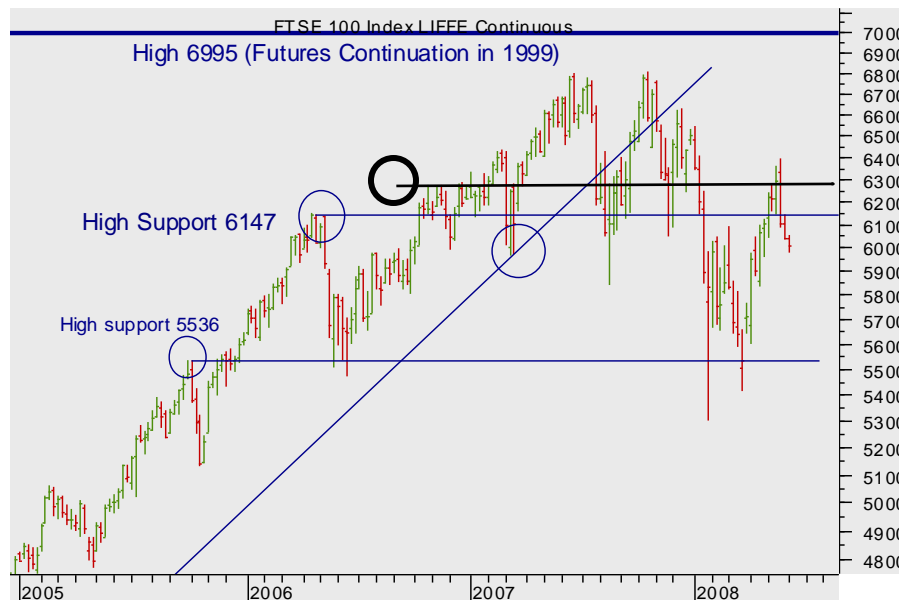
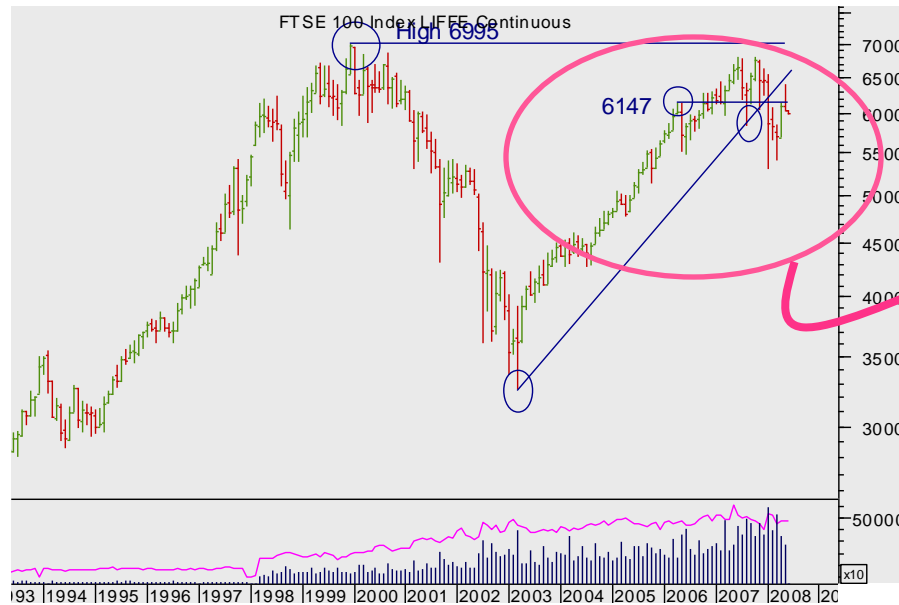
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Stocks: FTSE 100



More



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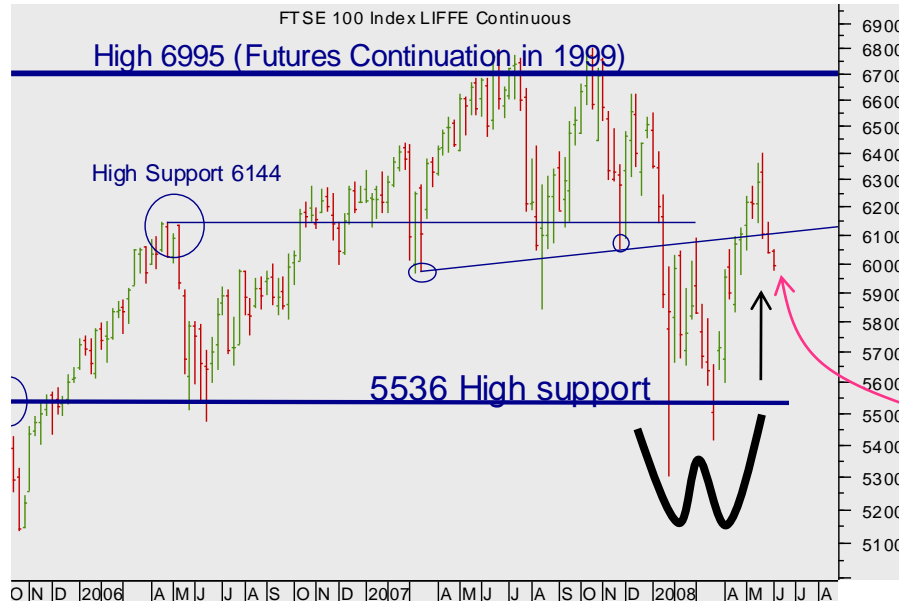
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Stocks: FTSE 100



FTSE 100 weekly cont Futures chart

This is more impressive still – the bull patterns underlying the move up - a clear bull Double Bottom driving up through the resistance at the Neckline around 6100.

But the market hasn't been able to sustain itself at those levels...



FTSE 100 daily Jun 08 futures chart

The Double Bottom completed on the move through 6099.50 and indeed, looked well-set.

So the pull-back through the 6099 has been very disappointing for the bulls.

The diagonal from the high in October 2007 has not yet broken.

Look closer.



