



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes:

Notes/Bond prices continued to rise in a bullish position, which is the dominant expectation.

S&P 500:

The S&P 500 yet again thwarted short-sellers and showing powerful bullish resilience. Can buyers overcome a doji at the upper Bollinger Bands with a negative momentum and volume divergence at multi-timeframe resistance?

Gold:

The media continues to focus on the wonders of owning gold, but until buyers push and close solidly above \$1,030, we're still within a larger consolidation/overhead resistance pattern.

Crude Oil:

The structure continues to remain bearish as long as Crude Oil remains under \$75 per barrel. A triangle is forming which could become the dominant pattern, but for now, \$75 remains the resistance level to watch with a bearish bias.

US Dollar Index:

The 'fly in the ointment' market this week was the US Dollar Index, which broke beneath major support at the \$77 level on Friday. The higher timeframes call for lower prices, but the \$77 level remains the 'line in the sand' for bulls to make a retracement/reversal comeback. Next week should tell us if we're seeing a bear trap or something larger.

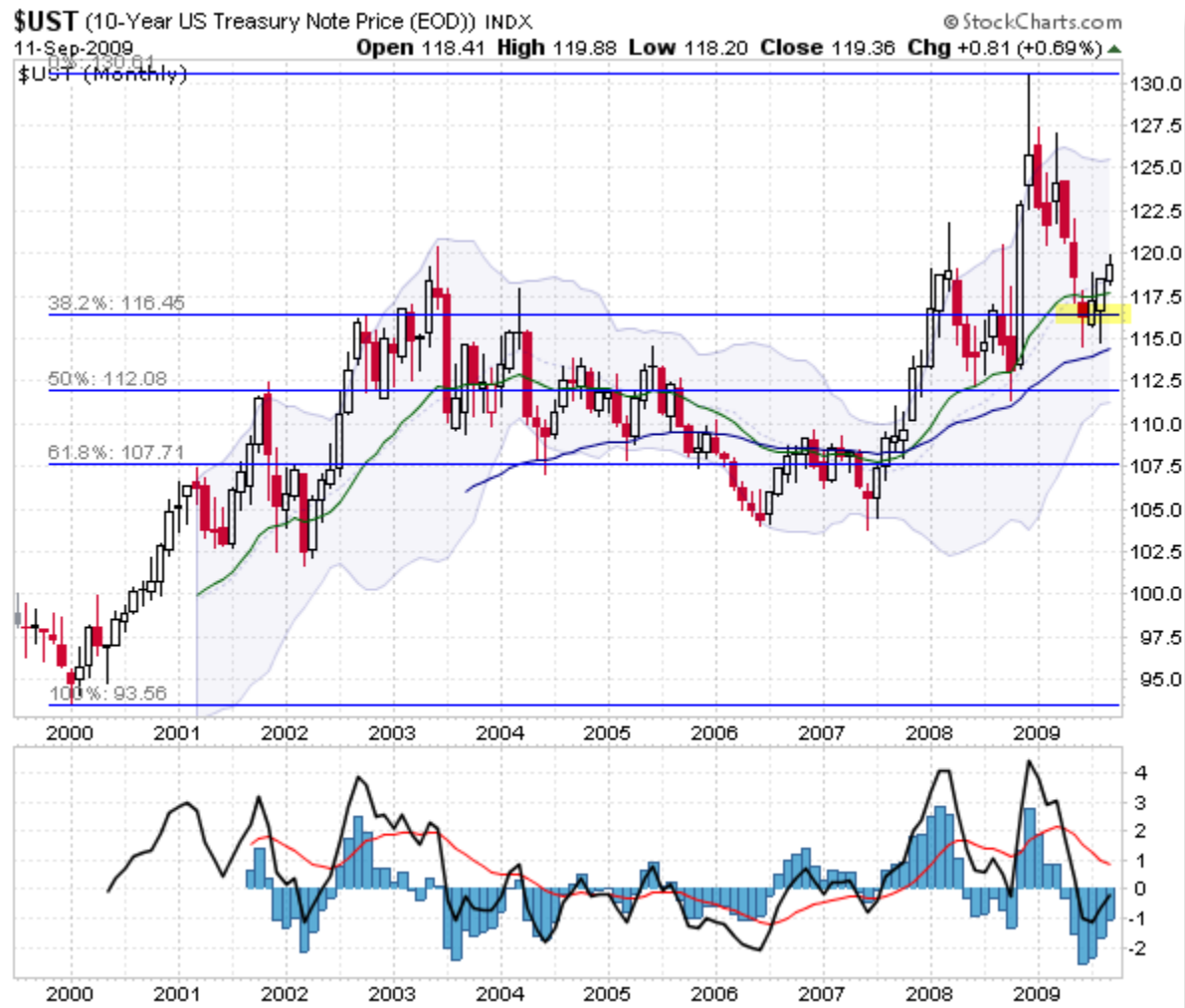
Remember, a DECLINING Dollar (Index) is BULLISH for Stocks and Commodities and is BEARISH for Bond Prices

