Week 29
29th July 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 Euros on a break of 1.6017. SELL a break of 1.5613.**
+ Dollar Sterling	**Stay SQUARE;**
+ Dollar Yen	**Stay SQUARE; BUY Dollars above 108.58.**
+ Sterling Euro	**Stay SQUARE; BUY Euros above 0.8020.**
Stocks	
+ Standard & Poors 500	**Stay SHORT beneath 1271.80 Sep 08)**
+ European DJ Stoxx 50	**Stay SHORT below 3426 (Sep 08);**
+ FTSE 100	**Stay SHORT beneath 5536 (Sep 08)**
+ Nikkei 225	**Stay SHORT beneath 13520 (Sep 08)**
Bonds	
+ Ten year US Treasury Note	**Stay SQUARE; SELL on a break of 112-31 (Sep 08)**
+ Ten year Euro Bund	**Stay SQUARE; SELL on a break of 109.66 (Sep 08)**
+ Ten year Japanese Bond	**Stay SQUARE;**
Interest rates	
+ Dollar rates	**Stay SQUARE (Jun 09) ;**
+ Euribor rates	**Go SQUARE;**
+ Sterling rates	**Go LONG (Jun 09) above 94.50.**
Commodities	
+ Oil	**Stay SQUARE (AUG 08)**
+ Gold	**Stay LONG while above $905 (AUG 08)**

Currencies

CURRENCIES:. There has been a certain amount of Dollar strength over the week but with no material effect on the currency charts. Only the Yen looks close to an exciting breakout.

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Currencies: Dollar Euro

Dollar Euro monthly spot cash chart

The breakthrough the Prior Highs.

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

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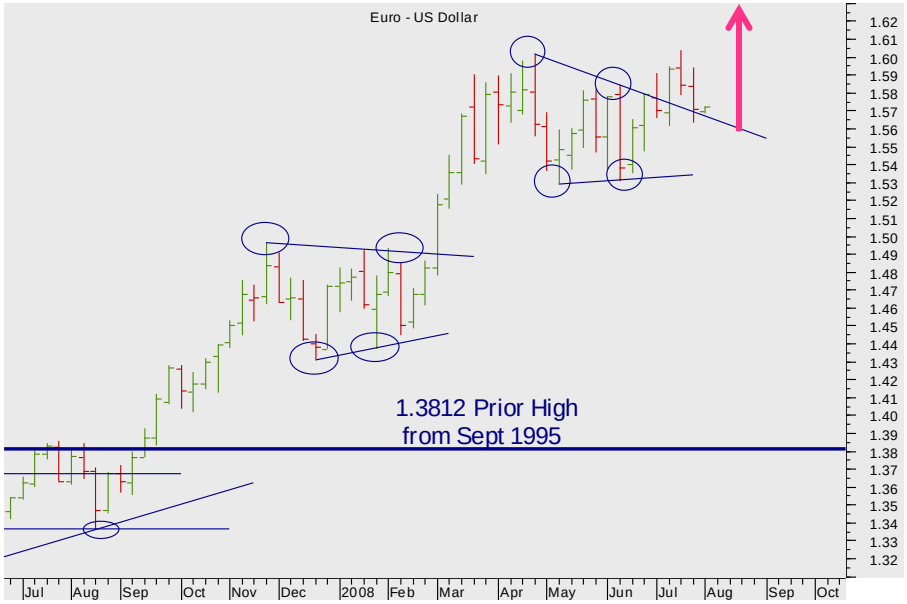
Currencies: Dollar Euro



Dollar Euro weekly spot cash chart

The market has accelerated ahead (using continuation Triangles) to current levels and then completed another Triangle…..or so it looks.

Look closer.

Dollar Euro daily spot chart

This undermines the triangle and emphasises instead the lack of structure within the range 1.5344 – 1.6017.

Wait for a break of the range up at 1.6017.

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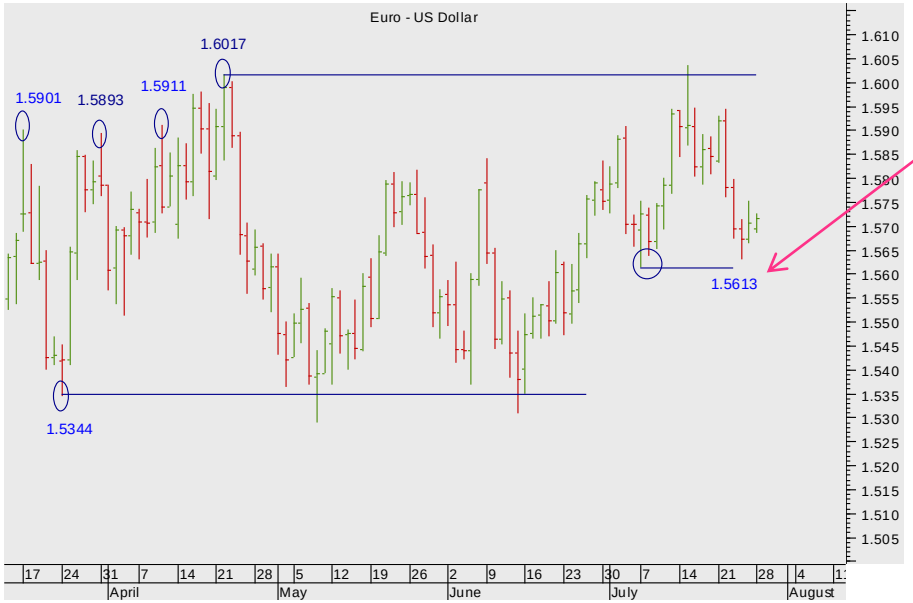
Currencies: Dollar Euro



Dollar Euro daily spot cash chart

Watch the Pivotal low at1.5613 for a trigger to drive the market lower….until then we are standing aside.

SEVEN DAYS AHEAD

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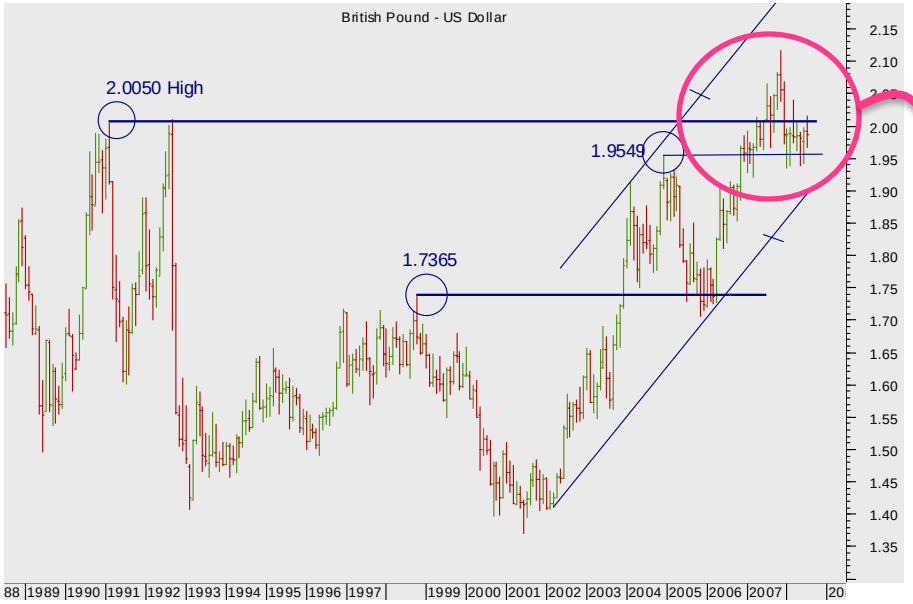
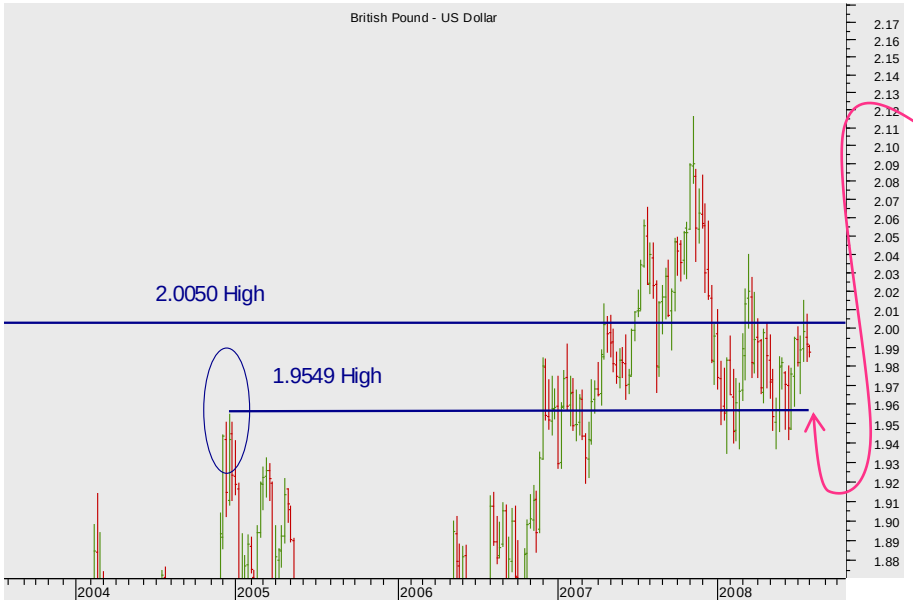
Currencies: Dollar Sterling



Dollar Sterling monthly spot cash chart

The fall back to the prior High support level of 1.9549 was a setback for the bulls. But the market has held there.

So far….



Dollar Sterling weekly spot cash chart

It has repeatedly steadied at the support from the 1.9549 level. Look closer.

