



# Weekly Inter-market Technical Report

## 10-Year Treasury Notes (\$TNX - YIELD)

### Monthly



On the monthly frame, Yields appear to be on a sell-signal, coming into overhead resistance, failing to rise above 4.00%, forming a long-legged doji at the 50 EMA resistance (which also happens to be confluence Fibonacci), and being in an overall downtrend (lower lows/lower highs). Yields also formed a new momentum low into the start of 2009, which hints that we could see lower yields from a trend and momentum standpoint.

Should yields fall, bond prices will rise. This is the backdrop with which to interpret 10-Year Yields.

## Weekly



Zooming into the weekly frame, we also see the possible sell-signal occurring, however there are signs of possible bullishness to watch as a 'wait and see' attitude. We zoom-in on the dominant Fibonacci retracement to see that price has retraced 61.8% of the 2007 to 2008 high and low.

It's possible price is completing a 5-wave fractal move up, and if so, then 3.25% (32.5) will be an excellent place to find support and rally higher. Notice the 38.2% Fibonacci as well as a possible Cradle (bullish EMA crossover) occurring at this level - it will be hard for yield bears (bond bulls) to break.

Also 'going' for the bulls is the New Momentum High that formed - giving us an indicator reading not seen on the timeframe of this chart - such high readings are often 'signs of strength' and could forecast a change of trend.

The 'next likely swing' is a fall to test the 3.25% yield area to see if that support can hold.

## Daily

\$TNX (10 Year Treasury Note Yield) INDX

26-Jun-2009

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Open 35.38 High 35.46 Low 34.92 Close 35.06 Chg -0.40 (-1.13%) ▼

