

AFRAID to TRADE

overcoming stock market fears *with* Corey Rosenbloom



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes:

The 10-Year Notes are challenging a critical support zone about the \$115 area. Price could slip to as low as \$115 but we have completed the requirements and tested critical support that we could see a major inflection upwards.

S&P 500:

The bullish strength in the S&P 500 could continue, though we are now at a MAJOR confluence resistance level which has odds of holding. Should bulls continue to push prices higher, it would be a major accomplishment, but for now, the broad expectation is that price resistance will hold... until proven otherwise.

Gold:

Gold prices remain in a triangle consolidation as price reaches an equilibrium level. The upper and lower trendlines continue to converge, and we cannot suggest a position until gold breaks upwards or downwards from the dominant consolidation pattern shown.

Crude Oil:

Crude Oil formed four dojis and a bearish engulfing candle during last week's session as we re-challenge overhead resistance. The expectation appears to be a downswing off current levels, though again the risk is low should price continue its rally.

US Dollar Index:

The Dollar Index appears to be mounting a rally attempt upwards off MAJOR support which could change the dynamic in the current Intermarket Relationship. Should price continue lower, breaking expected support, it would hint that the current relationships would continue as they are now, though there's a decent chance that all markets at major inflection points could hold and all reverse trend as stated in the end-of-report summary.

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



The 10-Year Note prices tested the \$115 area as expected, which was a major target for prior support (see daily chart) and we could even test the \$114 level which has powerful monthly confluence (61.8% Fibonacci retracement with the rising 50 week EMA both at \$114.28).

Look for this to be a possible play, or perhaps best to wait for support off this level before considering going long as price seems to be pulled to this area like a magnet.

A break beneath \$114 would be quite bearish for bonds and very bullish for yields and the broader stock market.

Weekly



This week's downward action hints that we're probably in a 5-wave move down instead of a 3-wave corrective move, though there's probably not much room to the downside as critical support comes in just below current prices so perhaps a 'wait and see' approach is preferable, particularly as the stock market tests (and could break) overhead resistance.

Again, we see the 61.8% Fibonacci retracement coming in at the \$114 level, and a possible Elliott Count on this timeframe.

The EMA structure has crossed bearishly, though I would not consider bonds/notes to be in a weekly downtrend unless we break beneath \$112, which would turn the picture very bearish and call for a test of the \$104 level... we're not there yet, and let's see if the \$115 or \$114 level holds as expected support... which would be an unwelcome development for the Stock Market which now stands at resistance.

Daily



The daily frame shows us a clearer possible Elliott Count which is perhaps finishing the terminal wave to the downside as price is challenging the \$115 support/target level from the June lows.

The implication is that bond/note prices are perhaps closer to support and a possible bounce to the upside than a sharp decline originating from this level - though the daily structure clearly is in a downward posture.

Let's watch the \$116 and \$117 level, and we would suggest getting quite bullish on bonds/notes should the 10-Year break above \$117, and especially \$119 which could be the beginning of a new uptrend.

Until then, the trend of the daily chart is down, and while price might have a little further to fall (slightly), we are at technical support so until price breaks solidly beneath \$114, odds seem to favor a bounce off this 'critical' support area... which - if it develops - would mean stock prices would likely inflect downward off their resistance levels here.



This is the "TLT" ETF which individuals use to 'trade' note/bond positions without buying bonds.

While there are other effective ETFs, this serves perhaps as the best proxy for intermediate term bonds/notes.

We are seeing a powerful divergence setting up under price, and the structure of the TLT is showing relative strength (in that it is forming a slightly higher low) than the 10-Year Note Price index above.

We see the volume surge at the June lows and then volume has tapered off since this time.

You can watch the TLT to monitor the price structure of intermediate bond/notes and trade positions off them from possible inflection points just like a stock.

US S&P 500 (\$SPX)

Monthly



There is still no change to the S&P 500 Monthly structure, and there will be no change unless price can close above 1,100. The larger structure places us still in the 4th wave up of the final "C" Cycle Wave down.

The fact that the market has rallied the last five months on successively declining S&P 500 volume is a bearish sign, as is the fact that price is now testing overhead resistance from an initial target of 1,000 which reflects the 38.2% Fibonacci retracement of the "entire" 2007 - 2009 bear market, as well as the 200 month simple moving average.

If bulls can close above this level, it would be a major milestone, but UNTIL then, odds favor an inflection swing down.

Weekly



The weekly structure (without Fibonacci Grid) shows a bullish breakout above the 20 and 50 EMA on rising volume over the last four weeks - that's bullish. It would be important not to ignore this when forming your market thesis - bears can overlook the positives just like bulls can overlook the negatives.

However, price is extended now above the upper weekly Bollinger Band - look closely at each time this has happened in the past. With the exception of the October 2008 major swing down, price has inflected/reversed off the Bollingers - which is the intended play.