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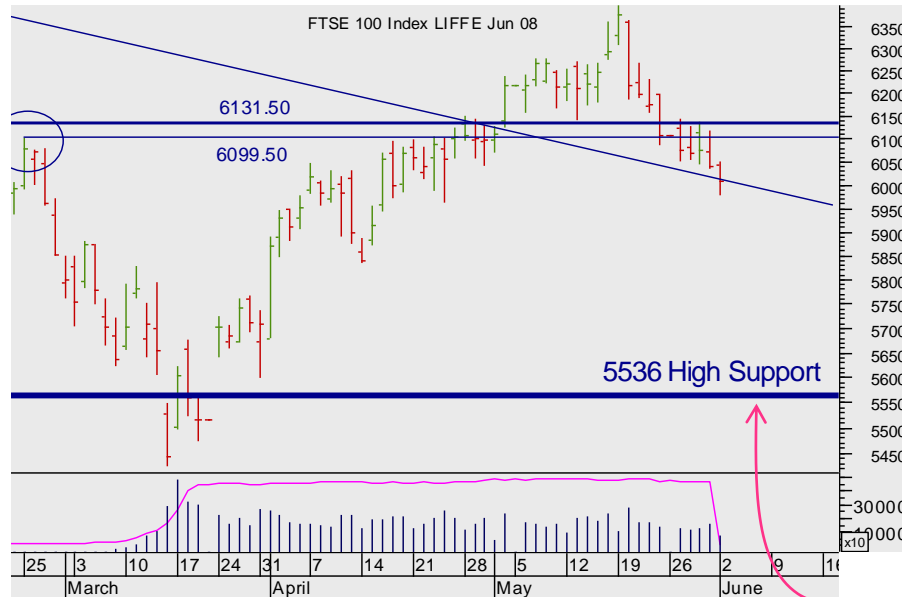
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Stocks: FTSE 100



FTSE 100 weekly cont. Futures chart

The drift back has been very disappointing for the bulls. **And encouraging for the bulls.**

Use a clear break of the diagonal support (6014 today and falling) suggests a return to the recent lows.



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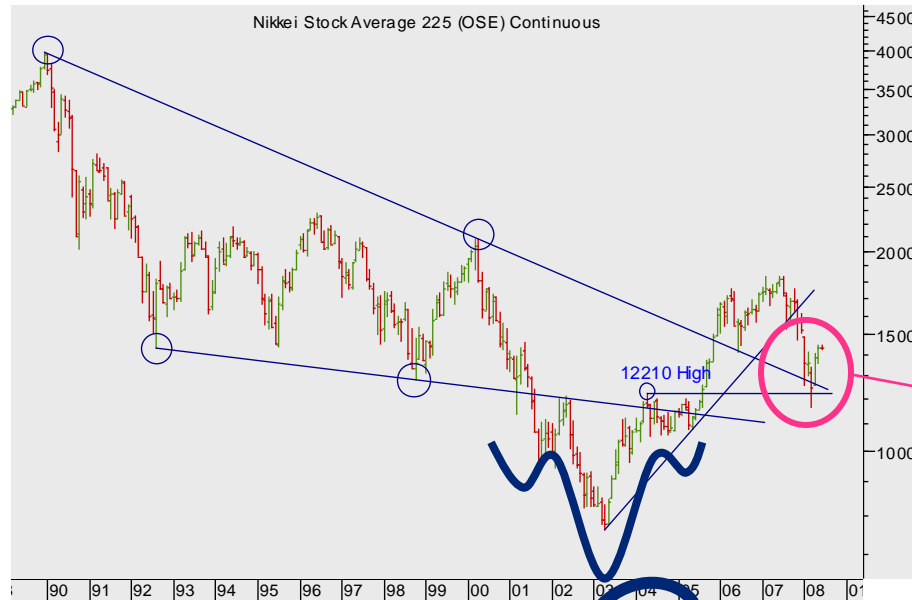
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Stocks: Nikkei 225



Nikkei 225 monthly Continuation futures chart

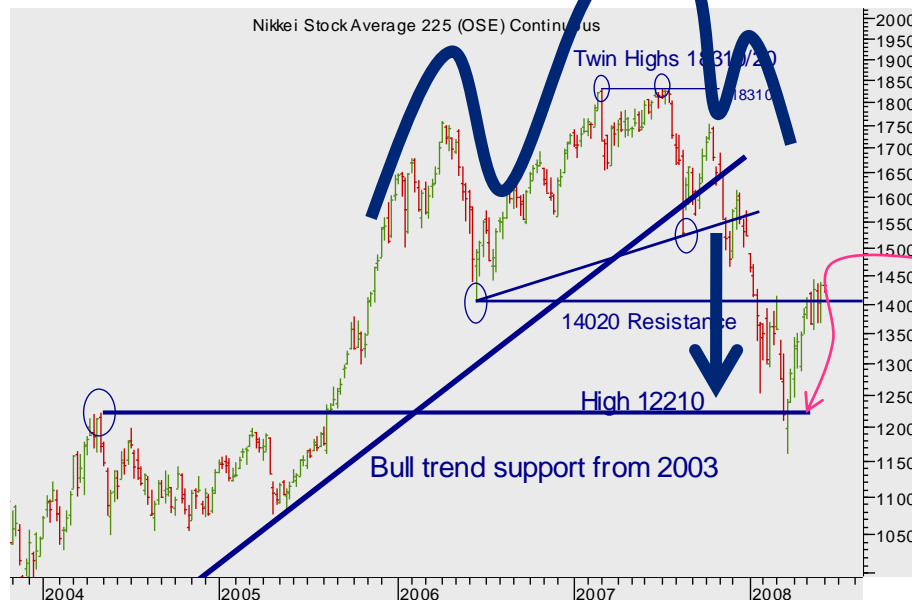
The market has driven up solidly from early 2003. From a completed Head and Shoulders Bottom in 2003.

(Whose target was achieved.)

Now look at the turn.

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

Look closer.



Nikkei 225 weekly Continuation futures chart

The bounce off the major support at 112.10 is clear and powerful.

And the dynamism has driven the market up through the resistance at 14020.

What now?