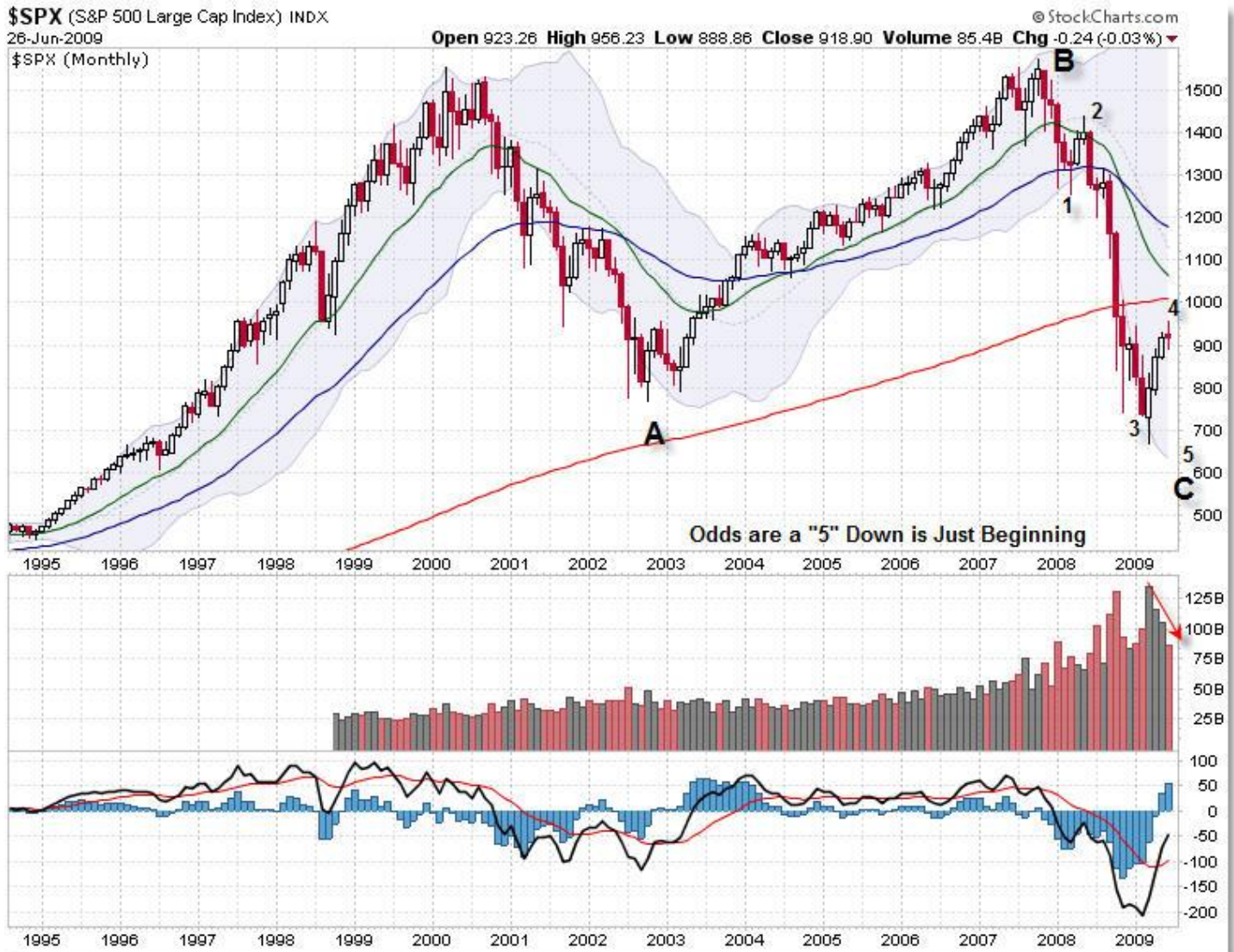


I've drawn in two red horizontal lines, which reflect the 4.0% and 3.0% yield zones respectively. We're currently in the middle of that range, with immediate (possible) support being at the 3.40% level. On the daily chart, price is in a confirmed uptrend, and we see the fractal moves clearer. We also observe a negative momentum divergence going into the 4.0% highs - which is quite bearish (given that 4.0% has revealed significant resistance, and that the Federal Reserve wishes to keep yields low, going as far as purchasing bonds).

From a chart standpoint, let's watch the 3.4% area closely - a breakdown of this level will set-up the test of the 3.25% confluence zone discussed on the weekly chart. Notice that the 200 day SMA comes in at this level.

# US S&P 500 (\$SPX)

## Monthly



On the monthly chart, I'm showing the mainstream Elliott Wave count of the S&P 500, which currently has us either in Primary Wave 4 up of Cycle "C" down... or Primary Wave 5 Down of Cycle "C" Down. With the negative volume divergence (seen here on the monthly chart and clearer on the lower timeframes), odds are Wave 4 is ending and/or Wave 5 down is beginning. Notice also that the original target was the \$1,000 level, which corresponds with the 200 month SMA.

If price stabilizes in June, we will keep the current doji, which would be an imminent warning sign for bulls to exit immediately and for shorts to step into the market. It could be that this swing up ran its course, peaking at the June 11th high.

## Weekly



We're looking at the Weekly S&P500 Structure with a possible Elliott Wave count overlaid (which seems to be the mainstream count). This count assumes we are completing a 4th Wave "ABC" Expanded Flat correction off the November lows (the March lows was part of a "b" wave of 4). It also assumes that Wave 4 is peaking currently or will peak near 1,000 before heading into a 5th wave down which shall test or more likely exceed the March 2009 lows.

Laying Elliott aside, we see price is still in a downtrend (having only marginally risen above the 2009 swing highs) and forming a lower low prior to the strong rally off the March lows. The EMA structure is still in the most bearish orientation possible and price is finding key resistance off the falling 50 week EMA.

Support is coming in the form of the rising 20 week EMA at roughly 900, so as simple as it sounds, watch the 950 to 885 level - if 885 is broken to the downside, it will confirm the "Wave 5" count above and call for lows.

Watch to see if price rallies up to breach above 1,000 which would not invalidate this count, but be a sign of strength that would be unwelcome to market bears.

