



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes:

Notes slipped back into the middle of a consolidation zone after a surprise dip-down early last week which was recovered by week's end. Be cautious in bonds/notes - direction is less clear due to the trading range.

S&P 500:

The S&P 500 suffered a hit last week as price failed sharply at new 2009 highs. Price sits currently on the daily 20 EMA support zone, though a break beneath this would likely lead to a test of 1,000. Bulls are dominant above 1,070; bears are dominant beneath 1,000.

Gold:

Gold continues to fail at the highs, generating a short-term (scalp) sell signal in last week's trading. Look closely at the weekly chart - though sentiment is overwhelmingly bullish, any downside action could lead to a snow-ball effect as buyers rush for the exits.

Crude Oil:

Crude broke the daily triangle to the downside, which sets up lower price targets to the \$60 level. The monthly structure as shown here is also quite bearish.

US Dollar Index:

The dollar remains at a 'make or break' level at \$76 with two opposing forces at battle - the higher timeframe trend wants to push price lower, but a lengthy positive momentum divergence, complete 5-wave internal fractal, Fibonacci targets, and dual weekly Dojis at lower Bollinger Bands argue bulls have a good chance for a short to intermediate term retracement/reversal to the upside.

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



Notes/Bonds took an interesting and unexpected dip this week - we'll see it on the daily chart.

First, the structure remains the same on the monthly chart - uptrend, positive moving average slope and orientation - expectations for higher timeframe upside as long as this structure remains on course.

Support comes in at \$117.50 from the 20 EMA, and on any downside, the \$115 zone would be expected to be strong support. The weekly chart makes this clearer.

