



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes:

Notes seem to be maintaining a favorable, bullish reversal stance which would be confirmed with a break above \$119 - levels are given to watch for upside or downside breaks, though higher prices seem favored.

S&P 500:

The structure of the S&P 500 has become weaker, with five days closing with 'dojis' at upper resistance levels. Odds favor a reversal, but given recent bullish resilience, wait until confirmed downward action has begun else any upward move from here above 1,050 would suggest something else deeper (bullish) is happening.

Gold:

Gold remains in a triangle consolidation pattern, and it would be best to be neutral until a confirmed break up or down occurs.

Crude Oil:

The structure still seems to indicate a double-top forming, though any solid close above \$75 would invalidate the pattern and a close above \$80 would argue for a possible new bull market... though for now odds favor reversal.

US Dollar Index:

A price close beneath \$77 would argue against the expected price 'reversal' theory, though any bullish move up here would argue for a price reversal to the upside in the making.

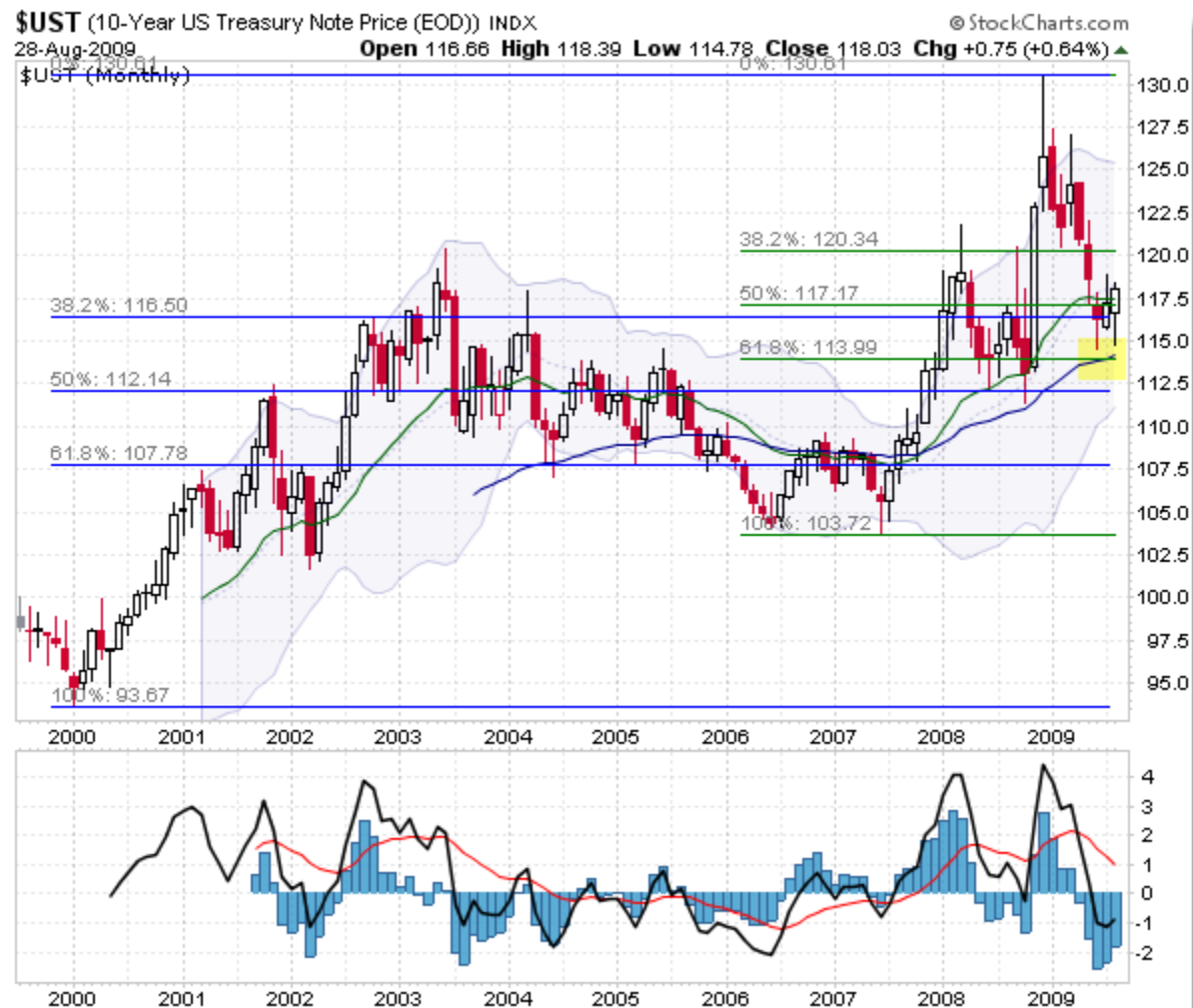
Remember, a DECLINING Dollar (Index) is BULLISH for Stocks and Commodities and is BEARISH for Bond Prices