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



Bonds/Notes continued their rise this week, and on the monthly frame, are in a bullish position, though we'd need to clear \$120 on the index to sustain the bullish posture.

The levels to watch on the weekly frame include \$115 for expected confluence support should any down-move occur, though for now, there is no major overhead resistance save \$120 on the monthly frame, and the trend and EMA structure hints at bullishness ahead (lower yields).

Weekly



I mentioned the \$120 level above and here is a reason to demand that \$120 be taken out to expect further bullishness.

The 38.2% major Retracement - which is less effective on a swing-up off support - comes in at \$120.70, and there is a level of prior price resistance in September 2008 at this level.

Price inflected strongly off the 61.8% retracement as highlighted and has now risen above the 20 and 50 week EMAs, which are on their way to a bullish crossover. Watch \$118 on this frame for support, and then the line in the sand is of course \$114.

Daily



The daily chart continues to turn more bullish, in that price is now arguably in a daily frame uptrend (higher highs, higher lows, price above the 20 and 50 EMA, and these EMAs in a bullish position themselves).

As such, we would expect support at the \$117/\$118 level on any retracement (failed support there would send price down to the \$115 level), though again we need to see price overcome \$120/\$121 to confirm the upward reversal officially and argue for higher note/bond prices (lower yields) and - one would think - a lower stock market.

US S&P 500 (\$SPX)

Monthly



The monthly frame of the S&P 500 has not changed, in that the Elliott and overhead resistance structure is still in play. A negative volume divergence still persists as price continues its rise in 2009. The 20 month EMA rests at 1,050 and the 38.2% Fibonacci retracement of the entire bear market (not shown - drawn on last week's report) still rests at 1,014. The October 2008 price high rests at 1,044, which is classic resistance.

Any move up above 1,050 would likely send price up to the 1,125 to 1,150 level, but until then, odds favor the 1,050 level to hold as expected - though not guaranteed (thanks to bullish pressure) - resistance.

