



# Technical Analysis

29 June 2005

POINTS OF VIEW  
MORNING ANALYSIS

INDEX		Major Supports	First supports	PRICE	Change	First resistances	Major Resistances
<a href="#">AEX</a>	<a href="#">LT</a>	307 - 318/21	372/3 - 379	381.84	+9	382.65 - 384/6	390/405
<a href="#">BEL20</a>	<a href="#">LT</a>	2875/2905	3015/45 -3080	3084	+4.57	3100/10 - 3144	3300 - 3400/15
<a href="#">CAC40</a>	<a href="#">LT</a>	3475-3797- 3879	4110/45 -4170	4194	+37	4210 - 4246/55	4315
<a href="#">DOW JONES</a>	<a href="#">LT</a>	9650/9750 - 9928	10075-10215	10405	+115	10425 - 10650	11200/50 - 11800
<a href="#">EURO STOXX50</a>	<a href="#">LT</a>	2560-2770 - 2850	3080/10	3162	+30	3170 - 3196/3210	3250/85

LT = LONG-TERM ANALYSIS

## General Comment

The 1% bounce came faster than expected, supported by oil stocks (while oil dropped 2 dollars) and by so-called American bullish seasonal tendencies (in other words, window dressing by asset managers). Anyway, if this rally is corrective, then a pullback is due before yesterday's high is challenged again. With Greenspan coming in the picture on Thursday, many will want to wait for his comments before getting involved. In principle I look for further weakness over the next week, before the market turns up again in July.

*The US markets have probably topped but European markets remain underpinned for the time being. However, note that the weekly charts start to divert. This means that the new highs in the indices are not confirmed by the technical studies, which is a loss of momentum (confirmed of course by lower turnover). It doesn't mean the rally is over yet, but this bearish divergence will lead to a market decline over the next quarters.*

[Brent oil](#) dropped 2 dollars; and now?

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Monthly chart

Weekly chart



The long-term trend of the Aex index is down, with major resistance located at **391/405**. *Quarterly indicators still have a negative bias and confirm the index is in a bear market*, which still has a long way to go; the head-and-shoulders pattern on the monthly chart provides longer-term supports/targets at **170/5**, **121** and **50/75**.

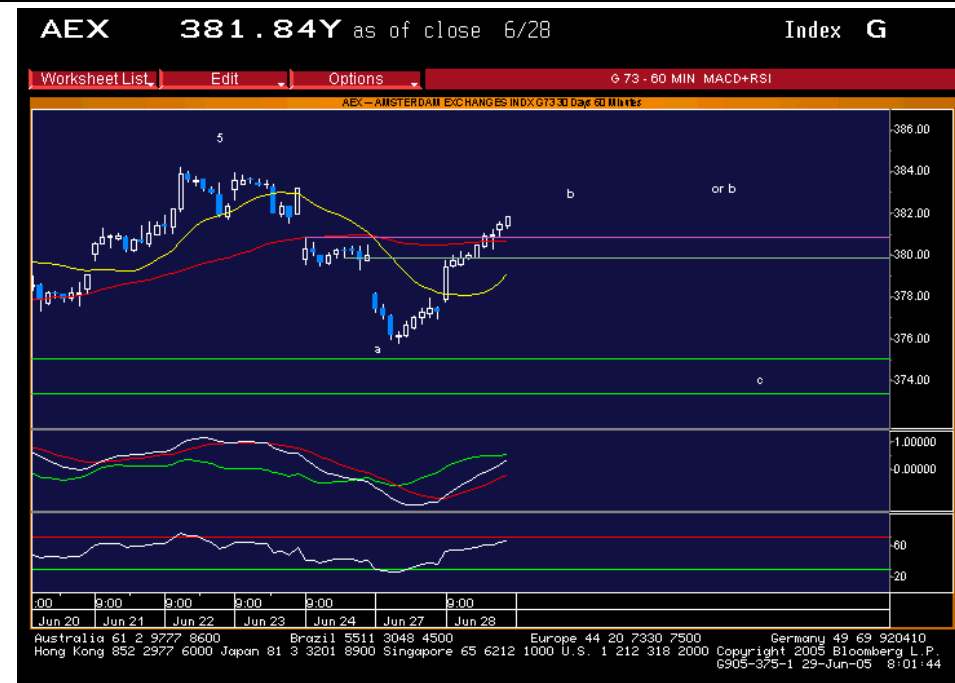
Declining volume and bearish divergence between price and technical studies on the weekly chart warned for a pending top. Last week we saw additional strength and the price reached the target area **382/5**, which includes trend line resistance on the weekly chart. A larger pullback has now started in the direction of **373** or even **365/69**. As long as this last area holds, the index remains in uptrend towards **391/405**. Weakness below **365** indicates the rally is over and we will see the index dive below the August 2004 low in the 3<sup>rd</sup> or 4<sup>th</sup> quarter.