More



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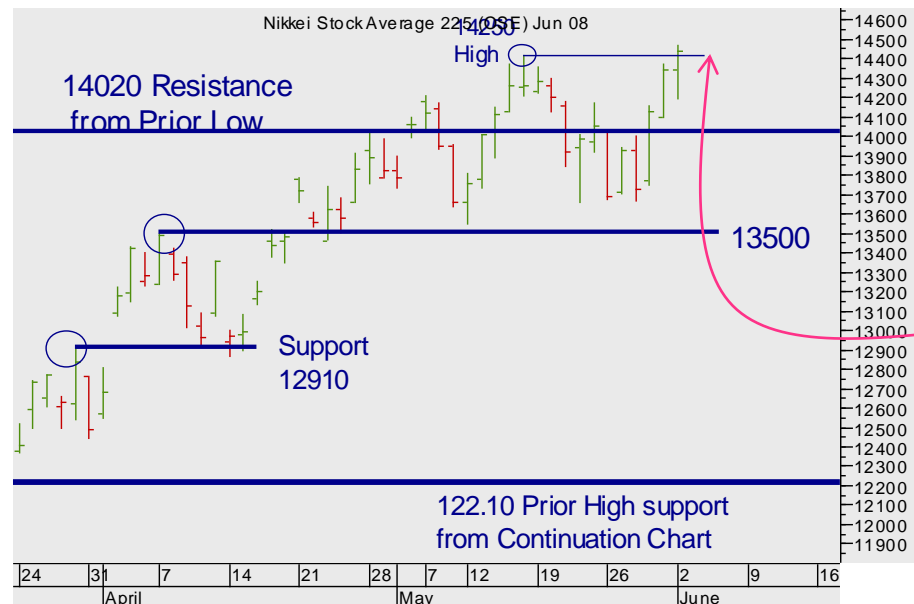
Stocks: Nikkei 225



Nikkei 225 daily cont. Futures chart

The major resistance lay at 14020.

And though the market failed there initially, now it is nearly through.



Nikkei 225 daily futures Jun08 chart

Now we have those Prior Highs as increasingly good support beneath the market – and they are the measure of the market's strength.

Very short-term watch the 14250 level for the next bull trigger.



Bonds

We have been bears of bonds for the last few weeks and that has gone modestly well. Is there more to come in the short term? Possibly. The bunds and Gilts are the clearest, but watch the US TNotes closely – a breakdown through their good clear support might trigger more selling across the board.

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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.

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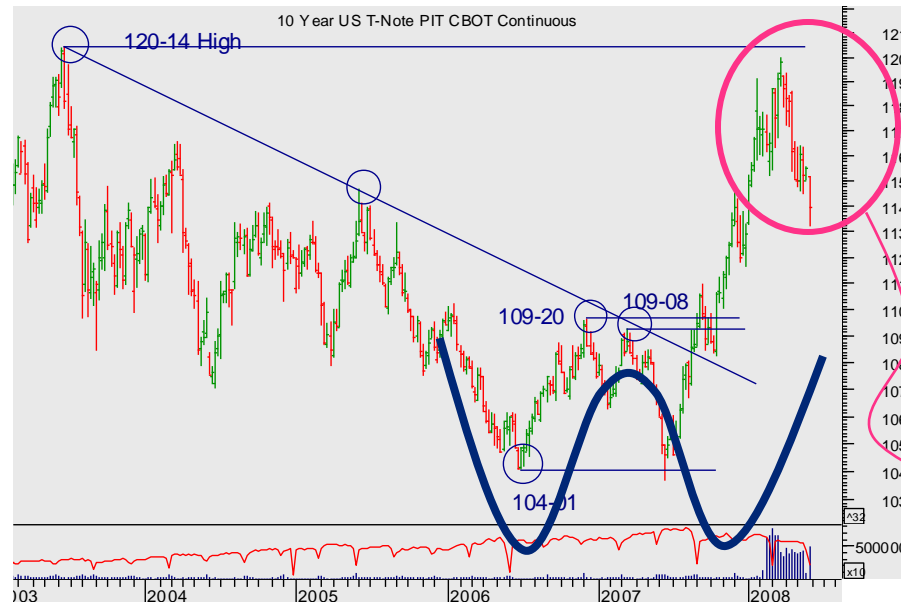
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Bonds: Ten year US Treasury Note



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 managed to breach the downtrend from 2003 and drove as far 115-00 or so. Which we achieved and went further.**

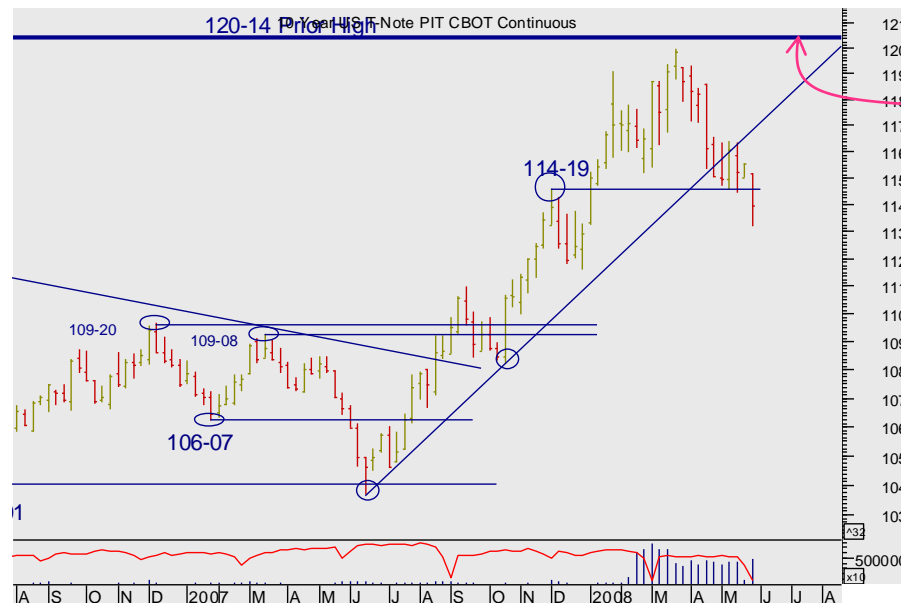
Where now? Study the recent pull-back.

Ten year US treasury note weekly continuation futures chart

The market has fallen from the Prior High at 120-14.

But note the fierce pull-back to the diagonal trend **line...and through it**, and the Prior High support from the Continuation chart that the market has been smashed.

Look more closely still.



More



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

Bonds: Ten year US Treasury Note



Ten year US treasury note daily futures chart

There is now good resistance above the market from the low at 117-05.