For now, we're trapped beneath two key EMAs with a bearish bias - but it's often best to wait until the lower EMA is taken out before committing a large position of any sorts.



This is a 'bonus' Fibonacci retracement chart of the S&P 500 which shows that the 965 level also reflects the 38.2% Fibonacci retracement of the May 2008 highs to the March 2009 lows. It is forming confluence with the 50 week EMA which is at 970.

## Daily:



Zooming in on the daily structure, the two key points to watch are the 950 highs, the "Three Push" reversal pattern forming, the Negative Volume Divergence since March and May to present as price kept climbing, and the key support at 885 which reflects the 50 day EMA along with the prior support of the May lows and the February highs.

People are discussing the "Golden Cross" which refers to the bullish crossing of the 50 day EMA above the 200 day SMA. Price nipped just beneath this level before forming a doji and bouncing higher into resistance via the 20 day EMA. Price is choppy here and my guess is that we're forming a Head and Shoulders, with the May highs being the LS, June highs being the Head, and soon to be challenge of the 930/935 level to be the RS. If the 885 neckline key support is broken, it could be a precursor of a move that will take us back down to test the 666 March lows, but continue to monitor price as it moves in this direction (down) or - unexpectedly - breaks sharply above 955 which would set-up a 'magnet trade' to the \$1,000 level.

For now, odds favor lower prices yet to come, but do watch to see if bears can take out 885 for confirmation. We should expect volume to increase to the upside as price falls to expect a full test of the March lows.