Weekly

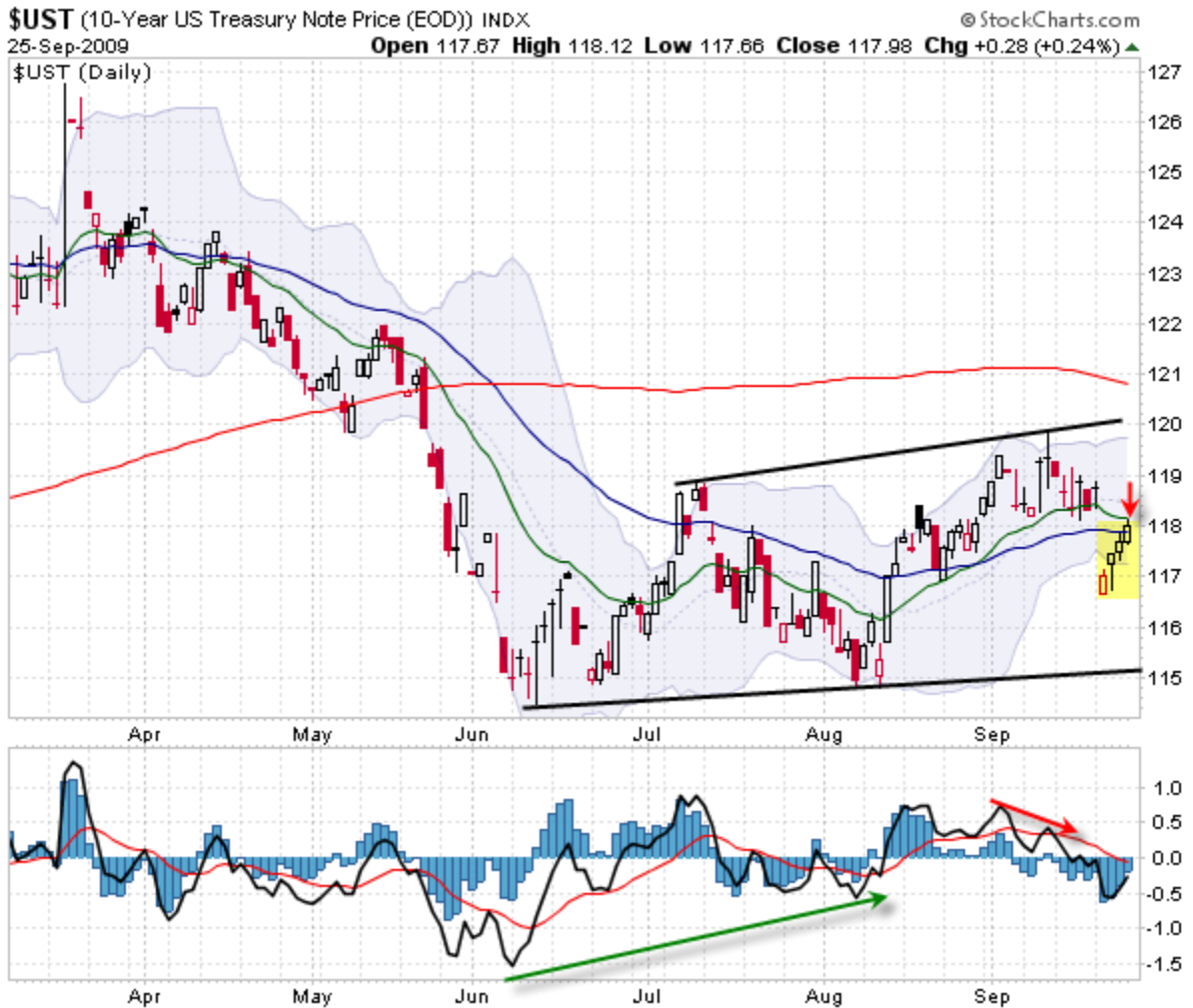


Again, the \$115 area reflects the 61.8% Fibonacci retracement along with a "Double Bottom" price action from mid-2009.

A positive momentum divergence has set in under price, which preceded the recent rally from the August lows to present. The weekly EMAs are flattening about the \$119 area, which is above where price closed this week. However, price is in a consolidation pattern currently, so the moving averages are less effective as a tool (as opposed to trending environments).

We're in a neutral zone between \$120 and \$114... and just about in the halfway point between these two zones. On the weekly frame, there appears to be "open air" to the downside... but just as much 'air' to the upside, so the weekly chart doesn't give us much clues as long as price remains beneath \$120 (a breakout above should lead to a continuation move up) or \$114 (a break beneath this would be devastating for the buyers and would target the \$112 support zone - failure to hold \$112 would set-up a retest of the \$104, area - which would be extremely bullish for yields. That's a fear of political policy makers (which - if the economy did not recover much further, would trigger 'stag-flation' which is inflation with a declining/flat economy).

Daily



The daily chart finally offers us internal levels to monitor. The \$118 price reflects overhead resistance from the 20 EMA, at which price rests currently.

Tuesday's breakdown in note prices was a sharp move and was quite unexpected, given the EMA support as shown at the \$118 level. However, price did not stay at these lower levels for long, which reflects a certain bullishness and price rejection of lower levels - notes rallied the entire week.

You can see the rectangle pattern which has developed in the 10-Year Note Price. This is the dominant technical pattern until broken, and price is likely to bounce around in this area until a price break occurs.

A sharp decline from here in the Stock market could trigger buying/money rotation into bonds, so it might pay to watch the stock market closely for clues to the Bond Market in the weeks ahead.

US S&P 500 (\$SPX)

Monthly



The monthly structure - at current - still has bearish undertones in the sense that price failed to overcome the 20 month EMA situated at 1,050, and price failed to test the 1,100 (and then 1,124 Fibonacci) resistance levels. The entire rally from the March lows has unfolded on lower volume and has formed a pattern that resembles a "bear flag". I'm inclined not to believe this flag as the dominant pattern, because the price projection low would take us down to the 500 level, but I must say the angular movement up resembles more of a retracement/correction than a bullish impulse in a fresh new bull market (I lean more this way because of the hideous volume divergence). Until price crosses solidly above 1,100 and 1,150, then under classic technical rules, we would have to be bearish on the monthly structure.

