

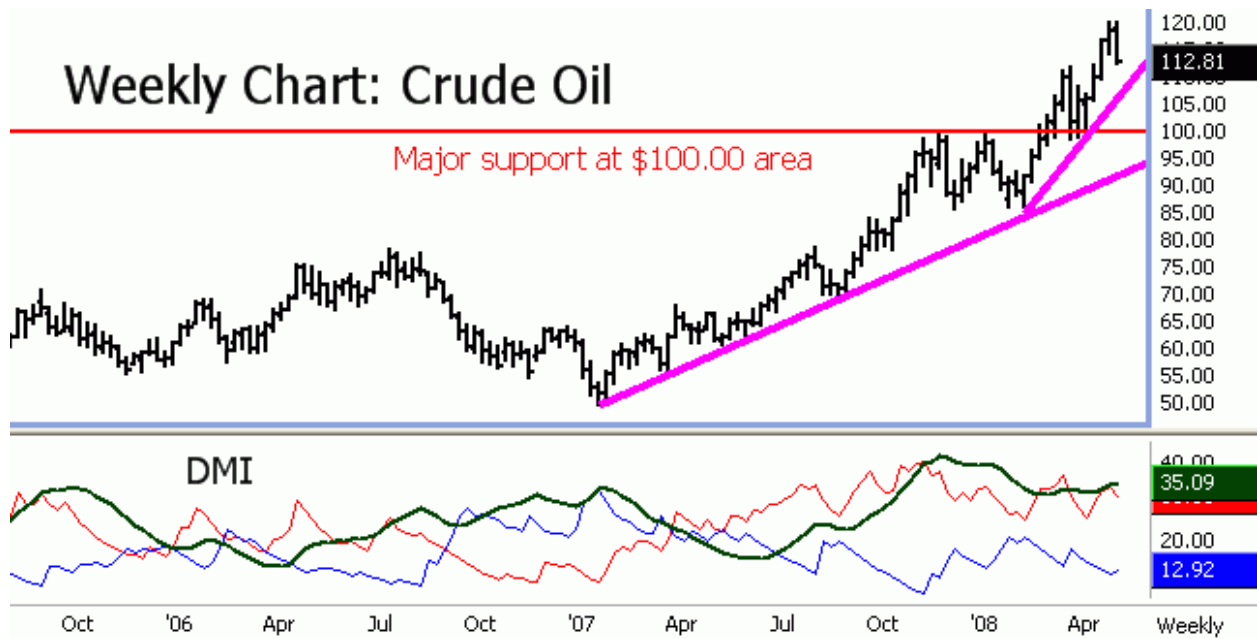
Continuous Commodity Index: The CCI index has backed well off the multi-decade high scored in early March. Also, see at the bottom of the weekly continuation chart for nearby CCI futures that the Moving Average Convergence Divergence (MACD) indicator has produced a bearish line crossover signal, whereby the thick blue MACD line crossed below the thin red "trigger" line. Both lines are also trending lower for the first time since 2006. The powerful longer-term uptrend in the CCI is losing strength. However, see, too on the weekly CCI chart that price action the past several weeks has formed a potentially bullish symmetrical triangle pattern. Symmetrical triangles are continuation patterns. Given that the most recent trend on the weekly CCI chart was up, technical odds do favor an upside "breakout" from the triangle. My perspective on these two conflicting technicals is this: I do give basic chart patterns, such as triangles, more credibility than I do computer-generated technical signals, such as the MACD. And the overall trend in the CCI remains higher. Here's what to watch for in the CCI in the coming weeks: A solid downside "breakout" from the triangle pattern, meaning a move below the 510.00 area, would be significantly bearish to suggest the CCI's uptrend has ended. An upside breakout from the triangle, meaning a solid price move above 560.00 would be significantly longer-term technically bullish to suggest another leg up in this index. Remember that the Continuous Commodity Index is a leading barometer of the health of the raw commodity futures complex. As goes the CCI, so go markets like the energies, metals, softs and grains.



