Week 24
10th 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

Summary	
Currencies	
+ Dollar Euro	**Stay SQUARE; BUY on a break of 1.6017.**
+ Dollar Sterling	**Stay SQUARE**
+ Dollar Yen	**Stay SQUARE;**
+ Sterling Euro	**Stay LONG Euros above 0.7757; ADD on a close above 0.8000**
Stocks	
+ Standard & Poors 500	**Stay SQUARE; SELL on a second close below 1370.70 (Jun 08)**
+ European DJ Stoxx 50	**Go SHORT below 3691 (Jun 08)**
+ FTSE 100	**Go SHORT below 6099.50-6131.50 (Jun 08)**
+ Nikkei 225	**Stay SQUARE;**
Bonds	
+ Ten year US Treasury Note	**Stay SQUARE (June 08)**
+ Ten year Euro Bund	**Stay SHORT beneath 113.36 (Sep 08)**
+ Ten year Japanese Bond	**Stay SQUARE; go SHORT beneath 132.76 (Sep 08)**
Interest rates	
+ Dollar rates	**Stay SQUARE**
+ Euribor rates	**Stay SQUARE**
+ Sterling rates	**Go SHORT beneath 94.00 (Jun 09)**
Commodities	
+ Oil	**Stay LONG while above $135.09 (JUL 08)**
+ Gold	**Stay LONG above $890.80 (Aug 08); BUY on close above $930.**

Currencies

Now we have some action – the Dollar started weakening and some levels were broken. Confirming moves and closes are needed before we get involved but an indirect result has been the weakening of Sterling so now Sterling Euro looks interesting: Sterling looks a sell.

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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

SEVEN DAYS AHEAD

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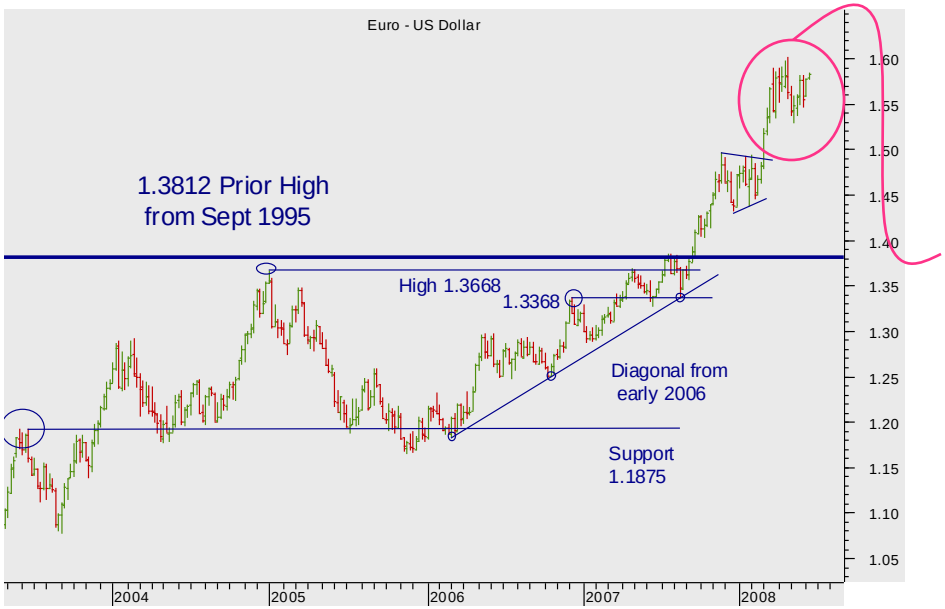
Currencies: Dollar Euro



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 has bounced the market three times.

But the bulls have more reason to be excited: the break of the falling diagonal may be the precursor to a break up through the 1.5817 Prior High – which would drive the market better quickly..

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Currencies: Dollar Euro

Dollar Euro daily spot cash chart

But a cautionary note – the market has repeatedly failed around 1.59….so

We remain on the sidelines – like last week.

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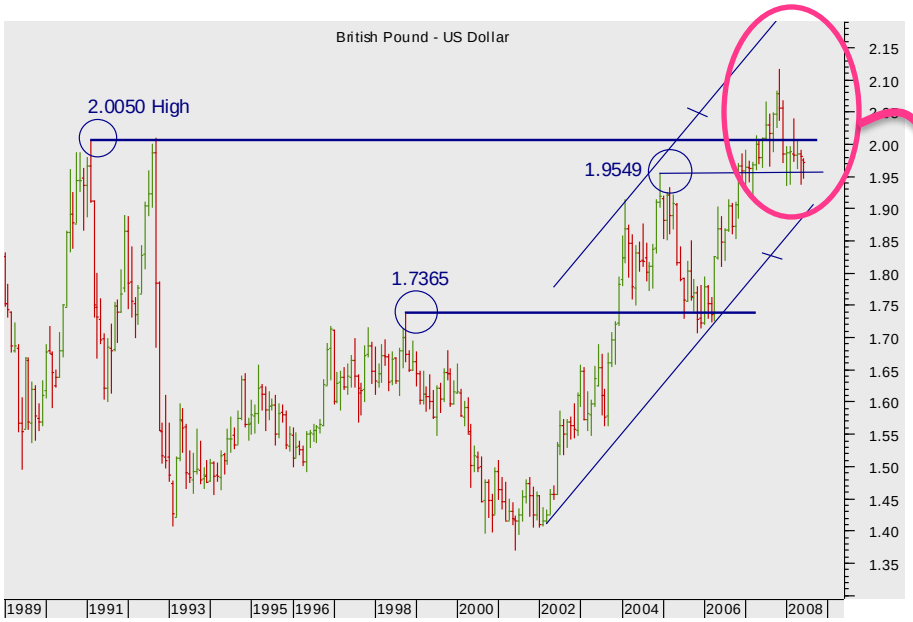
Currencies: Dollar Sterling



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.

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Currencies: Dollar Sterling

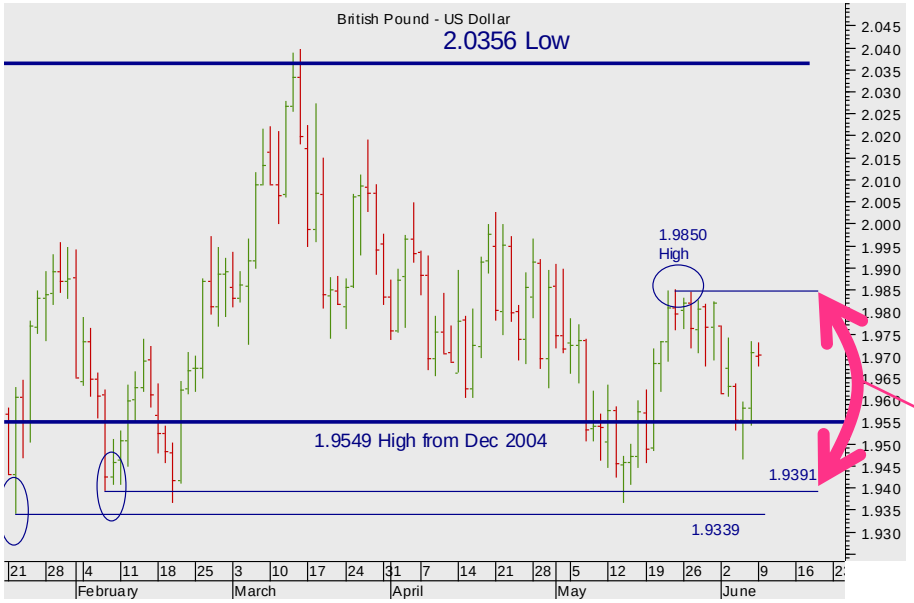
Dollar Sterling daily spot cash chart

There have been repeated bounces off the possible Neckline.

Use the falling diagonal as a trigger to buy Sterling….

On the other hand a break of the succession of lows…

Look closer.



Dollar Sterling daily spot cash chart

The bulls need a drive up through the high at 1.9850 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.

And watch the range

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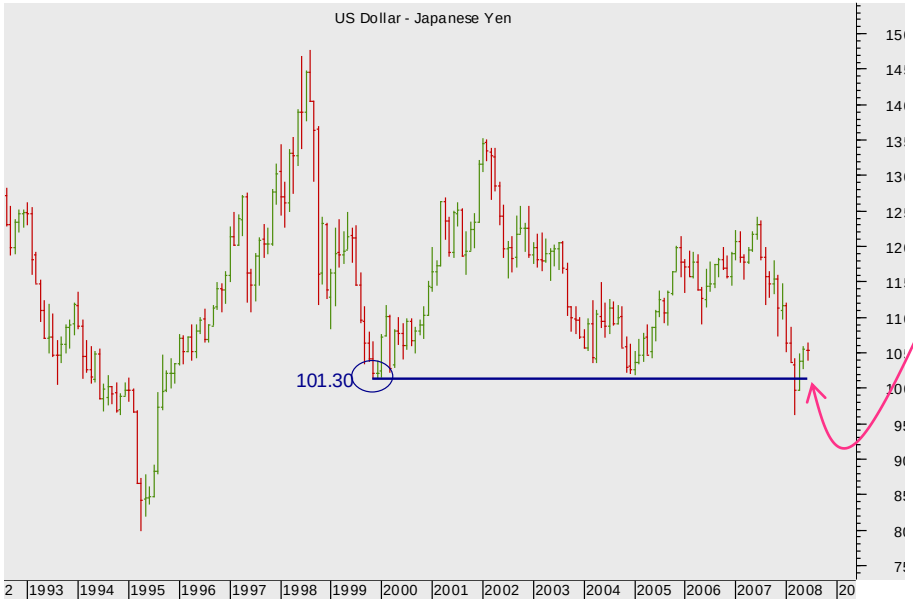
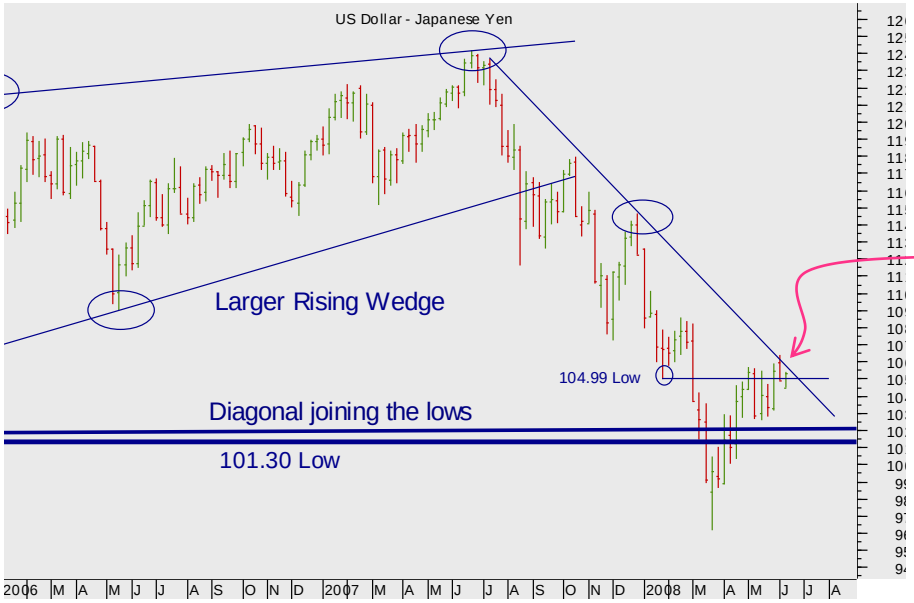


Dollar Yen monthly spot cash chart

The Prior Lows….have held for the third time.