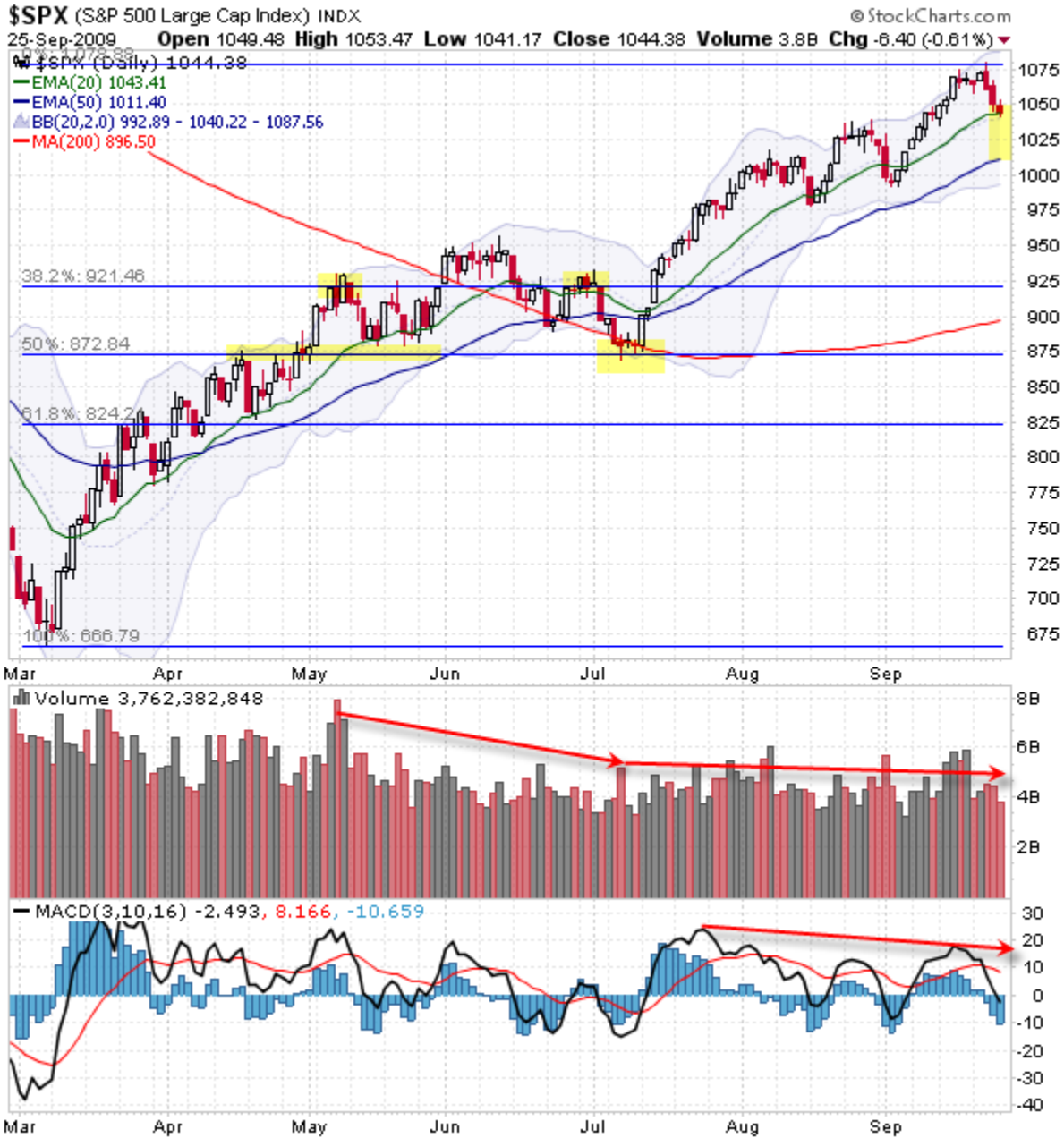
Weekly



If the monthly structure is bearish under 1,100, the weekly structure is bullish as long as price remains above 1,000, thanks to the confluence/crossing of the 20 and 50 week EMAs at the 1,000 level. However, the recent rally - over 50% - is quite large and cannot continue forever. That is not enough reason to short the market, though. Bulls hold control above 1,000 and bears would be powerful beneath 1,000, thus 1,000 becomes the line in the sand. A break above 1,100 would be overwhelmingly bullish, though a break beneath 1,000 would be bearish. A break under 900 would be very bearish for structure, with opportunities for scalp and swing trades along the way.

On the new 2009 price highs, the momentum oscillator has remained flat, which is a bearish non-confirmation ... along with (again) volume failing to reach new 2009 peaks. Watch for higher volume going into the fall months after the Summer has ended. Remember, September and October have negative seasonal tendencies in the market... but that has failed to stop bulls so far. The current structure shows a bearish candle at the upper Bollinger Band - that's bearish.