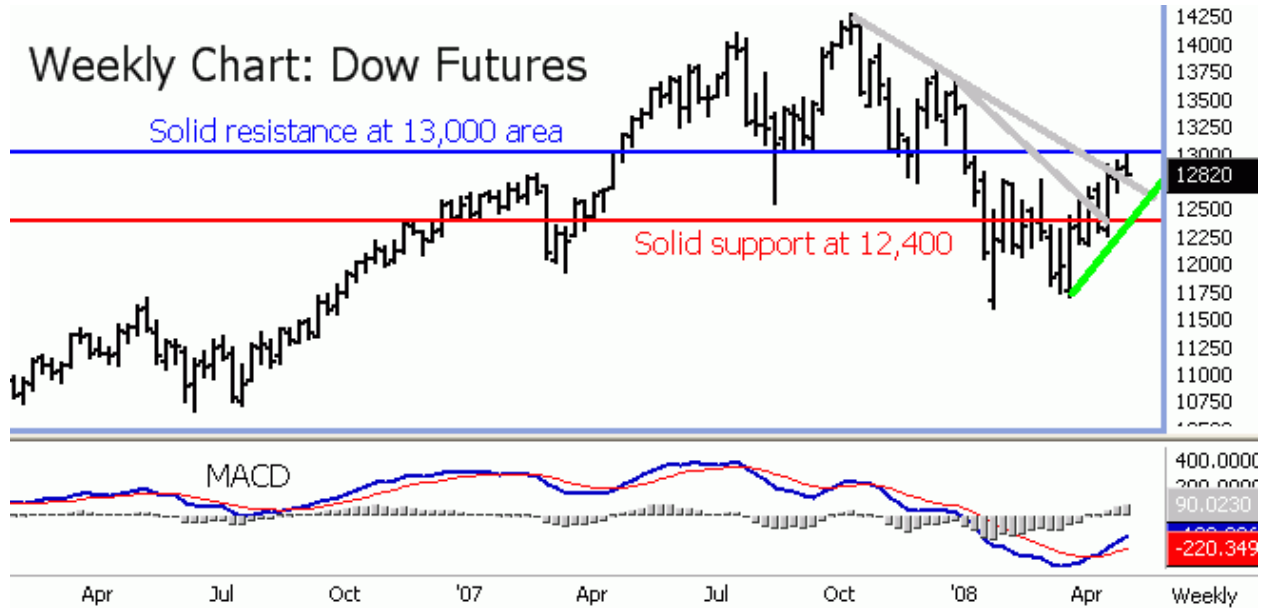
Euro Currency: See on the weekly continuation chart for the nearby Euro currency futures, traded at the CME, that prices are still in an overall solid uptrend from the 2006 and 2007 lows. However, price action last week produced a bearish "key reversal" down on the weekly chart, whereby the weekly high was higher and the weekly low was lower than the previous week's trading range, with a lower weekly close than last. This week saw follow-through downside price pressure to confirm the bearish key reversal down. That key reversal down on the weekly chart is one significant early technical clue that a market top is in place in the Euro currency futures. A drop in nearby Euro prices below solid longer-term technical support at the 1.5000 price level would produce more significant longer-term chart damage to better suggest that a major market top is in place.



Crude Oil: Despite this week's sell off in crude oil futures, from a longer-term technical perspective the market is still in an overall bullish posture as uptrend lines drawn from last year's lows remain firmly in place. It would take multiple closes in nearby NYMEX crude oil futures back below major psychological support at \$100.00 a barrel to begin to inflict significant longer-term technical damage in the crude oil futures market. However, the crude bears can argue that the longer-term price uptrend in the market has lost some strength. The Directional Movement Indicator (DMI) at present has an ADX line reading of 35.09. Any ADX line reading above 30.00 does suggest a strong price trend is occurring in a market. But as crude oil just recently hit a fresh all-time high just shy of \$120.00 a barrel, the ADX line has been trending lower since November of last year. This is called bearish divergence, whereby a market makes a new high but a technical indicator does not. It's one early warning signal of a topping process in a market.



