



## ***Weekly Inter-market Technical Report***

### Summary Comments

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Corey's note: Not much has changed structurally from last week - please review last week's analysis for additional insights.

**Ten-Year Notes:**

Notes could be forming a "Double Bottom" support at the 61.8% Fibonacci support level at \$114, giving a great opportunity for a bullish move up.

**S&P 500:**

The S&P 500 is overextended by any measure and is challenging critical confluence resistance on a negative breadth and momentum divergence. We could be seeing a high in the making, or at least a low risk, high reward opportunity here.

**Gold:**

Gold still remains in a critical long-term triangle consolidation, giving a neutral bias, and opportunity for range expansion when support or resistance is broken.

**Crude Oil:**

Crude may be forming a double-top pattern, and is sitting just beneath confluence resistance levels under \$75.

**US Dollar Index:**

Like bonds, the Dollar may be forming a double-bottom and is forming potentially bullish candles off Fibonacci support levels.

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Remember, a DECLINING Dollar (Index) is BULLISH for Stocks and Commodities and is BEARISH for Bond Prices

A RISING Dollar (Index) is BEARISH for Stocks and Commodities and is BULLISH for Bond Prices.

Yields generally follow in the direction of the stock market and are always inverse bond/note prices.

# 10-Year Treasury Notes (\$UST – Price)

## Monthly



As will be the case with most markets this week, there is no change in the structure, bias, and set-ups in the bonds or any major market - please refer back to last week's report for a more detailed overview - this week's report will be an updated look at very similar analysis, given that key markets failed to change any outlook or bias as described in last week's report.

As such, the 10-Year Notes are hovering just above the 38.2% Fibonacci retracement line at \$116.50, but are just beneath the monthly 20 period EMA at \$117.50, so we'd like to see a break above \$117.50 to get bullish on this market. Until then, we're about halfway in the middle of a price range from the 2007 lows to the 2008 highs.

Other support is at the 50 period EMA just shy of \$116.00. For additional clues, let's look to the lower timeframe structure.

## Weekly



The dominant 'projection' or opportunity remains "long notes/bonds" off potentially critical support levels coming off a possible 5-wave pattern that appears to have completed (potentially forming a double-bottom) at the \$114.30 price area which reflects the prior 2009 support as well as the 61.8% Fibonacci retracement from the 2007 lows.

We're bullish bonds here, but note that price could retest the \$114 level, but that would be a lower probability event.

The key price to watch here is the \$117.50 area (the 50% Fibonacci zone, which is where price is currently) and the \$118 level, which reflects confluence EMA overhead resistance. Price is going to have to break above \$118 (and \$119) for odds to shift overwhelmingly that an upper price target of \$124 at a minimum would be the expected play, if not a move to \$126 or beyond.

So as long as prices stay above \$116, and particularly if price breaks above \$119, we're bullish, though of course any bullishness would be invalidated with a solid close beneath \$114 which would mark an unexpected "U-Turn" sell here.

## Daily



The daily chart shows us more detail than the weekly chart of the recent price slide from \$130 to \$115.

I've labeled a possible 5-wave declining structure, and note that we might be experiencing a "Double Bottom" price pattern at the \$115 level, which reflects (again) the 61.8% Fibonacci retracement of the 2007 lows. This level also reflects the lower Bollinger Band on the daily frame.

Thursday's action gave us a solid bullish candle that broke above the 50 EMA with a Friday close above this level - as I said was needed in last week's report to get bullish.

We're seeing signs of life in bonds that - if they continue - will lead to a solidly bullish bias in bonds which would be bearish for stocks and commodities.

Keep a close eye on bonds and consider being long here or on a close above \$119 which would shift the odds quite strongly in favor of higher prices yet to come.

Note the positive momentum divergence that set in on the recent lows in August at the \$115 level.

In short, bullish bonds/notes given the current swing continues up with a stop beneath the \$115 level (perhaps \$114).