Last week we were staying out – but now our bias (rather than a conviction) is to the bear side...the market has nipped down to the old pivot at 113-25....

Look closer.



Ten year US treasury note daily futures chart

The push down through 114-10 has created good resistance there short-term, **and its resilience (or otherwise) should reveal the bearishness of the market.**

But bears need a confirmed close beneath 113-21/25 before selling.



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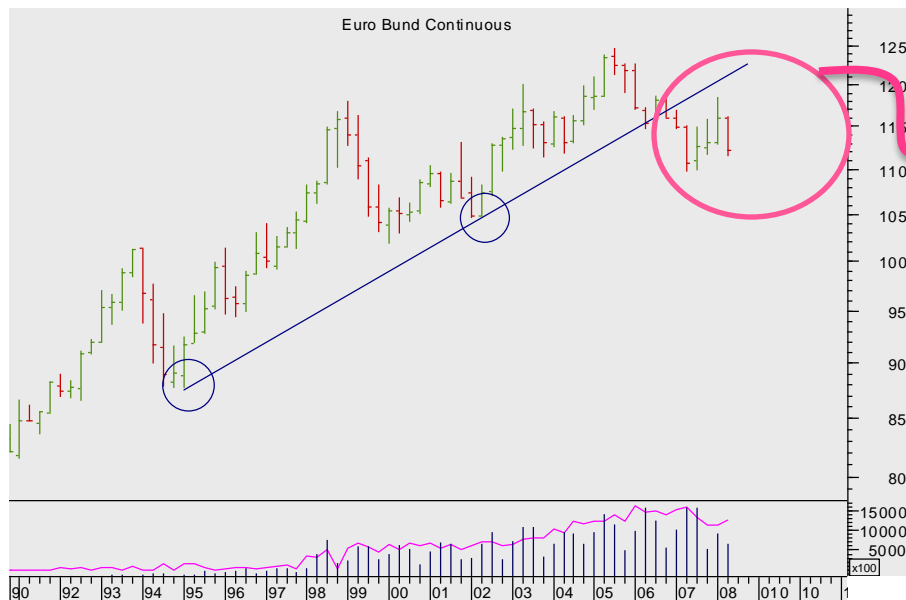
Interest rates

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- + Sterling rates

Commodities

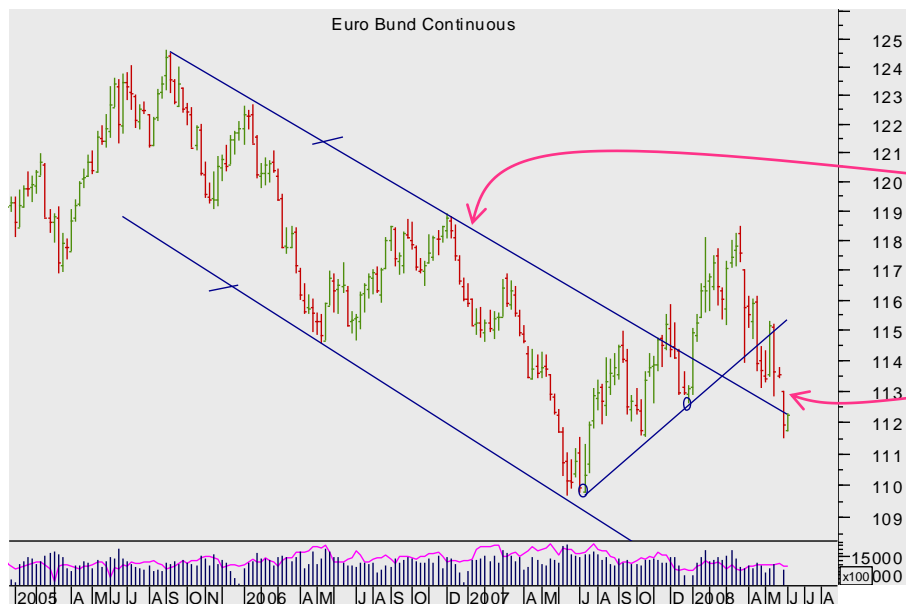
- + Oil
- + Gold

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.

And the trendline support of the subsequent bull rally was powerfully established but is now broken.....

More



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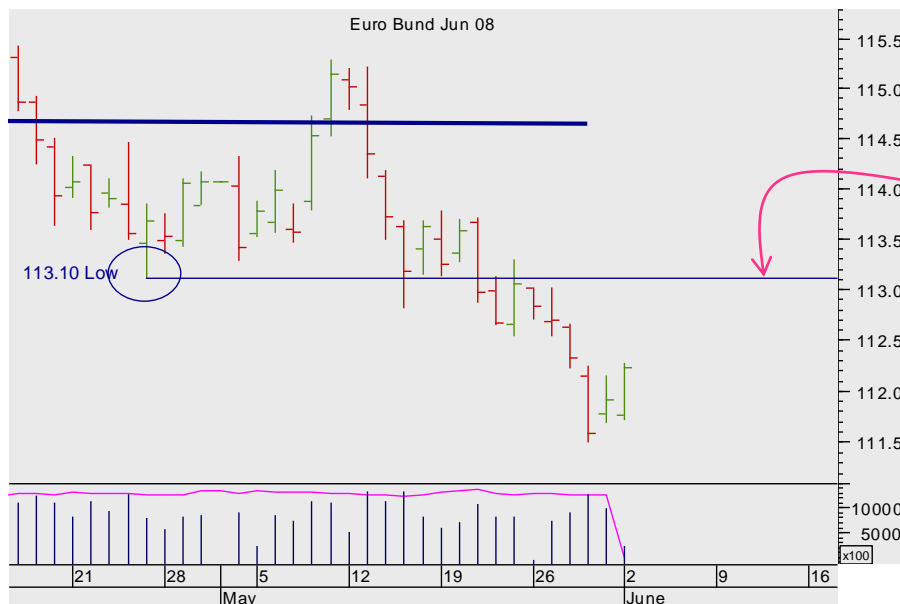
Bonds: Ten year Euro Bund



Ten year Euro Bund weekly cont futures chart

The completion of the Head and Shoulders Top led to a brisk sell-off (despite the spirited attempt to break back through the Neckline resistance) .