# Gold

## Monthly

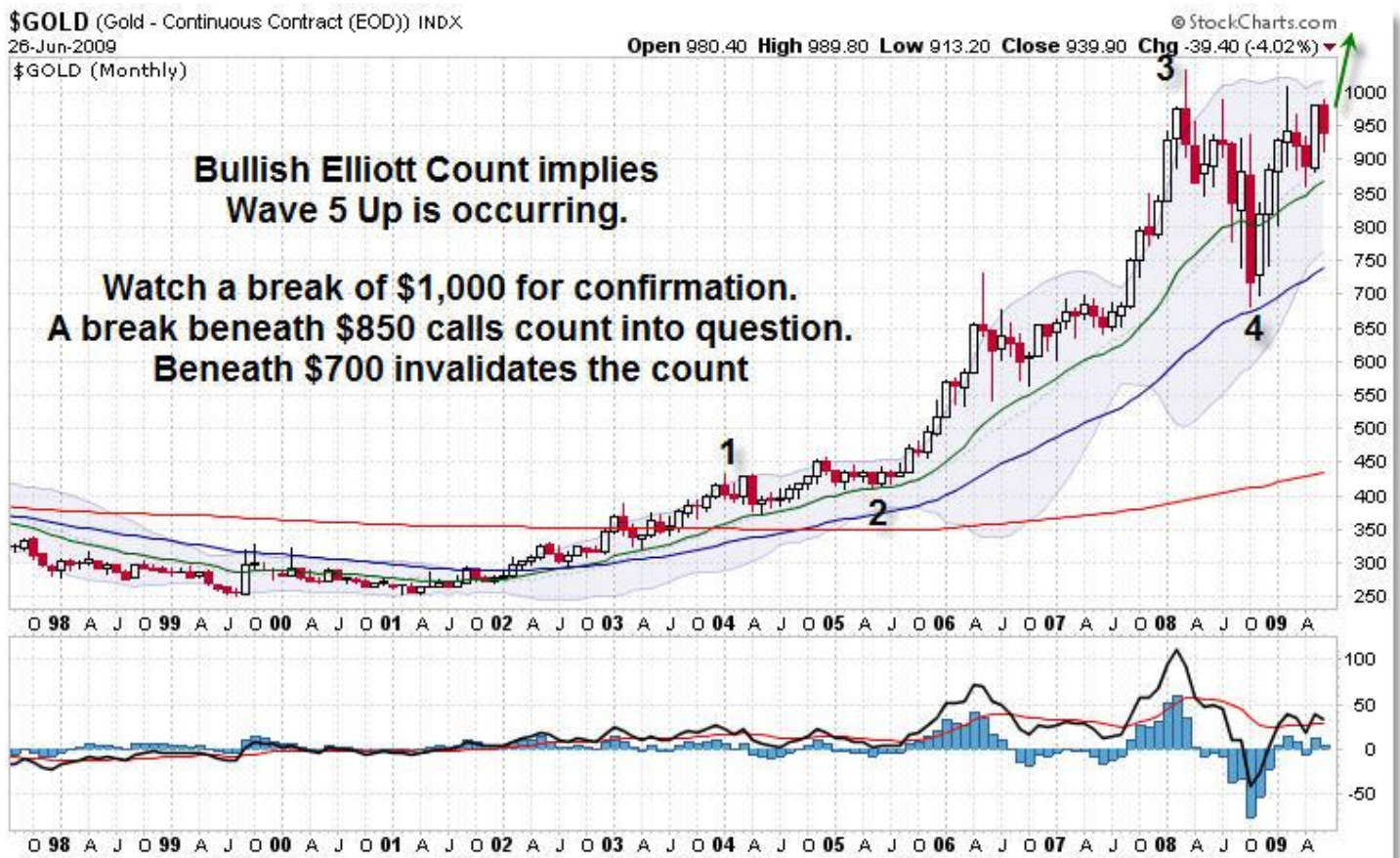


We're looking at the "Bearish" Elliott Wave interpretation for Gold which implies the 2008 high of \$1,025 was the termination of a 5th wave, and that a large-scale "ABC" Correction is unfolding. This places us currently in either the last stages of Wave B up or the first stages of the final Wave C down.

As you'll see from either count, the 20 month EMA will be a critical clue as to which count becomes dominant.

Also in either count, the \$1,000 level is key resistance that *must* be broken for any sort of bullishness to occur. Price has challenged this level three times... and failed each time. A fourth failure could result in bulls abandoning positions and causing a down-flush to test the support at \$700... but we're not there just yet.

This count - or something similar - appears to be favored by Mr. Robert Prechter and Elliott Wave International.



This is the Bullish "Elliott Wave" Count. I to this count unless \$850 (and especially \$800) is taken out to the downside - this is my count until that happens.

The Bullish Count places us still in Wave 5 - perhaps towards the later stages - that will take us up through the \$1,000 level to a minimum target of \$1,150 (thanks to a lower-timeframe bull flag formation) and to around \$1,300, which assumes that an inverted head and shoulders or a cup and handle pattern is forming (both measuring rules are similar).

Keep in mind that gold is still in a technical and strong uptrend, having shown few signs of slowing. Price made a new momentum high in early 2008 with the price move above \$1,000, which hints that higher prices could be on the horizon, but we've yet to see them. Gold is hovering between the \$900 and \$1,000 area, with key EMA support just beneath \$900 (monthly).

Let's look to the lower frames for additional clues.

## Weekly



As gold closed on a bullish doji after successfully defending the 20 week EMA Friday, we have to tip the scales of the weekly chart to the 'bullish' side. Again, price is in a confirmed uptrend and the EMA structure is in the most bullish orientation possible. Price made a new momentum high with its recent nip above \$1,000 which hints that higher prices could be ahead, but bulls can't seem to overcome the \$1,000 level. If they were to do so, we could see an explosion higher like a pressure cooker, but it's probably best to wait until price can breach this level before trying to front-run it.

Otherwise, price successfully bounced off the 50% Fibonacci retracement from the recent highs to lows of 2008 and is currently above the 38.2% zone (a hammer formed just above this level).

There is confluence support at \$900 per ounce, so if this is broken, we will see a magnet trade to the \$850 level and if \$800 fails, we have 'open air' to fall to test the \$700 lows.

I have to give the edge to the bulls for what we're seeing right now.