# US S&P 500 (\$SPX)

## Monthly



The monthly structure has not changed since last week in any way.

Price is challenging the 61.8% Fibonacci retracement (I highlighted it) at 1,014. Bulls snapped price above this level but they've yet to close above it, which would be rather bullish if they can manage that feat.

Until they do so, we have to be bearish at this level just from an odds/probability standpoint. I noted multiple levels of price resistance last week (in summary, the 200 month SMA, 38.2% bear market Fibonacci retracement, weekly Bollinger Band, November 2008 price high, etc) so odds favor - but do NOT guarantee - a price retracement if not a reversal down off this level.

We're bearish beneath 1,020 and have no choice to be bullish above (if buyers can break solidly above 1,020, it would be a major accomplishment which would hint at higher prices perhaps at least to the 1,100 level if not beyond).

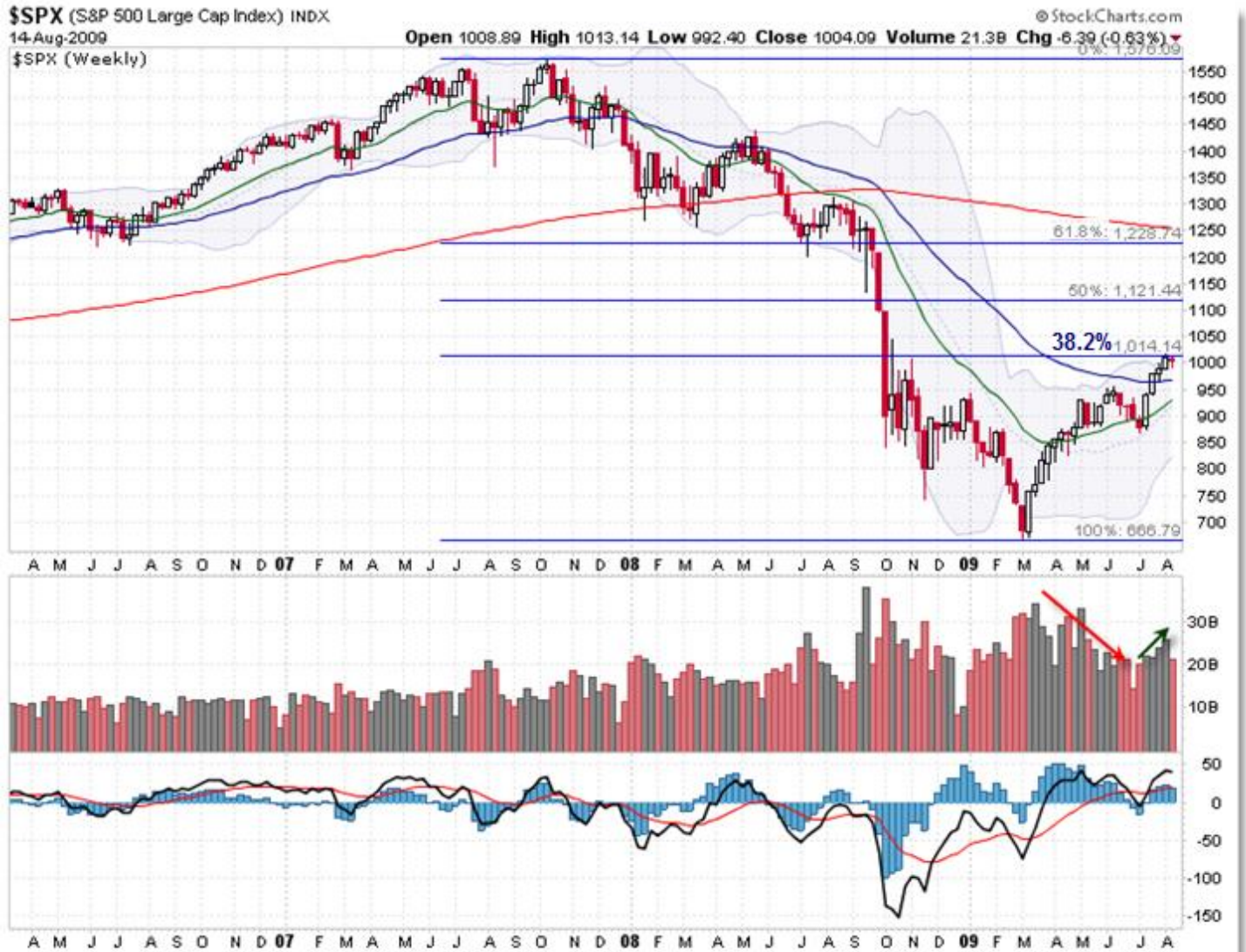
Until bulls close above 1,020 (which would be a good place to put stops if one desires to go short here), we have to be bearish and expect the volume divergence (seen on the weekly chart) as well as the multiple levels of technical resistance to hold (meaning, this is a good opportunity for a very low risk swing trade short if so inclined).