The possible Elliott Count drawn above reflects the 'moderate' consensus view shared by many in the Elliott community. The 4th wave could go as high as 1,100, but we would absolutely have to reject the "this is a 4th wave" viewpoint with a close above 1,200, which gives the market plenty of lee-way.



Now we see the dominant Fibonacci grid from the 1,576 high to the 666 low shows that the 38.2% Fibonacci retracement comes in at the 1,014 level - upon which price inflected downward (so far) on Friday (though the intraday high was 1,018, Friday's close was 1,010).

Until proven otherwise, we would expect this level to hold, but given the bullish strength of the rally and the positive Friday's Jobs Report, we can't put it past the bulls to keep pushing price higher and mercilessly squeezing the shorts. The play is the same as last week - though price is overextended, it's probably not a good idea to 'get long' until we can be convinced of a close above 1,020 or better... and because of the surprising bullish strength, it's probably not a good idea to get short right here - unless you're aggressive and fine with having a very small stop that could get hit above 1,025 - until we get PROOF that the bears are taking the upper hand.

This would mean we'd like to see a close back beneath 950 which could set-up a sell-swing to challenge 875.

A break of 875 would absolutely confirm that we were finished with the upward possible 4th wave rally which would target the 800 or even 666 level... though let's not get ahead of ourselves just yet.

Daily:



While none of these are guaranteed to hold - and it would almost be comical if prices break to the upside - we are observing the following technical resistance areas:

- 1,007 - the November 2008 price high
- 1,014 - the 38.2% Fibonacci Retracement of the "entire" Bear Market from 2007
- 1,015 - the upper boundary of the "Broadening Formation" as drawn in the above chart
- 1,005 - the upper boundary of the weekly Bollinger Band
- 1,016 - the 200 month simple moving average

According to a classic technical model, we would expect these levels to hold, but remember that the market is bigger than technical analysis so supplement these levels with fundamental or other research.

It is expected that these levels will hold, and we could be seeing a major top this next week, but if bulls can close above 1,020 (and especially 1,050), this would negate all these major confluence resistance areas... and it might happen.

Gold

Monthly



The Monthly Structure chart of gold has not changed either, and will not change from this standpoint unless we get a close above 1,000, which would trigger a possible upward target as high as \$1,300 as seen below (and in last week's report).

For now, we assume that Gold has completed a 5-wave structural move up and is now completing a "B" wave rally into resistance at the \$1,000 level.

However, monthly gold is clearly in an uptrend, so we need to watch for a close under \$900 to break the rising 20 month EMA which could set the stage for lower prices down to the \$700 level yet again to finish up the possible "C" Wave downward move which - according to this count - would be favored... but again, let's not get too far ahead of price now because - as you'll see - we are in a consolidation pattern and there are several interpretations (patterns) that could be working out in gold.

For now, the 'battle between Inflationists and Deflationists' is creating the push/pull patterns and difficult trading conditions.

Weekly



Weekly Gold shows us two Fibonacci levels to keep our eye on - the \$900 reflects the 38.2% down-move (the grid above is inverted) off the 2008 highs to the 2008 lows (\$1,025 to \$675). The \$860 level reflects the 50% pullback. Both of these levels have been tested on the recent downswings where the market has found key support as highlighted above. That's important to know.

Both of those levels also reflect 'confluence' support via the 50 period EMA - the \$900 level will be very important to watch for any clues of possible downward continuation... as will the \$975 price for possible upward movement.

The basic play in gold is to WAIT for a break up or down of the triangle as drawn above and in the daily chart... it's probably not a good idea to try to be a hero and predict which way gold will break - the edge in technical patterns comes from historical testing and experience, which shows that WAITING for a clean and confirmed break is statistically better than entering inside a clean consolidation as we have now.

Even though the widespread consensus is for a break to the upside (some traders see it as a 100% eventuality), this may not be the case (we should know soon) and be prepared if price does break either way (open minded and objective).

Daily



The Daily Chart from 2009 to present shows the technical picture of gold, which is trapped within converging upper and lower trendlines which comprise a triangle consolidation.

The boundaries have now contracted to the \$970 level and the \$930 level... as price narrows, we will have a breakout from this consolidation which should lead to a trade-able trend move up or down, with a stop-loss on the other side of the opposing trendline.

Until then, scalp intraday or swing trades off these levels and be aware of them. Do not look to daily moving averages for support - the dominant trendlines are the only 'indicators' to which you should pay attention.

For now, it looks like gold is ready to swing back down to challenge the \$930 or \$940 level.

Notice in the 3/10 oscillator how the same converging trendlines can be drawn, which indicates this market is being wound down to an equilibrium level like a tightly coiled spring... which is about to 'bounce' one way or the other.



One interpretation - from the bullish camp - is that gold is forming a "Cup and Handle" pattern.