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

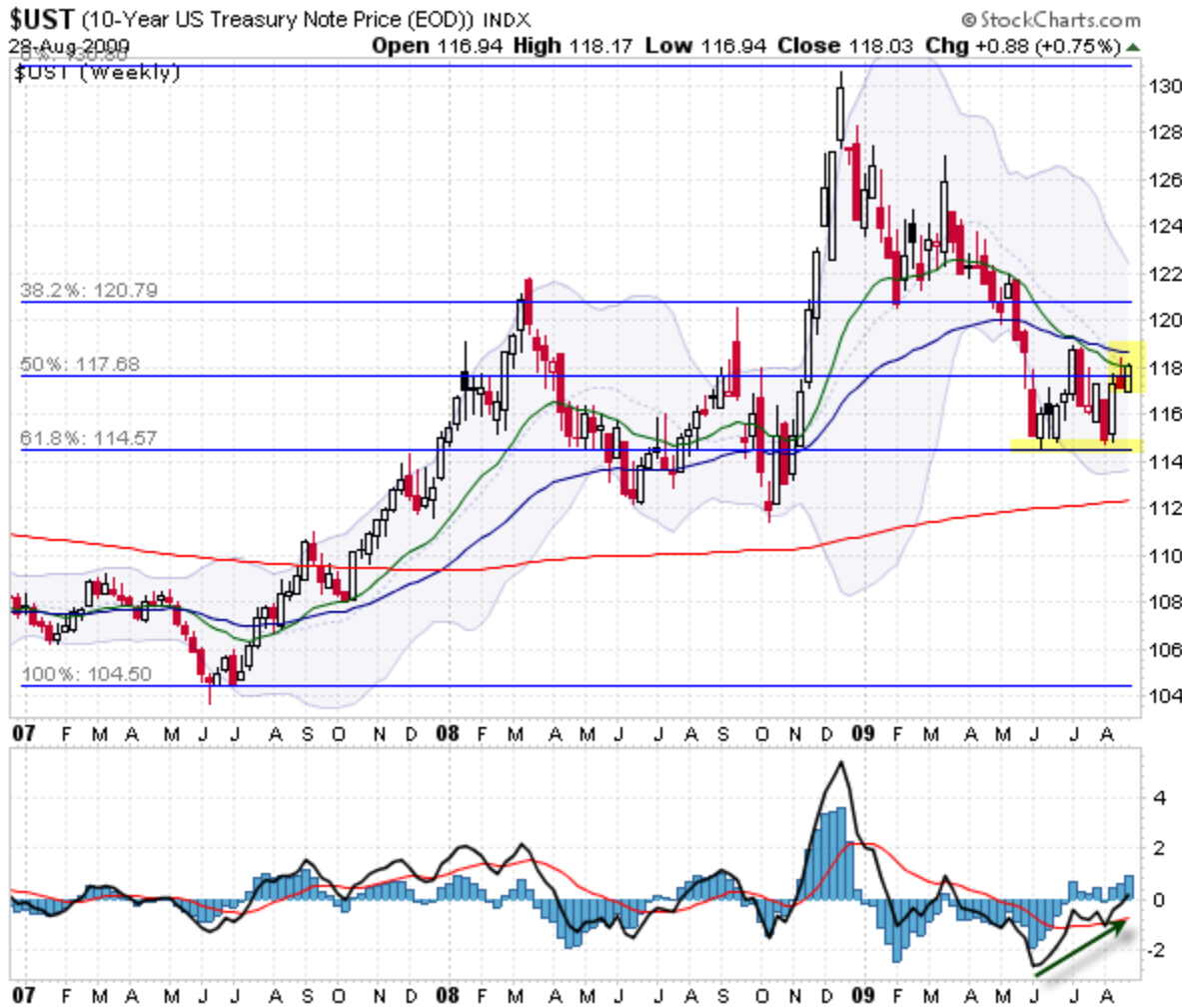


At the moment, bonds are in a netherworld of Fibonacci confluence and 20 period EMA confluence at the \$117 area - though we have a bullish bias to the trend structure, EMA structure, and price structure. In addition, if bonds have a higher close on Monday's session, we will lock in a very bullish hammer-like reversal candle off confluence EMA and

Fibonacci support which would be a **STRONG** buy signal on the monthly timeframe (with a stop beneath \$114.50). Remember, monthly charts lock-in candles at the end of the month.

For now, the monthly structure gives us a **slightly bullish bias** going forward structurally (with more support beneath us than resistance above us) which guides our lower timeframe analysis.