[AEX SHORT-TERM](#)

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Daily chart

Hourly chart



**SUPPORT**

- 379/80
- 372/373 KS
- 365/9 MS
- 335/45
- 318/321
- 307.31
- 280

Well, the small bounce became a big bounce thanks to Royal Dutch and the index will probably have some more additional push higher this morning towards **382.65**; above would bring the recent high at 384.18 in focus. However, a pullback is due today towards **379/80**.

Still think the index is in correction mode though and expect renewed weakness this/next week towards **372/3** or possibly the **365/9** area.

Major support for the longer term is still **365/9**; as long as the index remains above 365, the trend up towards **391/405**.

**RESISTANCE**

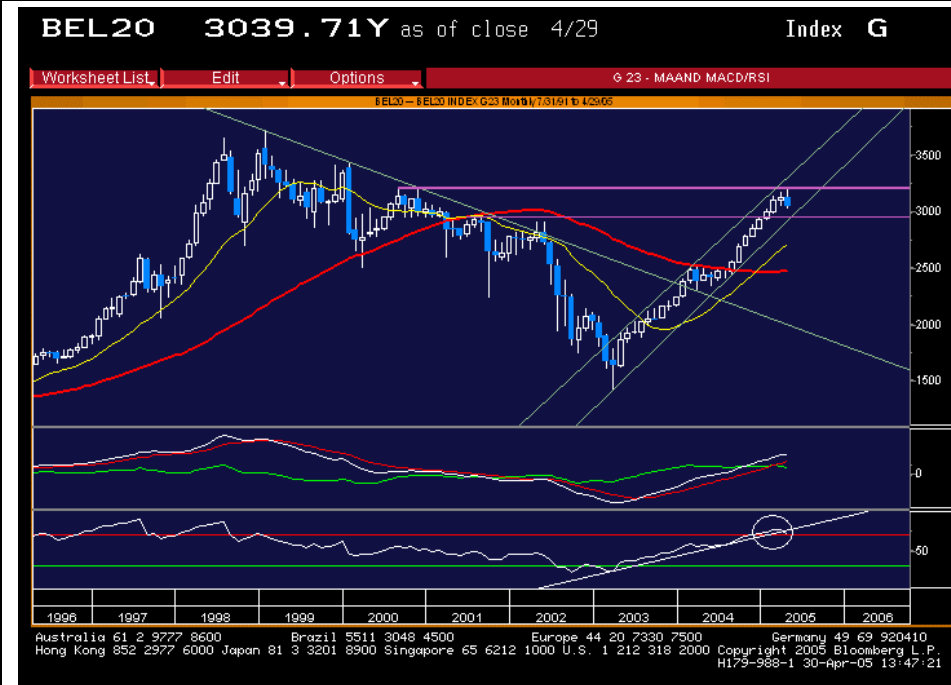
- 382.65
- 382/383.20
- 390/405 MR
- 410

[AEX LONG-TERM](#)

[TOP](#)

## Monthly chart

## Weekly chart



The Bel20 reached 3180/3210. Monthly and weekly technical indicators were seriously overbought last month (rsi respectively at 77 and 78). We have seen this before of course, in 1993/4, 1997, 1998 and 1999. The ensuing corrections in those years amounted to 20% (1994), 22% (1998), 26% (1999) and 23% (also 1999).