Perhaps, but the two arc formations are clear.

If this were the dominant pattern, it would call for a price projection target to the upside of around \$1,150.



The other interpretation - taking a larger view - is that of an inverted head and shoulders pattern which would have a target of around \$1,300 should the \$1,000 'neckline' be broken to the upside.

I'm specifically highlighting the contraction in volatility (swings) as shown by the 3/10 oscillator, which could tip its hand as to the breakout direction prior to price. Watch for an indicator breakout of the triangle in the oscillator as a possible 'leading indication' of which way gold will break.

Keep in mind that with many traders being so bullish on gold, in the event that price begins to creep lower 'unexpectedly' and break to the downside, we could have an avalanche (strong trend move down) which would reflect massive stop-losses being triggered. Many times a market will move against the broad majority, but just because a majority of investors think gold will rise, that does NOT mean that gold has to break out to the downside to trap them.

The point of a consolidation is that there is a two-sided market as price winds down to equilibrium. Upon the initial breakout, one side of the market is thrown off balance and the other side begins to dominate a now one-sided market.

Don't get caught on the wrong side of a breakout either way in gold.



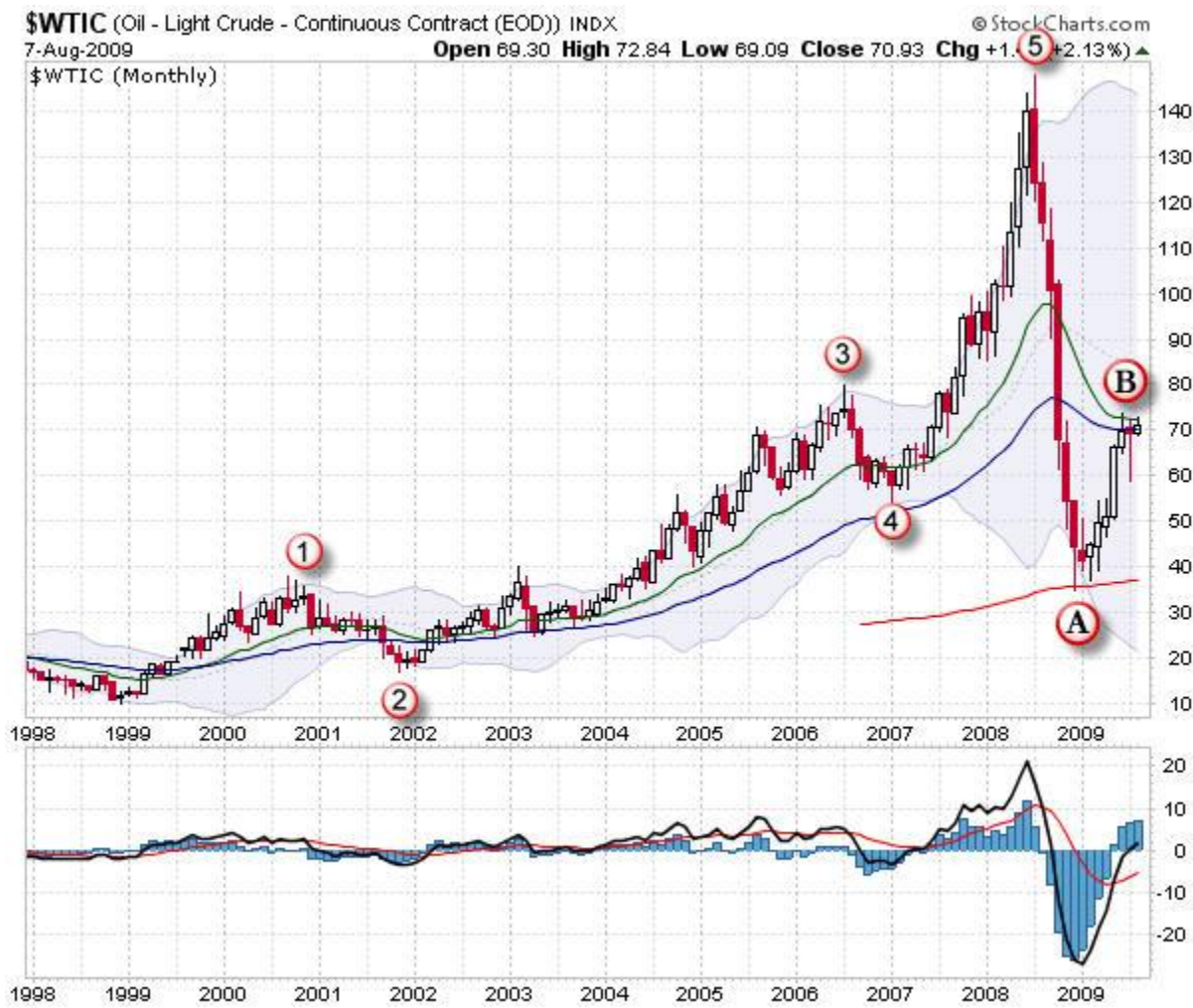
Here is a bonus "Fibonacci Fan" and Seed Arc 'advanced' chart of gold.