This chart focuses only on the negative volume divergence that has set up on this powerful 45% rally to the upside to challenge multiple levels of confluence resistance (which were long-term targets that have now been achieved).

As price rallied, volume contracted, which serves as a non-confirmation and is another bearish piece of the puzzle.

## Weekly



We see a closer look at the 38.2% Fibonacci 'Bear Market' Resistance level at 1,014. Watch this level VERY closely. As mentioned in my intraday reports, this level has offered great opportunities to scalp short for quick profits when tested.

Look back to see that the early November highs (at 1,004) were broken, but this level is intersecting with the 1,014 level and many eyes are upon these prices.

There's something that I'm not hearing much of, and that's the fact that volume actually has picked up in July (but not last week). That confirms the price highs and hints that bulls might push through these levels, but UNTIL they do, we have to assume - from a technical purism approach - that these confluence resistance levels about the 1,015 level will hold here, giving us an opportunity to get short and play for a target down to the 875 level at a minimum if not lower.

The momentum oscillator is actually showing a slight negative divergence with price - price made a new high yet the oscillator did not really do so (we call this a "flatline divergence"). That's just something else to think about.

## Daily:



We can look at the lower charts for the "Arc" pattern shown above, but we do clearly see the negative momentum divergence I hinted about on the weekly frame. Look closely to see that as price crept to new highs, the oscillator formed lower highs and trailed lower, which serves as a non-confirmation of price.

Price is challenging resistance from the November highs, and forming various consolidation candles.

Odds overwhelmingly favor a pullback back to the 975 and even 950 level as being a very likely outcome, and swing traders should be salivating over this opportunity (a stop should be placed above 1,020 if not slightly beyond). There's no guarantee price will trail lower of course - but odds and probability - (we don't know the outcome of the future) favor it. Plus, if stopped out, the loss would be small relative to the target.

Aggressive traders could even target the 875 level in anticipation of a full retracement.

A break above 1,020 (particularly 1,030) would trigger so many stop-losses (from the bears) that a run to 1,100 at a minimum will be likely. As I tell my intraday subscribers, bulls have been mercilessly in control so it's pointless to fight them, but they can't drive the market up to infinity without a meaningful pullback, but it's best to wait for a signal short.



Look closely at the above "arc" graph which is overlaid with the 3/10 Momentum Oscillator.

Should price continue in the arc, we would expect a smooth transition back to the downside with price being contained in the nice and neat trendlines.

It probably won't happen like that, for if bulls can push price higher, we'll have a massive "short squeeze" as we did (as I highlighted would happen) when the 875 "head and shoulders" pattern failed.

And if price starts to fall, we'll have a wave of profit taking and aggressive (and angry) bears (sellers) swipe prices to lower levels, which could be as low as the 875 support zone (for a potential aggressive target).

I'll keep up updated each week on levels to watch of course.



Not much commentary on this chart, except to note that price is forming a Breadth (internal) divergence as shown by the indicator.