Weekly

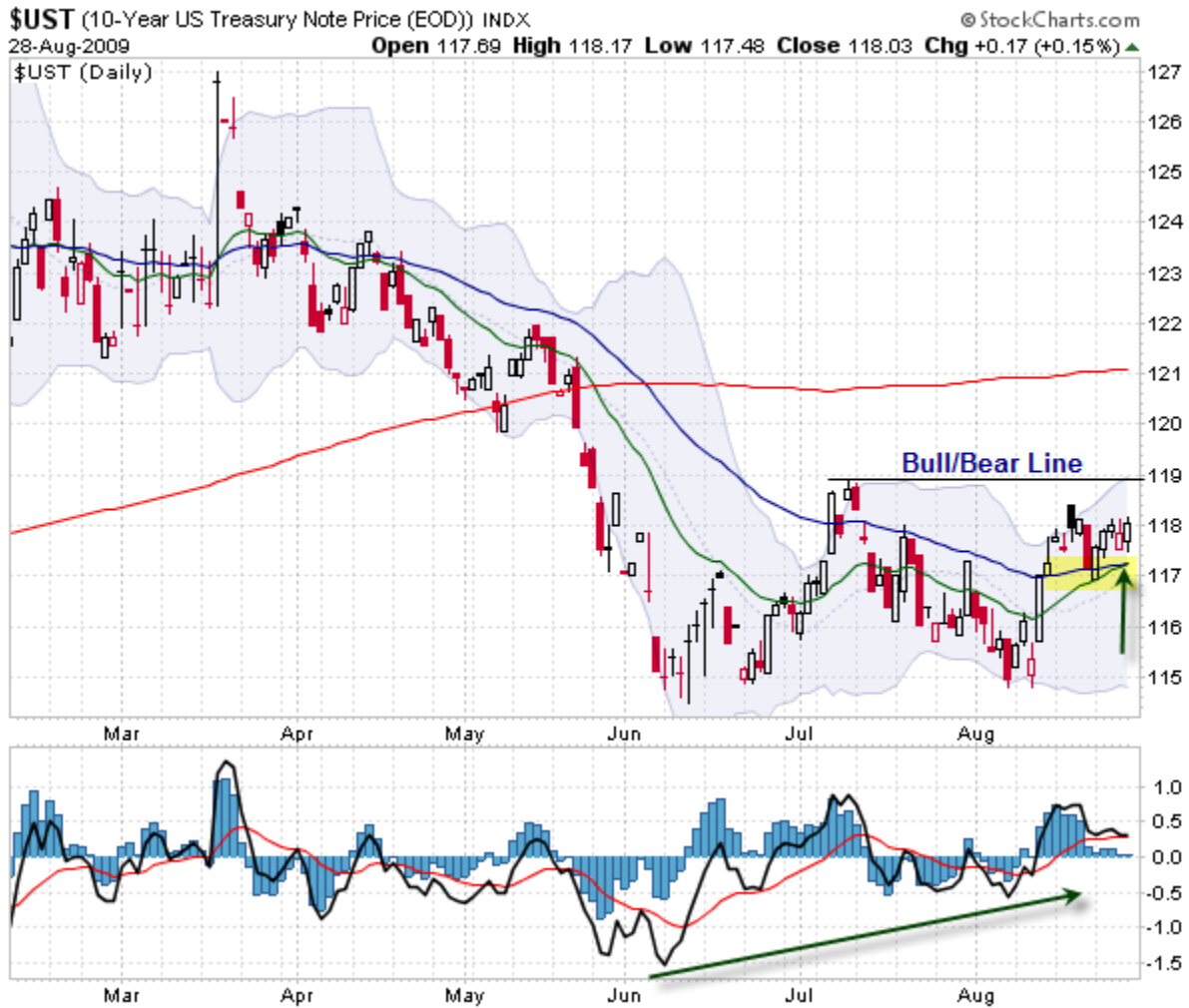


The bullish bias is met with key overhead resistance on the weekly chart at the \$118 to \$119 level. Last week saw a gain just shy of 1% (up candle) so IF bonds/notes break above \$118 and \$119, then the structure will give a strong buy signal as price regains footing on the monthly frame and breaks resistance on the weekly frame.

For now, price supported on the 61.8% Fibonacci level from the 2007 lows to the 2008 highs. This zone is expected to hold as support until proven otherwise, and a potential "Double Bottom" has formed off this level which is - undoubtedly - bullish.

We would certainly be bullish above \$118 to \$119 for a target of \$124 at a minimum and would be neutral between \$114 to \$118 and would be bearish under \$113 (for structural and bias reference).

Daily



We're seeing early signs of strength on the daily frame, as evidenced by price forming a lengthy positive momentum divergence, price breaking above the 20 and 50 EMA lines, the 20 EMA crossing above the 50 EMA (forming the "Cradle Buy" signal), and price rallying upwards off a Double Bottom Buy Signal.

Though there seem to be bullish headwinds in bond prices (which is bearish for yields), it would be advisable to wait for a break (close) above \$119 which would solidify the bullish stance and warrant a low-risk position for those so inclined.

A break beneath \$115 would be a bearish sell signal and a break above \$119 would be a bullish buy signal.

Remember, if bonds break out above \$119, it would imply that the S&P 500 had formed a top and would be heading lower; that Crude was at a top and would be heading lower; and that the Dollar had formed a bottom and would be rallying higher.

A price break of levels discussed flips the intermarket thesis to one of trend continuation in all markets as opposed to the reversals.

Watch a break beneath \$117 for odds to shift to favor a play to the \$115 area should we get any sort of down move.

US S&P 500 (\$SPX)

Monthly



The S&P 500 remains poised at resistance after (virtually) a six-month rally straight up on noticeably declining volume - a bearish non-confirmation. We know that price cannot rally upwards into infinity, and that a pause or retracement must at some point come to pass... but it is like playing musical chairs to find the exact point. All we can do is look at structural (technical) points and watch how price (buying and selling) behaves at those levels. With this backdrop in mind - and that the bulls are dominant - we have to note that the 1,050 level should provide a significant barrier for bulls to break. This reflects the falling 20 month EMA as well as prior price support from 2004. The October 2008 high resides at 1,044, which was a natural target in the event that the expected resistance of the 38.2% Fibonacci level at 1,014 was broken.

Bulls are playing with fire... but that does not mean they necessarily are going to get burned. It means that we're in the analytical 'dead zone,' in that we cannot recommend any long bias after such a grossly overextended rally on declining volume into overhead resistance... but due to the bullish dominance, we also cannot recommend a short-sale until support levels get firmly broken. Let's see those on the lower frames.