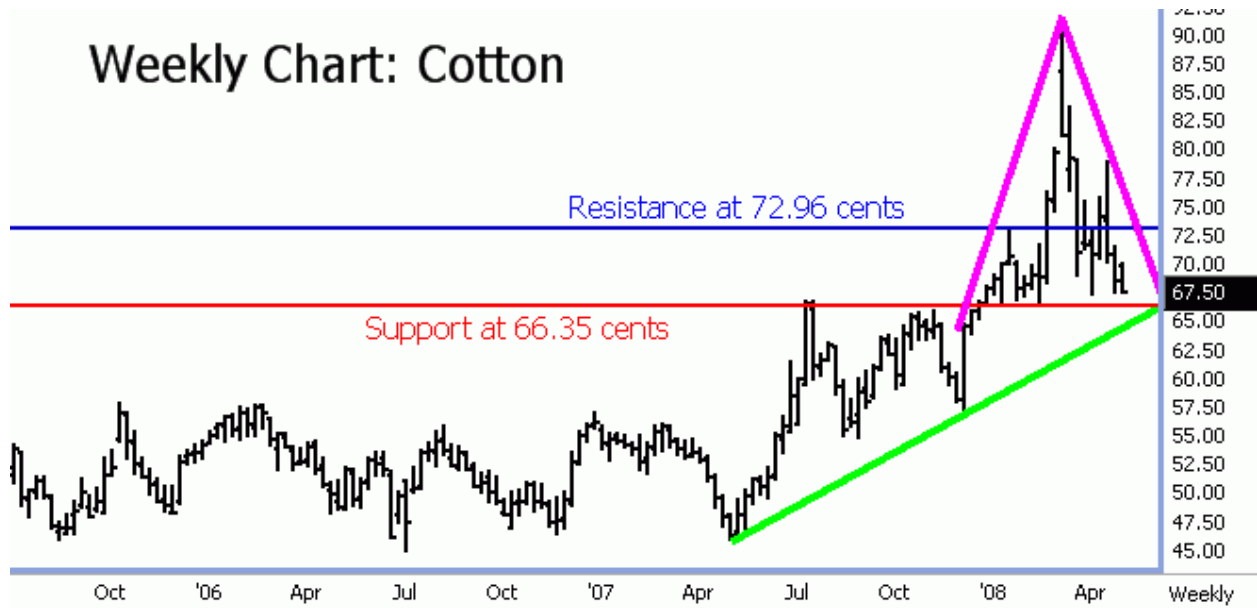
Dow Futures: See on the weekly continuation chart for nearby Dow stock index futures that prices have recently negated two downtrend lines and a fledgling uptrend line is in place. This recent price action in the Dow is also an early clue of money flowing out of the recently high-flying commodity futures markets and back into the stock market. See at the bottom of the weekly Dow chart that the Moving Average Convergence Divergence (MACD) indicator has recently produced a bullish line crossover signal, whereby the thick blue MACD line crossed above the thin red "trigger" line. A push and close in nearby Dow futures well above solid overhead technical resistance at the 13,000 level would be longer-term bullish to suggest still more upside price potential in the coming weeks.



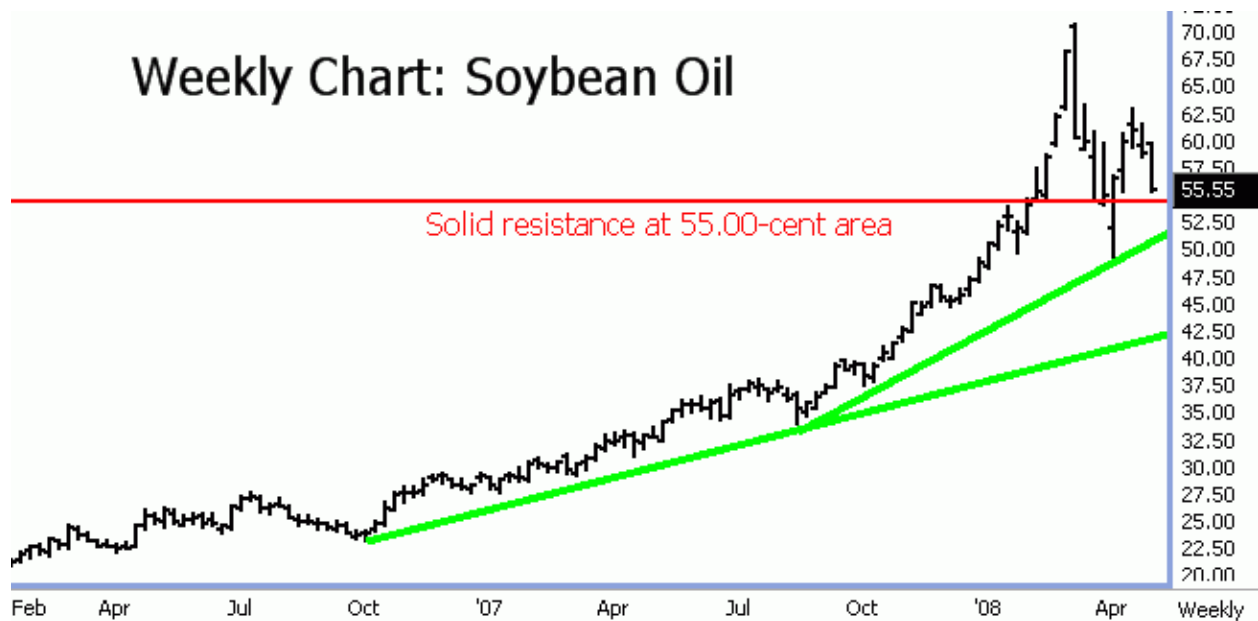
U.S. T-Bonds: The weekly continuation chart for nearby U.S. Treasury Bond futures shows that price action has recently penetrated on the downside and negated a steep longer-term uptrend line. That's significantly longer-term bearish. See, too, that a fledgling downtrend line can now be drawn on the weekly T-Bond chart. See at the the bottom of the weekly continuation chart for nearby CCI futures that the Moving Average Convergence Divergence (MACD) indicator has produced a bearish line crossover signal, whereby the thick blue MACD line crossed below the thin red "trigger" line. See, too, that the bullish and bearish line crossover signals produced on the weekly chart have done a good job of forecasting longer-term price trends.