Over the next weeks, I am still expecting a larger pullback towards levels around 2870/2960. Last weeks move above 3130 was quickly reversed and announces the larger pullback.

Over the next couple of months, the Bel20 may actually try to reach 3300/3400, at least as long as 2870 holds. Sustained weakness below 2870 constitutes a reversal in the trend.

[BEL20 SHORT-TERM](#)

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Daily chart

Hourly chart



<b>SUPPORT</b>
3080
3045
3015
2960
2870/2910MS
2400/2520

No change. The view that we are still in a correction from the 3200 high remains intact and another leg down in wave (c) towards 3015/45 and possibly 2870/2945 thereafter over the next couple of days/week is on.

Intermediate resistance for a small bounce is located at 3100.

The longer-term trend remains up as long as the index can stay above 2870.

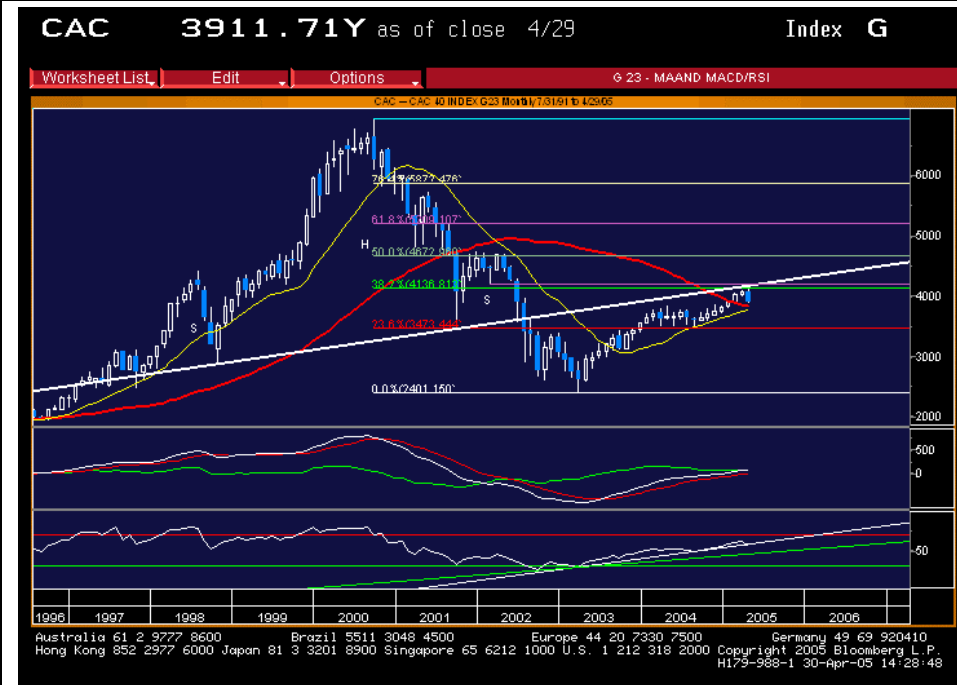
<b>RESISTANCE</b>
3100/10 KR
3157/60
3190/3200
3260
3300

[BEL20 LONG-TERM](#)

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## Monthly chart

## Weekly chart



The long-trend is down and will remain so unless the rate can break in a sustained way above [4255/4315] major resistance (slightly adjusted due to rising neckline on the quarterly chart), which would turn the trend up to 4670/4735. Quarterly indicators still have a negative bias. So, the longer-term bearish potential must not be underestimated in price and time. The head-and shoulders pattern on the monthly chart remains in force. Over the next two years the index will likely decline further to levels under 2401, the March 2003 low, in the direction of 1940 and 1713, structural supports on the quarterly chart.

