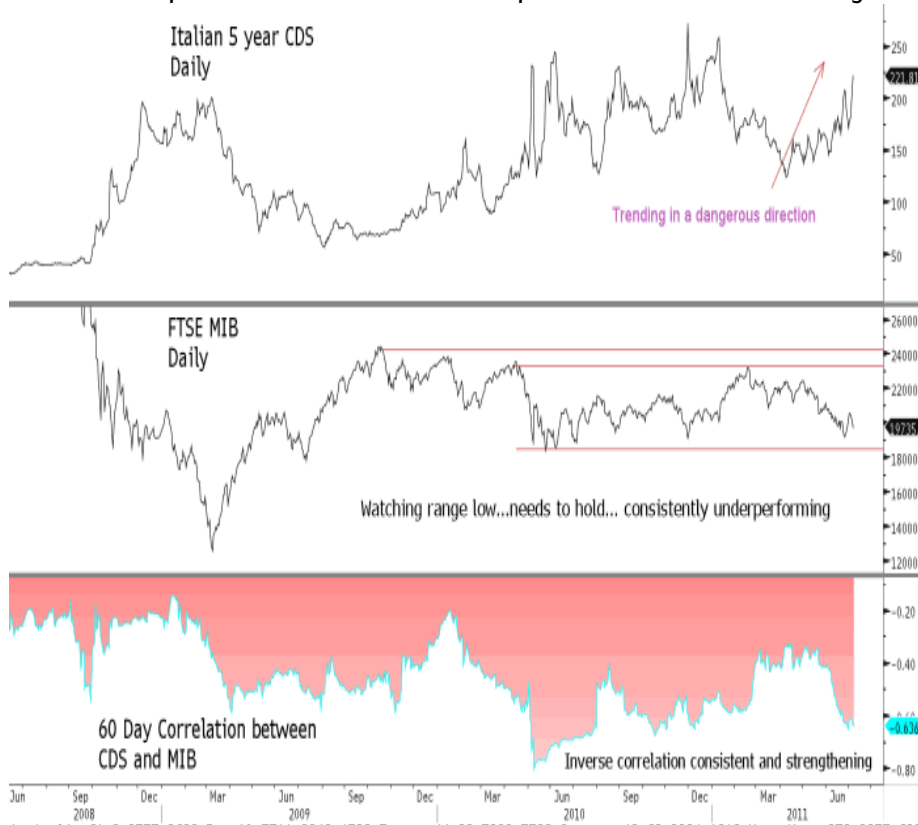


RATES AND COMMODITIES TECHNICAL FOCUS

All is not quiet on the Western European Front

- Rates: FTSE looking increasingly bullish
- Commodities: Flag break sends copper higher

Bullish risk despite summer correction but European storm clouds continue to gather



Source: Bloomberg

	10s	5s	Bunds	Gilts	Brent	Gold	Copper
Daily Trend	Neutral	Neutral	Bullish	Bullish	Bullish	Bullish	Bullish
Sentiment (DSI)	76	N/A	82	77	52	73	64
Momentum	Oversold	Oversold	Neutral	Bullish	Overbought	Bullish	Overbought
Resistance	123-08	119-28	127.07	122.08	120.00	1588	9945
	122-28	119-16	126.64	121.50	118.10	1542	9830
Support	122-00	118-24	125.84	120.72	113.75	1520	9500
	121-22	118-14	125.22	120.00	110.50	1500	9400