## Daily

**\$GOLD** (Gold - Continuous Contract (EOD)) INDX  
28-Jun-2009

© StockCharts.com  
Open 939.20 High 948.40 Low 936.70 Close 939.90 Chg +0.70 (+0.07%) ▲



Stepping inside the daily frame, we see price consolidating between the \$860 and \$980 area. I have a possible Elliott fractal count which places us currently in a fractal v (five) up to challenge the \$980 highs. \$920 is serving as key support which reflects resistance from the prior April highs.

Price nipped beneath key EMAs but now has risen back above them, and the EMA structure is in the most bullish orientation possible, which places it in alignment with both the weekly and monthly EMA bullish structures, confirming a multi-timeframe uptrend.

Again, watch the \$880 level - if broken to the downside, we will need to abandon bullish sentiment and consider playing short for a scalp or swing trade, which would call back the Bearish Elliott count from the above monthly chart.

Until we break \$850, I would lean strongly to the bullish camp with plenty of downside levels to place stops, particularly beneath the \$850 level (though see other possibilities from the lower timeframes).

# WTI Crude Oil (\$WTIC)

## Monthly



Crude is still playing out the scenario I've been describing for quite some time in these reports. I've been expecting a "B" wave swing up to challenge confluence resistance at the \$70 level - we're there and now the confluence resistance should be expected to "kick in" and contain the price rise eventually.

After the B Wave up completes, we could expect a C Wave down that could truncate at the \$40 lows, but let's play this one swing at a time before getting too involved in longer-term targets from these levels.

Structurally, we had a massive correction off the 2008 highs to levels few if any thought possible at the time crude traded at \$140 per barrel. Those times are long in the past.

Unless price sharply rises above \$80 anytime soon, this is the dominant 'big picture' structure for which to interpret Crude on the lower frames.

## Weekly

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

26-Jun-2009

\$WTIC (Weekly)

Open 70.20 High 71.29 Low 66.37 Close 69.16 Chg -0.86 (-1.23%)  
100%: 147.50



We see that the 200 week SMA comes in at \$75, which is just beneath confluence at \$78. This level is going to be important to watch - odds are we turn back (down) from here, but we'll have to watch this level to see if the bulls can push prices higher through confluence resistance.

Technically, the EMA structure is in the most bearish orientation possible, and price has only managed to make a singular counter-trend swing up that only reached the 38.2% retracement of the full move down.

This steps us inside the Elliott count, showing a large "A" Wave down and a corrective "B" wave back up. We would expect to see nominal support about the \$67 and \$60 price levels, which reflect possible EMA support should price indeed begin its swing down.

## Daily



The daily chart shows a more intricate 'fractalization' of the possible Elliott Wave B up, which could be considered a "Zig-Zag" (A and C having 5 sub-waves while B has a 3-wave structure). If this is the case, then we may have already peaked at the top of "C" after showing a clear 5-wave structure into a negative momentum divergence.

Support is coming in at the rising 20 EMA but this could break easily which would set-up a test of the rising 50 EMA at the \$63 level. One could also interpret a mini-head and shoulders pattern forming similar to that in the Stock Market.

Rising back to 'classic' technicals, price is in a confirmed uptrend and the EMA structure is in the most bullish orientation possible. It might be worth your time before getting short to see if support fails and wait for confirmation. The levels are clear - bullish above \$72.50 (which would invalidate at least temporarily this count above) and short beneath \$62.50 or so.

# US Dollar Index (\$USD)

## Monthly



The Dollar Index is in one of those 'frustrating' areas where we need just a bit more confirmation before getting confident in a forecast - for now, we can note key levels and overall technical structure.

Clearly, price is in a long-confirmed downtrend that began in 2002 and 'bottomed' in mid-2008 (with the commodity peak and fall). Now, the Dollar has entered Fibonacci resistance on the Monthly chart and fallen sharply off that level.