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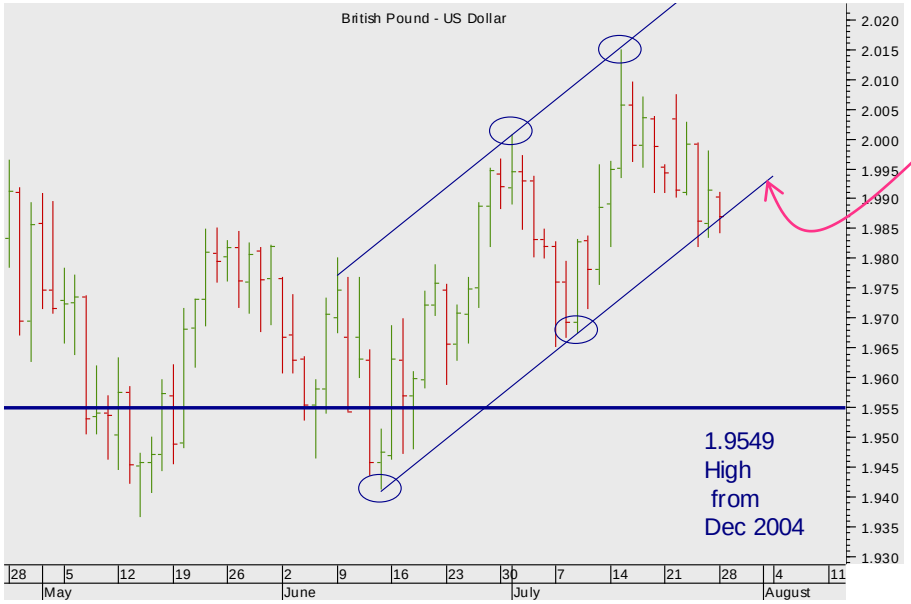
Currencies: Dollar Sterling

Dollar Sterling daily spot cash chart

But despite the continued dollar weakness since last week, there is a lack of clarity here inside the trading range.



Dollar Yen daily spot cash chart

But there is a channel of interest. Helping the market work higher….

Stand back or trade a breakdown of the channel.

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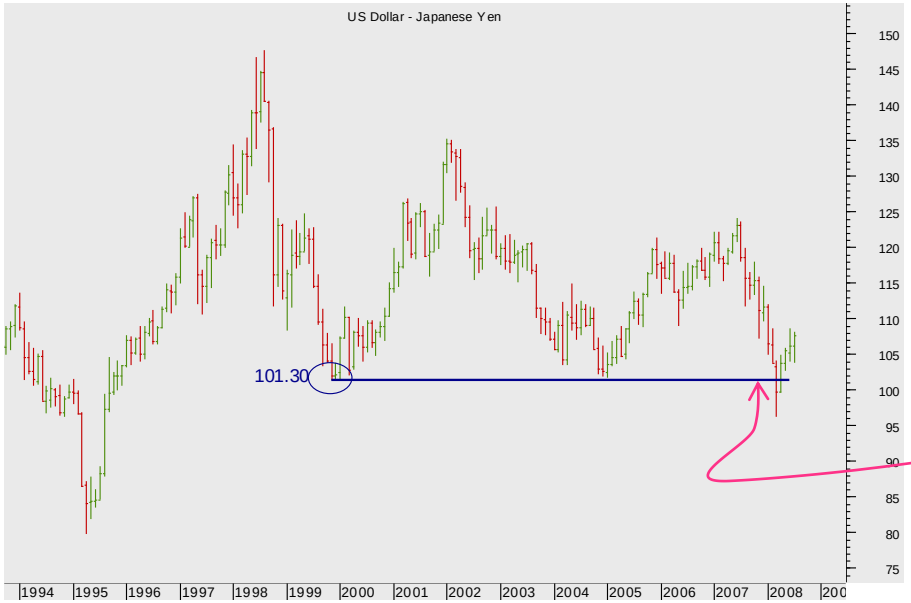
Currencies: Dollar Yen



Dollar Yen monthly spot cash chart

The failure to close beneath the 101.30 level was a big disappointment for the Yen bulls….

Dollar Yen weekly spot cash chart

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

The market's break of that was powerfully bullish - and when the market fell back <u>there was good support.</u>

Look closer..

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Currencies: Dollar Yen

Dollar Yen weekly spot cash chart

But this is interesting:

The market has good potential to complete a Head and Shoulders Reversal on a break of 108.58…

Dollar Yen daily spot cash chart

In the meantime, the clear support at the diagonal from 2007 is very good bull evidence for the Bulls

Nonetheless wait for a break of the potential neckline 108.58 – like last week.

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Currencies: Dollar Yen

Dollar Yen daily spot cash chart

Watch the market's reaction to the near highs a break of which will signal a completion of the H&S pattern.

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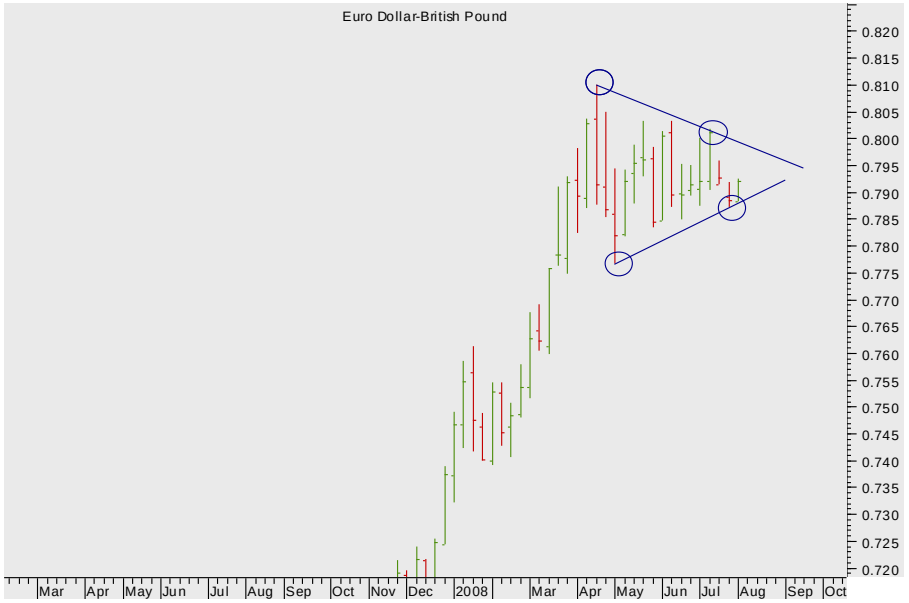
Currencies: Sterling Euro

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 consolidation took the form of an uncompleted continuation triangle – which has had to be continually redrawn but may yet have some potency.

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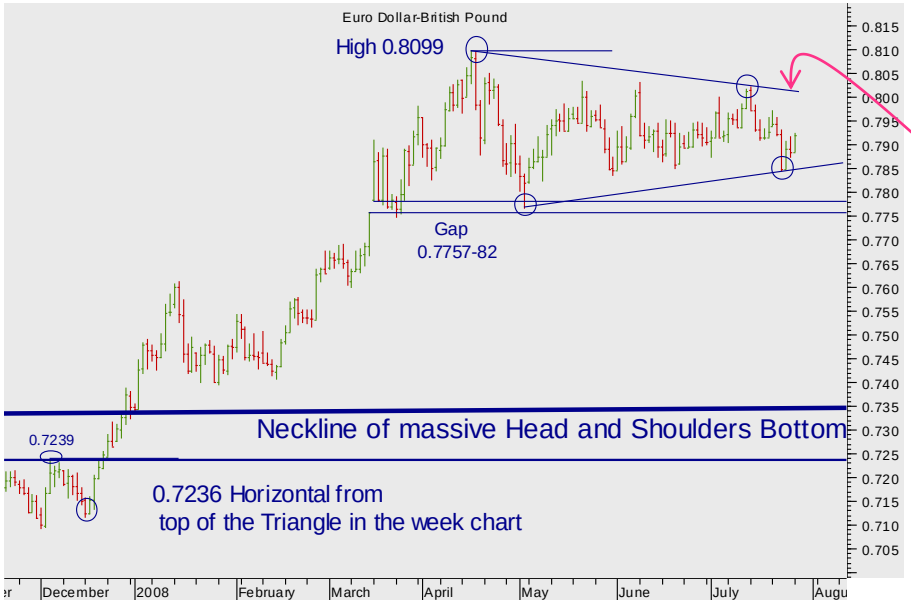

Sterling Euro daily spot cash chart

Wait for a confirming push up through the 0.8020 falling diagonal to signal a possible breakout.

Stocks

STOCKS: The critical levels that were close when we wrote last week were never convincingly breached. The bears, a little shell-shocked by the speed of the bounce, are relieved. But there's no short-term top in place to signal fresh sellers in line with the powerful and completed medium term bear tops. Our favoured bears remains the DJ EuroStoxx.

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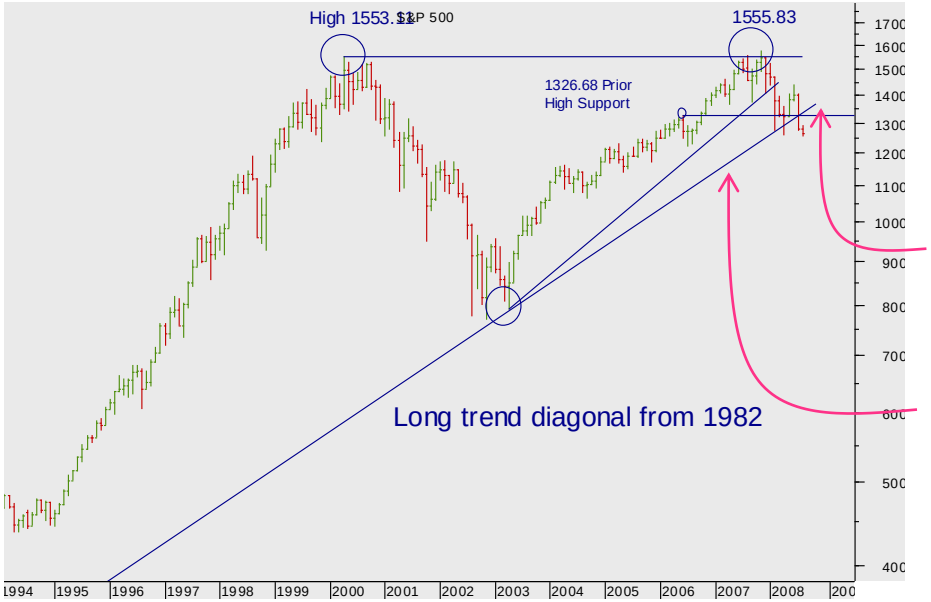
Stocks: Standard & Poors 500



Standard & Poors 500 monthly cash chart

The CASH market tested that important High of 1553 from the past and failed..