Cotton: The weekly continuation chart for nearby cotton futures shows that a big and bearish V-Top reversal pattern has developed. However, prices are still trading above a longer-term uptrend line seen on the chart. A drop in nearby cotton futures below solid flat-line and trend-line support at 66.35 cents would produce fresh longer-term chart damage to suggest another leg down in prices in the coming weeks. It would take a push in nearby futures prices above solid longer-term technical resistance at the 73.00-cent area to provide the cotton bulls with some fresh longer-term upside technical strength.



Soybean Oil: Soybean oil futures have backed well down from the all-time high scored in early March. However, longer-term uptrend lines are still in place. A drop below strong longer-term technical support at the 55.00-cent area, basis nearby futures, would produce some fresh longer-term chart damage in soybean oil. But nearby bean oil futures prices would have to drop back below trend-line support at the 52.50-cent area to negate a longer-term uptrend line, seen on the chart. The recent higher volatility at higher price levels, as seen on the weekly chart, is an early warning signal of a topping process in bean oil. Soybean oil bulls have in recent months "hitched their wagons" to the major bull market run in crude oil futures prices. If crude continues to back off then soybean oil will likely do the same.



Silver: See on the weekly continuation chart for nearby silver futures that an uptrend line has recently been penetrated on the downside and negated, but the dominant uptrend line remains intact, at least as of this writing. But the silver bulls have certainly faded on a long-term technical basis. Also, see at the bottom of the weekly continuation chart for nearby CCI futures that the Moving Average Convergence Divergence (MACD) indicator has produced a bearish line crossover signal, whereby the thick blue MACD line crossed below the thin red "trigger" line. Both lines are also trending lower for the first time since 2006.



Your Own Specific Trading Methods, Plan of Action

By Jim Wyckoff

A frequent question I get from readers goes something like this: "Here is my own trading system (or trading plan) and what do you think of it?" The reader then explains in detail the trading system parameters or the trading plan. My answer to this question is usually this: "If your trading system or plan works for you, then stick with it and don't make major changes to it. The old American saying, "There's more than one way to skin a rabbit" certainly rings true in successful futures or stock trading methods.

Importantly, just because one trading method or plan works well for a particular trader, it does not mean the same plan will work well for another trader. Trading plans should be customized to fit the particular person.

There are certain basic trading tenets that all trading plans should address, such as proper money management. But again, what is proper money management for one trader may not be for another.

Below are a few general questions that may help you define or refine your own trading plan, or that may help reaffirm that your trading plan is the right one for you.

1. Are you a trend trader? Most successful traders are trend followers, in some form or another. But there are a few successful traders who do "buck the trend" and are not trend-followers. If you are a trend-following trader, then your trading plan should include employing some technical tools that focus on the trend of the market--such as moving averages or oscillators like the Relative Strength Index (RSI) or Slow Stochastics. If you do not consider yourself a trend-following trader, then you probably should not use trading tools whose main focus is price trend.

2. What is your trading "timeframe?" If you are mostly a "day trader," then your trading plan needs to include trading tools that attempt to define shorter-term trends or recognize shorter-term market turns. A day trader is likely to be less interested in a 40-day moving average than he or she is a 15-minute moving average. A longer-term "position trader" is likely to focus on longer-term trend lines or fundamental factors such as economic reports or weather patterns. There are successful day traders and successful position traders, but the point here is that some different trading tools should be employed for each type of trader.

3. Are you an aggressive or conservative trader? There is no right or wrong answer here. There are successful aggressive traders and successful conservative traders--but they very likely have significantly different trading plans or methods. The aggressive trader should realize that he or she will likely experience some bigger trading losses at some point, in an attempt to take bigger profits off the table. The aggressive trader's trading plan should take into account that trading-account drawdowns are likely to be larger during any losing streak. While the conservative trader's trading plan will likely not place as much emphasis on big drawdowns, neither should that more conservative trading plan expect to see bigger trading profits accrue in shorter periods of time.

4. What is your benchmark for trading success? This question does not have a single right answer, either. However, your trading plan needs to take into account what you deem

to be successful trading. Are you satisfied to be a part-time trader who is not "in the market" with trades at all times. Or, are you determined to be a full-time trader who does have a position or positions on most of the time. There is no doubt that there is much more pressure on the person who tries to be a full-time trader. Any trading plan for the full-time trader needs to be that much more concise, including contingency plans for losing streaks and bigger trading-account drawdowns.

That's it for now. Next time, we'll focus on another important topic on your road to trading success.--Jim

Disclaimer: There is a high risk of financial loss in futures and options trading.

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