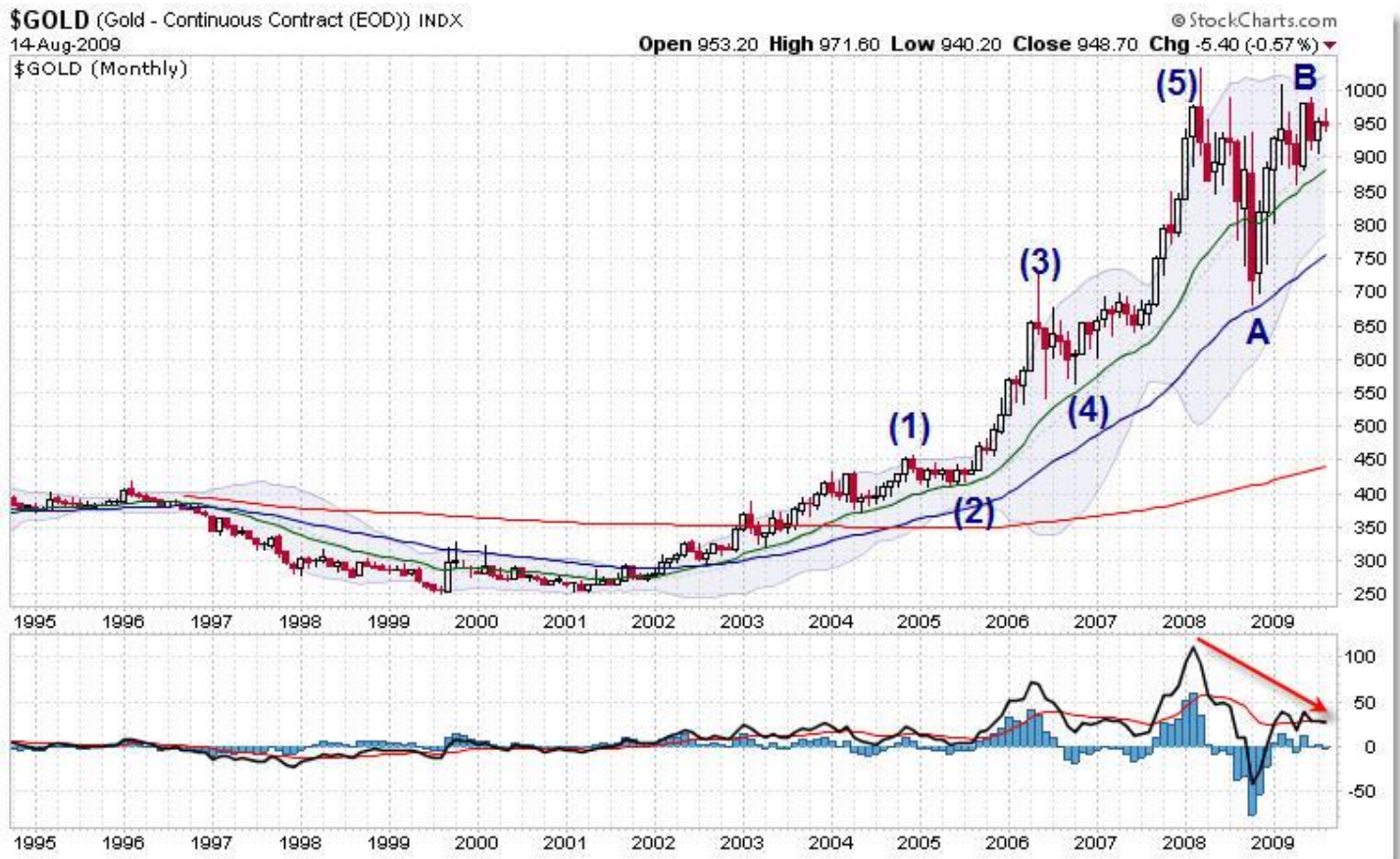
The indicator (symbol) is \$ADD which is the "Advance Decline Difference" or what we know classically as "Breadth" which is the NYSE Advancers minus Decliners.