Recently, the index extended towards 4235/55. Note the negative divergence between price and studies. Watch out for a reversal and a 3-5% pullback. As long as the index remains above 4075/83, there is a good chance to see 4315 in the third quarter.

Weakness below 4075 weekly support indicates the trend has turned down in earnest. Next supports are then 3882, 3475, 3285 and 3060/3110.

[CAC40 SHORT-TERM](#)

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Daily chart

Hourly chart



**SUPPORT**

4170

4105/45

4075/83 MS

3920/45

3879

3710/35

No change. The index is in correction mode; expect further weakness this/next week towards 4105/45 or possibly but less likely 4075/83.

Resistance for the current bounce is 4200/10.

This pullback remains corrective as long as 4075/83 holds and will likely be followed by another extension towards 4255/4315 in July/August.

**RESISTANCE**

4200/10 KR

4246

4255 MR (Q2)

4315 MR (Q3)

4635/4735

[CAC40 LONG-TERM](#)

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Monthly chart

Weekly chart



The Dow Jones is trading below trend line support on the yearly and quarterly charts. It is possible the index is tracing out a large corrective pattern from the 10750 February 2003 high, but in that case support needs to come in around 9630 or latest 9063. If support comes in around those levels over the next couple of quarters, there is still the possibility to see new all-time highs.

Note though that the macd indicator on the monthly chart is dropping below zero, which usually precedes further strong declines. Moreover, average weekly volume has been dropping since December 2004. Weakness much below 9063 over the next quarters will tell you the January 2000 high at 11750 will stand for a long time to come. In that case the road is clear to see levels closer to 6200/6350 before this bear market finds an intermediate bottom, probably somewhere in 2006/7.

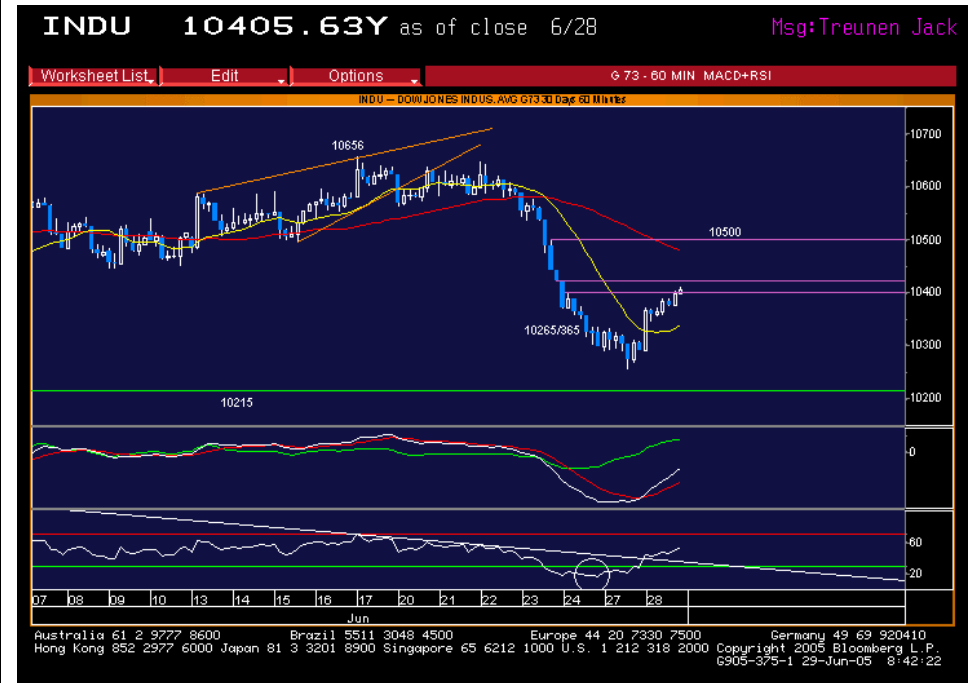
[DOW JONES SHORT-TERM](#)

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Daily chart

Hourly chart



<b>SUPPORT</b>
10350
10310 KS
10075
9635/9770MS
9050/90MS2
8645
7197

The trend has now turned down towards 9670 or even 9063 after last week's strong declines. Oversold technicals on short-term charts however forced a bounce towards 10400/25 resistance. While a pullback is likely today in the direction of 10310/50, it will probably be followed by another test of 10425; if it breaks 10500 should cap this rally.

