

AFRAID to TRADE

overcoming stock market fears with Corey Rosenbloom



Weekly Inter-market Technical Report

10-Year Treasury Yield (\$TNX – YIELD)

Monthly



I'm showing an interesting "equal time and price" cycle pattern on the monthly chart of yields - the price low time-wise actually came in early 2008 in yields though the projected low came slightly late in early 2009. Looking at historical patterns, yields often 'bottom' early in the year.

However, yields are in a persistent down-trend and we've recently come into confluence Fibonacci and 50 month EMA resistance at the 4.00% yield level (40 on the chart) so this could be quite difficult to overcome.

Breaking above 4.00% would shift price into a more bullish position, but for the time being (until that occurs), **odds favor lower yields** as based on the monthly chart from a technical purist standpoint.

Weekly

\$TNX (10 Year Treasury Note Yield) INDXX
15-Jun-2009
\$TNX (Weekly)

Open 37.64 High 37.78 Low 37.05 Close 37.13 Chg -0.75 (-1.98%)



There's two ways to interpret the yield chart Elliott Wave count I've drawn. I'm showing the more bullish count, which assumes that we're in a 5-wave impulse up. Keep in mind that we're bumping up here against monthly confluence resistance so take this bullish yield count with a grain of salt - I'm letting the charts speak for themselves.

This would imply we have a down-swing ahead of us that would take us perhaps down to the 3.40% level only to inflect upwards off of that into a 5th wave rally back to the 4.0% level.

The ALTERNATE interpretation would place us in an "ABC" three-wave move higher. It all depends on the 4.0% level and the critical resistance that lies in that area. This 3-wave count would place this as a terminal swing in the 4.0% level.

With the new momentum high and positive momentum, we can't rule out a higher move but everything is predicated on breaking above 4.0%.

Daily



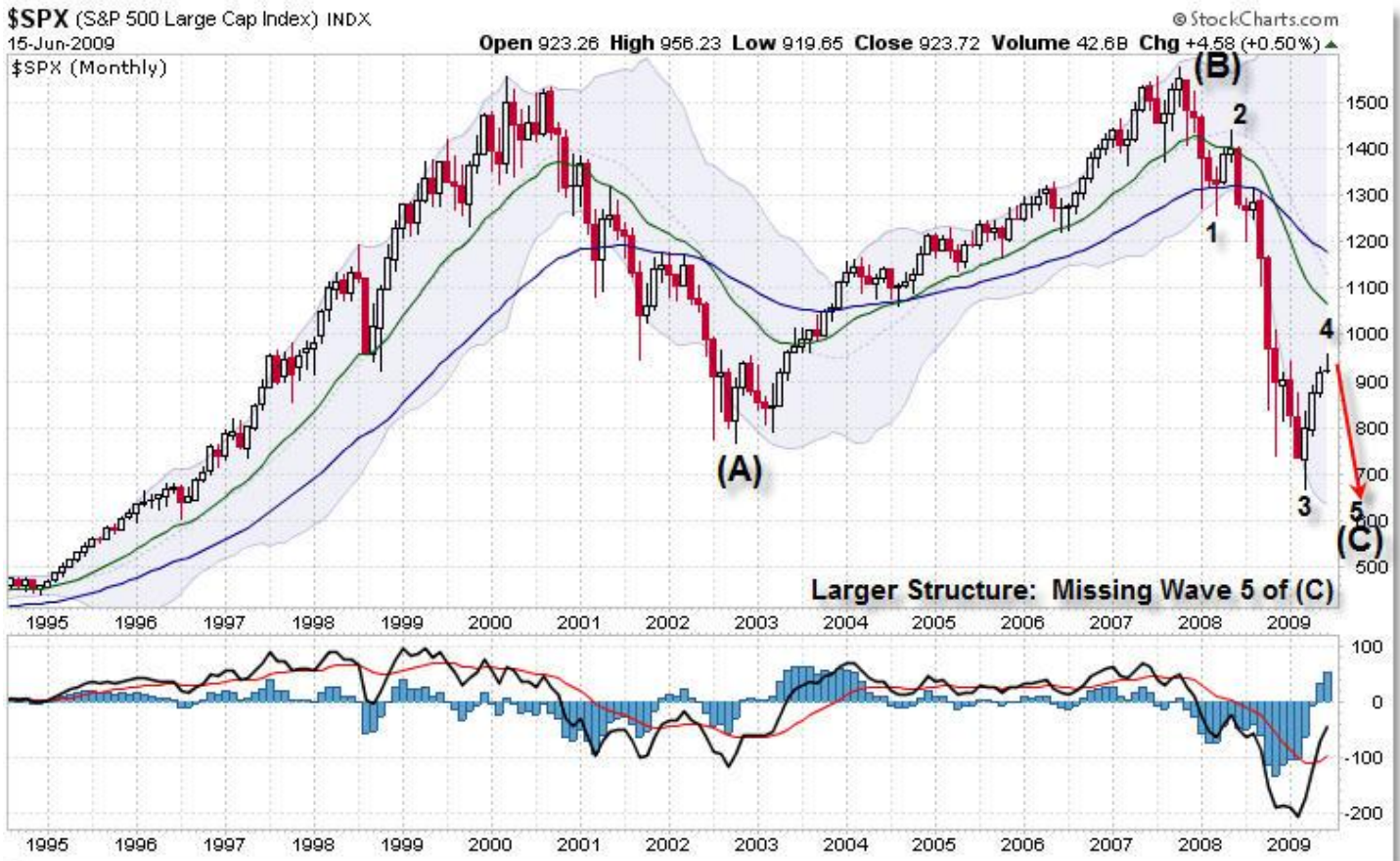
The Daily chart subdivides the recent price action even closer, which either places us in a Zig-Zag ABC corrective move up or - perhaps more likely - at the peak of a 3rd wave up, meaning higher yields are likely.