The failure drove the market to the support from the prior High…..at 1326 and that has broken down emphatically.

So too has the diagonal been broken.

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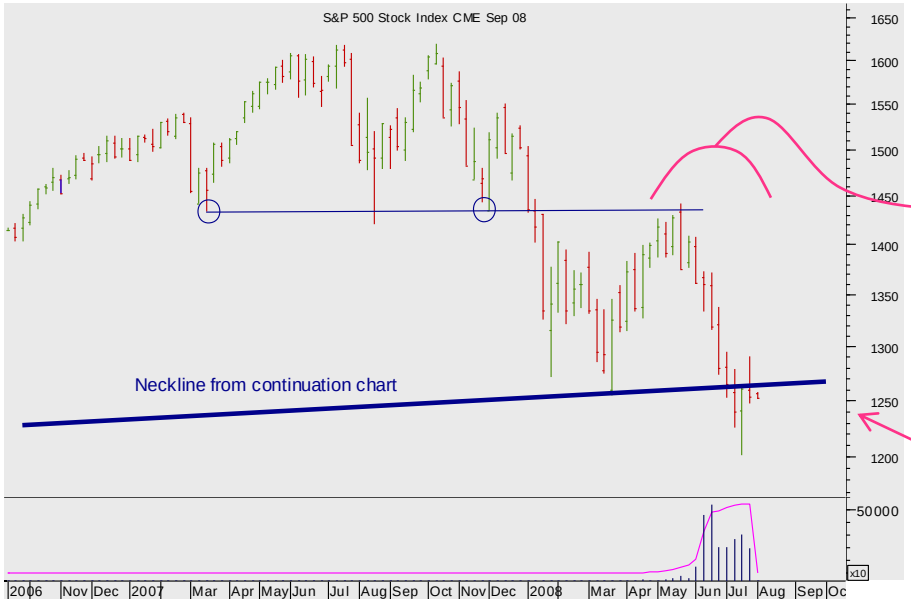
Stocks: Standard & Poors 500

Standard & Poors 500 Weekly continuation Chart

The market has formed a Head and Shoulders Top – set to drive it on down - but how far?

ABOUT 1000 – A DROP OF 25% FROM CURRENT LEVELS.

But watch the price action around the Neckline for signs of a clear breakdown.



Standard & Poors 500 weekly Sep08 chart

We believe this latest pull back and failure to break back through the smaller H&S Neckline was a CRUCIAL FAILURE.

In the Sep 08 chart the resistance from the Continuation chart at 1260 is less clear (obviously).

Instead, watch the market's reaction to the band of resistance formed by the two prior Pivots…

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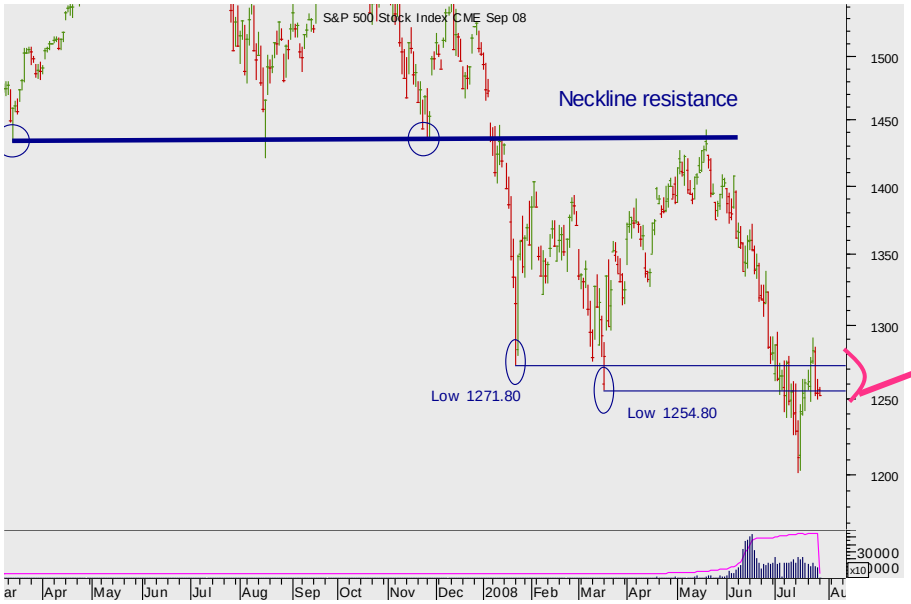
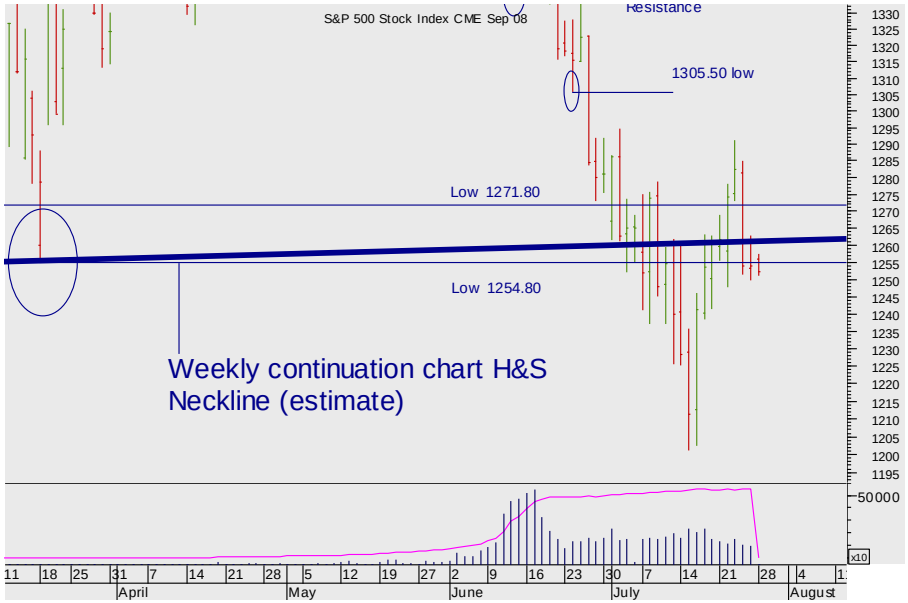
Stocks: Standard & Poors 500



Standard & Poors 500 daily SEP 08 chart

The very short-term bears had a clear break down through the band of 1271.80-1254.80 but the rally back has been aggressive…

Watch for a fresh failure at that band before selling again.



European DJ Stoxx 50 daily Sep 08 futures chart

The Neckline at 3426 or so in the continuation chart that is now good resistance – on any rally. And looks to have held.

The bulls will have been very disappointed not to have sustained the move..

Minimum target 2600 or so.

New sellers should enter the market while the bear weekly H&S pattern remains intact.

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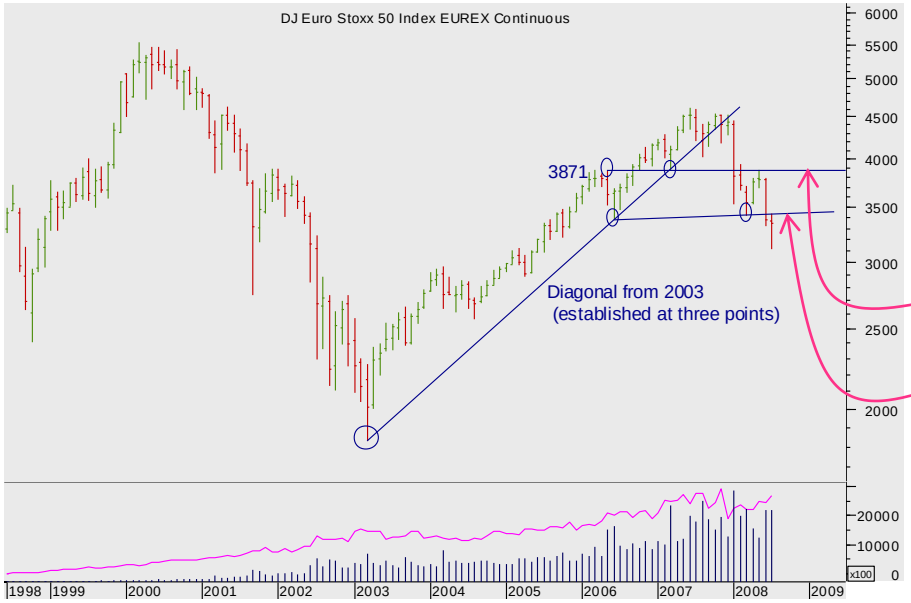
Stocks: DJ Euro Stoxx 50

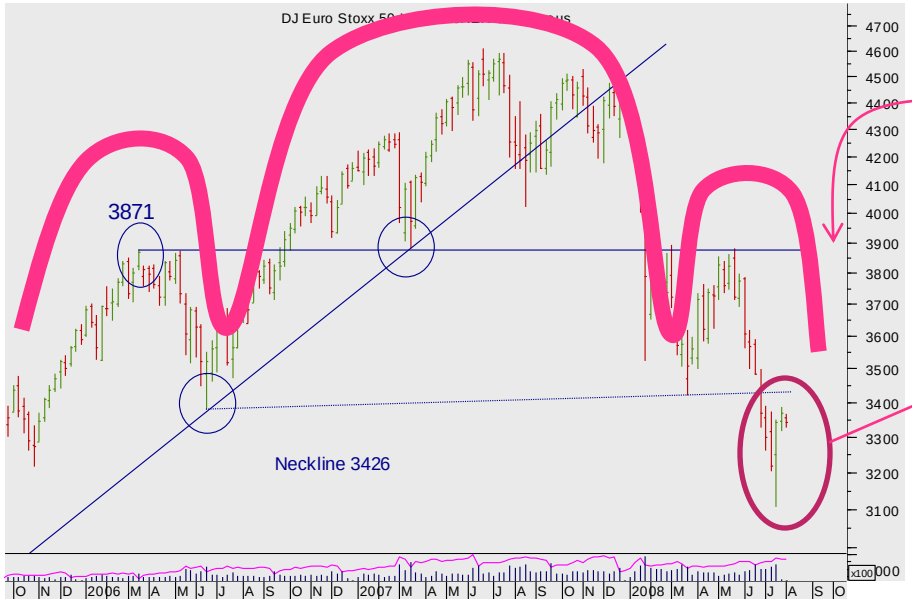


European DJ Stoxx 50 monthly continuation futures chart

The long rally of the market since 2002 fell well short of the market's Highs in 1999.