Daily:

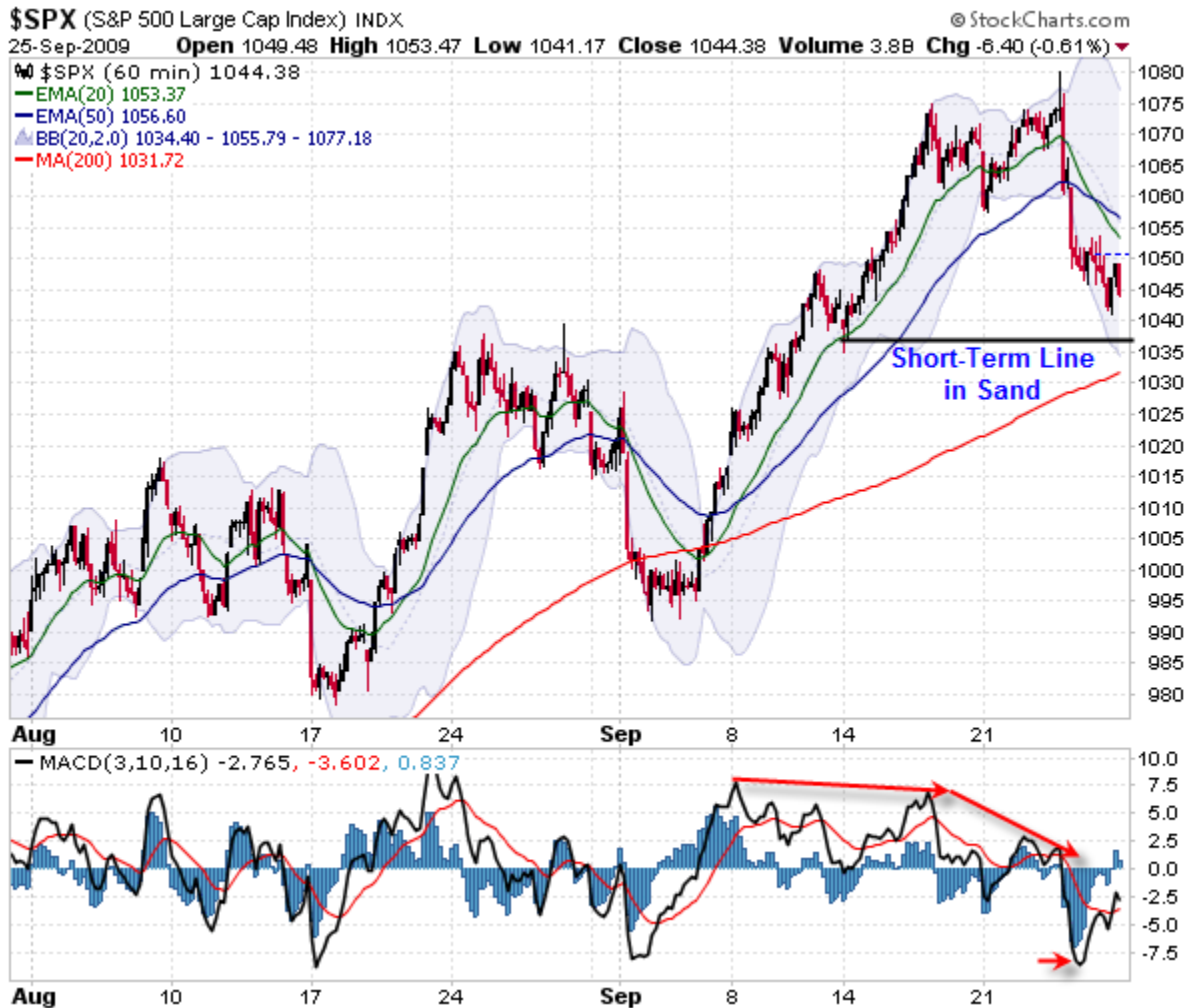


I've drawn a Fibonacci grid from the 666 lows to the recent highs, and note that the grid has some significance. Notice how the 921 and 872 levels (38.2% and 50% retracement zones) contain price in the past. This is an advanced concept, but usually, Fibonacci lines that 'work' in the past have respect in the future, and that's how you can test to see if you have drawn the proper Fibonacci grid (starting/ending points). What this means is that the current Fibonacci grid - starting from 1,075 - has past significance, which means it could be the correct grid in that price has formed a high. Again, take less credence in this - file it under "interesting" as opposed to "trading signal."

That being said, bulls need to hold the 1,043 level, which is the 20 day EMA - this was a target of the recent overextension (and dojis) I'd mentioned in the Daily Reports, and we have met those targets. Let's see if bulls can support prices and cause another rally up from this level - but if not, bears will take price down to the 1,000 level to test

support there. The recent price highs have formed on a negative momentum divergence... though the fact that volume has been lower on the sharp sell-off days is somewhat bullish.