This tells us that fewer and fewer stocks are pushing the index to new highs, and that more stocks are breaking down on average than making new highs in a session, which should lead to lower prices yet to come.

It's possible that the spike high at 1,018 will hold as the absolute high of this swing (I said last week that we could form a true high this week) so let's watch to see if that is the case. The bulls might try one more chance to swing price to the 1,020 level (don't be upset if they manage to do so) or beyond which could serve as a 'bull trap' until proven otherwise.

# Gold

## Monthly



No change in Gold's monthly structure.

The Elliott Wave count as presented favors lower prices yet to come, though doing so would be against the prevailing and strong uptrend (though there is a clean negative momentum divergence which has set-up).

This count - which is similar to that of Elliott Wave International - assumes that a "C" Wave could take price down to test the \$700 level in the long term, but there will be plenty of opportunity between now and then, and in fact, it's generally unwise now to get short until the prevailing triangle breaks, which is the dominant pattern.

## Weekly

**\$GOLD** (Gold - Continuous Contract (EOD)) INDX  
14-Aug-2009

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Open 955.00 High 960.70 Low 940.20 Close 948.70 Chg -7.00 (-0.73%) ▼



The weekly chart shows the triangle consolidation pattern both in Price and in Momentum.

I've overlaid a Fibonacci grid over price in this chart for levels of reference, which are shown above.

Should price break beneath the rising 20 EMA (at roughly \$925) then we would see a test of \$900 or perhaps \$950, but for analysis in gold, we have to defer to the outcome (plus or minus) in the dominant consolidation triangle pattern, which will be described below (and in much more detail in last week's report, which again has not changed).

## Daily



Some would say the "noose is tightening" but technically, the "triangle is ending" in gold and we could have a breakout (up or down) at any moment.

It's probably best from an 'edge' standpoint to anticipate a breakout in either direction and play the 'trend move' or "price expansion" move in either direction when it comes - it will trigger stop-losses and new participants regardless of which direction we break. Gold is being watched by so many people/funds, and a breakout of consolidation should lead to a continuation move when confirmed.

For now, watch the \$930 level to the downside (for support) and \$970 to the upside (for resistance).

A break above \$970 will almost certainly lead to a magnet trade (scalp) to \$1,000, and a break beneath \$920 would almost certainly lead to a test of \$900 if not \$850.

A break above \$1,000 would be immensely bullish and would lead to a massive price move perhaps to the \$1,300 level, but we're not there yet. The majority is bullish gold, so a sudden breakdown beneath the \$900 would trigger bewilderment/confusion and could lead to a quick price plunge down.

My suggestion is to be neutral (to bearish) gold and WAIT for a break one way or the other before taking a swing or position trade.

