

AFRAID to TRADE

overcoming stock market fears with Corey Rosenbloom



Weekly Inter-market Technical Report

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

Monthly



I've drawn two Fibonacci grids off truncated highs/lows on the monthly chart to get deeper insight into possible Fibonacci Confluence zones. The main zone is the \$114.50 area, off of which price recently bounced last month and appears to be finding possible support - if price can clean \$117.50, then odds would strongly favor a rise on bond/note prices and a decline in yields ... which fits in with a thesis that the stock market is ripe for a pullback/retracement/decline. Price has also bounced solidly off the rising 50 month EMA at \$113.97, further arguing for possible support and a rise in prices. A move down beneath these levels (particularly beneath \$114) would disconfirm any bullish structure, which would violate a Fibonacci Confluence along with an EMA zone. Longs would likely exit with a close beneath \$113, though currently odds seem to favor higher note/bond prices (lower yields).

Weekly

\$UST (10-Year US Treasury Note Price (EOD)) INDX
2-Jul-2009



Zooming into the weekly chart, we see a specific Fibonacci grid drawn closer, off the actual highs and lows (which is the classic method). This puts us currently at the 61.8% Fibonacci retracement for possible support, as price is bouncing upwards off this level (at \$114).

I'm also showing that we possibly are completing an "ABC" pullback formation, in which C - if it is complete - would argue for higher prices in a new upward fractal impulse up off these levels.

However, look closely at the \$119.50 level, which shows a bearish EMA crossover (a "Cradle" formation) that price could be targeting for a test of the Cradle resistance. I make the assumption that note prices will rise at least to the \$119 area to test this EMA confluence zone... but again a close beneath \$114 would invalidate this view.

Whether or not we're ending an ABC fractal correction down, or pulling up in a wave 4 counter-move up (meaning a 5th wave down is yet to come), the next likely swing - as shown here - seems to be an up-move.

Daily



Continuing the thesis (of higher prices as a possibility) from the higher timeframes, we see a positive momentum divergence on the daily chart and price inching its way up above the falling 20 day EMA - this would suggest a minimum test of the falling 50 day EMA at \$118 is the operative swing in progress.

Momentum (indicator) seems to be building and price may have established enough of a base at the \$115 level to make a run slightly higher. It might take the whole week to get there, so we'll assess the structure on the next weekend report.

For now, the play on bonds/10-year notes appears to be a swing up to the \$118/\$119 level as the 'next likely swing,' though any movement down through \$114 would instantly invalidate that view.

Weekly

\$SPX (S&P 500 Large Cap Index) INDX

2-Jul-2009

\$SPX (Weekly) 896.42

EMA(20) 891.98

EMA(50) 967.40

BB(20,2,0) 707.25 - 854.15 - 1001.06

MA(200) 1262.81

Open 919.86 High 931.92 Low 896.42 Close 896.42 Volume 14.48 Chg -22.48 (-2.45%)

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Dropping down to the Weekly chart, we see a rather ominous development that carries over from the monthly doji sell-signal.

We're seeing price pull back into two levels of overhead resistance - that of the 38.2% Fibonacci retracement off the May 2008 highs in conjunction with the falling 50 week EMA (currently at 967). Though price 'tagged' the 38.2% retracement to the point, it fell just shy of hitting the 50 EMA resistance.

We see the volume divergence clearly here, as price has risen while volume (in aggregate) has declined each week (with the exception of a few weeks).

We're also seeing the formation of a negative momentum divergence (which you see clearer) in the 3/10 Oscillator, which also fails to confirm higher prices at these levels.

The 20 week EMA sits firmly at 891 just below price (close at 896) so this area could provide a temporary pause/bounce. Keep this in mind as we see levels on the daily chart that bears need to break to confirm a swing down and trigger an easy entry short.