There is a little way to go to achieve the minimum target...



Ten year Euro Bund daily futures chart

We're bears – with Stops above 113.10 now....

And we think there's further to go on the downside....



Bonds: Ten year Japanese Bond

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Commodities

- + Oil
- + Gold



Ten year Japanese Bond monthly futures continuation chart

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

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

But the fall back within it has nullified the bull impetus.

Look closer.



Ten year Japanese Bond weekly futures continuation chart

The market has failed to generate enough momentum to penetrate 141.32.

It has fallen back ... and has now broken the support at 135.66....

Now look closer.

More



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Commodities

- + Oil
- + Gold

Bonds: Ten year Japanese Bond



Ten year Japanese Bond week cont. futures chart

The test of that prior High ... broke it.

We bounced from that level before....but not this time.



Ten year Japanese Bond daily futures chart

Use a break of the lower diagonal (we pointed out last week) of this slanted continuation triangle to add to short-term short positions.



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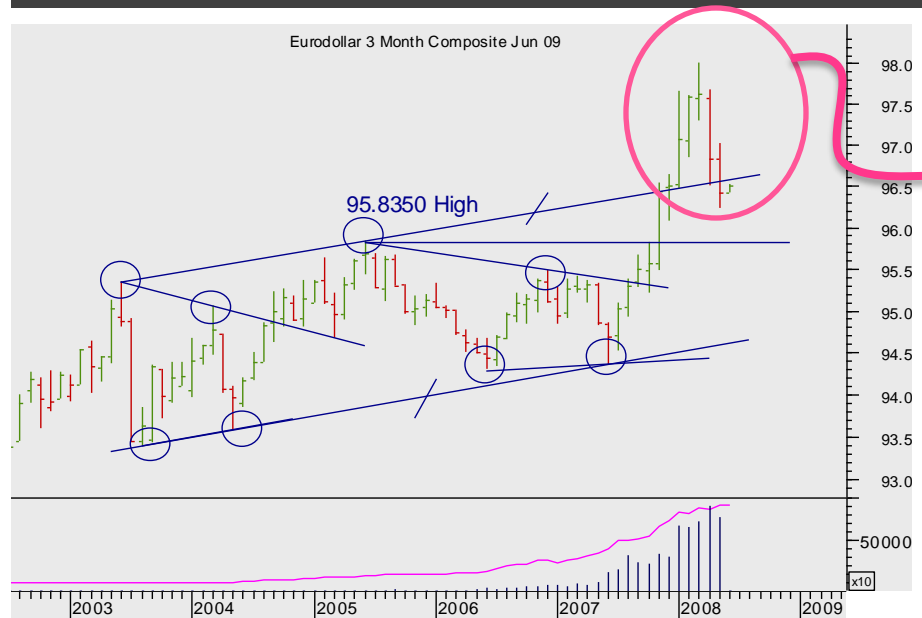
Commodities

- + Oil
- + Gold

Interest rates

These markets have fallen heavily over the last few weeks - further and faster than we thought possible. And now, with the exception of the Eurodollar, we need more evidence before selling again. The Eurodollar however is interestingly poised. After a period of consolidation, major supports have been breached. Even though there are no clear short-term bear patterns, that market nonetheless looks vulnerable to further selling.

Interest rates: Dollar rates



Dollar rates monthly futures chart

The market has driven up hard and now driving down through the Top of the parallel channel support.

More



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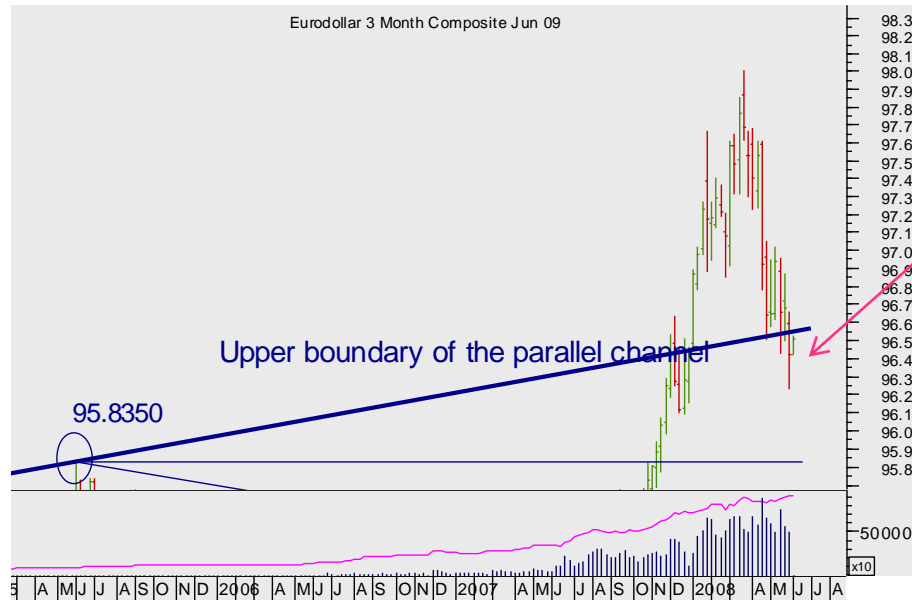
Interest rates

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- + Sterling rates

Commodities

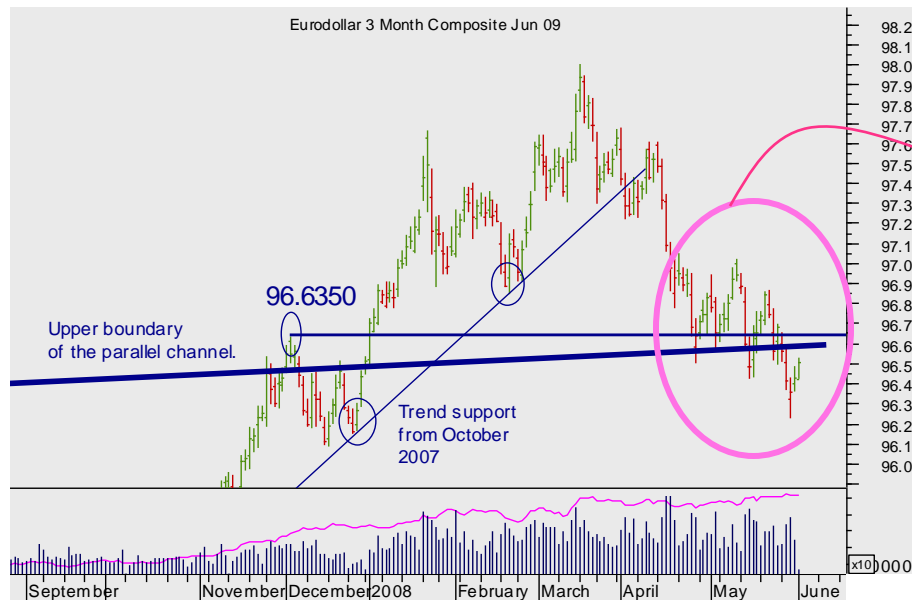
- + Oil
- + Gold

Interest rates: Dollar rates



Dollar rates weekly futures chart

That pull-back: check the detail.