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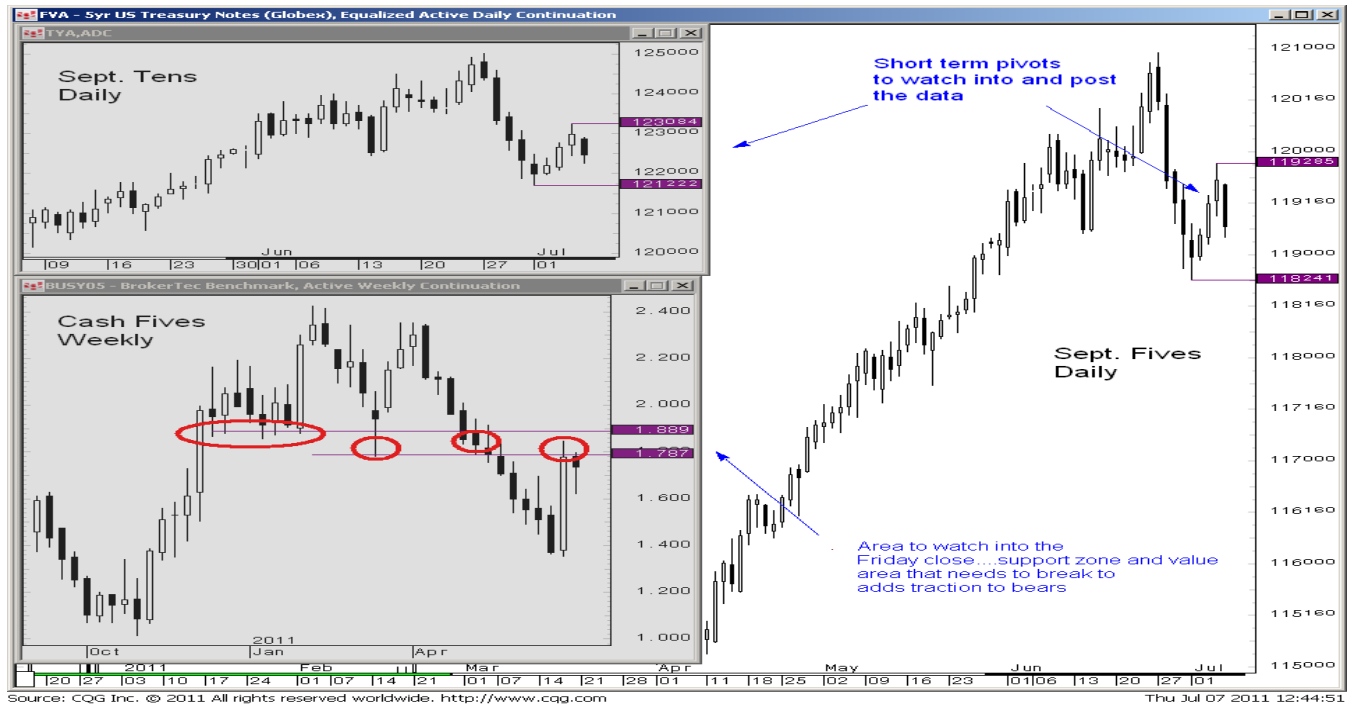
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FIXED INCOME – US 5Y AND 10Y