Weekly



Bulls pushed price above the 1,007 November high and the 1,014 38.2% Fibonacci resistance level, though we've formed a doji on last week's candle (just like we formed a doji 2 weeks ago... which failed to produce a price retracement). Price last bounced off the 50 week EMA at the 1,000 level, so let's watch that for any support on a swing down should it materialize.

Should price continue to stagnate here, or even rise higher, the next upward target would be the 1,100 to 1,121 zone as seen above.

Though odds seem to favor a down-swing, it has been foolish to bet against the bears ... since the March lows. If you don't want to get long here, then wait for a countervailing sell-signal to get you in... though aggressive traders can short here with a tight stop to play for a reversal if so inclined to take risk against the bulls.

The momentum oscillator has registered a flat-line divergence, and volume continues to trail lower - both of which fail to confirm the higher prices.

Daily:



If you followed the blog this week, I did a few detailed post on the "Tri-Star Doji" and "Doji at the Upper Bollinger Band" concepts... though the market continued to give us more and more dojis at the same overhead resistance levels.

The last time this happened was in early to mid June 2009 which preceded a 125 point drop in the S&P 500 that led to the failed Head and Shoulders pattern that was busted in July. I've also drawn another arc that represents the gentle transfer from demand to supply... or the weakening momentum of the bulls which - if history repeats - should lead to a downside move.

Furthering the odds to the downside - we see a clean negative volume divergence (lessening participation) and a negative momentum divergence at fresh highs for 2009 - all of which fail to confirm the higher prices (not bullish).

Using the classic body of technical analysis, odds overwhelmingly favor downside action... but given the beating the bears have received and the rampant power of the bulls, one can only assume that we take current conditions into account and note that we deal in odds and probabilities based on known assumptions and repeatable, tested patterns... never certainties.

Use caution going forward and understand that - for whatever reason - the bulls have been able to overcome any bearish pattern, non-confirmation, or sentiment that has come their way... almost in direct mockery.



A zoomed-in version of the 60min structure showing divergences and the extended 'arc' formation that - if the pattern is dominant - should lead to a potential 'mirror image' decline... though I would suggest not getting too bearish until the 1,000 support level... or even 970 ... is taken out to the downside.

Gold

Monthly



Not much has changed over the last few weeks in the structure of gold so I will keep this week's analysis concise and refer you back to the last 3 weeks' analysis reports on gold.

This remains the dominant Elliott Wave count until proven otherwise with a close above \$1,025.

The trend remains up and we need to watch the 20 EMA for support at the \$900 level, though a break of \$900 would trigger the "Wave C" Hypothesis (as shown above) which would call for a retest of the \$750 or even \$700 levels over the next few months.

The Wave C Hypothesis is proven wrong with a solid close and expansion move above \$1,025.

Weekly



My suggestion is to abandon all sophisticated technical analysis and refer to the dominant technical pattern of the consolidation/symmetrical triangle.

The simple play would be to enter long or short on any price break of this pattern and play for a target that is around \$170 to \$200 from the breakout zone, which is shown on the daily chart.

There is widespread discord in both the technical and fundamental community as to which direction gold will go - some believing with all their heart that gold **MUST** break to \$1,300 or beyond (inflationists) while others believe gold will collapse in deflation to the \$700 or \$600 level.

This battle has resulted in a flat price pattern as both sides establish positions in the expectation they are right.

You should probably wait until one side is dominant, which will force a range expansion move as the other side is forced to cover their positions - long or short - en masse which will allow you to profit from this expansion with a tight stop on the alternate side.

Forbearing this, we have key support levels as shown on the chart and only one overhead resistance level - \$1,000.

Daily



The height of the triangle from its highest and lowest points is around \$200, so if we add \$200 to \$970, we get \$1,170 or if we subtract \$200 from \$940, we get \$740. \$1,200 and \$750 are easier to remember reference points, and both serve as potential targets in the event we do get a price break this or next week outside of the dominant technical pattern in gold - that of a symmetrical triangle.