First it pulled back through support at 3871 from 2006.

And last week closed lower to complete a Head and Shoulders Top…..



European DJ Stoxx 50 weekly cont. futures chart

The Neckline at 3426 or so in the continuation chart that is now good resistance – on any rally.

Minimum target 2600 or so.

The market has fallen clearly short of the Neckline in the continuation chart.

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Stocks: DJ Euro Stoxx 50

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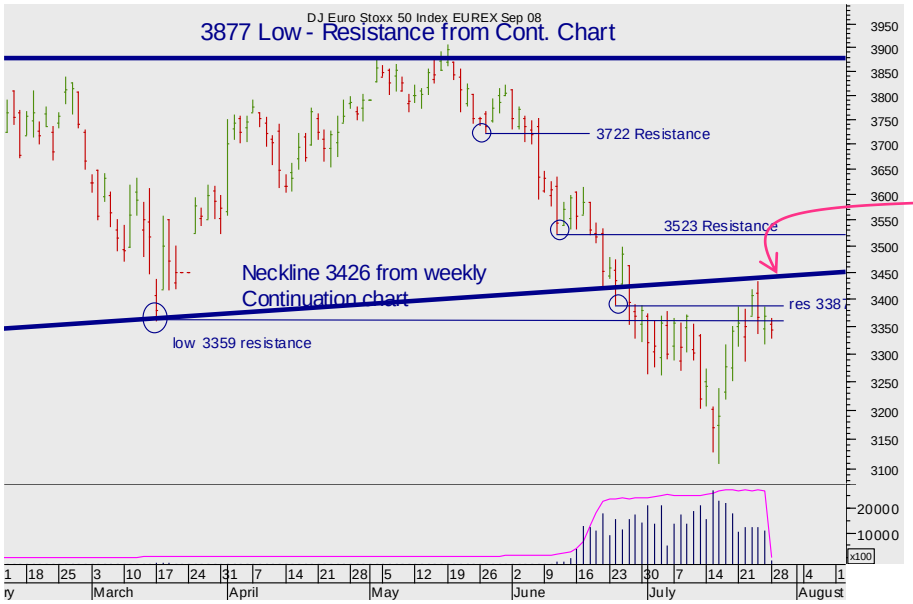

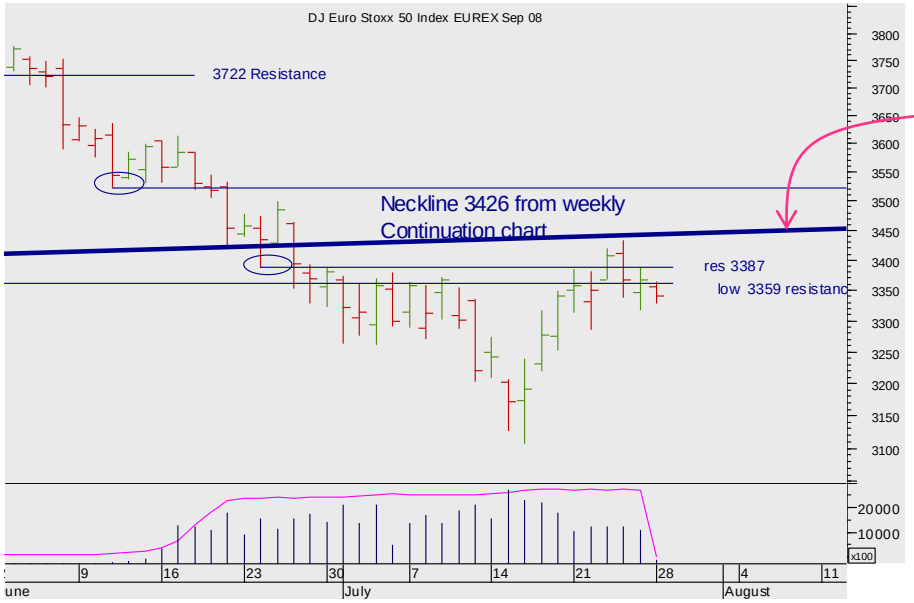

European DJ Stoxx 50 daily Sep 08 futures chart

Using the sep 09 chart and superimposing the Continuation Neckline…

That Neckline is now powerful resistance to the current short-covering rally (Note well the declining volumes on the rally). As is 3387 too …

But the impetus appears to have diasppeared.

This is a bad failure.

Only if the 3426 Neckline were smashed would the bear really take fright.

The market is vulnerable to further disappointments.

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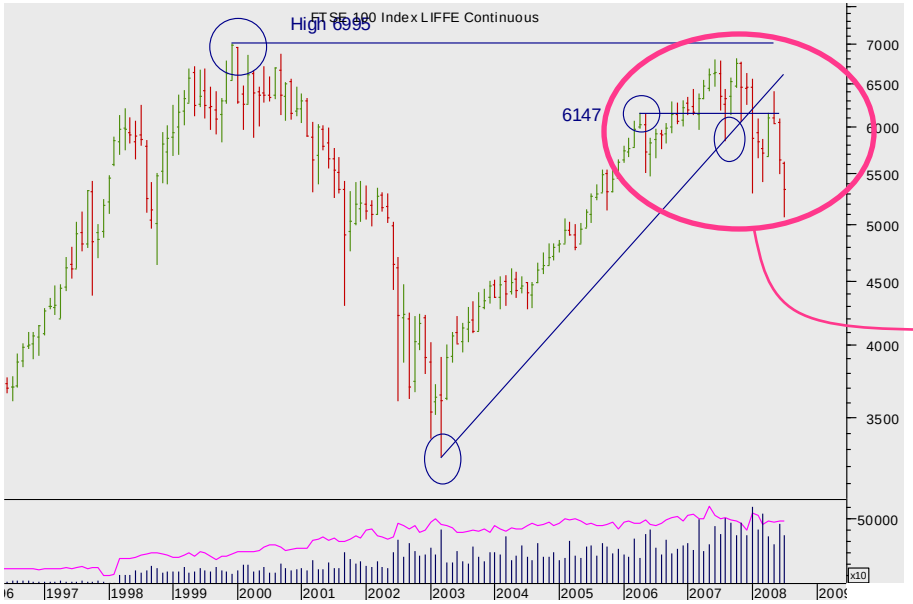

FTSE 100 monthly Continuation futures chart

The FTSE approached the prior High of 6995 … but stalled and fell back.

Breaking the steep uptrend support.

FTSE 100 weekly Continuation futures chart

And the clear diagonal has been broken

The Prior High support at 5536 (continuation chart) has been smashed.

Look closer.

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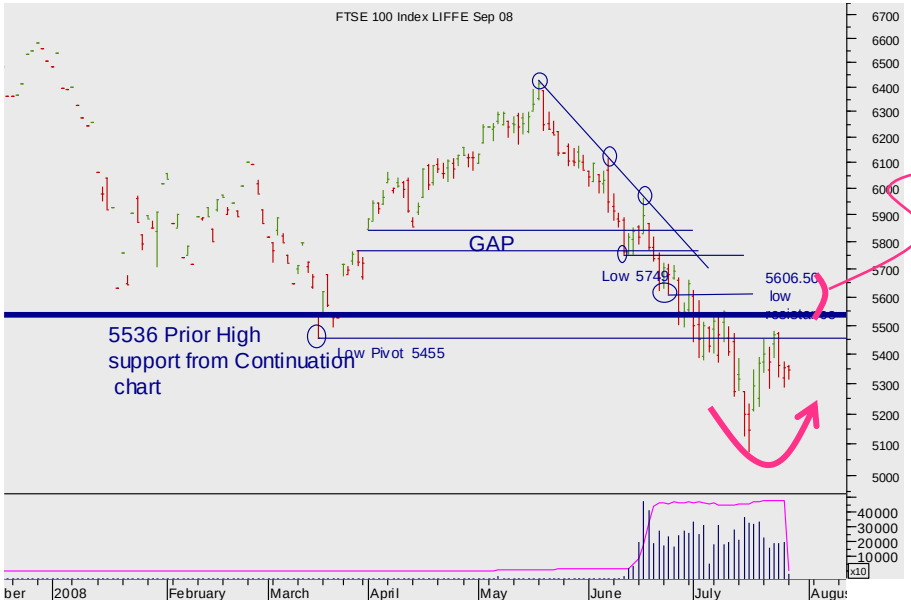
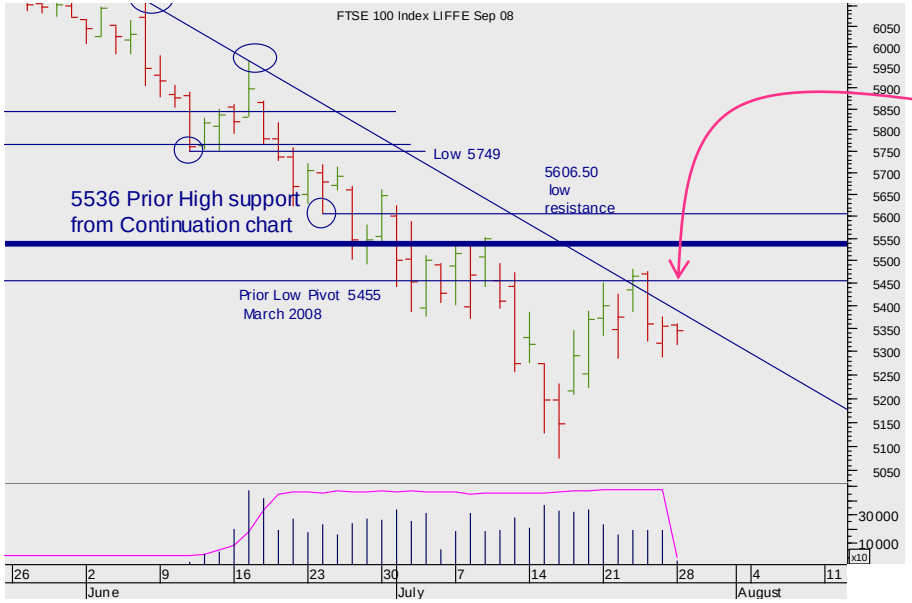