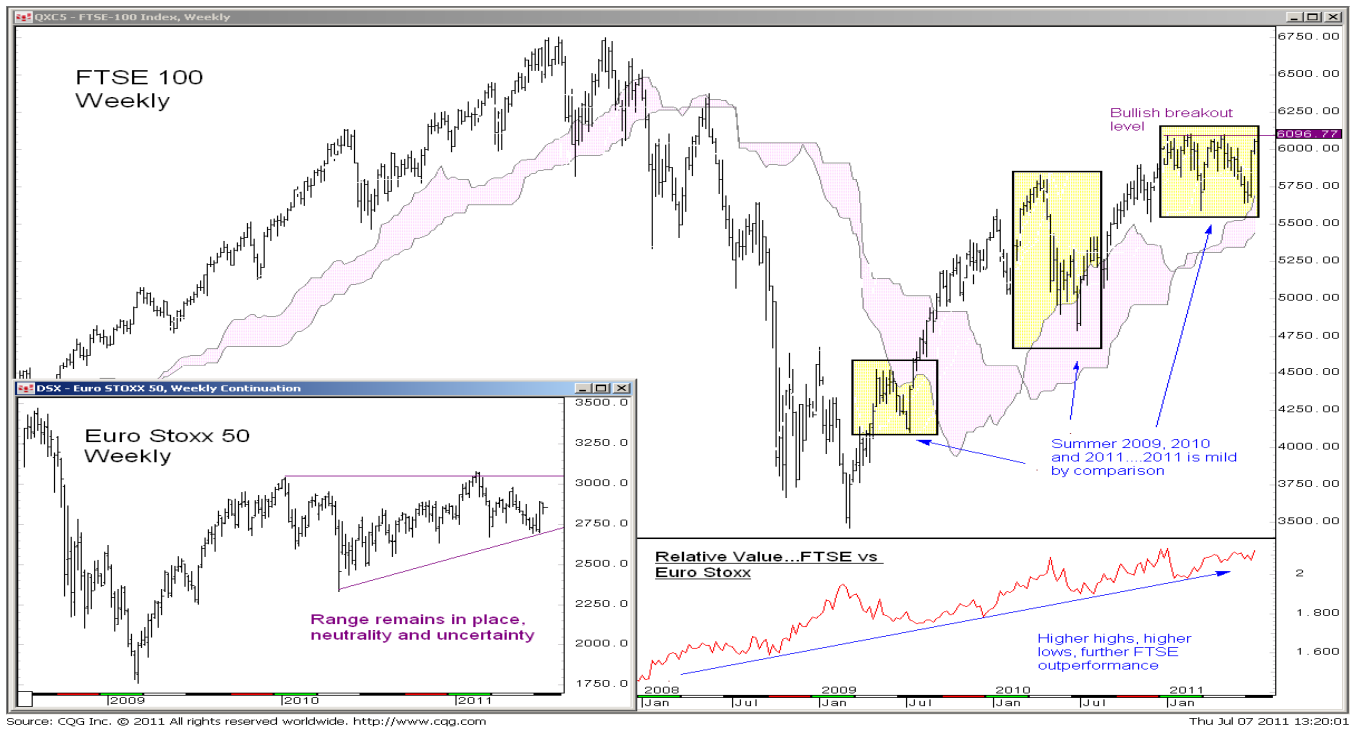


US 5s and 10s: Neutral. Below 3.10% opens up 3.00% (10s). Bears truly engaged above 3.25%. 5s hold their 200 day at 1.79%. Gap resistance at 1.61%. Overall, as shown, charts delineate value and trend change triggers in 5s. *Medium term:* Range.

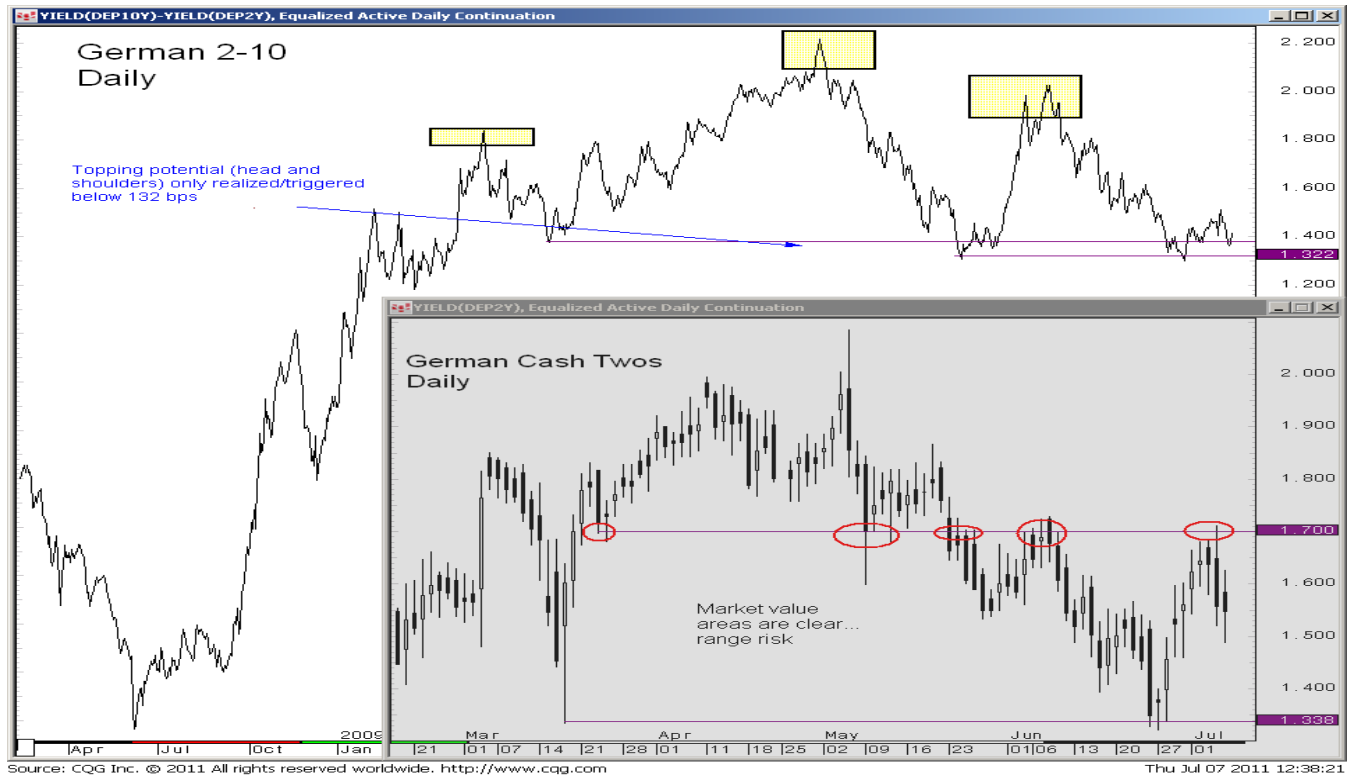


US 2s: Still neutral, mildly bullish this summer. Below 40bp confirms a top and retest of 32bp and then 23bp before base. Mixed bars/zone symptomatic of bottoming process but through 50bp-55bp needed to confirm, prove us wrong. *Medium term:* Range