Dollar rates daily futures chart

Note well the horizontal support as well as the diagonal support ... the market has smashed them both.

Look closer still.

More



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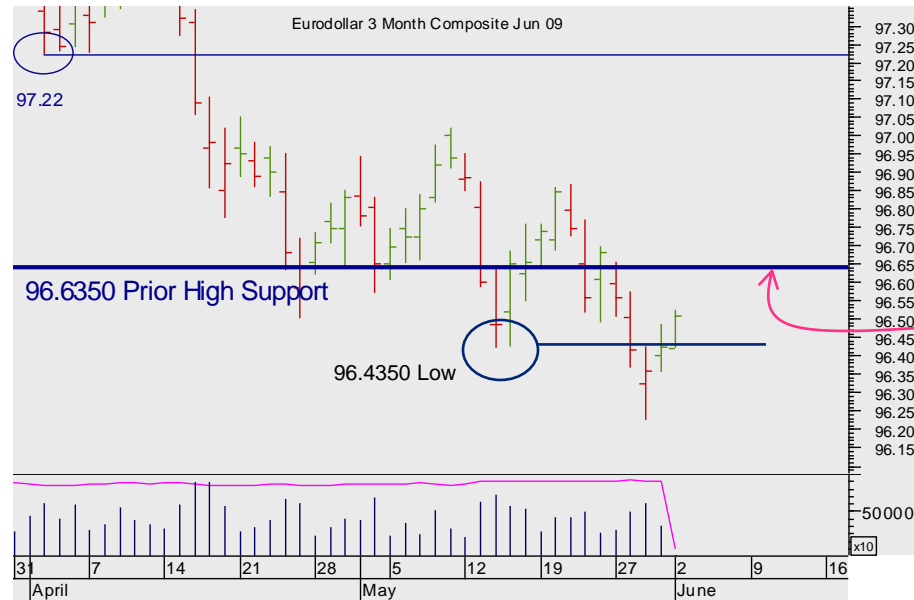
Interest rates

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- + Sterling rates

Commodities

- + Oil
- + Gold

Interest rates: Dollar rates



Dollar rates daily futures chart

96.6350 has broken without a clear continuation pattern having completed.

Short-term traders will want a clearer signal ...to sell **even** though the medium-term supports are broken.

Stand back.



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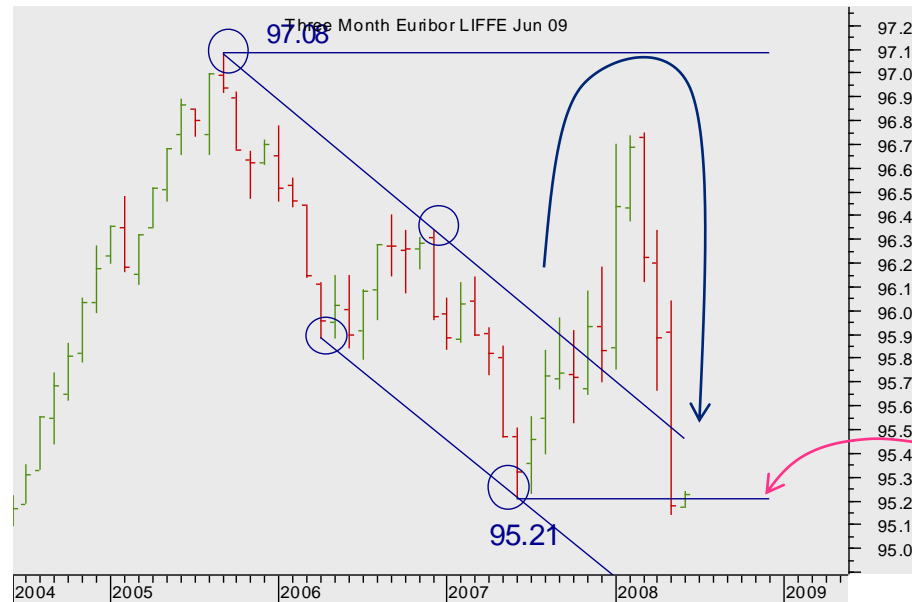
Interest rates

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

Commodities

- + Oil
- + Gold

Interest rates: Euribor rates



Euribor rates monthly futures chart

The market drove up out of the bear channel ... and then fell back.

All the way to the recent low.



Euribor rates weekly futures chart

The fall was quick and forceful through successive supports...

Look closer.

More



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- + Sterling rates

Commodities

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- + Gold

Interest rates: Euribor rates



Euribor rates daily futures chart

The question is have we a completed Head and Shoulders Top in place?

The market is behaving as if there is.