Daily:



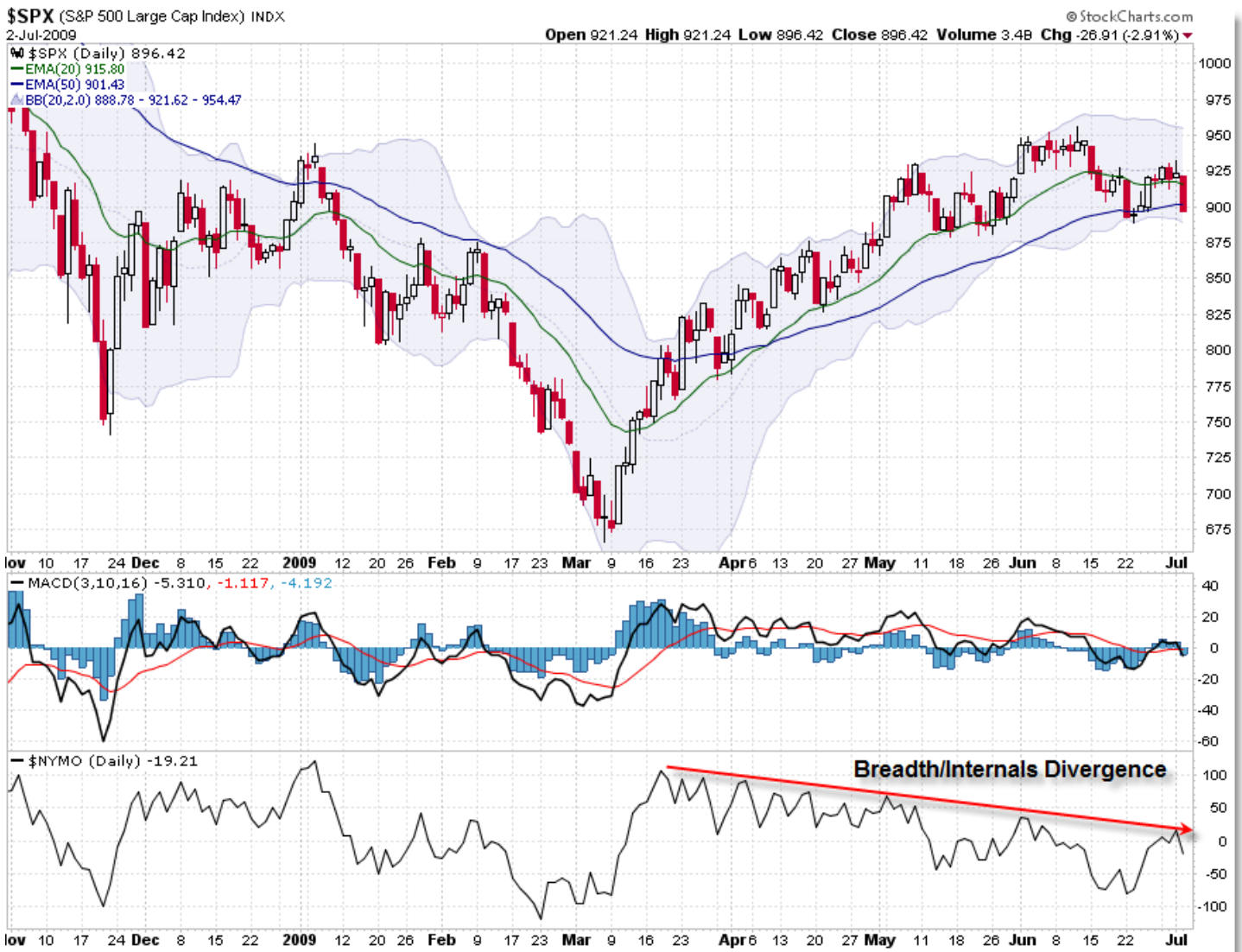
So many analysts are describing/identifying the Head and Shoulders that is most likely forming, that many are now calling for the signal to fail because so many people are aware of it! Remember, there is no pattern or method that guarantees we can identify the next market move - that's why we use non-correlated methods to do so - we have greater confidence when these unrelated methods confirm (point) in a certain direction.