Note that weakness below 10310 over the next week will tell you 10075 and 9635/9765 will come under pressure over quite soon..

<b>RESISTANCE</b>
10400/25
10500 KR
10656
10730/50 MR
11085
11200/50
11750 ATH

[DOW JONES LONG-TERM](#)

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Monthly chart

Weekly chart



The long-trend is down and will remain so unless the rate can break above 3250/3285 major resistance (adjusted due to rising neckline S-H-S pattern), area that includes the neckline of the head-and-shoulders pattern on the monthly chart and the point where the rally from August 2004 is 0.618 times the 2003/2004 rally. So tough resistance. *The longer-term bearish potential must not be underestimated in price and time.* Over the next two years the index will likely decline further to levels under 1847, the March 2003 low, in the direction of 1563 and 1268, structural supports on the quarterly chart.

*The index has reached 3150/3250 target area.* Note the negative divergence between price and studies on the weekly chart. A larger pullback is now around the corner. -- Key support on the weekly chart now comes in at 3070; weakness below this level and then 2850/2900 over the next months indicates the bear is back. Next supports are then 2725/70, 2560, 2365/2400 and 2195.

[EURO STOXX50 SHORT-TERM](#)

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Daily chart

Hourly chart



<p><b>SUPPORT</b></p> <p>3080/3110KS</p> <p>3022</p> <p>2940/50</p> <p>2900MS</p> <p>2725/70</p>	<p>No change. The index is in correction mode; expect further weakness this week towards <b>3080/3110</b>.</p> <p>Resistance for this bounce is <b>3170/80</b>.</p> <p>This pullback remains corrective as long as 3080/3110 holds and will likely be followed by another extension towards 3250/85 in July/August.</p>	<p><b>RESISTANCE</b></p> <p>3170/80</p> <p>3196/3210</p> <p>3250/5MR Q2</p> <p>3285 MR Q3</p>
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[EURO STOXX50 LONG-TERM](#)

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C01 **↓57.24** +.06 57.23/57.28  
 At DELAYED Vol 362 Op 57.33 Hi 57.33 Lo 57.18 OpInt 88,462y

Comdty **G**

Worksheet List

Edit

Options

G 43 - DAG MACD + RSI

C01 - Generic 1st 'CO' Future G 43 Daily 2304 to 62905



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410  
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.  
 6905-375-1 29-Jun-05 7:40:35

Has oil topped? The strong reversal from the 59.84 high and drop below trend line support looks like a first sign of weakness. A drop below the last pullback low at 56.51 would be an additional sign. And a decline below 55.12 (green line) would confirm oil prices would be on their way to much lower levels. [Why?](#)

**BRENT OIL WEEKLY**

**TOP**

CO1 ↑ **57.28** +.10      57.27/57.30      Comdty **G**  
 At 7:43 Vol 363 Op 57.33      Hi 57.33      Lo 57.18      Prev 57.18

Worksheet List Edit Options G 33 - WEEK MACD + RSI

CO1 - Generic 1st 'CO' Future G33 Weekly 12/22/00 to 6/29/05



Australia	61	2	9777	8600	Brazil	5511	3048	4500	Europe	44	20	7330	7500	Germany	49	69	920410
Hong Kong	852	2977	6000	Japan	81	3	3201	8900	Singapore	65	6212	1000	U.S.	1	212	318	2000

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 6905-375-1 29-Jun-05 7:55:04

The oil price probably a rally that started in late 2001 with negative divergence between the price and the technical studies. This condition is usually seen between a third and a fifth wave (in Elliot Wave theory), so chances increase considerably a large correction will be on its way, both in price and in time. A 38.2% correction should lead to levels around 42.50\$ per barrel.

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