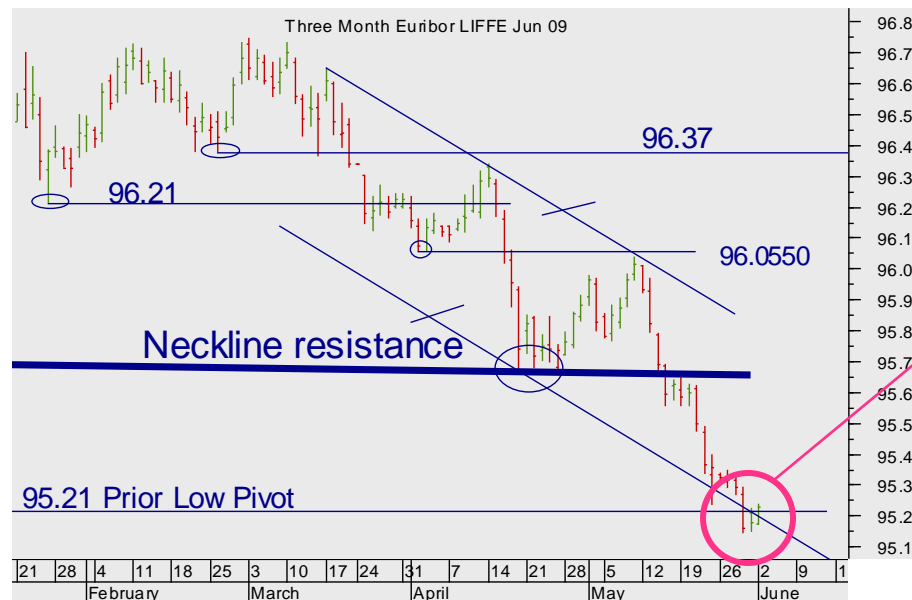
If so there should be good resistance at the possible Neckline at 95.65 ... and the prior pivot – clearly broken should act as good resistance.

Euribor rates Jun 09 daily futures chart

The H&S pattern has a lot further to run.

But note the coincidence of the diagonal and horizontal support....

A clearer break is required to encourage new bears at this level.





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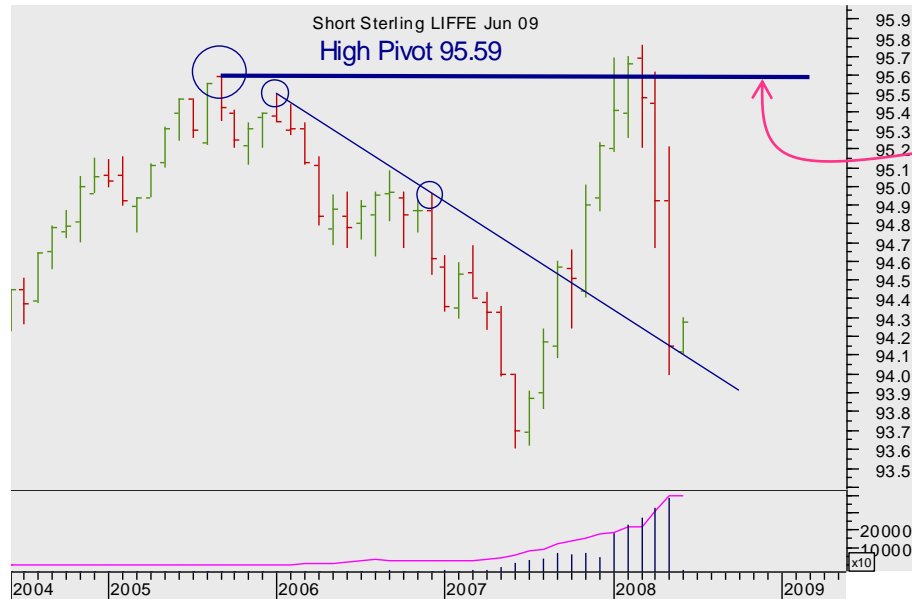
Interest rates

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Commodities

- + Oil
- + Gold

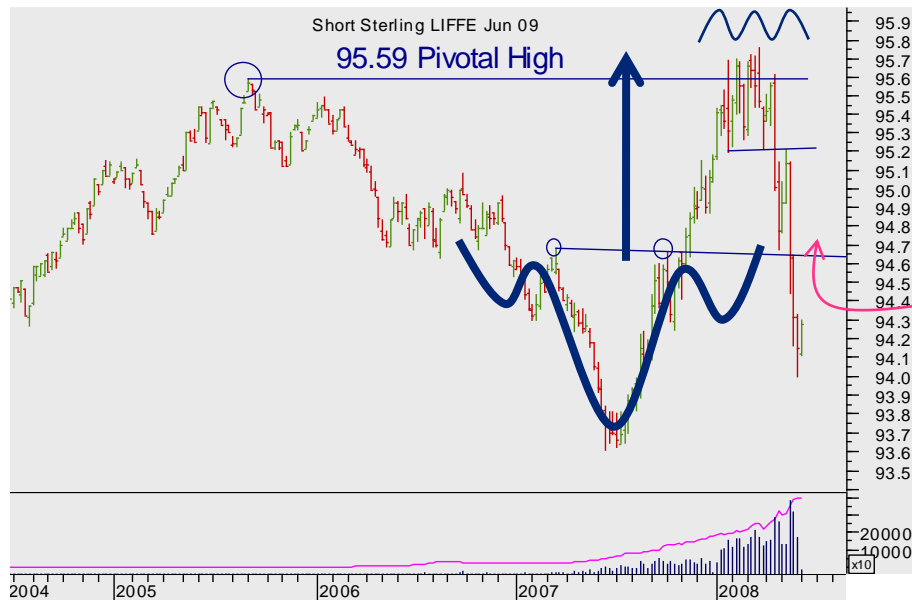
Interest rates: Sterling rates



Sterling rates monthly futures chart

The central fact of the market is the double failure at 95.59.

And then the possible support from the diagonalLook closer.



Sterling rates weekly futures chart

The structures within the market are clear: a Bull H&S pattern driving it up, and a Triple Top driving it down.

This has been resolved in favour of the triple Top that has smashed the Neckline support.

More



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- + Sterling rates

Commodities

- + Oil
- + Gold

Interest rates: Sterling rates



Sterling rates daily futures chart

We were doubtful last week – because the market was poised between opposing Head and Shoulders Patterns.

The market bounced off the Neckline and then it failed ... is the market going further?

Firstly it's not clear because there is no clear bear pattern in play ...

And second, in any event, the market is sitting on good support at the falling diagonal from 2005.

Stand back and wait for a break of the diagonal before selling again.



Sterling Jun 09 rates daily futures chart

Note the resistance on any rally from these levels.



Commodities

Oil's rapid bull trend is pausing. But the important supports are as yet still intact. Monitor our levels. Gold is resilient, and we are bullish, but like last week we lack a short-term trigger to go long.