Weekly



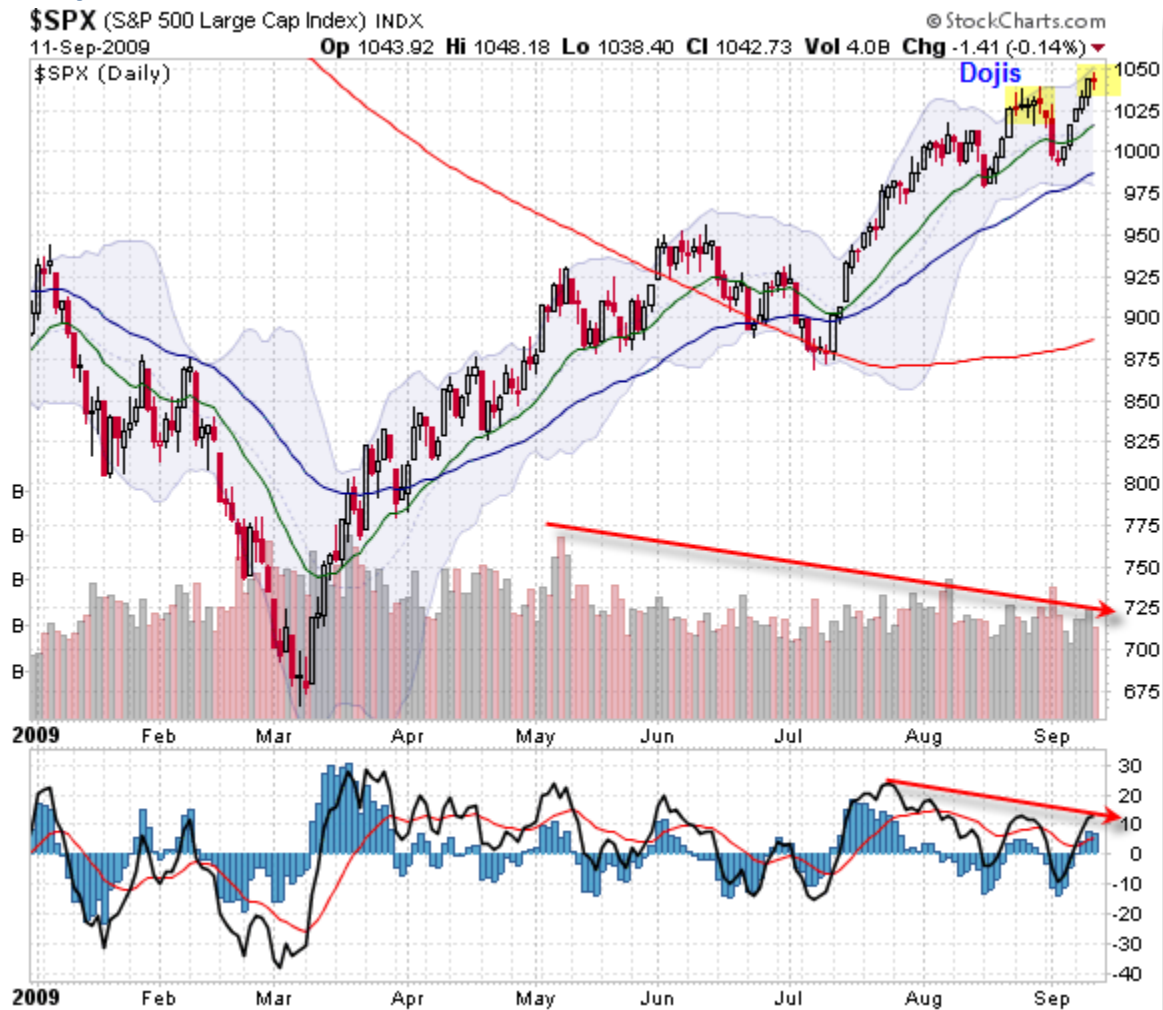
The weekly frame steps us inside the structure, which actually has turned 'first stage' bullish - though we could be repeating the same pop above the 20 and 50 EMA as occurred in May 2008 - the high before a painful decline (labeled as "2" in the chart above).

Again, a negative volume divergence permeates the recent price highs which is a non-confirmation to watch.

Price is above the 20 and 50 EMAs, though currently their structure (orientation) is bearish until the 20 week EMA crosses back above the 50 - something that has not occurred since January 2008.

Watch the 950/1,000 level for possible initial support on any down move -

Daily:



We'll focus our attention on the daily frame, and pay particular attention to the 'doji' at the recent fresh 2009 highs at the top of the Bollinger Band on a negative momentum and volume divergence as shown above.

Under normal circumstances, this would trigger an extremely aggressive short and a liquidation of any long positions due to price overextension into various non-confirmations... but I caution against rampant bearishness and interpreting classical technicals/quant/fundamental analysis in light of the stunning strength the bulls/buyers have shown since the March lows. This is the fly in the ointment that should prevent you from getting aggressively short, unless you're willing to fade price strength and take small stop-losses in the event price continues to rise. I would advise caution and waiting for confirmed breakdown signals - particularly a solid close under 975 or even 950 - before biasing yourself to the short-sell side. Look back at all the short-sell signals which have triggered and then been immediately stopped out. It's ok to remain neutral in your positioning until you feel you have a better handle on price moves, or until whatever bullish force (cash on the sideline, foreign investment in US Markets, Federal Reserve/Government 'qualitative easing,' etc) has run its course.

It's like playing musical chairs - when will the music end? It will end, but trying to grab a seat before the music ends can get you hurt.



Zooming in on the Daily chart shows an immediate as well as long term negative volume confirmation (volume going down while price goes up) along with a negative 3/10 Momentum divergence (oscillator) and the perfect doji (reversal candle) at the fresh price highs near the upper Bollinger Band after a rare six-day straight strong rally.

The obvious play is to 'get short here,' and you may do so, but realize that bulls/buyers/demand are imbalancing (greater force) bears/sellers/supply.



To take a different perspective, the weekly NASDAQ chart shows confluence Fibonacci resistance at the 2,060 level and projection resistance at the 2,090, as well as the 50 MONTH EMA at 2,090 - all converging at a similar point.

A close above 2,100 would invalidate all these confluences, though any price move down would help confirm them.

Gold

Monthly



Gold continues to draw headlines.