Watch the negative momentum divergence that has formed on the completion of this fractal 5-wave move up to challenge the 4.0% level (red line reflects prior resistance). We could theoretically pull back to the 3.0% level but a pullback to 3.4% seems more logical thanks to confluence support (the 50 day EMA and the 50 week EMA).

With yields expected to pullback for their next likely swing, bond prices will rise - as the stock market could suffer a new retracement down.

US S&P 500 (\$SPX)

Monthly



This is showing ONE possible Elliott Wave count, but it is a count that seems to be favored by a majority of Elliotticians.

This assumes that we are in the C wave of a 10-year ABC corrective move, and are lacking the final 5th wave to finish off the 5-wave C move.

Currently, price has formed a gravestone doji which is bearish (if confirmed) and it seems that the four-month rally could be due a normal, natural retracement. The exception would be if we're beginning a new bull market, as we are forming a very similar structure as what occurred in 2003 when price rallied four months in a row, formed dojis at EMA resistance... and continued higher almost non-stop.

For now and until proven otherwise, this is the larger structure picture of the Elliott count.

Weekly



Dropping down to the weekly chart, we see the possible wave count playing out. An alternate count was that Primary Wave 3 ended on the November lows and that we are experiencing a multi-month "Expanded Flat" in which wave A ended in January 09, Wave B ended at the March Lows, and Wave C (which must rise above Wave A) is ending just shy of 1,000 (a prior target) to finish off the "ABC" Correction of Wave 4 (wave 4 would end at the same location and predict a similar test or breaking of the March lows).

We see a negative momentum divergence and a negative volume divergence setting into the new price highs of the year, which are failing at the 50 week EMA resistance. **Odds CLEARLY favor a pullback off these levels** but this assumption would be broken with a solid close above 1,000 (which would bring price above the 50 EMA). We also could get a 'head fake' move as we did in May 2008 where price broke for a short time above the 50 week EMA before plunging to new lows on the year.

Markets far more than not fail (retrace) when a negative momentum and volume divergence form.

As the primary trend is still clearly and confirmed down, a move down would be considered an impulse move.

Daily:



We get to step inside the daily chart of the S&P 500, which only shows the weakness of the current market.

Observe closely the negative VOLUME and MOMENTUM divergence - so weak that we've formed a bearish "Three Push" Reversal pattern (notice the three subsequent new price highs that formed on three lower highs in momentum).