Unless bulls support price here, which opens the door for a run to test 1,100 or even the 50% Fibonacci retracement at 1,124, then odds would favor downside action ahead... with the caveat that bulls/buyers have overcome all sorts of negative technical evidence (sell signals) in the recent past.



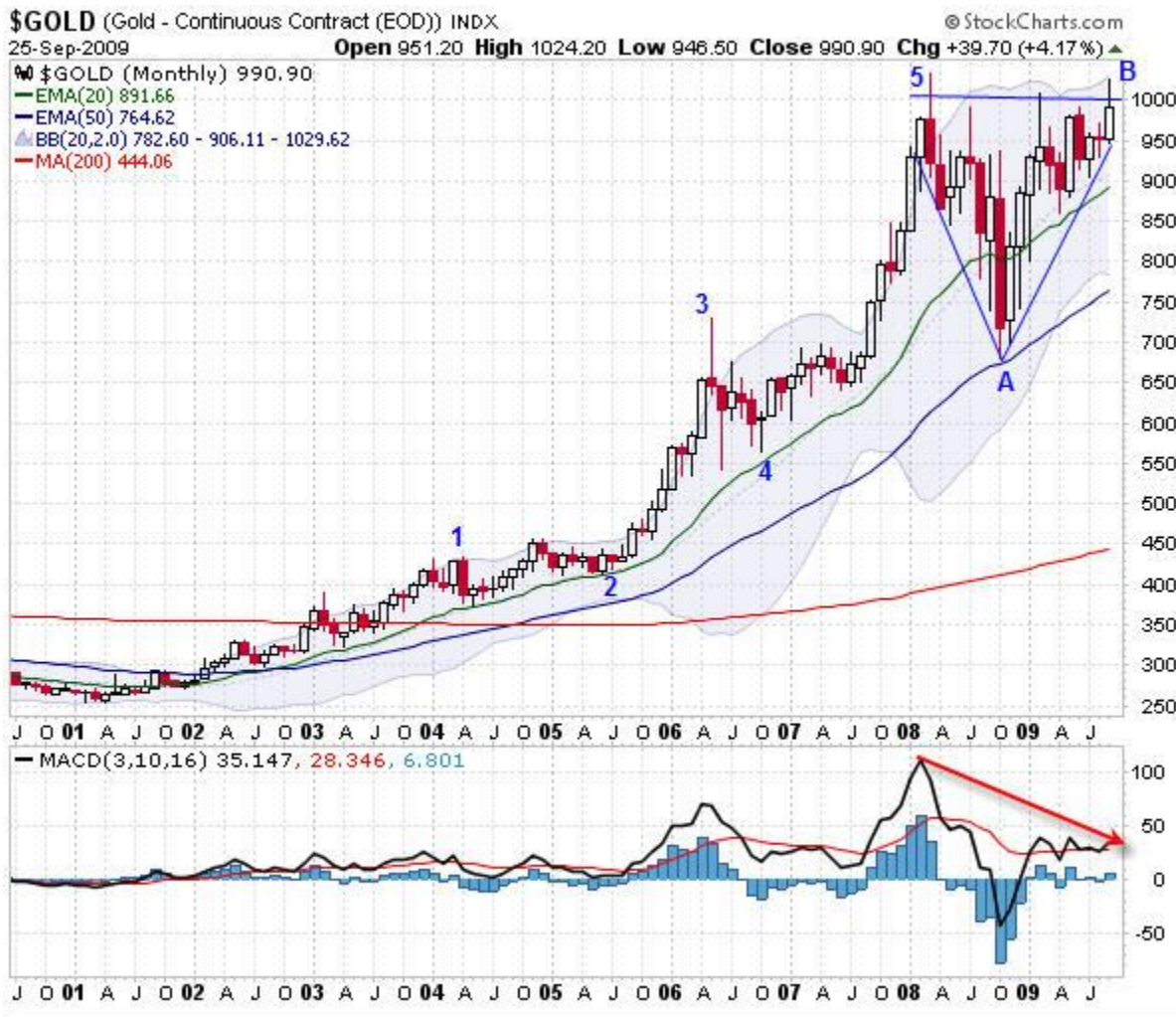
A quick look at the 60 min internal structure shows negative divergences preceded the retracement/reversal down. A new momentum low has formed, and the 60 min EMAs have 'crossed bearishly.'