FTSE 100 daily Sep 08 futures chart

The trend of the last six weeks has been steady….the critical band of support was 5455-5536.

When that broke, fresh Selling to entered the market.

But then there has been a rally.



FTSE 100 daily Sep 08 futures chart

But the rally has struggled to get back through the 5455 Prior Low Pivot.

We remain aggressive sellers beneath 5536.

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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.)

<u>Now look at the turn.</u>

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

Look closer.

Nikkei 225 weekly Continuation futures chart

Having been driven down by a completed Head and Shoulders Top, the bounce off the major support at 112.10 was clear and powerful.

Then the market found good resistance at the 14020 level.

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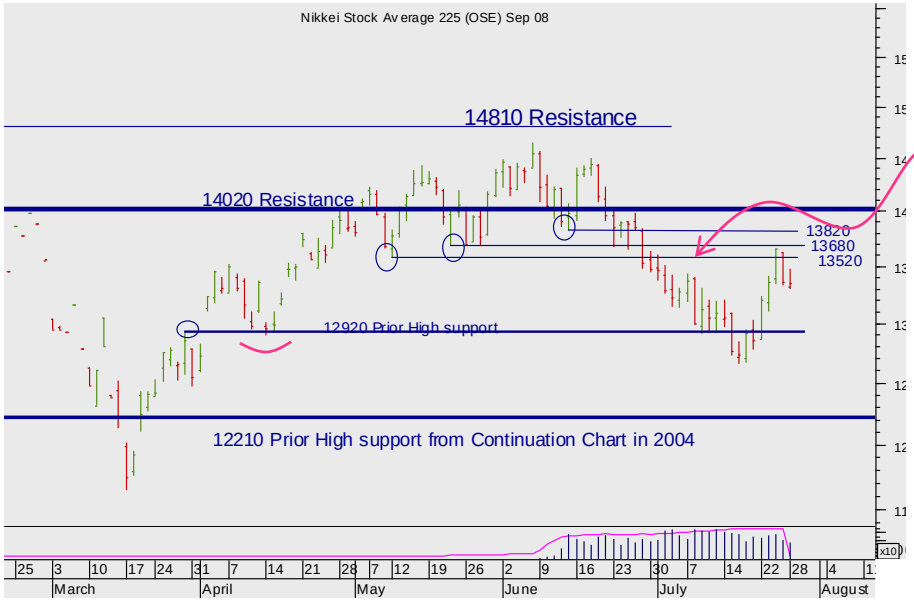
Stocks: Nikkei 225

Nikkei 225 daily Sep 08 futures chart

The major bands of resistance lay at 14020 and then 14810-15180

And the market is tested those levels in a tight consolidation… which has the appearance of a rounded top….



Nikkei 225 daily futures Sep 08 chart

The break beneath 13520 completes the Top – a Quadruple Top.

And the trend has continued easily, driving down beneath 12920 (whence the market has bounced previously) – now resistance

The small recent rally looks unlikely to penetrate the resistance 12920

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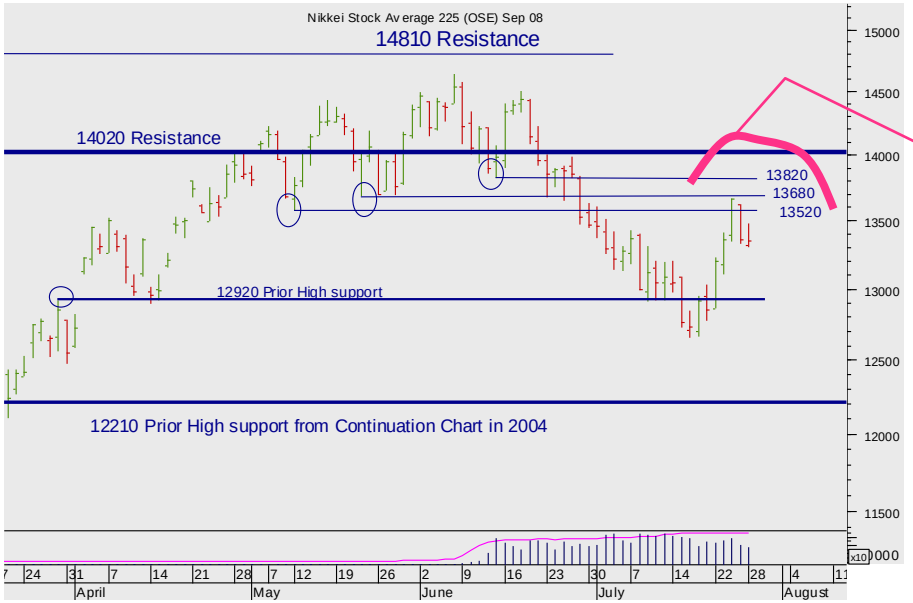
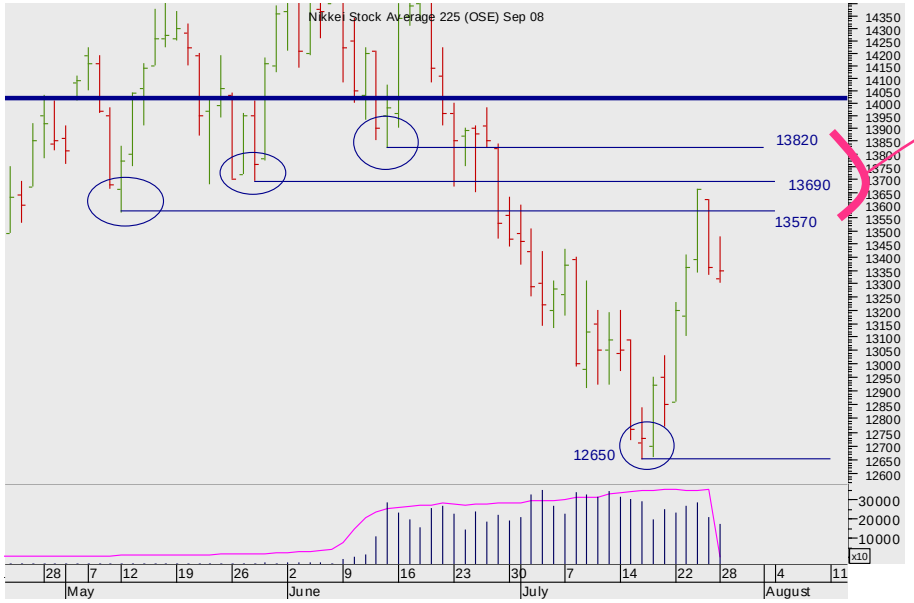


Nikkei 225 daily Sep 08 futures chart

The bull push has faltered…



Nikkei 225 daily futures Sep 08 chart

The small recent rally looks unlikely to penetrate the resistance 13570 – that whole area of congestion will weigh heavily on the market.

We anticipate a retest of the lows.

Bonds

BONDS – we talked last week of the European markets returning to their important long term pivotal lows – and sure enough the Bund did. Gilts were more resilient, and the T Notes and Yen bonds altogether stronger still. The bunds look likeliest to provide a trade - on the downside. But there's no break yet.

Summary

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+ Dollar Sterling
+ Dollar Yen
+ Sterling Euro

Stocks
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+ European DJ Stoxx 50
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+ Nikkei 225

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+ Ten year US Treasury Note
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Interest rates
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+ Euribor rates
+ Sterling rates

Commodities
+ Oil
+ Gold

Bonds: Ten year US Treasury Note

Ten year US treasury note monthly futures continuation chart

The market's failure to breach the old prior High at 120-14 has been a major bear influence on the market and it remains so.

Look closer.