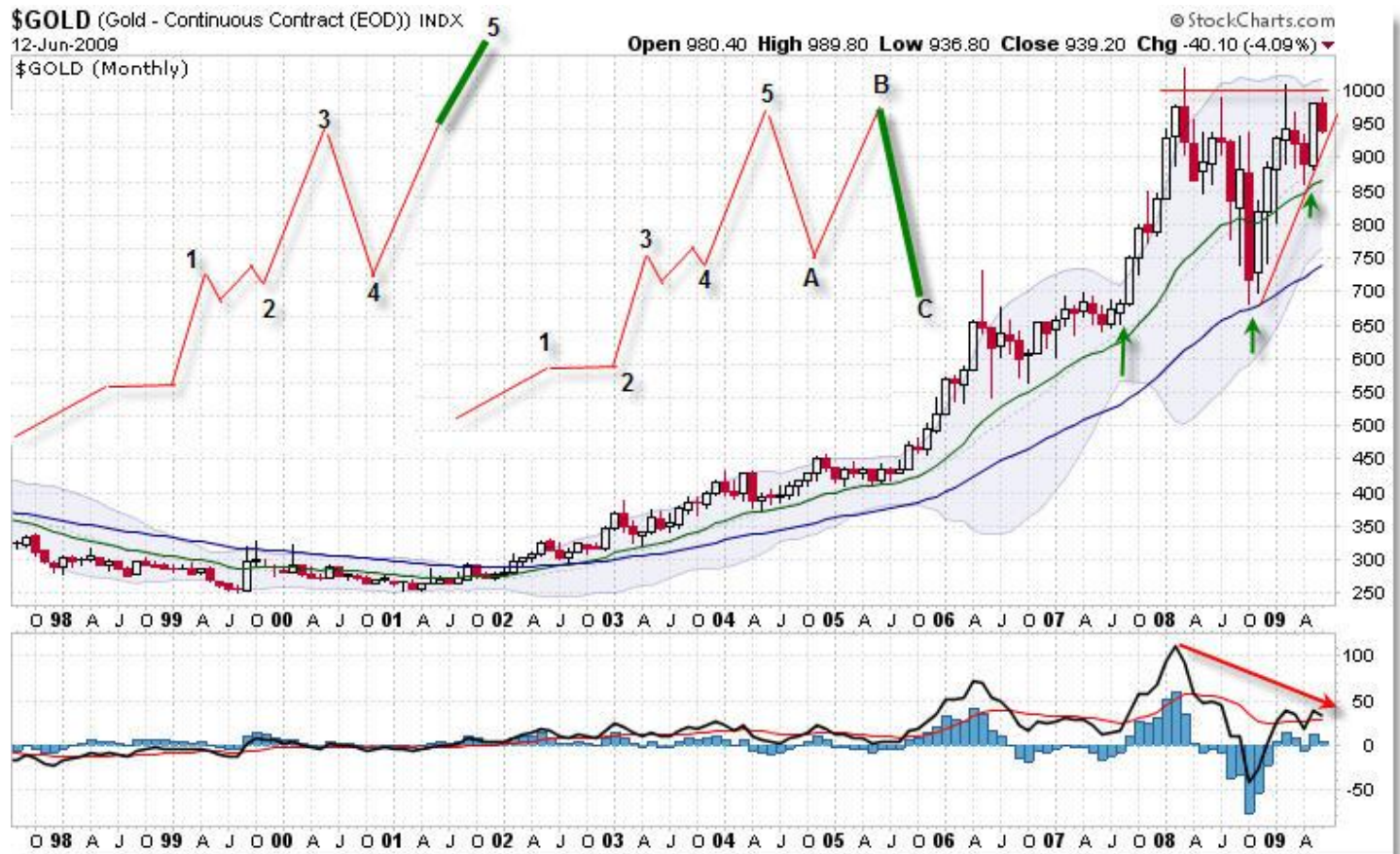
We're also at prior resistance via the January highs shy of 950 which - for whatever reason - is forming a significant barrier to overcome.

Price has formed numerous dojis (reversal/indecision candles) at these levels which should not be ignored or discounted.

Unless we get a volume and price surge above 950 and then to 1,000, **odds overwhelmingly favor a down-move off these levels.**

Gold

Monthly



Generally speaking, gold is in a persistent downtrend and a clean rising arc is observable in price (not drawn).

The \$1,000 level is serving as a critical barrier to overcome, and a rising trendline has formed throughout all of 2009.

A negative momentum divergence has set-in which isn't helpful to the bulls, though the trend and structure still remains confirmed as up.

I'm showing two different Elliott Wave Interpretations - the first of which (which I would favor) assumes we're in a 5th Wave up and perhaps getting ready to enter or are currently in the 3rd wave which hints that we will break above \$1,000 and head to higher levels - perhaps \$1,150 or beyond. The green lines show the future based on the pattern.

The second interpretation assumes that we've already completed a 5-wave advance into the 2008 highs, and have already seen an A and B wave and perhaps are entering or are already in the C-Wave down, perhaps even about to enter the 3rd wave of C down which should zap prices lower to the \$700 level at a minimum - I do not favor this count but it is a viable possibility.

Weekly

\$GOLD (Gold - Continuous Contract (EOD)) INDX

12-Jun-2009

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Open 956.00 High 965.50 Low 936.80 Close 939.20 Chg -15.50 (-1.62%) ▼



Odds seem to be indicating a pullback swing is needed in gold to retest the \$920 level (or perhaps the \$900 level) both of which would reflect confluence support in a confirmed uptrend.