Dollar Yen weekly spot cash chart

Note the conjunction of the downtrend resistance and the horizontal resistance at 104.99.

A break of that would be powerfully bullish.

Look closer still.

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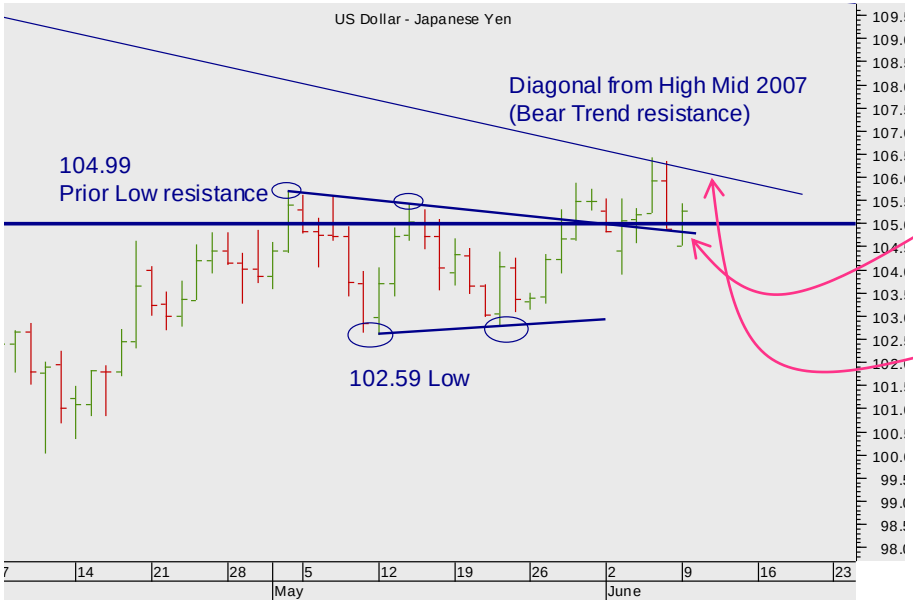
Currencies: Dollar Yen



Dollar Yen daily spot cash chart

The market's rally back the has been impressive .

The completion of the small Triangle added optimism to the bulls.

But the falling diagonal needed to break.

Stand back and wait for a break of the falling diagonal before buying Dollars.

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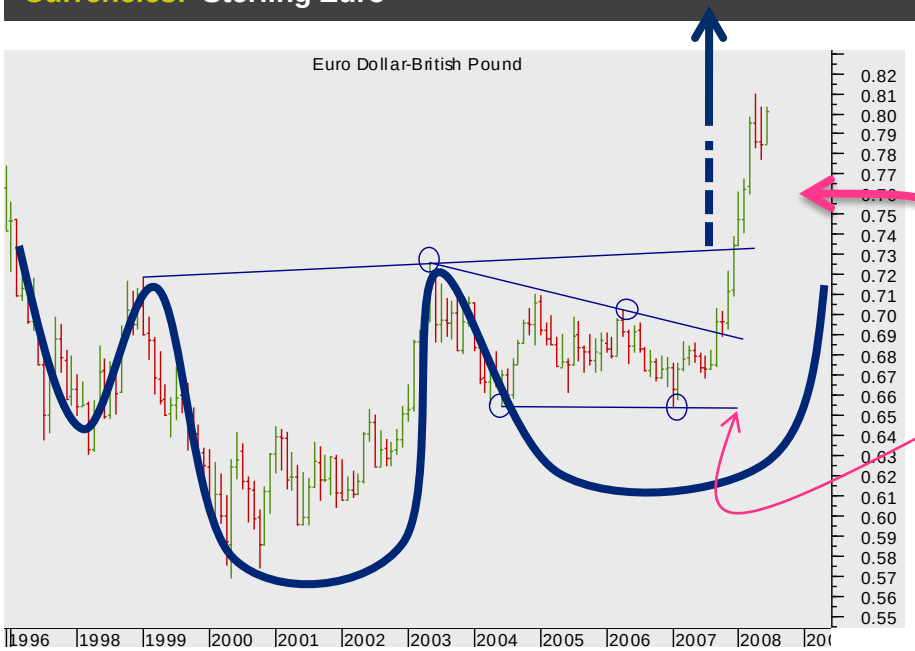
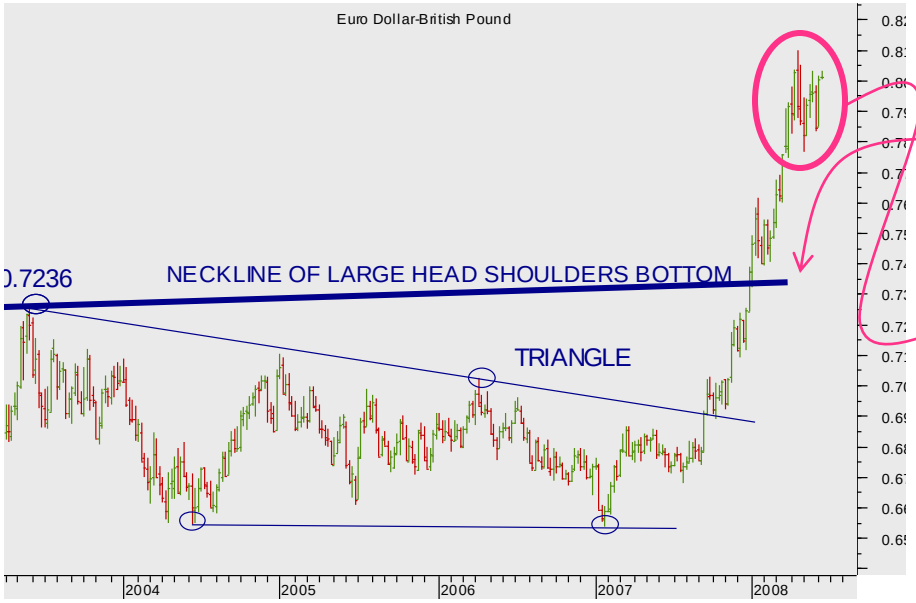
Currencies: Sterling Euro



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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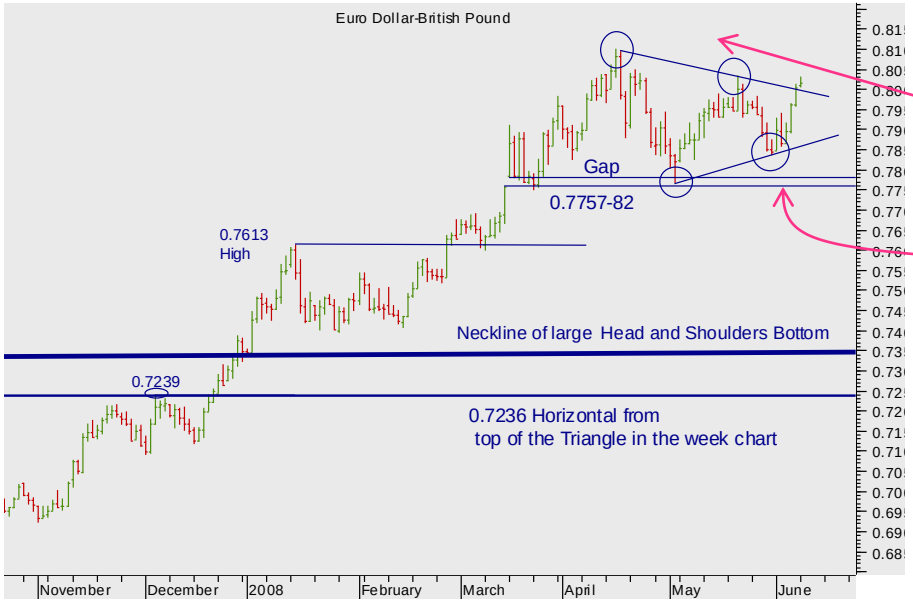
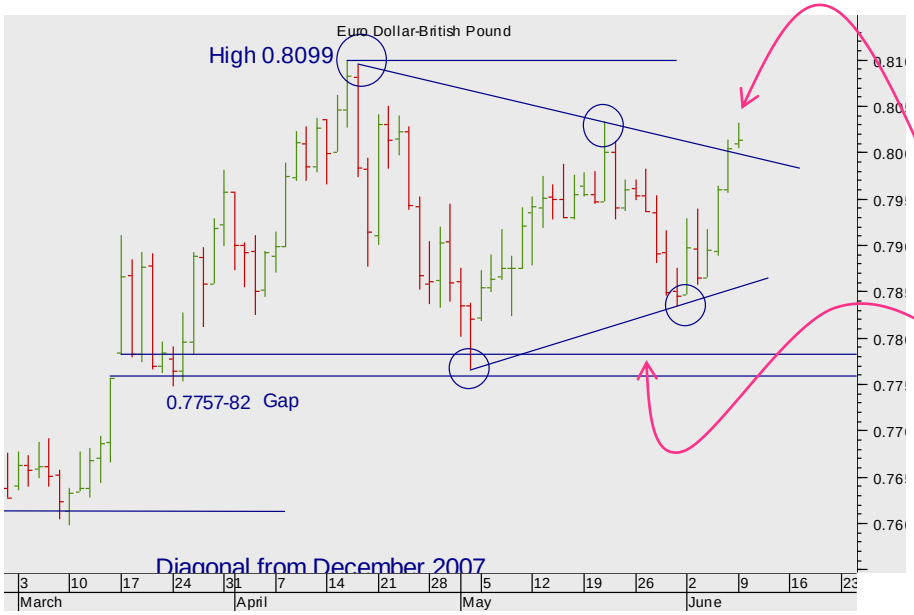


Sterling Euro daily spot cash chart

The market has driven on steadily from the completion of the H&S Bottom

The Gap has been good support.