That being said, the 875 level is absolutely critical for bulls/buyers to defend (hold). A break beneath this level - which in my assessment is far more likely than a rise off these levels.. but time will tell - would trigger many long stop-losses and new short-sellers entering at these levels - which would be the natural play. A break of 875 would violate any 'major' support from EMAs on all timeframes - all that's left is the 20 week EMA at 891 and the 200 day SMA at 887.

We have prior support/resistance at the 887 level (red line). We see the 'three push' or triple negative momentum divergence as well as the distinct volume divergence that has set-up.

The 'obvious' move would be to short a break beneath 875... but might that be too obvious?

A close above 950 would certainly invalidate this move and result in a logical stop-loss, which could push the market higher simply because so many traders were thrown off balance (short).



Not to belabor the point, but we are seeing a clear negative divergence also in the NYSE McClellan Oscillator - a breadth indicator - which shows that fewer stocks are participating in this upward advance (it is likely being fueled by the 'bigger names' instead of the broader market - that's a non-confirmation of higher prices).

Gold

Monthly



Please reference the last two reports for 2 major possibilities of an Elliott Wave count on Gold. Either we are in W4 up to shatter the \$1,000 level (which is my contention until proven otherwise) or we are ending Wave B of an "ABC" Correction that began at the 2008 highs (A down; B up; with C down yet to come).

For now, we observe the classic technicals on the monthly frame - the trend is up, price is above all EMAs, is still making higher highs and higher lows, and the EMAs are in the most bullish orientation possible.

The key to the puzzle is the \$1,000 level - if broken, it opens the door to much higher prices. Though watch the \$850 level, for if it happens to be broken, it could set-up a sudden swing to the \$750 level quickly.

Weekly

\$GOLD (Gold - Continuous Contract (EOD)) INDX
2-Jul-2009

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\$GOLD (Gold - Continuous Contract (EOD)) INDX
2-Jul-2009

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The weekly chart offers a few additional clues and price levels to watch carefully.

For one, note the 20 week EMA rests at \$922, which is where price is supporting and seeming to want to 'bounce' off these levels. A hammer/doji-like candle formed two weeks ago, though this previous week formed a down candle back to challenge support. If \$925 is taken out, a test of \$900 is virtually imminent.

A break beneath \$900 will take us back to challenge the support at the \$850 level, which happens to be the 38.2% retracement.

Again, price is in a confirmed uptrend, being above all EMAs as well as the EMAs being in the most bullish orientation possible.

I drew a bonus Fibonacci Confluence grid using three price lows to the \$1,000 price high and noted all areas of confluence.

The main - a triple - area of confluence resides at the \$780/\$790 level.

The next level of confluence comes in at the \$824-\$840 level which is a wider and weaker confluence zone.

In the event that price begins to head lower off these levels, watch the \$835 level first and especially the \$780 level. If broken, we will almost certainly hit \$700 or lower, as traders - most of which are very bullish on gold - will be shocked and surprised (bailing on their short positions) to drive prices lower.

Daily



Gold is in a very tight range and very difficult to 'predict' with certainty in which direction price will expand - but we can be certain that price WILL expand out of this consolidation/value area before long, and the move could be swift. Keep on your toes in the week(s) ahead if you're trading gold.

The range is clearly established between \$940 and \$920 (roughly) but there's a great deal of indecision and choppiness, so it's probably better to wait until price is above \$950 or beneath \$900 before committing a large position if you're not already in one.

The broader range is the \$980 high to the \$860 low.

In a flat environment, moving averages (on the daily frame) provide very little help.

There is a slight positive momentum divergence, but in a flat range, momentum also becomes of lesser importance.

I suggest there's an upward bias, but defer to the principle "Price Alternates between Range Expansion and Contraction" and note it's notoriously difficult to anticipate in which direction price will break a tight range. Be prepared to trade it - perhaps aggressively - when it breaks.

(Please download the second report for the remainder of this week's report)