FIXED INCOME – UK AND GERMAN 10Y

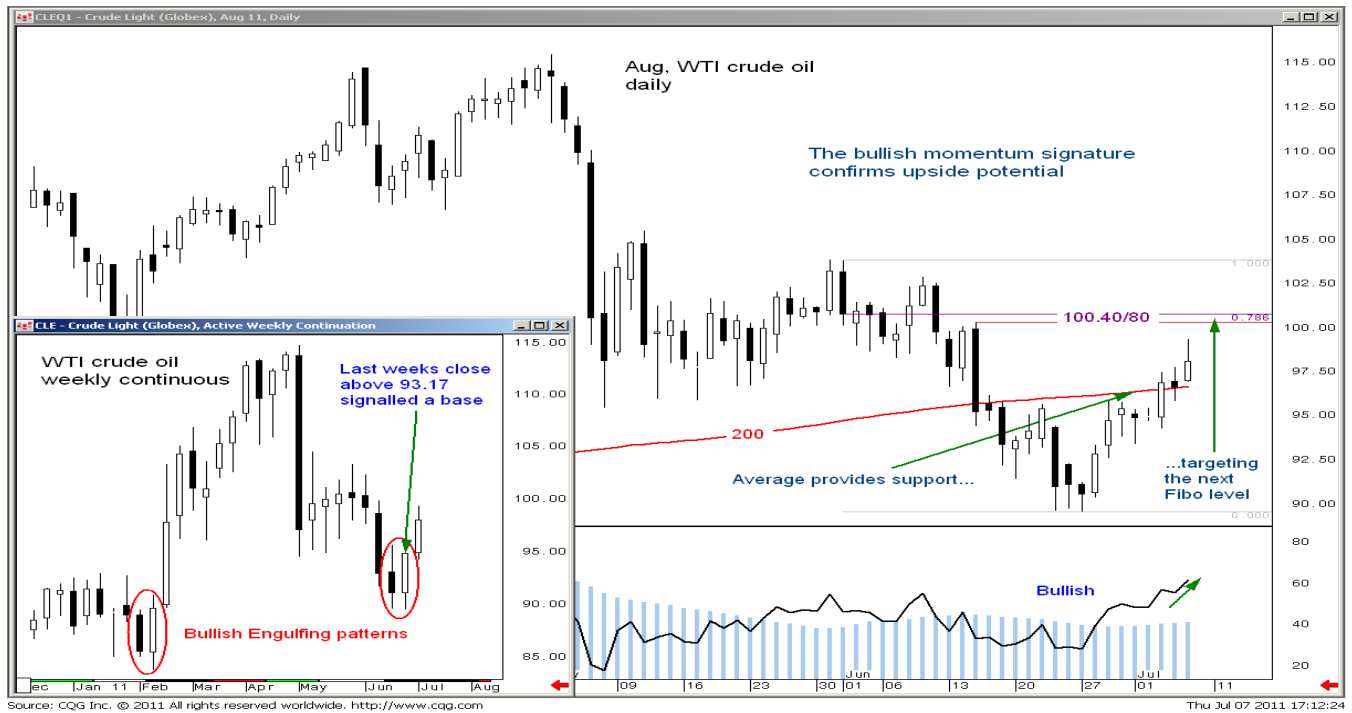


Bunds/gilts: Inside day despite announcement keeps us neutral ahead of US data. Bund bulls need to hold 3.00% to keep the focus on 2.87% Fibonacci retracement level. Would like to see Gilts hold 3.34% to target 3.10% resistance. *Medium term:* Range



German and UK 2s: German Cash 02s whippy but lower lows in place. close below 1.55% is needed to trigger targets at 1.41%. Greater July risk is a range trade as shown. Still neutral on UK 2s as 75bp/86bp range trades. *Medium term:* Range

COMMODITIES – ENERGY



Crude: We are bullish for crude oil and look for WTI to extend gains toward our target in the 100.40/100.80 area. Brent has also broken higher through the 115 area and we expect a move toward the 120 range highs before putting in an interim top. *Medium term:* Bullish.



Cracks/natural gas: The heating oil/WTI crack broke range highs near 29 to signal further upside toward the 32.30 area. The break below 4.15 in US natural gas forces us to flip our bullish view in favour of a dip toward 4.00 before looking for a base. *Medium term:* Neutral (natural gas).

COMMODITIES – METALS



Gold/silver: We are bullish for gold and look for gains toward 1542, then the 1558 range highs. An unexpected close below 1520 would signal lower in range toward 1500 before buying resumes. Next upside target for silver is at 36.80. *Medium term:* Bullish.



Copper/aluminium: We were surprised by the limited correction for copper. In the absence of topping signs we look for gains toward 9830 then 10000. A break over the 2600 area in aluminium would confirm higher in range toward 2650. *Medium term:* Bullish.

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