And note well that a Continuation Triangle is on the verge on completion…..



Sterling Euro daily spot cash chart

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

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

Last week we were bullish of the Euro against Sterling and that has gone well – all the more so on a confirmed completion of the triangle.

Stocks

Last week we were frustrated by the lack of selling follow-through.
Now that has happened. The outlook short and medium-term for the markets – led by the Dollar and Sterling markets looks grave. We think a retest of the recent lows of January and March 2008 looks likely. NB the Nikkei is the least bearish of the indices.

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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 drove the market to the support from the prior High…..at 1326.68.

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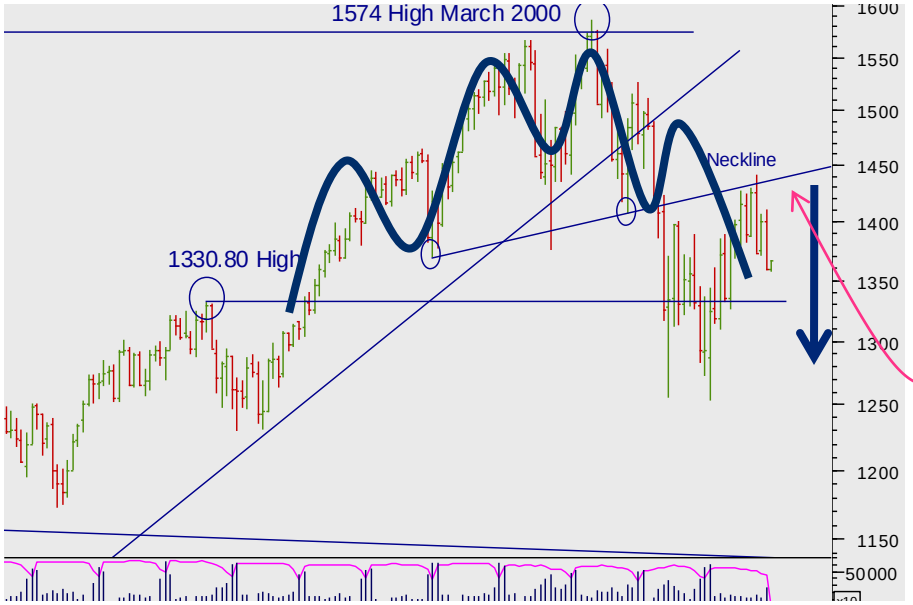
Stocks: Standard & Poors 500



Weekly Chart: June 08

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

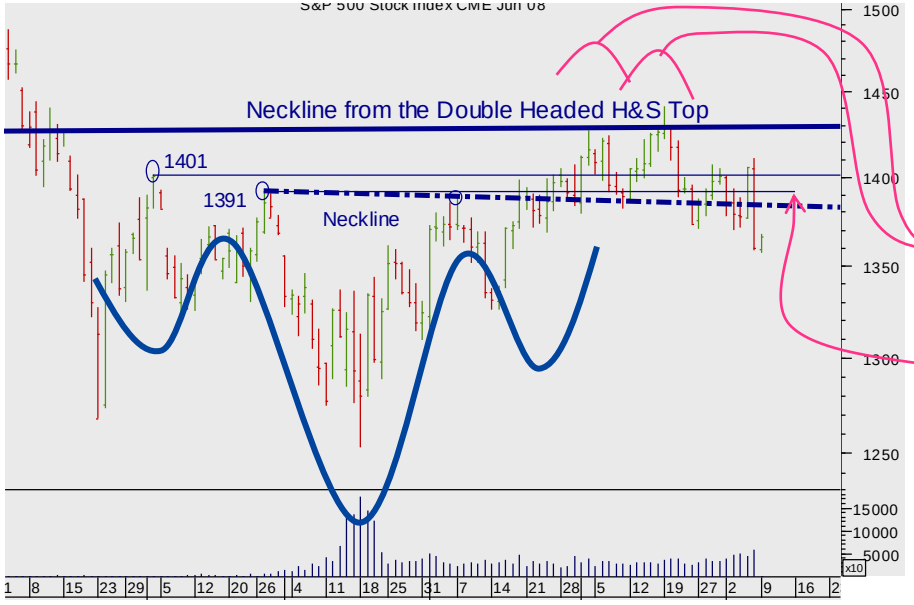
Which completed and had a minimum target of about 1250.

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 drove the run up to the 1430 Neckline.

Then there was a Double Failure …

And the market has fallen back down through the small Neckline.

We believe this latest pull back is a CRUCIAL FAILURE

Look closer.

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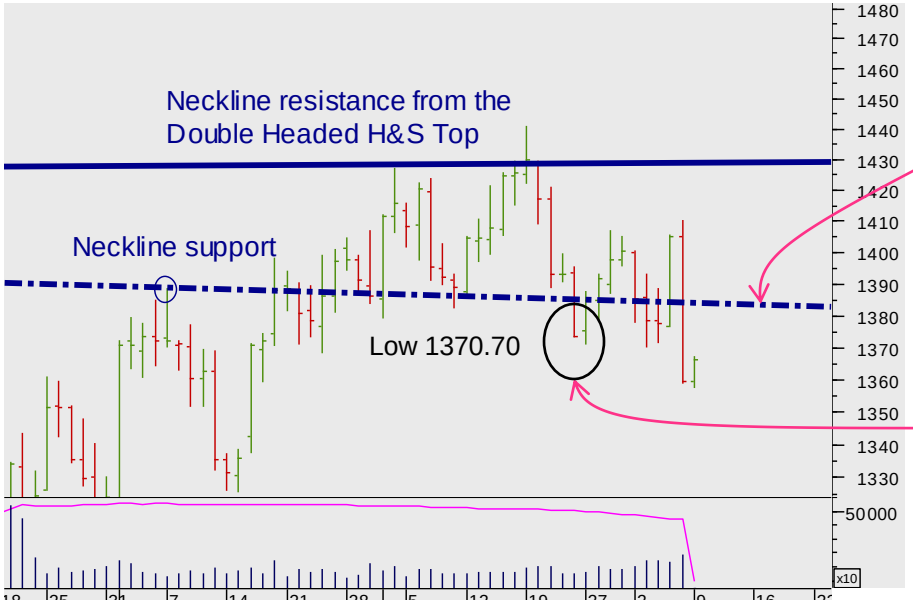
Stocks: Standard & Poors 500



Standard & Poors 500 daily JUNE 08 chart

We thought the bears had broken the support at the Neckline at 3877.

But the market teased by bouncing.

Yet we remained bearish.

Then at the end of the week there was a breakdown – at least a close beneath 1370.70.

Wait for that 1370 close to be confirmed but it feels very bearish.

(The only pause for thought is the lack of a clear Reversal formation in the short-term.)

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Stocks: DJ Euro Stoxx 50

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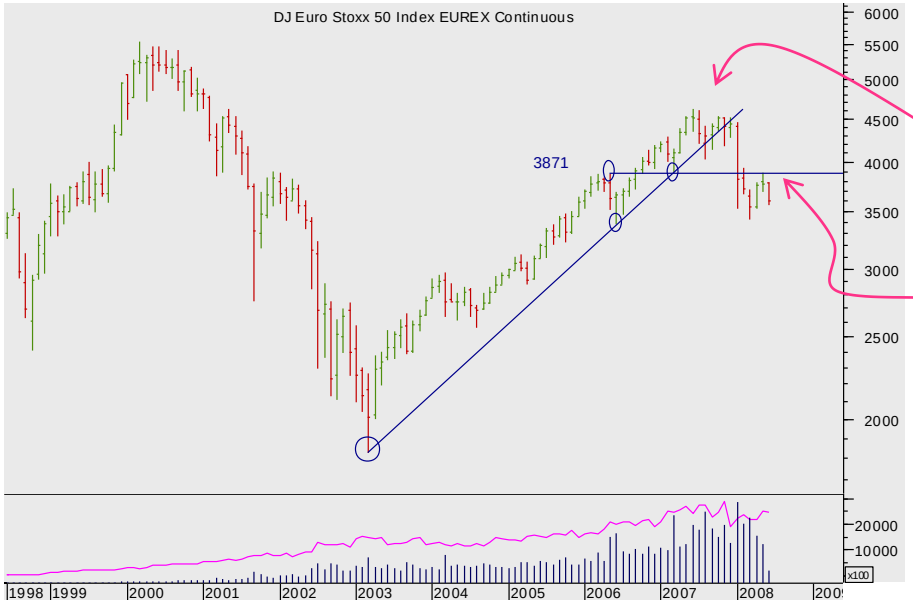
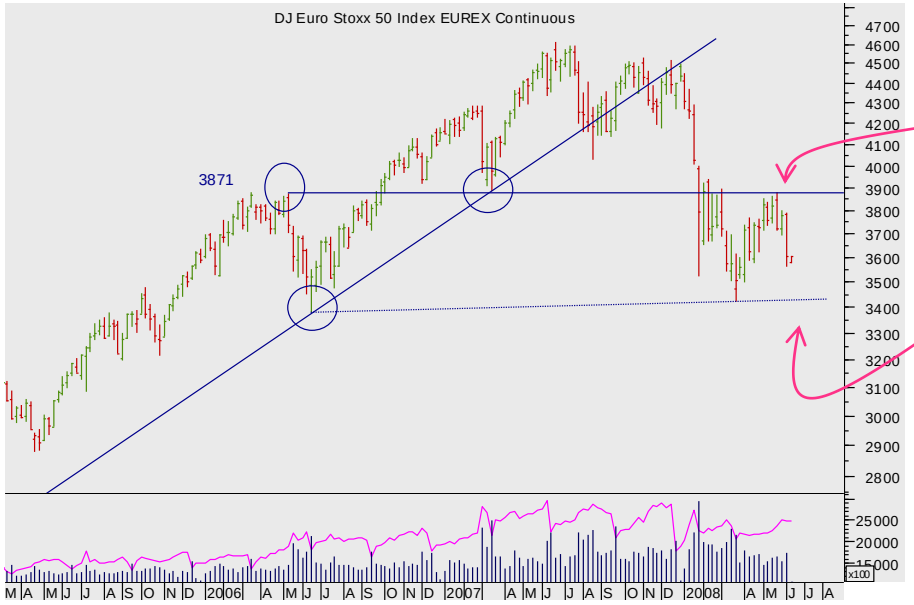