It could be that the Dollar is completing an "ABC" Extended Flat of a Wave 2 (which would be bullish - note the new momentum high in late 2008) and hints that a new dollar bull market is on the horizon... but I doubt that interpretation fiercely until I start seeing higher prices, particularly above \$90.

The levels are defined - bullish confirmation (and trend 'flip' to up officially) if price closes above \$90. Until then, the weight of the downtrend could sweep the dollar back to test the \$70 level which serves as key support. At \$80, there is little edge between these levels. We have no choice but to drop to the lower frames to more clues.

## Weekly



As price formed a steep rally up to the \$88 highs in November 2008, we saw dojis and an internal divergence which set-up the large drop in November. Price bounced off the 61.8% Fibonacci retracement off that level (along with the weekly 50 EMA) and we've had a run to new highs in what "felt" like a corrective rally which formed a massive doji (and distinct negative momentum divergence) that did lead to the top so far. Price has fallen back to the 61.8% Fibonacci retracement and breached all levels of EMA support.

I cannot underscore how significant the overhead resistance is - we have the 38.2% Fibonacci retracement and 50 week EMA right at \$82.00 exactly, while the 200 week SMA and 20 week EMA converge direction (in fact, the 20 is crossing bearishly under the 200) at \$82.50. It would take a miracle for bulls to rise strongly above these levels.

For now, price has formed upper shadows (candles) and a doji into the \$82 confluence resistance level, and we have completed and exceeded a Bear Flag off the 2009 highs. I have to tip it to the bears (sellers) in this case until \$82 is soundly broken.

Until then, we have \$78 to watch, and if \$78 is broken, we will have no choice but to be bearish the dollar (thus bullish commodities in the 'inflation' scenario) and set-up an almost certain test of the prior support at \$70.

## Daily



I've taken the liberty of subdividing the recent move - perhaps it is an "ABC" corrective move - into a 5-wave structure of the "C" Wave which still has room to run IF this is the dominant count.

Notice that price 'hugged' the 20 day EMA and never made it up to test the 50 EMA which is a sign of weakness. We would be expecting a test of \$78 and beyond using this structure.

For an educational lesson, take a look at the Bear Flag that formed from March to May which exceeded its target.

One thing to watch if you're too bearish the dollar - notice the positive momentum divergence that formed at the lows of fractal Wave 3. That's a non-confirmation of lower prices and could be a precursor to a rally.

However, a closer look - in terms of comparing price swings (from the March swing down, compare it at about \$6 to the late April/early June low swing of \$9). Technically, this should form a New Momentum Low and forecast lower prices yet to come, perhaps in a 5th wave down as I've drawn. This is why it's more important to monitor price and know how indicators are 'supposed' to function to avoid possible false signals.

For now, the play looks best to expect lower prices for the dollar, though a close above \$82 would call this view into question, making it a good place to locate stops.

# Quick Summary of the "Next Likely Swing..."

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Quick Summary of the "*Next Likely Swing*" in Each Market:

## **10-Year Yields:**

Swing Down to a minimum of 3.25% or as low as 3.00%. Wrong if yields rise above 4.00%

## **S&P 500:**

Swing down initially to test 885, if taken out, look to test the March lows eventually. Wrong if close above 1,000.

## **Gold:**

Swing up to challenge the \$1,000 level - wrong if \$900 and especially \$850 is broken

## **Crude Oil:**

Swing down to a minimum of \$62.50 if not lower. Wrong if close back above \$70.

## **US Dollar Index:**

Swing down to at least \$78 if not lower. Wrong if close above \$82.00.

## **Quick summary of Inter-market Forces:**

US Dollar and Commodities are always Inverse

Stocks are currently positively correlated with commodities (particularly Crude Oil)

Yields are currently positively correlated with Yields (inverse to bond prices)

Yields are currently positively correlated with the US Dollar Index

The Stock Market is currently inversely correlated with the Dollar Index

Gold roughly marches now to its own beat due to the "Inflation/Deflation" Scenarios being sharply debated

## Disclaimer

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