# WTI Crude Oil (\$WTIC)

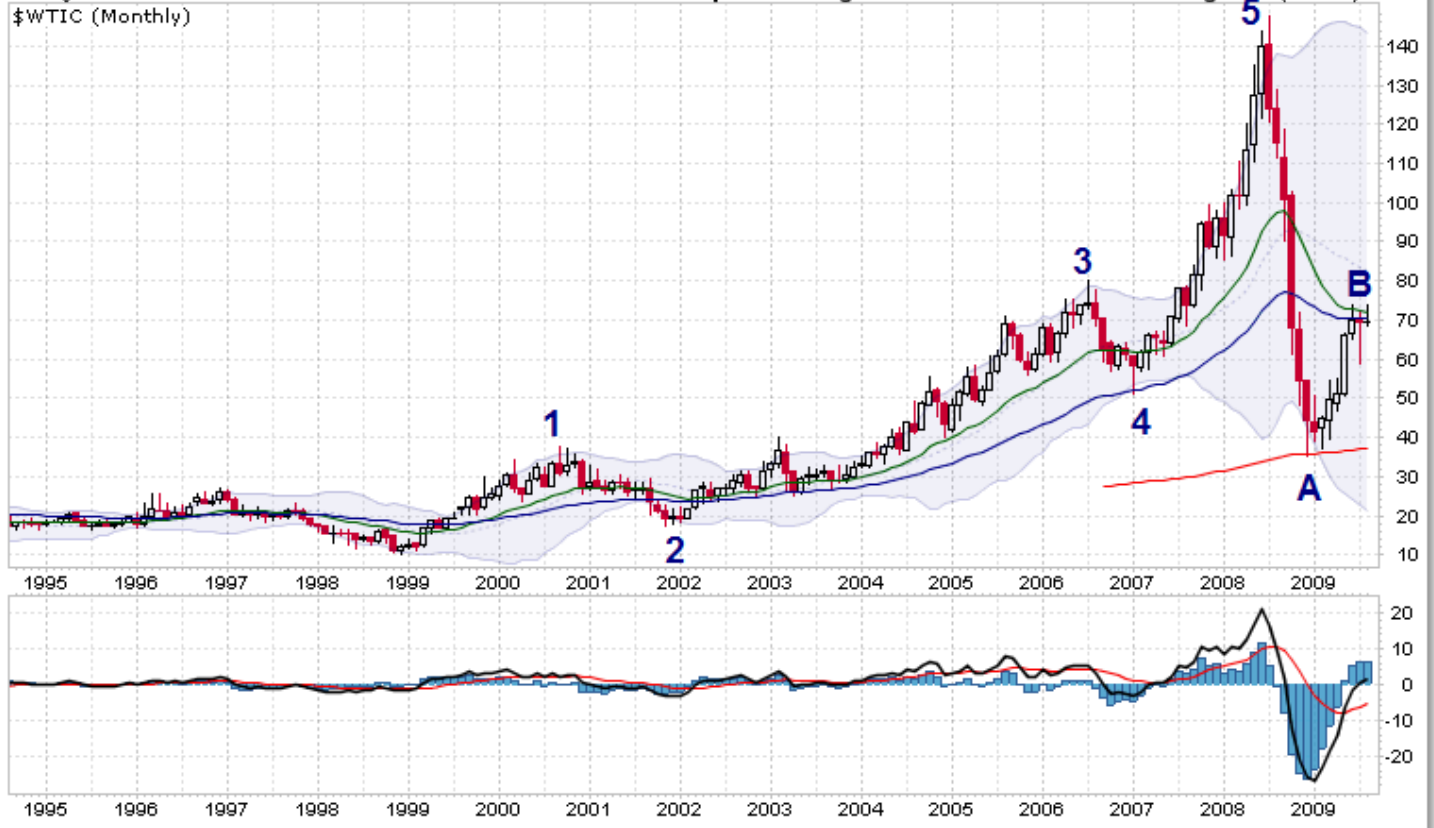
## Monthly

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDXX

14-Aug-2009

\$WTIC (Monthly)

© StockCharts.com  
Open 69.30 High 73.92 Low 68.71 Close 69.60 Chg +0.15 (+0.22%) ▲



Crude Oil also has not changed since last week.

We are expecting the "B" Wave to end soon, if it has not already ended, which would set-up a test of the \$40 level once again if price behaves as the technical model would suggest.

We've hit confluence resistance at the \$75 level (which was long-since a price target) and need to see how price behaves at this level - meaning, we expect price to inflect downwards from here, but need to see if buyers can push price above \$80, which would trigger a potentially larger bullish move (along with short-sale stop-losses in the process).

We're bearish crude oil beneath \$75.

## Weekly

**\$WTIC** (Oil - Light Crude - Continuous Contract (EOD)) INDX  
14-Aug-2009

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Open 70.67 High 73.92 Low 68.71 Close 69.60 Chg -1.33 (-1.88%)



This chart shows us exactly why we're bearish Crude under \$75 (technically under \$80).