European DJ Stoxx 50 monthly continuation futures chart

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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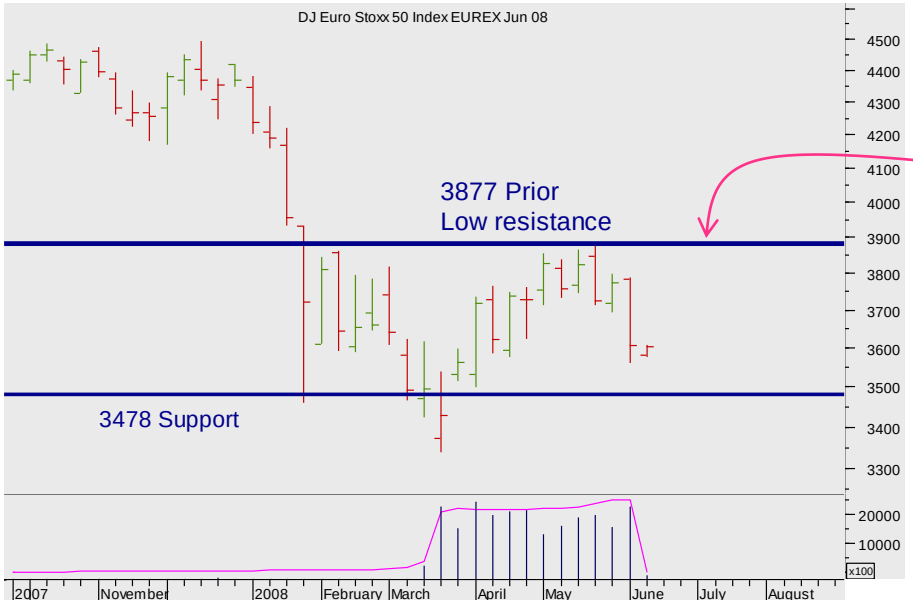
Stocks: DJ Euro Stoxx 50



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

Note well that the day chart has a complex H&S bull pattern at work.

And the market has been supported by the Neckline … Until late last week.

That break down looks very poor…

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Stocks: DJ Euro Stoxx 50

European DJ Stoxx 50 daily Jun 08 futures chart

The bears are in short-term control.

3691 is first resistance on the upside– the market will struggle to get back through that.

We are sellers of retracements to 3691.

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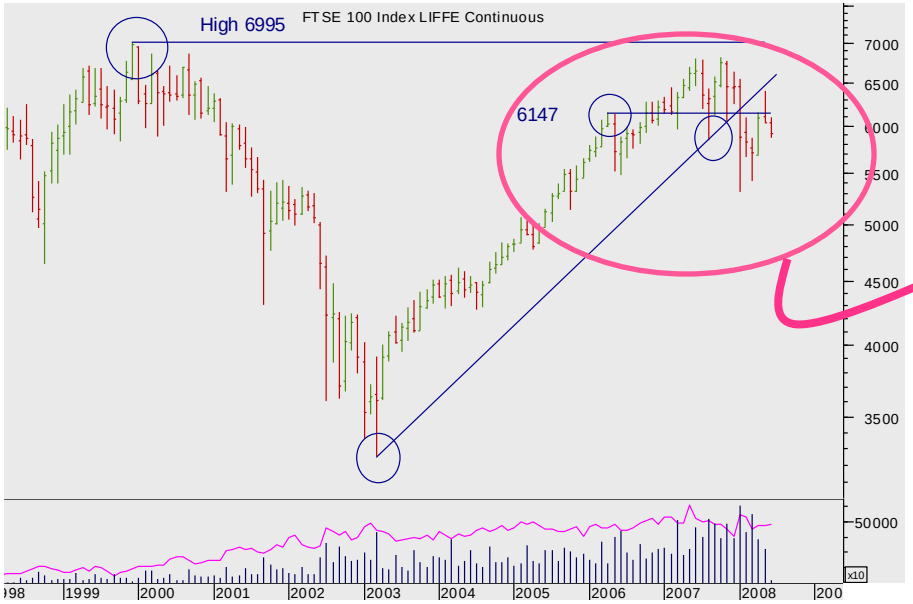
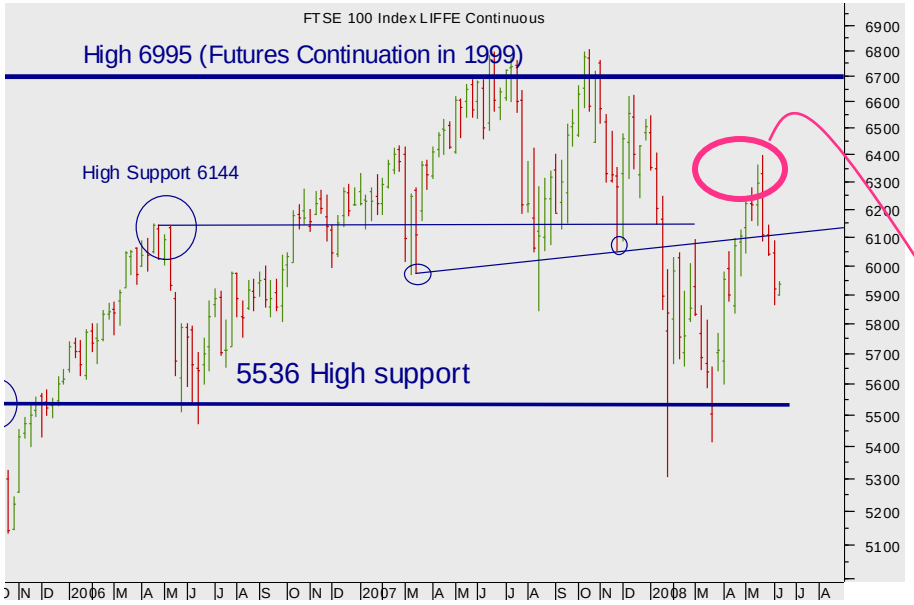


FTSE 100 monthly Continuation futures chart

The FTSE is approached the prior High … but has stalled and fallen back.

Breaking the steep uptrend support.



FTSE 100 weekly Continuation futures chart

But the Prior High support at 5536 (continuation chart) has been solid.

And the bounce powerful.

The penetration up through the old Neckline resistance was powerful.

But that has failed.

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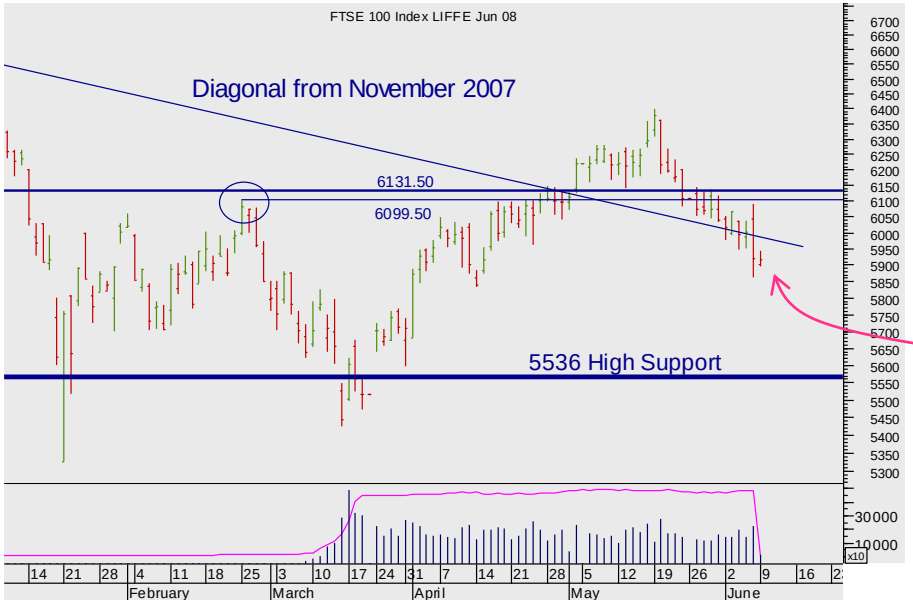
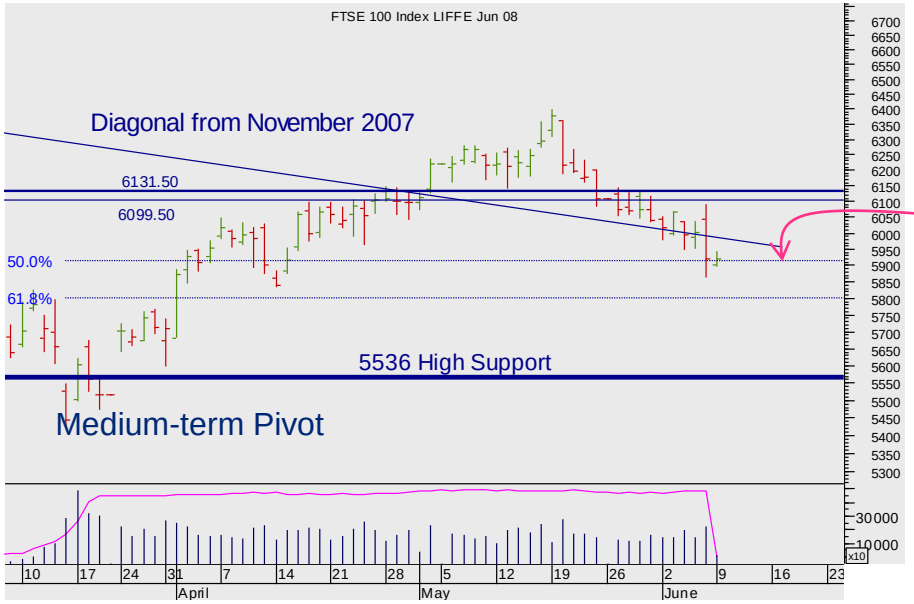


FTSE 100 weekly cont Futures chart

Bulls will have been especially disappointed that the completion band of support 6099-6131 failed to support at all.

But the market's pullback has been steady – until the end of last week when the fall accelerated.

The break of the diagonal is critical. We are now bears.



FTSE 100 daily Jun 08 futures chart

And there has been some support at the Fib retracement support .

But we don't think that will last.

We think the market wants to pull back further still.