More

SEVEN DAYS AHEAD

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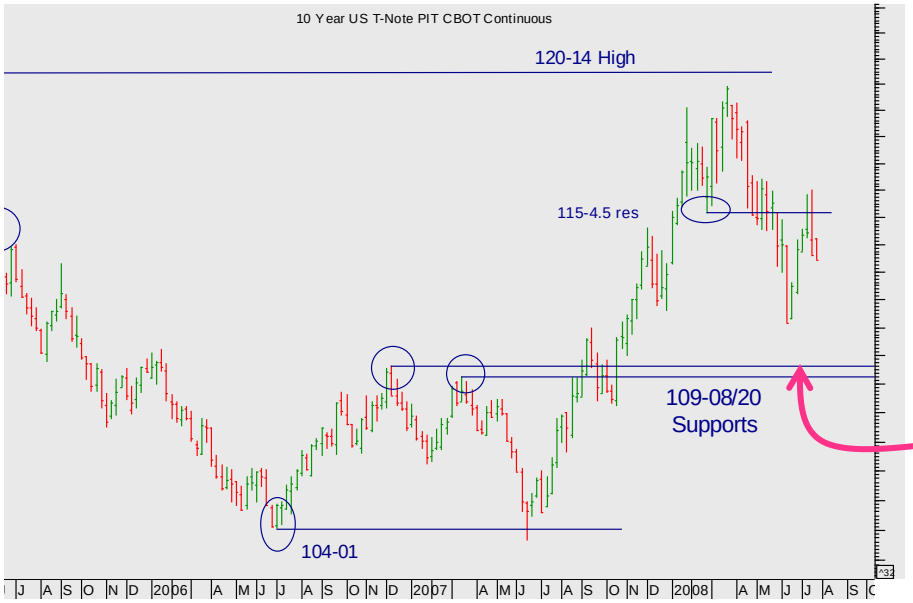
Bonds: Ten year US Treasury Note



Ten year US treasury note weekly futures continuation chart

There is no clear Top formation in place.

After the initial sell-offthe market rallied to the resistance from the low at 115-4.5.

Where it failed.

Note support from the Old highs and 61% Fib around 109-08/20.

Ten year US treasury note daily Sep 08 futures chart

In greater detail : The bounce from the 111-0.05 low has ended at the 115-26 resistance and a bear Double Top.

We got the test of 112-31 as expected.

Bears will hope for more but only sell on a break of 112-31 as the Double Top is weakly constructed.

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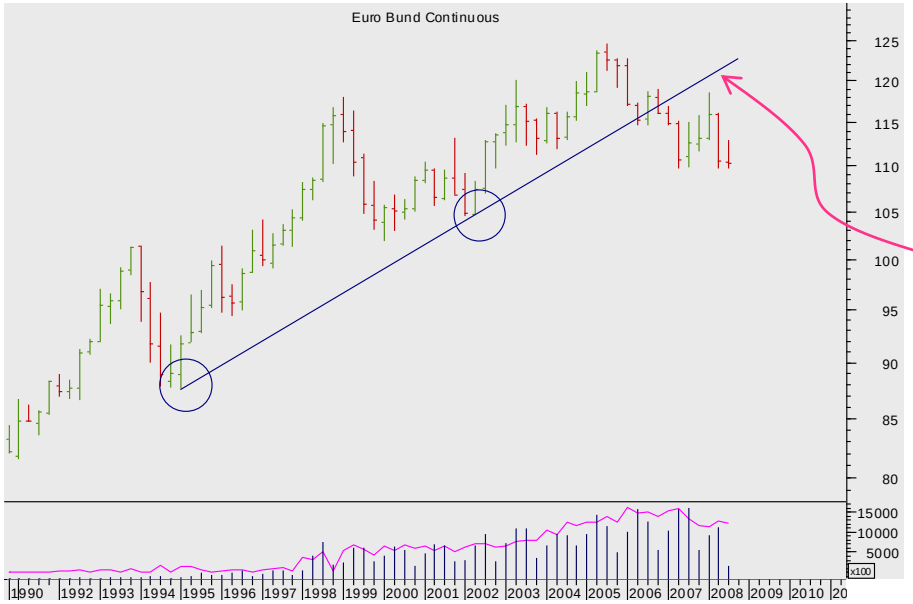
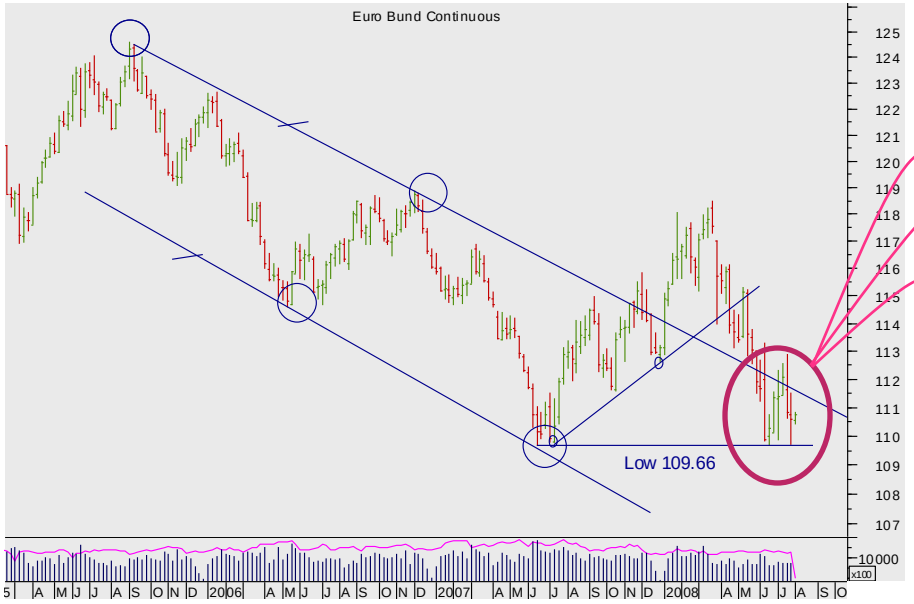
Bonds: Ten year Euro Bund



Ten year Euro Bund quarterly futures continuation chart

The market lacks long-term clarity.

A weak trend support has been smashed.



Ten year Euro Bund weekly futures continuation chart

Note the retest of the 109.66 low.

And the failed bounce.

And the retest…..

Bears should wait for a confirmed close beneath 109.66.

More

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Bonds: Ten year Euro Bund

Ten year Euro Bund daily Sep 08 futures chart

In greater detail: the rejection of the powerful overhead resistance at the prior low 113.36 was powerful bear evidence…

Yet the repeated bounce off the 109.66 Low is encouraging …

Note though that the market failed to get up through the bear trend resistance convincingly

Stand back for a break of the range.

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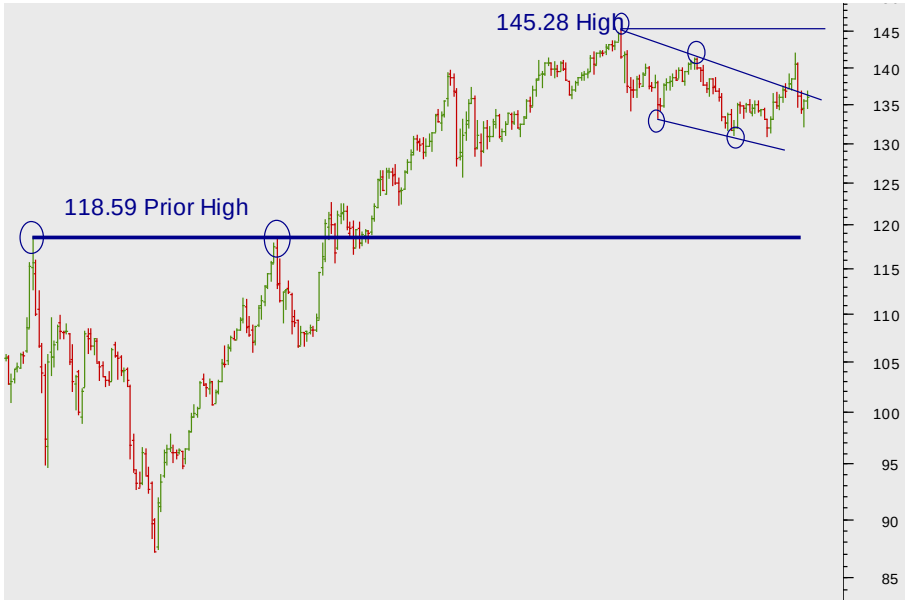
Bonds: Ten year Japanese Bond

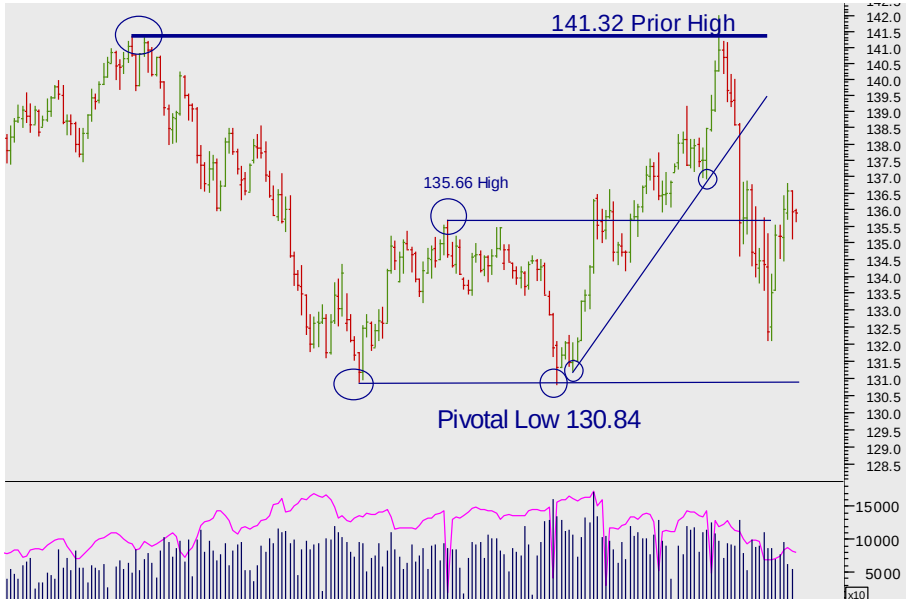


Ten year Japanese Bond monthly futures continuation chart

The repeated failures of the market at and above the 141 level look poor for the market.

There is no clear long-term formation at work yet, but a break of the 130.84 lows would be pivotal.