It is going to take a lot of buying pressure to overcome the selling pressure these negative technical developments.

Again, 1,040 is a major 'line in the sand' to watch for early clues as to whether bulls are holding this level or losing it, in which lower targets would come in to play.

Gold

Monthly



Gold suffered a setback this week and now appears on a short-term downward trajectory on the shorter timeframes.

There's been no change on the monthly frame - and there will be no change unless price breaks above \$1,050 (which would be very bullish, calling for a long trade) or underneath \$900 (which would be very bearish, calling for a sell-short trade).

The way I've drawn the Elliott Count - only one tool - we would be expecting lower prices ahead for a final C wave down. This is somewhat confirmed by the negative momentum divergence that has formed as price snuck above the \$1,000 level. Unless we break soon above \$1,050 in gold, which would trigger stop-losses from the sellers along with new sideline money (new longs), then we would have to take a bearish bias on gold... if anything, from a contrarian standpoint since the sentiment is almost overwhelmingly in favor (a certainty) that higher prices are ahead. Remember, focus on the charts and not the hype - if the price breaks above \$1,050, then odds favor a continuation move up from the triangle and inverse head and shoulders pattern and break to new highs... until then, the charts are suggesting the current levels are forming resistance instead of an easy pathway to new highs.

Weekly



In the event that price does fail and then starts to head lower, you want to put yourself in a position to capture all the frustrated sellers (who just bought at the highs) and be shorting as they are stopping-out (selling). Sometimes, it's the most unexpected moves that make the best profits, and a break to the downside in gold would certainly be a widely unexpected development - I'm trying to keep you on your toes in the event that this does happen.

Still, taking a technical purism approach (if you saw this as a chart of a stock), you would have little choice to be bearish, at least to play for a target of \$950 thanks to the failure to overcome overhead resistance at the \$1,000 level and the quite bearish evening doji star candle pattern often seen at market reversals. You can't help but notice the negative momentum divergence that has formed at the new 2009 highs as a non-confirmation of higher prices.

But it's not chart patterns that move prices - it's the aggregate supply and demand equation that plays out literally across the world in gold. Again, the majority is leaning bullish... so if price starts to fall from here - as the charts suggest it might - then there could be a massive selling move.

I've drawn a "V" to show a near perfect "Mirror Image Foldback" pattern. Without getting too technical, IF this pattern plays out, then the next move would be a down-move equal to what we see on the left side of the chart. But again, this is just one pattern/one indicator in gold. Take in the large picture, which includes sentiment and trend.

Daily



Gold formed a negative momentum divergence at the new 2009 highs and some bearish upper shadow candles. We're currently at support of the rising 20 day EMA, but a failure to hold that level early next week will likely result in price continuing its downward path into the "breakout zone" or apex of the oft-mentioned triangle at the \$960 level. We'd then need to watch closely what happens - a pullback here could be a grand buying opportunity, which would give a cleaner entry... but a breakdown beneath \$940 and particularly \$920 would take out a thick pocket of stop-losses that I expect are sitting under the market.

If sellers can push prices down to this pocket, then you'll probably see a price expansion move/impulse to the downside.

Otherwise, a break above \$1,020 would do the same to the short-sellers who are now shorting gold at the highs - it would force them to cover. A move above \$1,050 clears away the "this is just a bull trap" hypothesis (which is still in play) and would trigger the expected price expansion move to the upside. Take nothing for granted in gold and be well-prepared.

WTI Crude Oil (\$WTIC)

Monthly



Crude Oil seems to want to go lower, and we have a monthly sell signal triggered as seen above.

Price formed two dojis and four upper shadows on the monthly frame, all of which occurred at the confluence of the 20 and 50 EMAs at the \$70 level. Unless bulls can push price above \$75, then we would have to be bearish on Crude Oil, particularly in respect to the potential Elliott Wave structure which -similar to gold - seems to call for a C-wave down to test the \$50 or even \$40 level into the future (this view is invalidated with a close above \$80).

The momentum oscillator is hooking over and is close to crossing back beneath zero. The longer trendline (red line) in the MACD is still beneath zero, which is bearish. Let's look to the weekly chart now.