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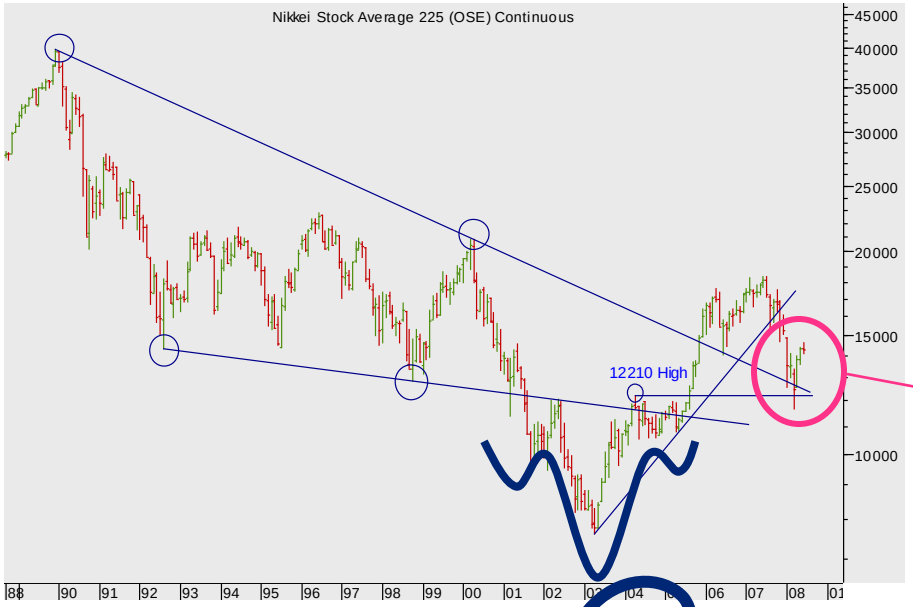

Nikkei 225 monthly Continuation futures chart

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?

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Stocks: Nikkei 225

Nikkei 225 daily cont. Futures chart

The major resistance lay at 14640.

And the market failed there

Nikkei 225 daily futures Jun08 chart

But the relative (to other markets) bearishness of the Nikkei) suggests care in looking for bear opportunities.

At the very least we want a break of the support from the Prior High at 13500….

Bonds

We wondered where the next bout of bearishness would come from and thought it might be the TBonds. But the Europeans were determined to sell with or without the US. We closed our short stance on Friday last before the rally induced by the stock sell-off and thought ourselves lucky. Now we are not so sure…

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+ Sterling rates

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+ Oil
+ Gold

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

SEVEN DAYS AHEAD

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+ Dollar Sterling
+ Dollar Yen
+ Sterling Euro

Stocks
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+ European DJ Stoxx 50
+ FTSE 100
+ Nikkei 225

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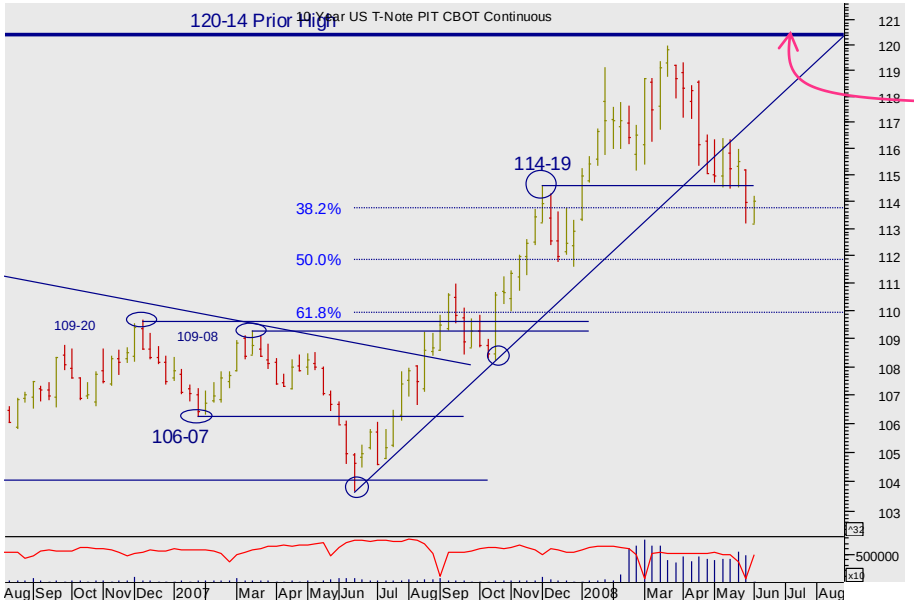
Bonds: Ten year US Treasury Note

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.

And the horizontal support from the Prior High at 114-19 is broken.

But note the fierce pull-back to the diagonal trend line…and through it, and weak support from the Fibonacci retracement levels

Look more closely still.

More

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Bonds: Ten year US Treasury Note

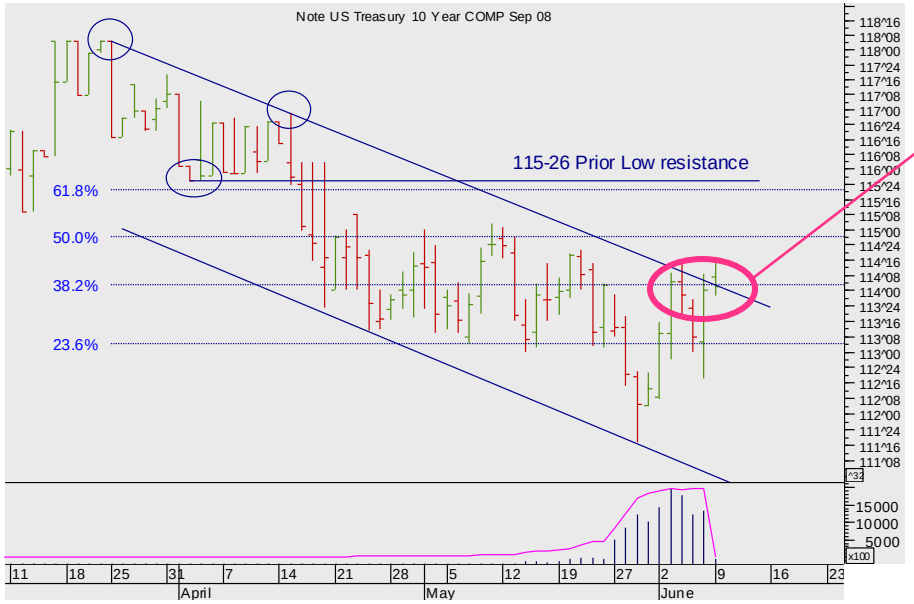
Ten year US treasury note daily futures chart

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

But this is a massive un-structured area of congestion.

And certainly the falling diagonal is being tested, a break of which would excite the bulls

Look closer.



Ten year US treasury note daily futures chart

Note the conjunction of 38% retracement resistance and the diagonal.

Hence a breakthrough would be impressive.

Watch and wait.

SEVEN DAYS AHEAD

Bonds: Ten year Euro Bund

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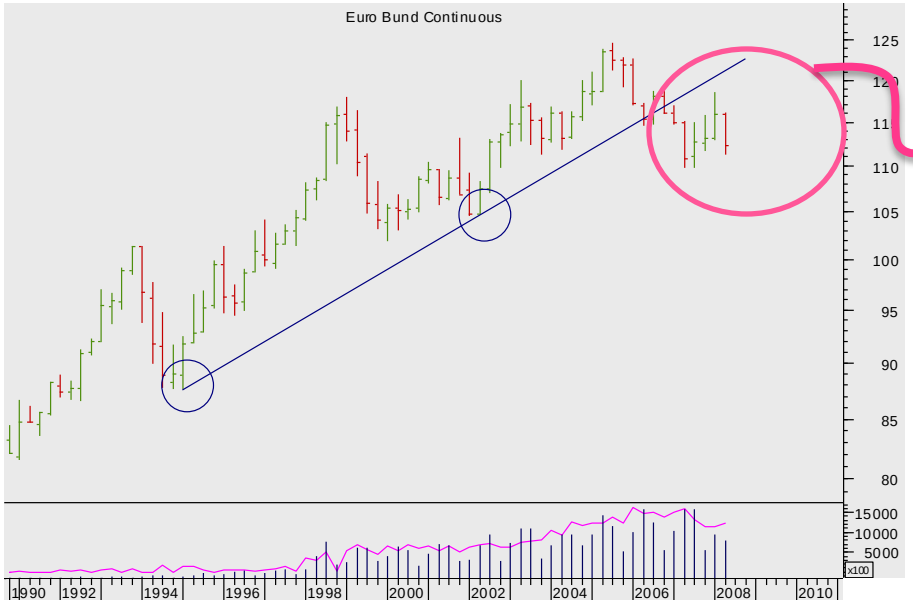
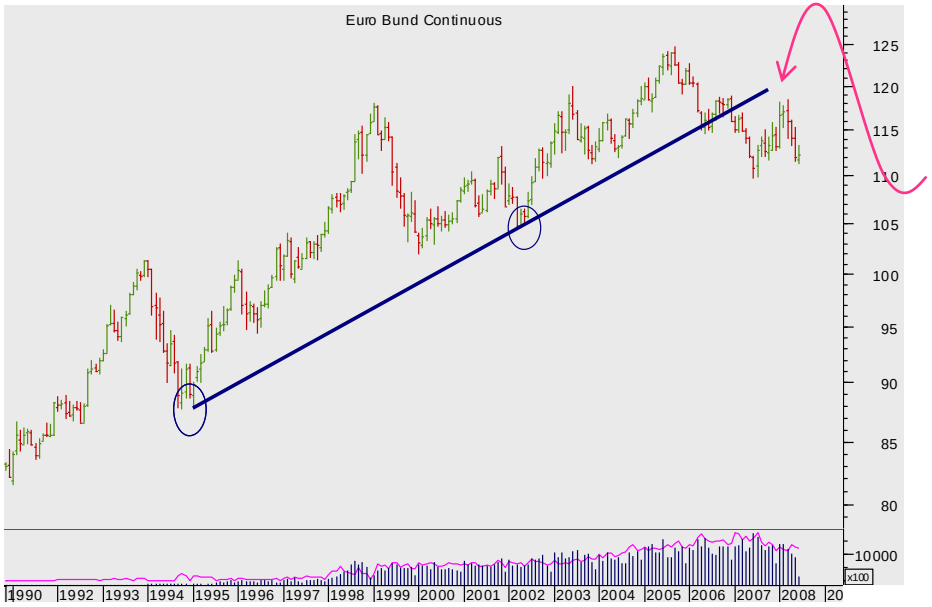


Ten year Euro Bund quarterly futures continuation chart

The market has broken the uptrend.



Ten year Euro Bund weekly futures continuation chart

And the bull run of late 2007 has failed to smash back through that broken trendline.