With the triangle so tight, and the range so narrow, odds favor avoiding trading gold until we get a break up or down.

WTI Crude Oil (\$WTIC)

Monthly



Like Gold, the Monthly Crude Oil structure has not changed. Please refer to earlier reports for more detailed explanations.

The dominant Elliott Count, and expectation, is for the \$75 level to hold as resistance on a "B-Wave" target that was established in early 2009 and has now been reached.

A break above \$75 would put this theory in doubt and a break above \$80 would likely doom the thesis and argue for higher prices yet to come.

For now, bulls need to overcome \$75 or else the expectation is a downward retracement swing from here, particularly true if the stock market falls.

Weekly



The weekly chart shows us why \$75 and \$80 are important, and are deemed the "Dividing Line" between a bull market expectation and a bear market expectation. It would be hard to argue for lower Crude prices if we break above \$80 solidly... though the expectation UNTIL that happens is for the highlighted box to hold as overhead resistance for some sort of retracement ahead.

Price has yet to overcome the 200 week SMA at the \$75 level, and price has formed a clean negative momentum divergence into a possible double-top pattern, as is shown on the daily frame.

Daily



Price could be forming a double-top which would be validated with any sort of price breakdown of the 20 and 50 day EMAs at the \$67 level (which would also break weekly EMAs at the same level... so watch this level for support UNLESS we get a close beneath \$65).

Aggressive traders could be shorting here with a stop above either \$75 (tight) or \$80 (loose) to play for any downside level as shown above, if not for a longer-term potential position trade to the \$55 level or even \$47... but let's not get too far ahead into the charts.

A negative divergence is shown with price making a fresh 2009 high on bearish candles at overhead resistance and the top of the Bollinger Bands.

Odds favor a downward move UNLESS price closes above \$75 which would throw us into a neutral/bullish stance and any close above \$80 would tip the scales away from any bearishness and call for higher prices in a potential new bull market... with the assumption that the economy has completely bottomed and will be rising from here.

US Dollar Index (\$USD)

Monthly



The US Dollar Index remains at a critical inflection point at the levels it is now. The higher structure is clearly down, and in fact price is beneath all key EMAs on all three timeframes, arguing for lower prices yet to come if we looked only at the trend structure.

That may be the case, but we have one major obstacle for sellers to overcome, and if they do so, then the longer term trend will win-out, but dollar bulls have reason to expect a short-term rally if not a more intermediate term trend change... which will be shown below.

A price close beneath \$77 would argue against the 'reversal' theory, though any bullish move up here would argue for a price reversal to the upside in the making.

Weekly

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

28-Aug-2009

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Open 78.00 High 78.83 Low 77.85 Close 78.30 Chg +0.25 (+0.32%) ▲



The weekly chart shows an "ABC" 3-wave structure that has completed the requirements for a "C" Wave to end - as shown in the lower frame.

The \$78 index is ABSOLUTELY critical for bulls to hold, as any move beneath here - particularly beneath \$77 - would shift the calculus to the downside and in favor of the overwhelming, multi-timeframe downward trend.

This is the last line in the sand for dollar bulls to hold, and they might mount a strong defense here in light of that.

A positive momentum divergence has formed on the weekly and daily frame... as seen below.

Daily



A 5-wave downward fractal (perhaps of a "C" Wave) has fulfilled its minimum requirements to terminate... though it would look cleaner with a slightly lower level. Price seems to be forming a possible 'rounded reversal' which is evidenced by the 3-swing positive momentum divergence and 'arc' formation coming into the lows at \$78.

We're at a critical inflection point that could go either way, but bulls will likely try to mount a swing up off these levels, which would be confirmed and the dominant expectation with any close above \$79 and especially \$80 as shown above.

Any close beneath \$78 would argue for lower prices... though the technical odds as they stand (with a purism approach) seem to favor a reversal of minor or intermediate degree forming here... or at least a low-risk opportunity to find out.

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