Should price fall beneath this level, we have confluence Fibonacci coming in at the \$870 level which would be expected to hold, as would the \$820 level.

Price could bounce off the rising 20 week EMA at \$920 so let's watch that level very closely - it seems almost assured gold will test this level based on this chart.

Daily

\$GOLD (Gold - Continuous Contract (EOD)) INDXX

12-Jun-2009

\$GOLD (Daily)

Open 955.50 High 958.50 Low 936.80 Close 939.20 Chg -15.30 (-1.60%)

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As mentioned, the \$920 level seems like a magnet, as the 50 day EMA stands just above this level as well.

I'm showing a possible Elliott Wave count (fractal) in gold which implies that a 5th wave is yet to come which could re-challenge the \$1,000 level.

Refer back to the weekly chart for key Fibonacci support levels.

There is also a rising trendline (not drawn) that connects the November lows with the current level above \$920.

Until proven otherwise (price breaking beneath \$920), odds favor higher prices due to the uptrend structure, but do keep a close eye on this market.

WTI Crude Oil (\$WTIC)

Monthly



Crude has come into monthly confluence resistance as have been anticipating at the \$70 level, which has long been a target of mine based on so much confluence that comes in at that level - it served as a 'magnet' trade.

With price achieving these levels, the analysis must switch to the bearish stance in expecting an inflection move back down off these levels, with a classification of a "Wave B" counter-rally movement.

Odds would favor crude cannot rise above the \$80 level, and \$70 might be very difficult to hold.

A close above \$80 would invalidate crude bearishness, but for now odds seem to favor that crude has achieved its upside targets and **a down-move is more likely in my opinion than an up move.**

Weekly

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDX
15-Jun-2009
\$WTIC (Weekly)

© StockCharts.com
Open 72.80 High 72.93 Low 70.30 Close 71.20 Chg -1.55 (-2.13%) ▼



The weekly chart puts 'open air' up to the \$80 level in terms of Fibonacci grids.

Price rose above the 20 and 50 week EMA which was bullish, formed a higher high and higher low (flipping the trend to up), but now the \$80 level could prove too difficult to overcome.

Watch the \$60 level for initial support.

Daily

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDXX
15-Jun-2009

© StockCharts.com

Open 72.80 High 72.93 Low 70.30 Close 71.20 Chg -1.55 (-2.13%) ▼



The daily structure reflects the inward structure in possible Elliott Wave terms of the recent rally - placing it as an ABC rally up for a larger "B" Wave.

We're seeing a three-push reversal pattern forming along with a complete five-wave fractal Elliott pattern into the highs at \$75 - both of which hint that a reversal seems more likely than continuation at this point.

From an educational standpoint, I know of no other example of an ideal "rounded reversal" than the movement that began 2009 - notice the clean positive momentum divergences at this level - picture perfect.

US Dollar Index (\$USD)

Monthly



As mentioned earlier, the Dollar was coming into key Fibonacci resistance at the \$90 level - and this level clearly contained price and will likely hold as major resistance.

Notice the quick negative momentum divergence that formed under price as we challenged the 38.2% Fibonacci grid. The inflection down was both expected and clean so far.

The higher timeframe structure is still clearly down, and we will need to see how the Dollar behaves on this pullback - if it finds support about the \$75 level or higher, then we will need to reclassify this as potential new bullish impulse up, but for now, odds seem to favor lower prices and even a test of the \$70 level or lower over the next few months.

Weekly



Drawing a Fibonacci grid from the March 2009 highs to the March 2008 lows, we see that price recently supported on the 61.8% retracement (the grid is inverse) of this rally, which has bullish implications, until you consider price is going to have to challenge a bearish "Cradle" that is forming on the weekly chart at the \$82 level.

We see the negative momentum divergence clearly on this chart and the doji that formed at these levels, signaling an easy entry.

We've completed a bear flag into the \$78 lows, and what appears to be forming - though it is not labeled - as an Elliott 5-wave decline, with waves 1 - 3 being complete and we are currently in the 4th wave up to challenge overhead resistance at the \$82 level.

Daily



I step us inside the Bear Flag here, and note a clearer picture of the possible Elliott Wave structure underlying the Dollar Index.

The positive momentum divergence is bullish and could precede a reversal, but for now it would appear we need to challenge the \$82 level at best before heading back down to finish out a 5th wave back down to the \$77 level.

Breaking above \$82 would challenge this stance and force a more bullish assessment, but for now, it looks only like a simple "ABC" retracement move up.

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