More

SEVEN DAYS AHEAD

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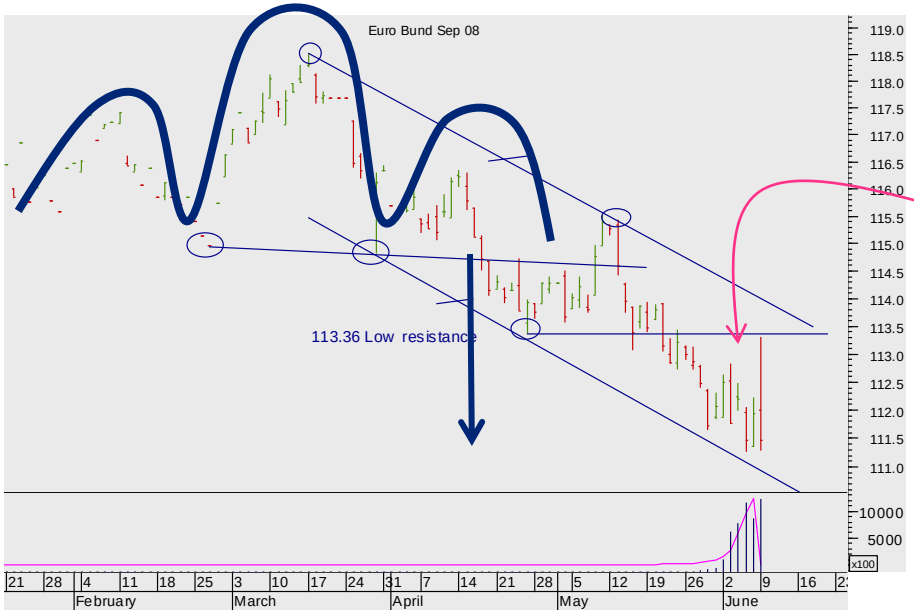
Bonds: Ten year Euro Bund

Ten year Euro Bund weekly cont futures chart

Indeed, the rally has failed, and the market has fallen back to the old diagonal.



Ten year Euro Bund daily (SEP 08) futures chart

Despite the rally we're still bears – with Stops above 113.36 now….where we think the market will struggle to get through.

But bear in mind the minimum target of the H$S Top has been reached….. So expect a loss of bear momentum.

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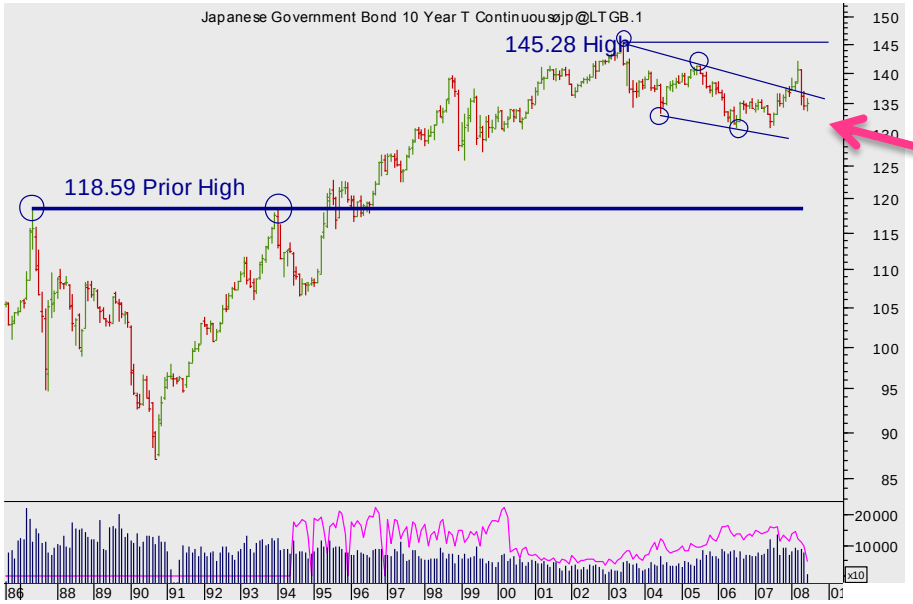
Bonds: Ten year Japanese Bond

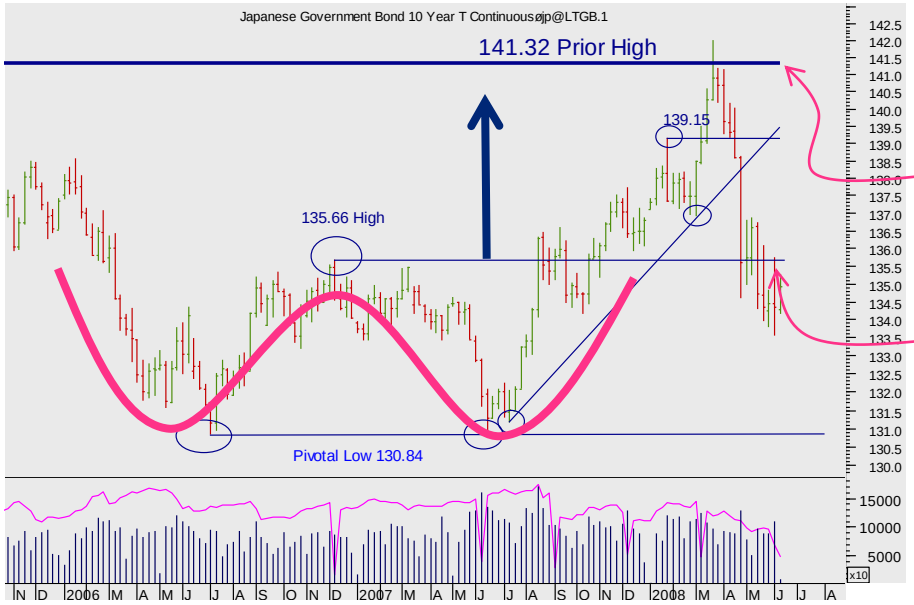


Ten year Japanese Bond monthly futures continuation chart

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

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

Look closer.



Ten year Japanese Bond weekly futures continuation chart

The market 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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Bonds: Ten year Japanese Bond

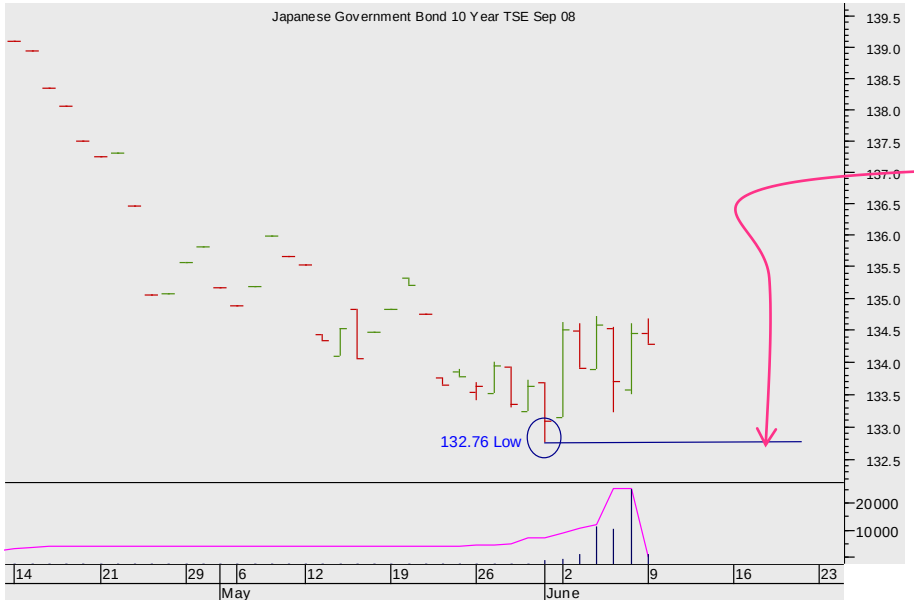
Ten year Japanese Bond week cont. futures chart

The test of that prior High support and the market broke it.

(We bounced from that level before….but not this time.)

Short-term trigger?

A push down through 133.54.



Ten year Japanese Bond daily futures chart

The equivalent short-term trigger in the Sep 08 contract is 132.76.

Interest rates

We thought the Eurodollar interestingly poised last week and the Europeans seemed to have exhausted themselves on the bear tack. But while the US continues to pause, further vital levels have been smashed in the Euribor and Short Sterling. They look to go further still.

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+ **Dollar rates**
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Interest rates: Dollar rates

Dollar rates monthly futures chart

The market has fallen down through the Top of the parallel channel support.

More

Interest rates: Dollar rates

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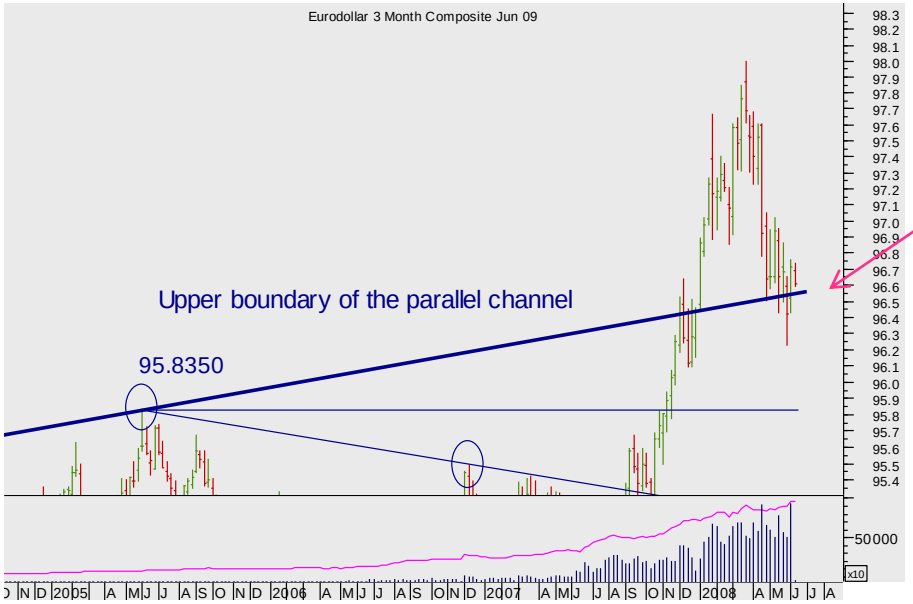
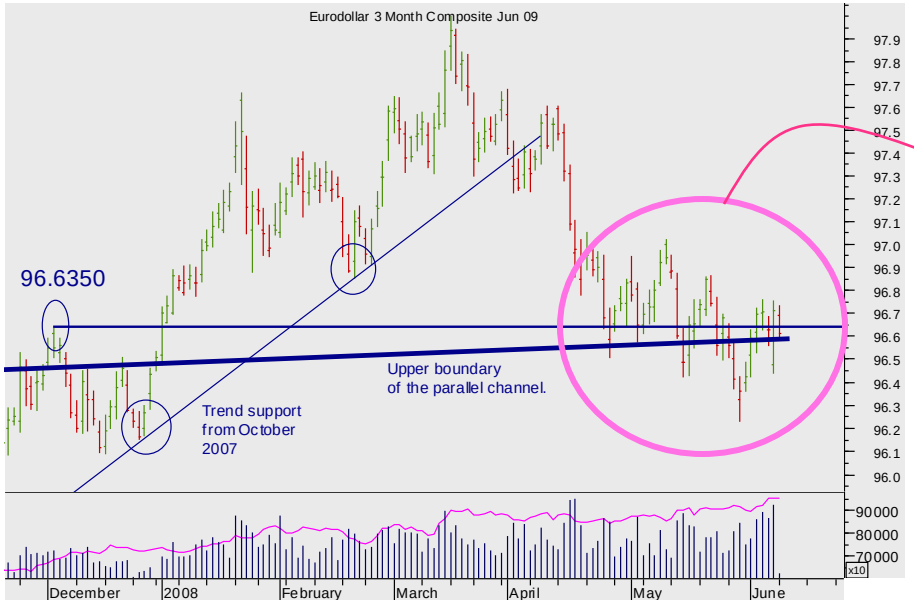


Dollar rates weekly futures chart

That pull-back: check the detail.