Weekly



I mentioned last week that the "line in the sand" came from the weekly EMAs - the 200 at \$75.22 and the convergence of the 20 and 50 EMAs at the \$67 zone. Price closed officially beneath these levels on the weekly frame, which has set-up a bearish development and an aggressive sell signal.

The most recent price action formed a negative momentum divergence as seen above. Bulls are going to need to step in right here right now... or else the odds as seen currently strongly favor lower prices yet to come.

Daily



The daily triangle is shown above, and price has cleanly and convincingly broken beneath it, triggering a sell-short signal when bulls lost the \$70 per barrel level.

The negative momentum divergence at the highs was evident in the daily frame.

I've drawn two simple potential targets - one of which was the late July lows and the other is the early July lows as shown.

The 200 period SMA - which I put less emphasis on - resides just below \$57.50.

Just like gold, if bulls can push price higher, it would take out the pocket of stops above \$75, but until then, odds favor lower prices ahead, in a possible price expansion/impulse move in a breakout of a triangle.



Using TradeStation, I'm showing a Fibonacci Price Extension target (dark blue) which projects the 138.2% extension of the move shown to terminate at the \$75.50 level - which serves as a price target that has been hit.

Other than that, I'm taking the initial downward impulse into July and then the retracement back to \$75 to form another price projection, with the respective grid drawn as shown which serves as an alternate method to look for possible targets.

The only thing I see that's bullish - which needs mentioning - is the doji which formed on Friday's trading session. The doji bounced off the \$65.00 level, which reflected a prior price low, so a brief rally could form, but unless bulls push price back above \$75, it would be deemed only a counter-trend rally and odds would still favor downside action.

US Dollar Index (\$USD)

Monthly



The monthly dollar structure remains unchanged.

The overwhelming trend is crushing prices lower, and the pure price and moving average method of trend classification continue to confirm the overwhelming down-trend in price.

Under classic methods, we would expect lower prices ahead, perhaps extending back down to the \$71 index lows. This is the dominant assumption - even the consensus assumption - but bulls have one final chance to turn the tide back to the upside. A failure beneath \$76 would mean the larger trend was too dominant for bulls to overcome for a short-term or even intermediate term reversal.

Weekly



I deem this the "Last Chance" and it is a good chance for a rally here. We see a positive momentum divergence on the weekly chart and two dojis (the most recent of which resembles a bullish hammer) which have poked outside the lower Bollinger Band at the \$76 level.

Aggressive players might want to 'go long' and place a stop just under \$76, though keep in mind the larger trend structure is against you.

You can count out a five-wave fractal decline (seen on the daily chart) which also clues us in that odds favor a possible reversal/retracement of some kind off these levels.

Barring this, any break beneath \$76 should lead to lower prices which could take the dollar back down to \$71 (which would be bullish for stocks and commodities).

Daily



The daily chart shows us the fractal 5-wave move down into fresh lows, and the "Three Push" positive momentum divergence (multi-swing) which has formed at these lows. Although price could continue lower in the trend structure, classic technicals would cause us to be bullish on this market, or at least exiting short positions in favor of a possible short or intermediate term rally/counter-trend move/retracement.

To expect this, bulls will need to close above the 20 day EMA at \$77 and then to expect an intermediate term reversal, they'd need to push price back above \$78. A break above \$79 would be very bullish, so watch these levels in the near future. Otherwise, bulls could fail to overcome the 20 EMA as shown above, which would be very bearish. If sellers can destroy/break through the 5-wave fractal, positive momentum divergence, and weekly dojis on the lower Bollinger Bands, then there would be nothing (no support) to stop the sellers until we tested the lows in the index (which would argue for a spike up in crude, gold, and the SP 500... along with lower bond prices).



Without going into too much detail, I'm using the same Fibonacci price swing extension (target) methods as shown in Crude Oil. The \$77.00 level reflects multiple levels of different Fibonacci confluence zones as shown, so this is just one more reason to expect some sort of price reversal or retracement. Again, if bears can overcome (push price lower) all this technical evidence that speaks in favor of a reversal, it would be a stunning defeat to bulls.

Again, aggressive traders can enter long with a tight stop to play for a much larger target, or conservative traders can wait to see if bulls can push past \$78 before committing capital. Otherwise, just watch the dollar closely - a reversal up in the dollar would mean that both Crude and Gold would likely fall at their resistance points, along with the S&P 500 (and bonds would likely rise with yields falling).

Disclaimer:

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