The simple play is to be long for a major expansion move up to the \$1,200 or even \$1,300 level on a confirmed and solid break of the \$1,030 or even \$1,050 (to give room for a potential 'bull trap' to be sprung). We're not there yet.

The Elliott Count would have us most likely in a "B" Wave rally, which is contrarian, though the pure price and trend structure - complete with EMA orientation - is overwhelmingly bullish.

Let's get further insights from lower timeframes.

Weekly



The internal triangle (blue) I've been mentioning for many weeks sprung last week and gave a great 'scalp' or swing target to test \$1,000 successfully for a quick profit. Now, price hovers at the 'boundary' or the 'major and obvious line in the sand' so we'll need to see whether buyers or sellers can break or hold this line.

For now, Gold has failed to make new highs above the 2008 peak of \$1,030, so any solid move up from here should challenge that upper level, and if that level breaks, then there will be no further resistance to the upside, which would call for a swing or position trade long.

The obvious and expected play is for a price surge higher, though any weakness would spook weak longs and could send prices tumbling as weak hands take stop-losses - so gold is shaky until it convincingly breaks to new highs - in which case we would get a momentum move up from all the short-sellers buying to cover (stop-losses).

All support levels - as shown - are clear on any down-move - but until price closes above \$1,030, it might pay to watch closely or be cautiously long and exit on any weakness beneath \$980.

Daily



The daily frame shows price strength and multiple support levels beneath gold.

As expected - and as is tradeable - any break outside a consolidation pattern should lead to a sustained momentum move you can scalp for quick profits.

The play would be to bias long above \$960, aggressive long above \$1,030/\$1,050, and short beneath \$940 and aggressive short beneath \$900.

WTI Crude Oil (\$WTIC)

Monthly



Crude Oil's long-term structure has not changed, and will not change as long as price remains under \$75 and \$80.

We're seeing three doji-like candles at the critical \$75 resistance level which reflects the confluence of the 20 and 50 month EMA as seen above, and the Elliott Structure places price in a "B" Counter-wave rally in anticipation of a "C" wave down yet to come. A bearish view on oil would be put in jeopardy with a close above \$75 a barrel and would virtually be invalidated with a close above \$80. Until then, odds seem to favor some type of downward move forming from price levels here.