Dollar rates daily futures chart

Note well the horizontal support as well as the diagonal support … the market is totally uncertain

Look closer still.

More

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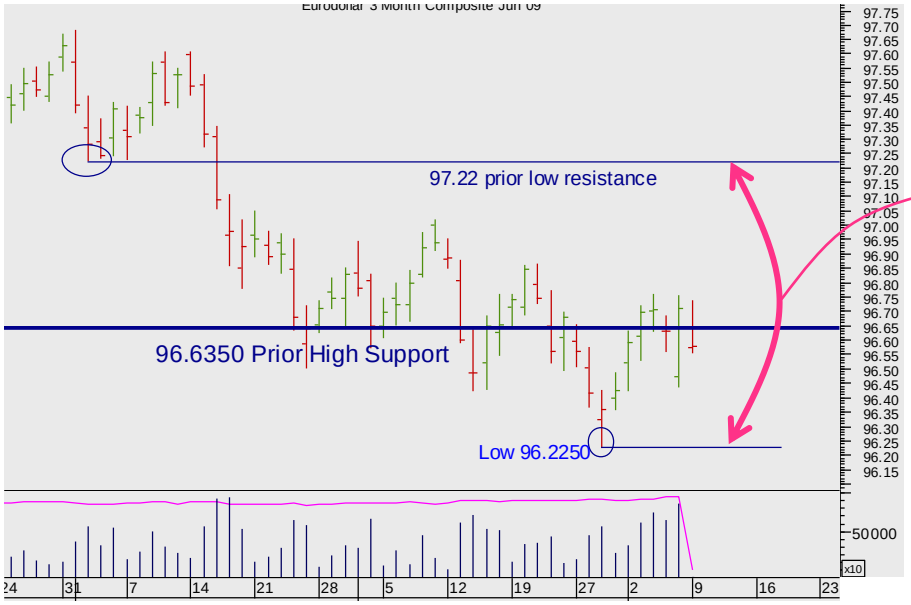
Interest rates: Dollar rates



Dollar rates daily futures chart

There's no clear pattern at work.

Watch the range.

Stand back.

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Interest rates: Euribor rates

Euribor rates monthly futures chart

The market drove up out of the bear channel … and then fell back to the recent low and then beyond.

Euribor rates weekly futures chart

The fall was quick and forceful through successive supports…

And then beneath the Pivot at 92.21.

That will act as good resistance on any rally.

More

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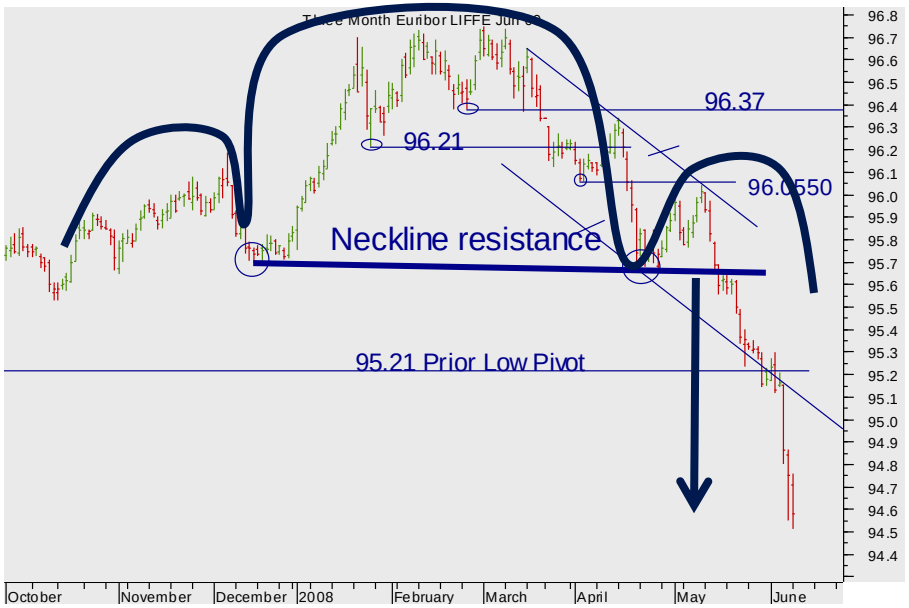
Interest rates: Euribor rates



Euribor rates daily futures chart

The drama of last week's move is clear.

But note well that the minimum target of the H&S pattern has now been achieved.

Stand back.

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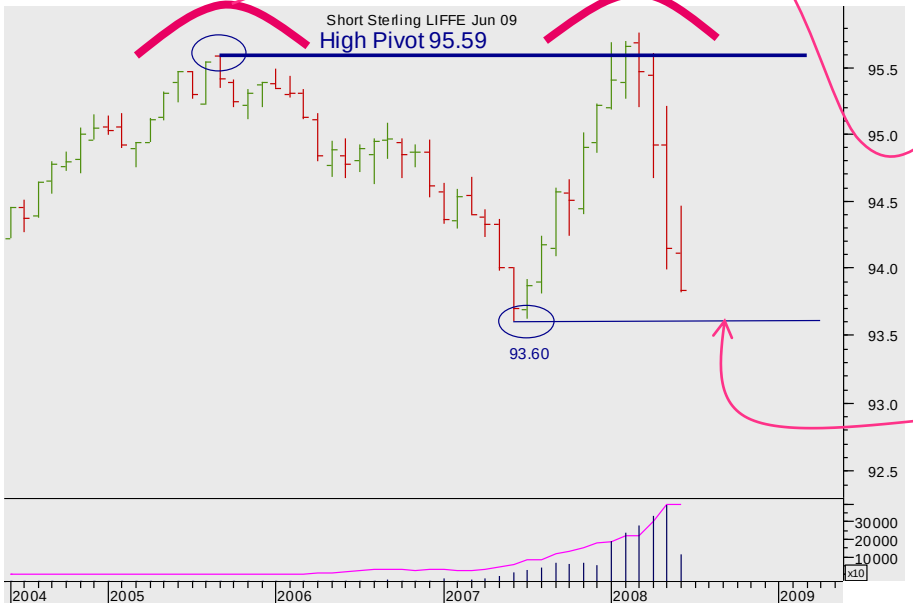
Interest rates: Sterling rates



Sterling rates monthly futures chart

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

And note the implication of that is the completion of a Double Top if the market break down through the 93.60 Low Pivot.

Will the market get there?

Sterling rates weekly futures chart

The speed of the bear move , the breaking of the diagonal suggests at a test of the 93.60 Pivot – the lower end of the trading range.

More

SEVEN DAYS AHEAD

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Commodities
+ Oil
+ Gold

Sterling rates daily futures chart

Despite the speed of the decline the bear move has been well-structured.

Sterling Jun 09 rates daily futures chart

Every attempted rally has found powerful; resistance at the prior lows…

And note the initial bounce from the diagonal – which broke badly on Friday last.

Last week we wanted a break of the diagonal and now we have it.

It goes on down.

Commodities

Oil continued its fabulous trend. Gold has edged better, but still lacks a clear structure or technical trigger that might drive things briskly better to satisfy our basically bullish stance.

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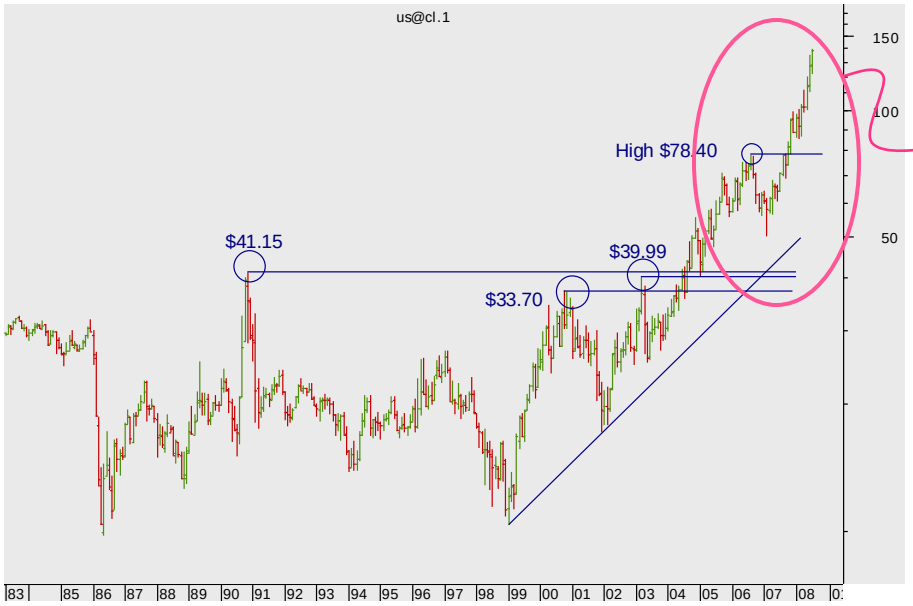
Commodities: Oil



Oil monthly futures continuation chart

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

More

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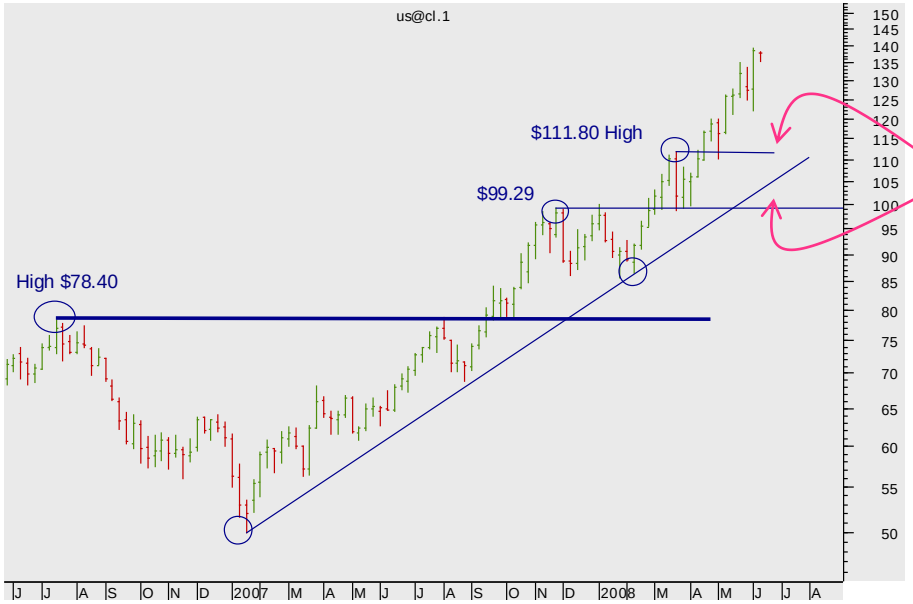

Oil weekly futures continuation chart

The market is in a well-established bull trend.