Look at the detail.



Ten year Japanese Bond weekly futures continuation chart

The break back through the support from the old Double Bottom at 135.66 looked bearish yet the market bounced viciously.

Stand back for greater clarity.

More

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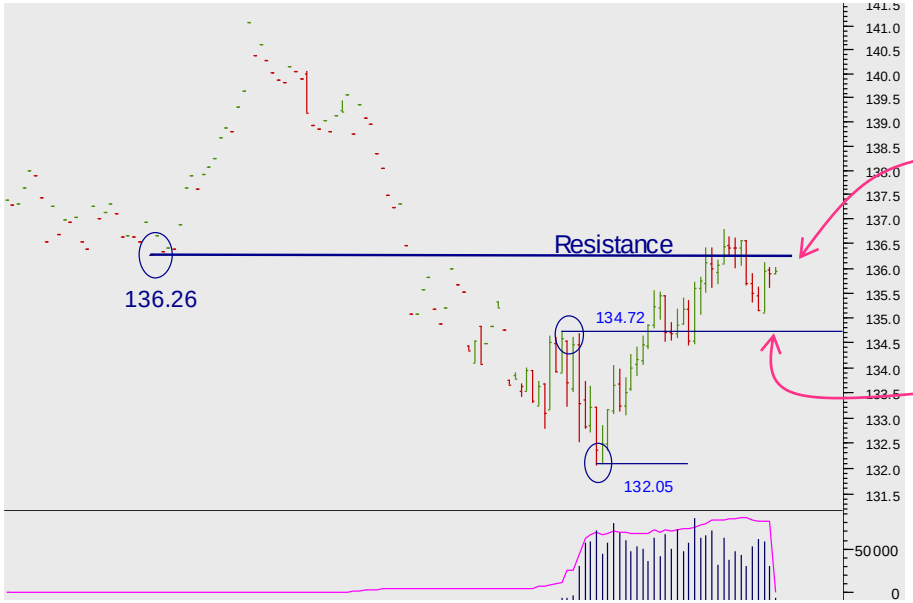
Bonds: Ten year Japanese Bond



Ten year Japanese Bond daily Sep 08 futures chart

The market 's failure to sustain itself above the 136.26 resistance ominous for the bulls.

(But we can't get excited)

Bears need a break of 134.72 to gain confidence.

Interest rates

Short Interest Rate futures: These markets lack good structure in the long, medium and short term - with the interesting possible exception of Short Sterling. There we are bulls.

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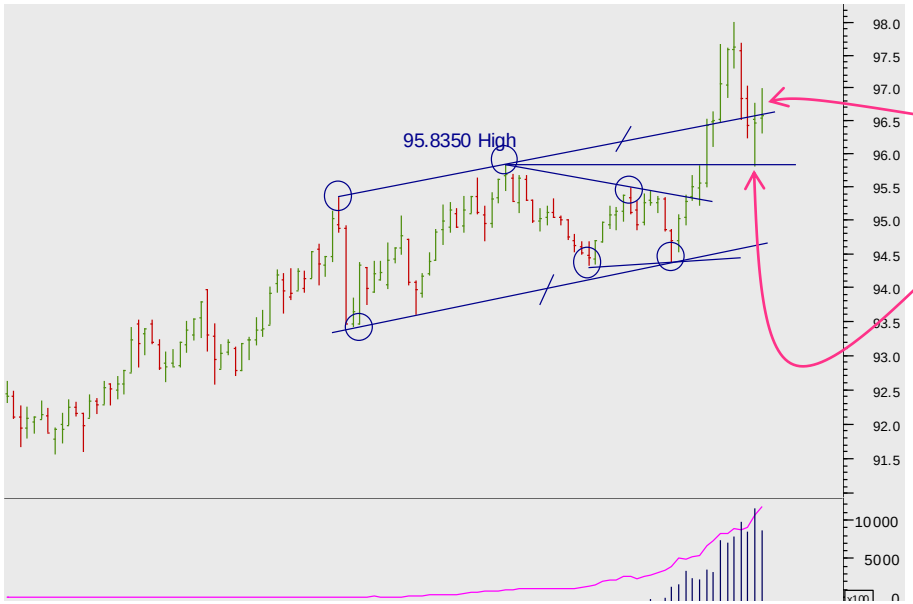
Interest rates: Dollar rates



Dollar rates monthly futures chart

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

But found support at the horizontal from the High at 95.8350.

Look closer.

More

SEVEN DAYS AHEAD

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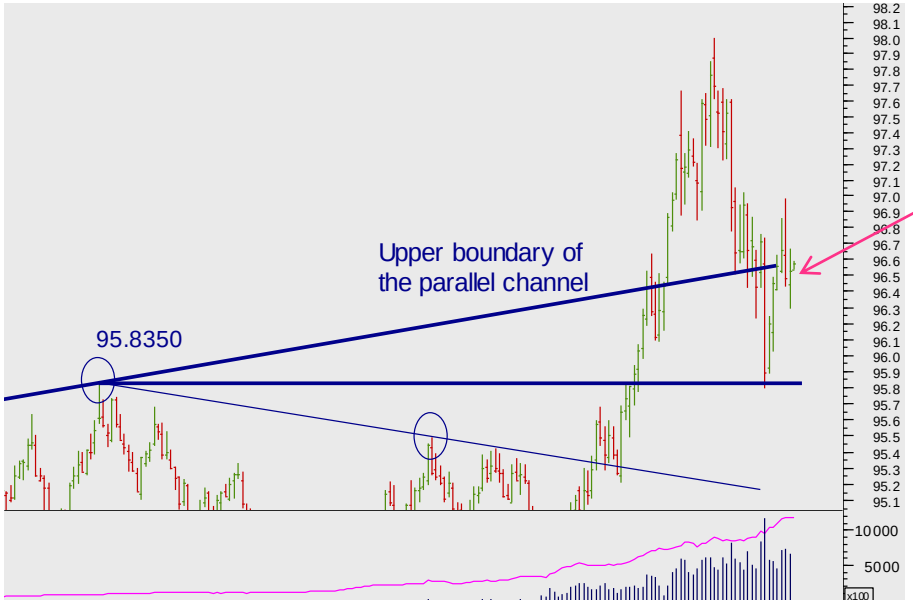

Dollar rates weekly futures chart

That pull-back: check the detail.

Dollar rates daily futures chart

Note well the bounce from 95.8350 – it took out the first resistance at 96.2250…

But there is no clear bottom formation.

More

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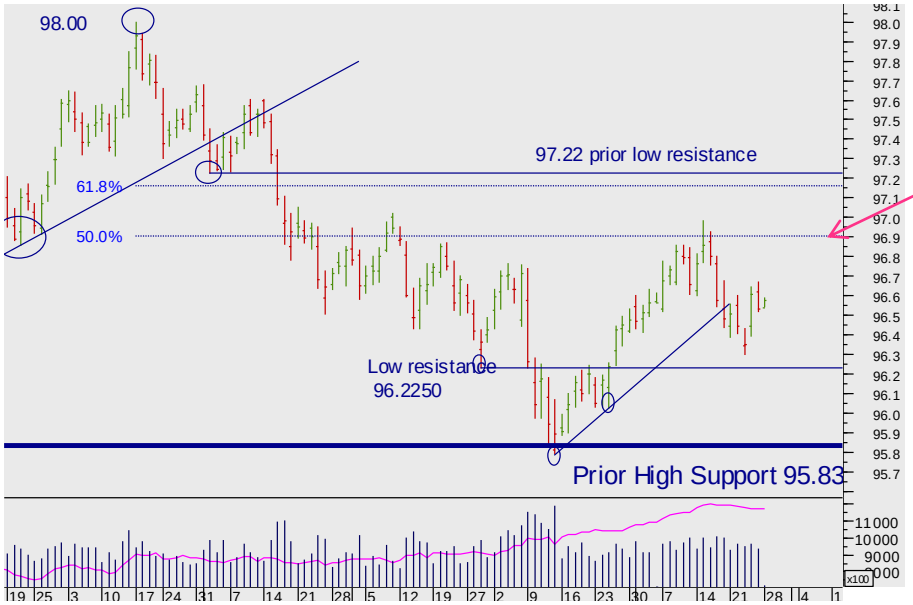
Interest rates: Dollar rates



Dollar rates weekly futures chart

That pull-back: check the detail.

But having hit the 50% retracement has fallen back sharply.

Breaking the rising bull trend support.

The lack of structure is dispiriting.

Stand aside.

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+ **Euribor rates**
+ Sterling rates

Commodities
+ Oil
+ Gold

Interest rates: Euribor rates

Euribor rates monthly futures chart

The market has fallen back to the recent low.

Look closer.

Euribor rates weekly futures chart

The market hasn't clearly penetrated that Pivotal low yet in a convincing way…there's a bounce under way.

But the bounce has been stymied by the resistance at 95.21.

More

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Interest rates: Euribor rates

Euribor rates daily futures chart

The market is in a trading range 95.21- 94.75.

Stand aside.