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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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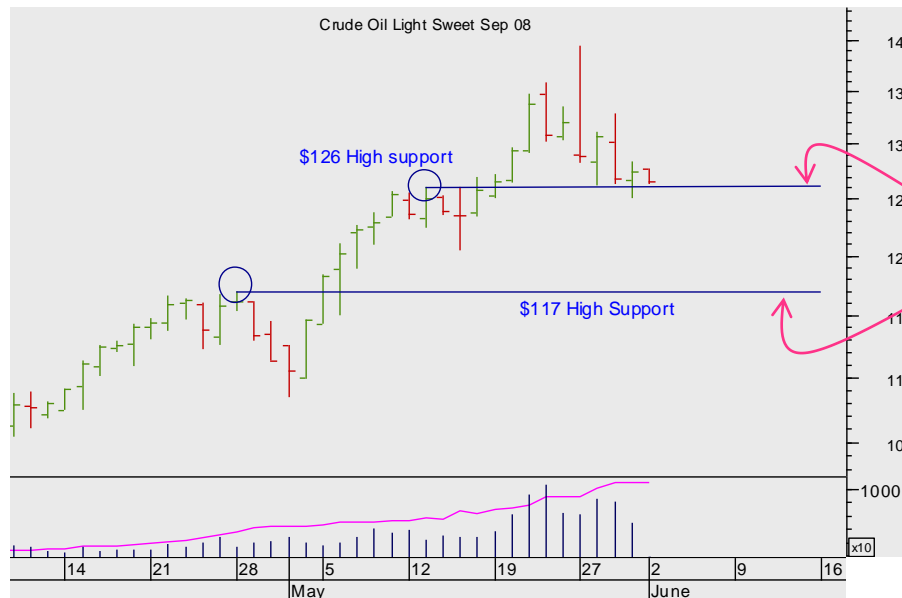
Commodities: Oil



Oil weekly futures continuation chart

The market is in a well-established bull trend.

Critical supports in the week chart are the old highs....



Oil daily SEP08 futures chart

The daily Sep 08 contract is similar.

Short-term watch the \$126 support on the recent pull-back and beneath that \$117.

More



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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 monthly futures continuation chart

That \$873 High is first support (and beneath that is clear support beneath the market at \$848 and \$732.)

More



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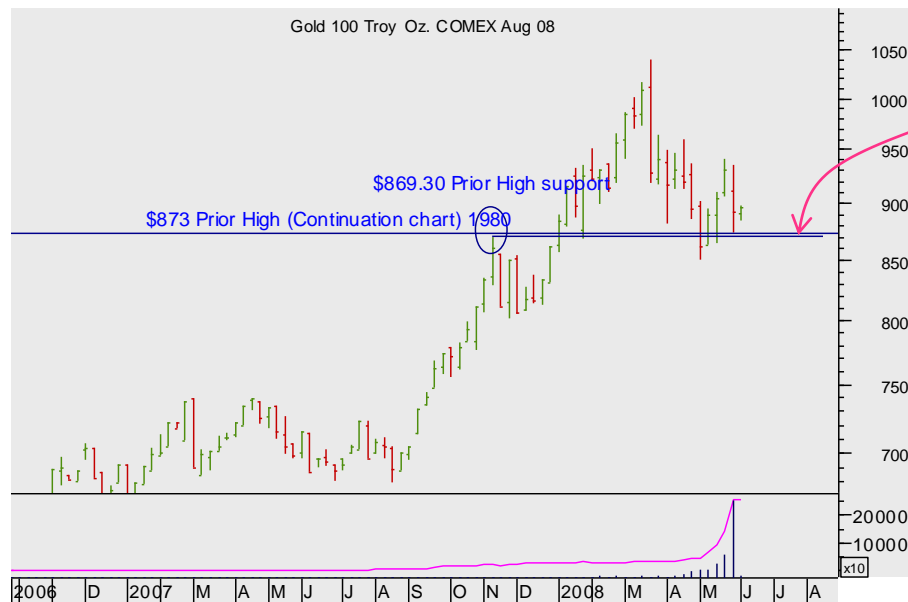
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Commodities

- + Oil
- + Gold

Commodities: Gold



Gold daily futures Aug 08 chart

Note well the close approach to the top of the bull channel and the market's retreat.

But so far the support is solid.



Gold daily futures Aug 08 chart

The detail is more encouraging still for the bulls – showing **repeated bounces** off that long and short-term horizontal support.

We are bullish, waiting for a clear completed bull short-term pattern....

Until then stand back.

More



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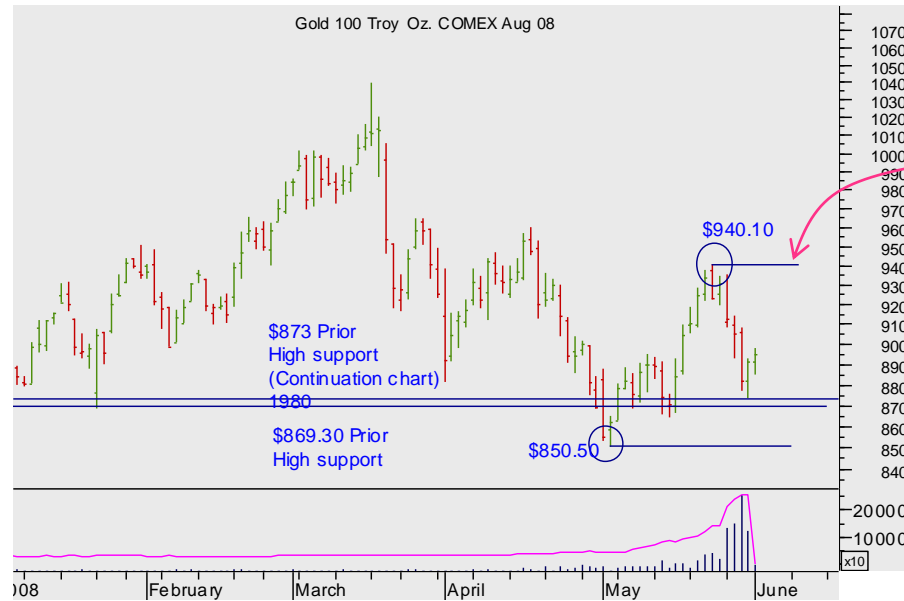
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Commodities

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Commodities: Gold





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