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

Oil daily JUL 08 futures chart

And now with the latest push up through the 135.09, that should act as good support and drive the market better still.

More

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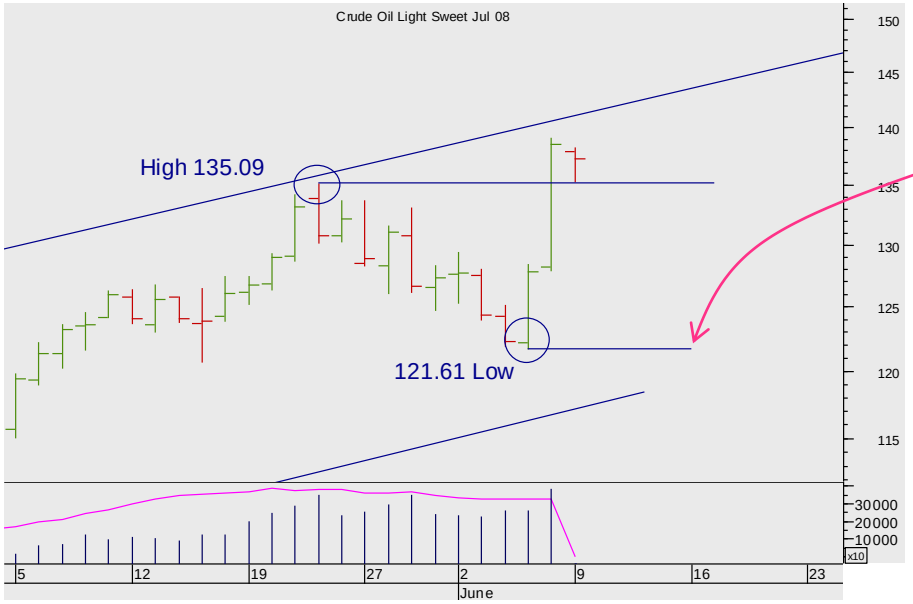

Oil July daily futures chart

In detail.

The bears need a break of the 121.61 low to gain confidence.

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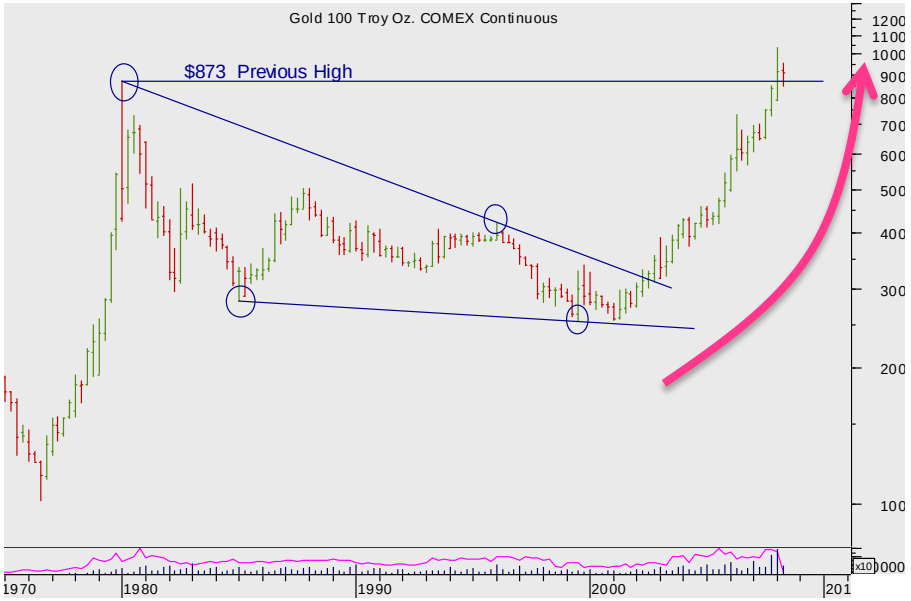
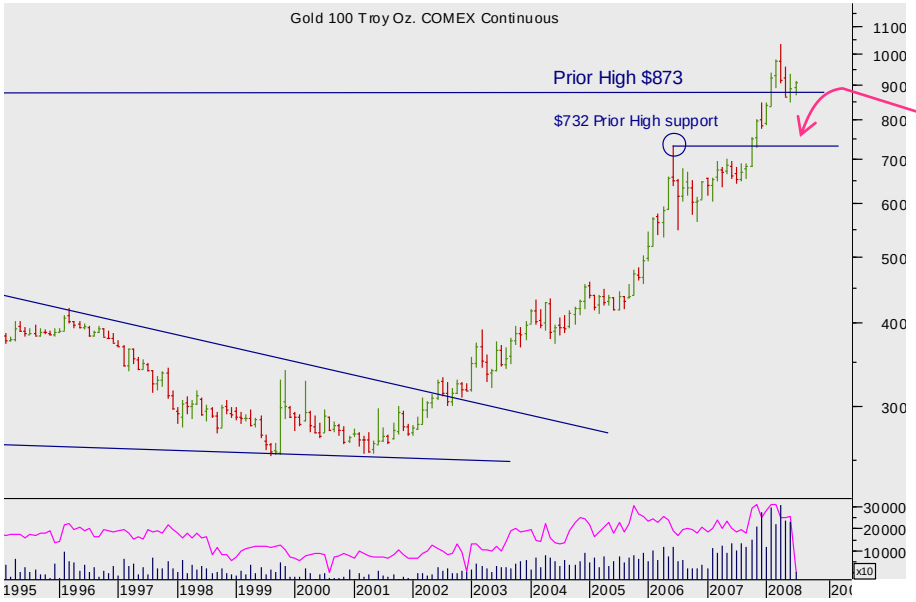


Gold monthly futures continuation chart

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 support at $732.)

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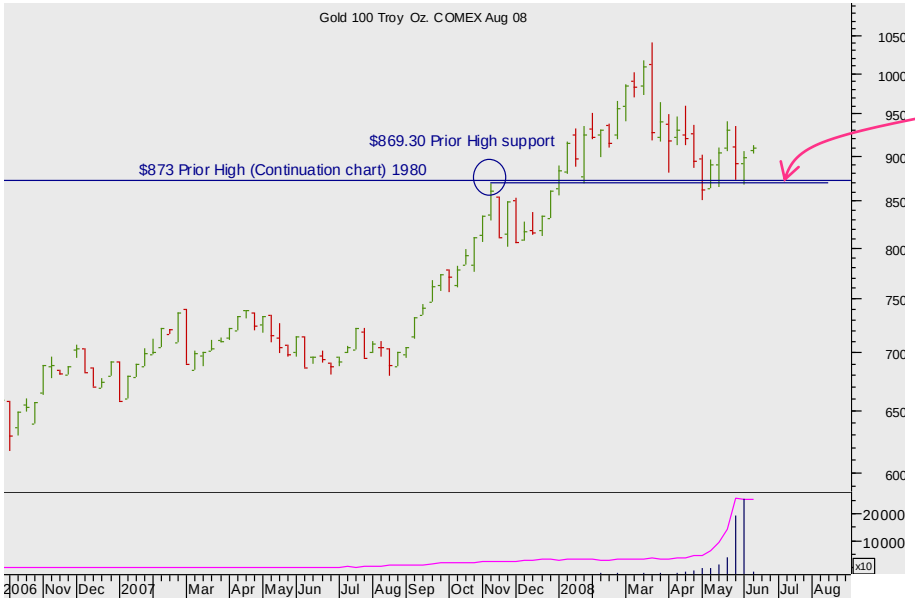

Gold daily futures Aug 08 chart

Note well the market's retreat to the vital support long term and medium-term at 873, 869.

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 medium-term horizontal support.

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

But there's none yet.

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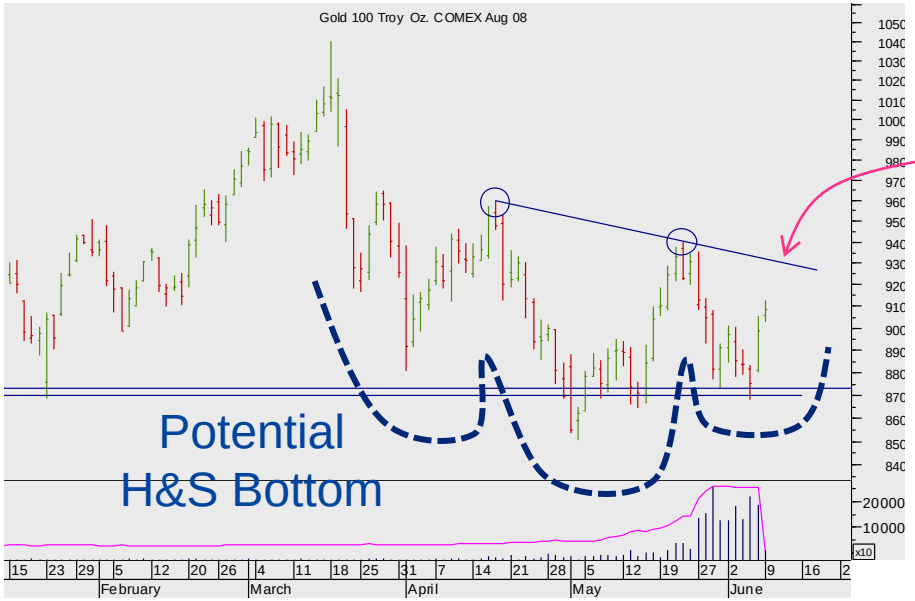

Gold daily futures August 08 chart

A break of $940.10 looks important for the bulls.

As with last week we are bullish but still waiting for a short-term signal.

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