SEVEN DAYS AHEAD

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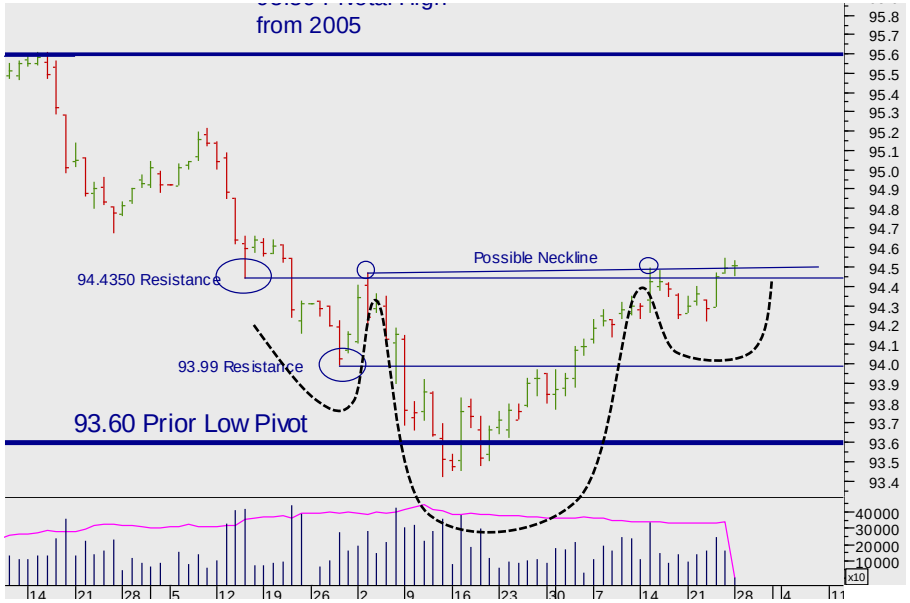
Sterling rates monthly futures chart

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

And note the completion of a Double Top if the market breaks down through the 93.60 Low Pivot.

But that looks unlikely with the current pull run.



Sterling rates daily Jun 09 futures chart

The bounce from 93.60 since Mid June has been solid.

And note the possible completion of a Head and Shoulders reversal …

More

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Commodities
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Sterling rates daily Jun 09 futures chart

In the very short-term, the bulls will have been encouraged by the break up through the 94.4350 resistance.

But a clear break above the Neckline is the critical break at 94.50 or so.

Commodities

Oil has tuned and with the help of a small Double Top has smashed good trendline supports and horizontal supports. A bear trend is in place. Gold remains well-set if traders can stomach the volatility.

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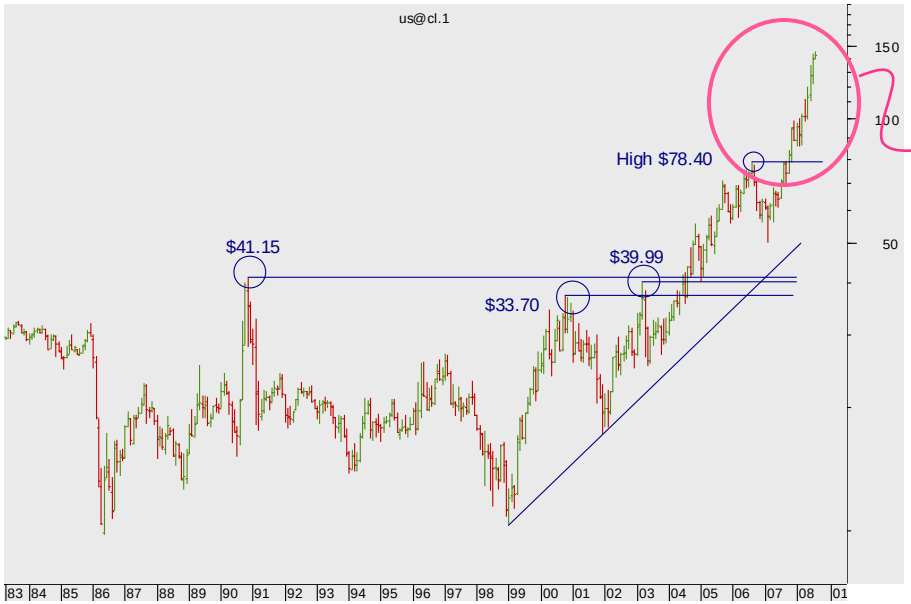
Commodities: Oil



Oil monthly futures continuation chart

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

More

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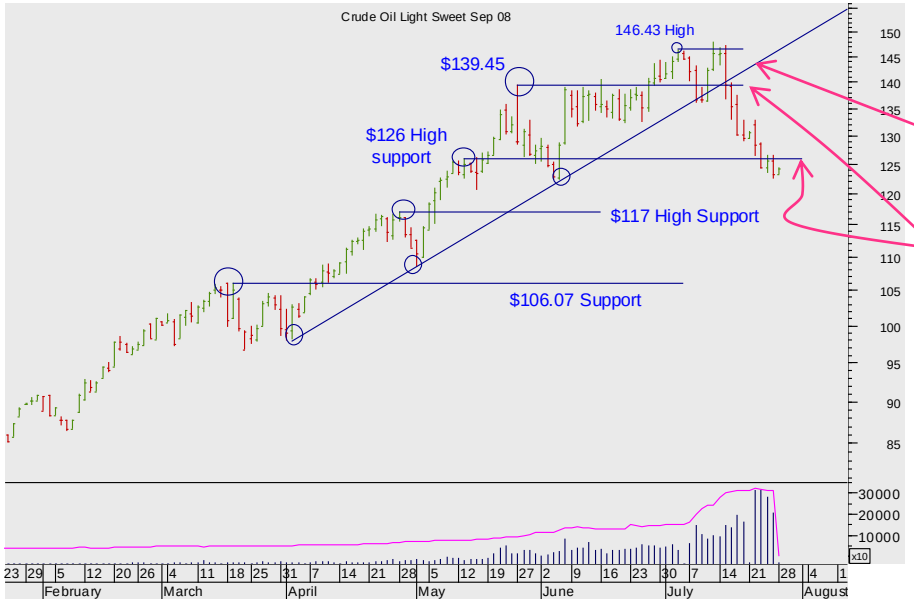
Commodities: Oil

Oil weekly futures continuation chart

The market has smashed the first – weak - trend support.



Oil daily SEP 08 futures chart

The Sept contract has a much more powerful trend support is clear – now smashed.

So too are successive horizontal supports smashed.

Look closer.

More

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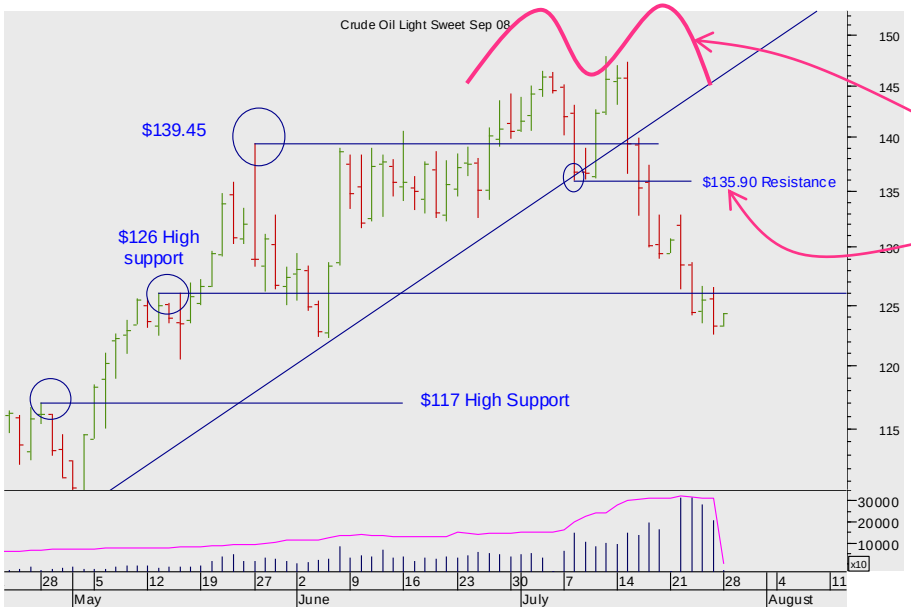

Oil daily SEP 08 futures chart

The double Failure at 146.43 is poor.

Note too the completion of a double Top on the breakdown through $135.90.

These bear factors plus the smash of the bull diagonal suggest ed a return at least to $126.

And that has happened.

Next support $117.

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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 Aug 08 futures chart

That $873 High is first support (and beneath that is support at $869.30.)

Look closer.

More

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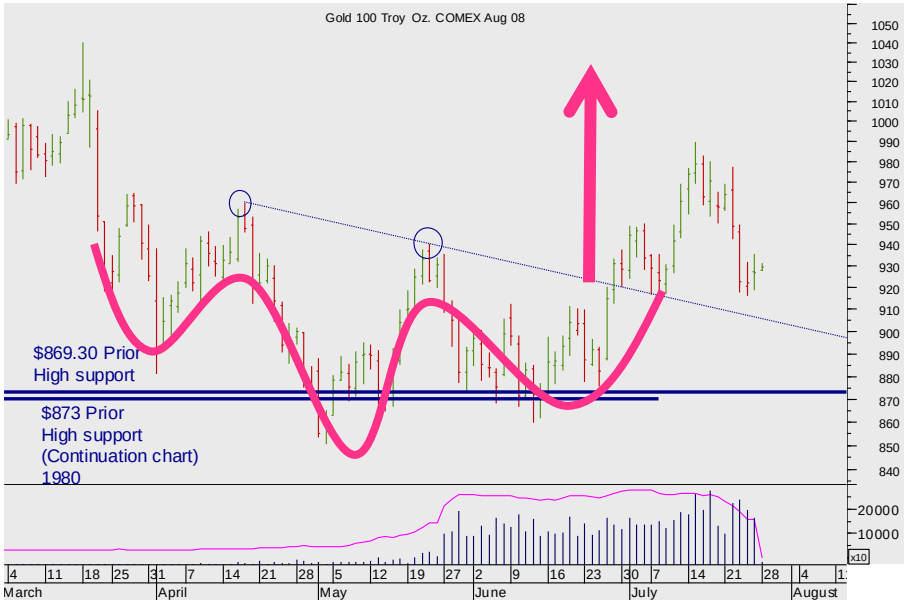
Commodities: Gold



Gold daily Aug 08 futures chart

The Head and Shoulders Bottom completed and looks set to drive the market as far as the old Highs or so.

The pull-back was a disappointment.

But only a break of the Neckline at $905 or so would encourage the bears

H&S Minimum target? 1040 - which is more or less the old High.

More

Summary

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Interest rates

Commodities

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