The 38.2% Fibonacci retracement level sits at \$79 along with "round number" resistance at the \$80 price zone. The 200 week SMA resides almost exactly at \$75, which - along with the upper Bollinger Band - has contained price and could be forming a "Double Top" formation.

We'd short (be bearish) as long as price is beneath \$75; we would be neutral (wait and see) if bulls push price above \$75; and would be bullish above \$80 per barrel.

This week formed a slightly bearish candle at overhead resistance (a combo between a shooting star and a doji).

## Daily

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDX

14-Aug-2009

\$WTIC (Daily)



Should price break resistance at \$75, it would be quite bullish ( so that would be the location of an initial tight/conservative stop-loss for a short-sale).

We're seeing a negative momentum divergence setting in on the current price test of the \$75 level along with a possible classic "Double Top" formation which - of course - would be bearish.

Friday's action gave us a downswing of 4% (\$3.00 per barrel) which was ultimately very bearish (and expected), leaving a bearish engulfing reversal candle (and a doji prior) in its wake. This is most bearish.

An initial (short-term) downside target would be the \$60 level (prior price support along with the 38.2% Fibonacci retracement), and if the higher timeframe structure is correct (note EMA support of the weekly chart), then we could see a move back to price and Fibonacci support at the \$50 level.

Again, bearish oil beneath \$75 with a possible initial target of \$50 if not lower.

# US Dollar Index (\$USD)

## Monthly



The Dollar Index is showing signs of firming (strengthening) at the 61.8% Fibonacci level (shown on the weekly chart) which is explained further on the weekly chart.

For now, the longer term trend of the dollar is down, and the current levels above \$78 is the ABSOLUTE line in the sand to see whether price will reverse up as expected, or will break through this level (meaning the larger term primary trend would be dominant).

Price inflected downwards strongly off the 38.2% Fibonacci level in early 2009 (as shown above), but now we're about halfway between that price range, giving a more neutral orientation.

Study the monthly structure and let's drop to lower frames.

## Weekly

\$USD (US Dollar Index (EOD)) INDXX

14-Aug-2009

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Open 78.98 High 79.39 Low 78.23 Close 78.81 Chg -0.16 (-0.20%)



We see the current dominant Fibonacci grid from the 2008 lows to the 2009 highs as shown.

The \$78 level is ABSOLUTELY critical for bulls to hold - if not, we'll likely see a test of the \$71 lows of 2008, but let's not get ahead of ourselves yet.

The expectation is that the 61.8% Fibonacci level at \$78 will hold as support, given that last week we formed a bullish engulfing candle off this level. This \$78 level also reflects prior support from the December 2008 lows - beneath that is the \$76 level from the September 2008 lows, and there is not much beyond that (to the downside) to support price, so Dollar Bulls are going to have to defend this level aggressively - and odds favor that they can do it (until proven otherwise).

Either way, it represents a low-risk, high probability turning point if you're willing to accept a small loss should price close beneath \$77 or even \$76.

As such - and until proven otherwise - we're bullish the Dollar Index above \$78; neutral beneath \$78; and bearish beneath \$76.

Possible targets include the confluence area (highlighted) at the \$82 level if not beyond (if this is a true reversal).

## Daily



Much like bonds, the US Dollar Index has completed (potentially) a 5-wave downward Elliott movement into key Fibonacci and price support - which could also be considered to be forming a "Double Bottom" pattern formation.

We also see a "Three Push" positive momentum divergence at the \$77 lows which seems to be greeted with bullish follow-through.

We'd need to see price close solidly above the \$80 level to get very bullish and confirm a possible price trend reversal (which would push price above the 50 EMA and the daily upper Bollinger Band).

Until then, we have a great low-risk, high reward opportunity for both swing and position traders perhaps using the UUP or otherwise for FOREX traders here at these levels. It's possible we've seen the lows in the dollar index here and - with a confirmed close above \$80 - would flip back to an up-trend that could challenge the \$87 levels or beyond... which would be bearish for the stock and commodity markets.

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