Without much interpretation, pay attention to the fan-lines that seem to be containing price currently.

This is more for 'show' than actionable material, but it can uncover potentially hidden areas to watch.

WTI Crude Oil (\$WTIC)

Monthly



Like all other charts, the Crude Oil dominant Elliott Count has not changed, and will not change unless buyers push prices beyond the \$80 per barrel index level.

The expectation - until proven otherwise with a close above \$80 - is that the "B" Wave is complete and we should be expecting a possible swing down to challenge the \$40 level... though I find that a bit hard to believe with a recovering economy.

We'll hold this long-term expectation and monitor price action on the lower frames for clues that we might need to abandon this early.

Until then, we have to take an unbiased approach to studying the message from the charts and go with the odds and probabilities.

Weekly



The weekly chart shows the larger structure from the hideous swing down from the 2008 highs in Crude Oil (which was welcome to alleviate the \$4.00 gas prices at the pump).

Price has come into resistance as expected at the \$70 level (a target ever since price began to rise in early 2009) and we have yet to clear the flat 200 week simple moving average currently at \$75.

A close above \$75 would send price up to the \$80 level which reflects the 38.2% Fibonacci retracement, though as long as price stays under \$75, we would expect lower prices ahead.

Watch the \$67 and \$63 levels for possible pauses or support which reflect the 50 and 20 week EMAs respectively.

Daily



We could be peaking in a Wave 2 pullback into resistance at the \$72.50 price level.

What makes me conclude we should be having a downswing in the week ahead is the Monthly structure along with four dojis in a row followed by a bearish engulfing candle on Friday - none of which bode well for Crude Oil bulls. We could see a strong move down in the week ahead, and aggressive traders might want to play a low-risk, high (potential) reward target by shorting these levels with a stop above \$72.50 or \$73.

Should price rise beyond this level, it would do so against the odds of the candle pattern and prior resistance level.

However, a rise above \$75 could usher in a major bullish turning point.

Until then, odds seem to strongly favor lower prices ahead for Crude Oil... and again watch the \$67 and \$65 areas to see if they provide support/pause or are broken (which would lead to lower prices).



This bonus chart of Crude Oil (continuous) futures shows price has achieved a 138.2% Fibonacci price projection (possible) high off the February lows (the blue line reflects the Fibonacci grid I used for the projection).

US Dollar Index (\$USD)

Monthly



The US Dollar Index - like bonds - is also at a critical potential turning point and could be turning higher from here.

The monthly structure clearly is in a strong and powerful downtrend, but we could be seeing signs of life for the US Dollar Index... or if these possible support levels are broken to the downside, we will know that price will likely fall back to the \$70 level to test the 2008 lows.

Until then, price is in a neutral pattern at crucial support.

Weekly



I've been drawing this grid for weeks, showing the \$78 level as a target for the US Dollar and now we have achieved that level and have formed a strong bullish weekly candle off the 61.8% ("last line in the sand") Fibonacci level.

The expectation is shown from a 'technical purism' approach is to see a support bounce off these levels as the next likely swing, which would be bearish for commodities and potentially bearish for the US Stock Market.

Notice the confluence around \$81 which would serve as a challenge for the Dollar to overcome, but for now let's see if the Dollar can rise off Fibonacci (and prior price) support off the \$78 level to stage a turn-around.

Daily



This is the same Elliott Wave grid I drew last week, hinting that odds favored a rally in the US Dollar Index as a 5-wave Elliott Pattern had officially completed into a powerful positive momentum divergence in the same way as bond prices have done (see above).

The \$79 level was an initial target which was hit in a single day, and now we need to see if the dollar index can rise above the 20 EMA (it's served as resistance so far) and particularly above \$80 which would be the early sign of a potentially larger breakout (and confirmation of the 5-wave structure as seen here).

A powerful and obvious doji preceded the swing-up that occurred this week, so let's see whether this upswing will hold and rise, or if we've already hit resistance off this level.

Remember, if the Dollar breaks above resistance and bounces off major support, it would imply that Bonds/Notes would also bounce off key/major support and that the US Stock Market would inflect down off major Resistance and that Crude (and perhaps gold) would fall along with broader commodities.

Markets are at KEY turning points and we could see a MAJOR inflection in the intermarket model take place this week... or we could see these support and resistance levels definitively broken, which would argue for a continuation of what we're seeing now (rising stock market, falling bonds and dollar, rising commodities). Pay close attention to this week ahead and perhaps the week beyond that in the markets.

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