Weekly

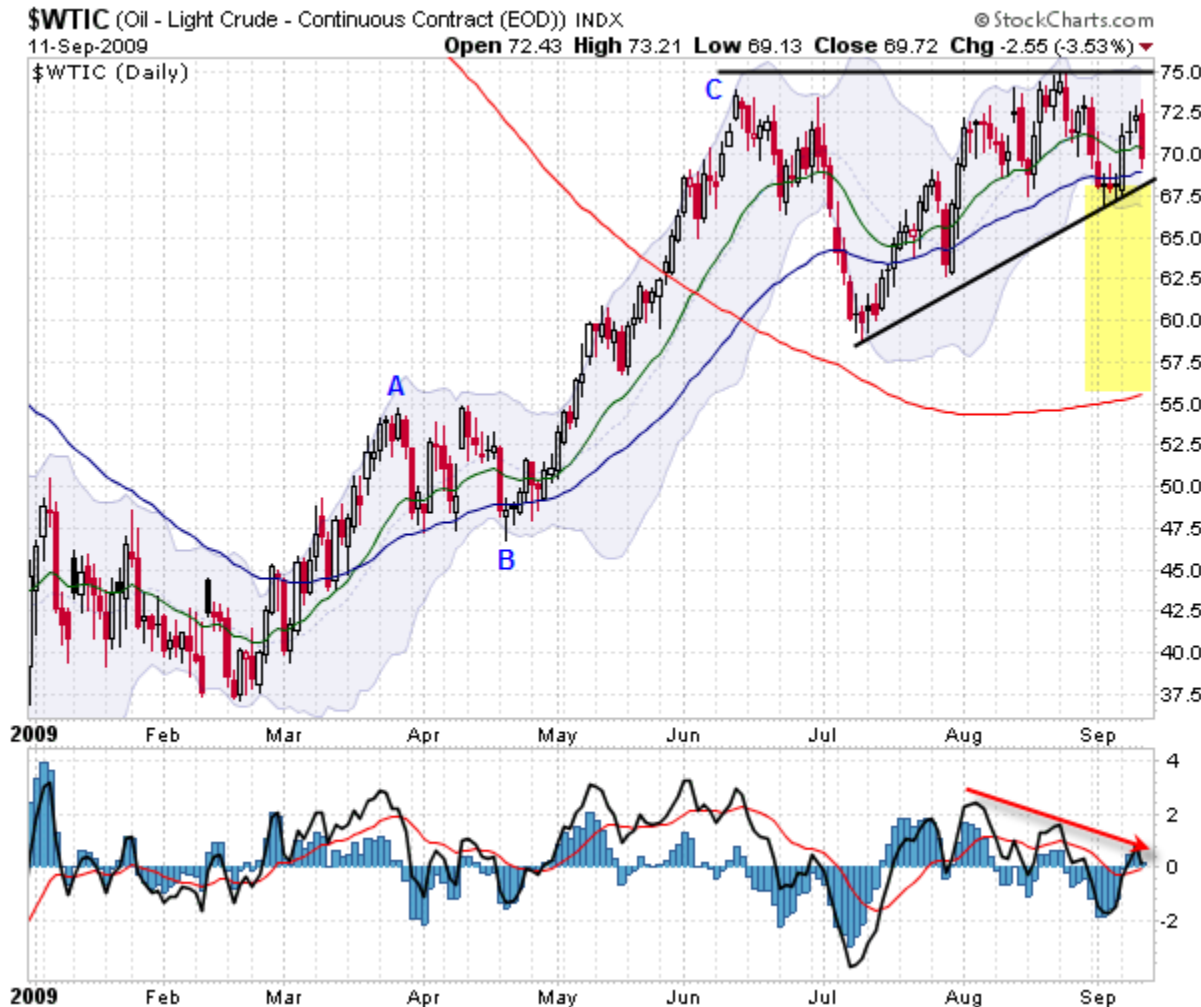


The weekly chart furthers this expectation, in that the \$75 level is holding as expected and intermediate resistance, though the 20 and 50 week EMAs underneath are also holding as support.

As such, like gold, a type of triangle is forming in crude oil prices, and we'll play the "anticipate a break" waiting game with a slight bearish bias, particularly if we break under \$65.

There would be nothing other than Fibonacci support on any break of \$65, though until then, Crude may stay trapped between \$65 and \$75.

Daily



I drew in the potentially new forming triangle (ascending) on the daily frame. Generally, ascending triangles have bullish biases, but I recommend treating triangles as 'consolidation' patterns and to remain neutral until price breaks. That's because price is forming 'value' and winding down to equilibrium, and then once this happens, ANY move outside equilibrium tends to cause a range expansion move, particularly if price breaks out in the OPPOSITE direction than anticipated.

That being said, we see dual negative momentum divergences (compared to the June highs and then with the recent August highs) as price has come into a known resistance area.

Watch for a break and close beneath \$67/\$65 to trigger a short-sale trade to test \$55; otherwise a break above \$75 should lead to a move to \$80 in which case we'll all have to reassess.

US Dollar Index (\$USD)

Monthly



The Dollar Index suffered major selling this week and is now down 2% for the month of September. As has been mentioned in prior reports, it is absolutely critical that dollar bulls hold the \$77 level... but they don't seem to be able to do so.

A lower dollar would argue for higher commodity (gold/oil) prices as well as a higher stock market.

Weekly



From an Elliott Wave perspective, it's clear that a 5-wave impulse down is forming (has formed) though the question becomes "will it end here, having completed its 'five-wave' requirements... or will price - having now fallen off a cliff - fall back down to retest the 2008 lows near \$72?"

It's possible that a bear trap is setting up - too early to tell - but I must say it's devastating for buyers to lose the \$77 index level. If price can't find a way to rally up off this level early next week, then bring out the short positions in the Dollar if you are so inclined.

The larger trends on all timeframes are uniformly down (price lows and EMA structure) so the trend has a tendency to persist - but I figured that the \$77 level could hold up for at least an intermediate rally or retracement.

Daily



Price formed a mini-hammer, but the Dollar bulls really need to step in or else the higher timeframe pressure will force the price to lower levels as we're seeing.

The point of trading is to find expected inflection points, assess risk (tight stop in relation to larger profit target) and then act accordingly, playing the swings in the market as best we can. A trade set-up as price sent multiple signals that a reversal was likely - triple-swing positive momentum divergence, 5-wave pattern, double bottom. However, if sellers manage to invalidate all these technical structures, then that would argue for a much weaker dollar ahead. \$77 was difficult to lose - a break beneath \$76 would clue us in that this is not just a 'bear trap' and is the start of something potentially larger. Until then, be cautious, scalp long on a move up through \$77 and especially through \$78 and position long/swing long on any break above \$79 for the expected 'edge' plays.

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