

AFRAID to TRADE

overcoming stock market fears with Corey Rosenbloom



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes: Note prices remain confined to a rising trading range while stocks remain in a flat range. The range spans from \$121.50 to \$118.00 with key levels to watch in between.

S&P 500: The S&P 500 remains at the upper end of its critical resistance area and current short-term trading range. The CoT data remains bullish, and the lengthy compression could soon precede a lengthy expansion.

Gold: Gold prices remain in correction mode, working off the prior excess rally. Watch \$1,100 as short-term support, though any move under \$1,100 targets lower levels.

Crude Oil: Crude Oil officially flipped bearish on the daily frame, and hit the \$70 target. We could see a move back to \$75 but any move under \$70 targets \$65 and \$60.

US Dollar Index: The Dollar confirmed an upward break above key trendlines and moving averages, and the index needs to hold/maintain this breakout to confirm a trend reversal - otherwise this was just a large retracement.

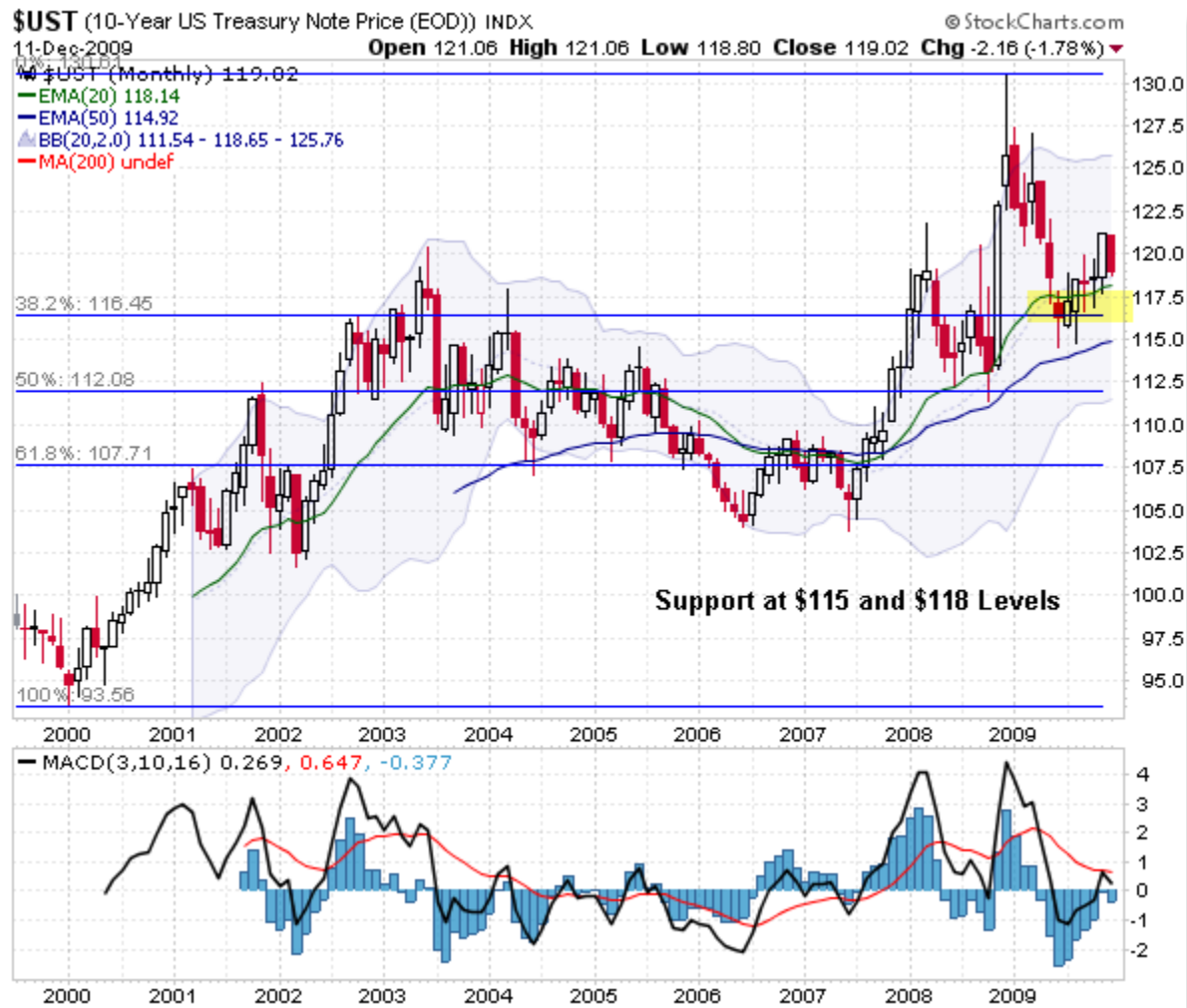
Remember, a DECLINING Dollar (Index) is BULLISH for Stocks and Commodities and is BEARISH for Bond Prices

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



For all practical purposes, 10-year notes remain in a monthly up-trend as evidenced by higher price highs and lows, along with a positive structure to the 20 and 50 month EMAs.

Key support rests at the \$118.00 level from the 20 month EMA, and beneath that at the \$116.45 level from the 38.2% Fibonacci level. Final key support comes in at \$115.00 and any move under \$115.00 would argue for a possible trend reversal and play lower.

As long as price remains above key support mentioned here, odds due to the trend structure favor higher prices.

Weekly



Price is showing strength on the weekly frame, and is currently supporting at the critical confluence level of the 20 and 50 EMAs at \$118.75. Use this level as a reference going forward - it would be very bullish for price to support here and rise, meaning higher prices are likely, but if price breaks underneath \$118.75 in the next week, look for a move down to lower support levels as seen on the daily chart or the \$117.51 level as seen from the 50% weekly Fibonacci support.

Daily



The daily chart paints a clearer picture of current price structure.

Price is in a rising 'rectangle' trading range that stretches to \$121.50 on the upside and \$118.00 on the downside. Any move above either trendline should trigger a 'range expansion' move higher or lower. Keep that in mind as the next few weeks unfold.

Also watch the \$119.00 level at which price rests currently - should price break \$119, it would set-up a move down to test \$118.00 and then - again - any move under \$118 would be a bearish development that would likely send price down to \$117 at least and then to lower levels as mentioned on the higher timeframe charts.

US S&P 500 (\$SPX)

Monthly



I'm showing a larger perspective on this week's S&P 500 chart. We see that price at 1,100 is back to levels first hit in 1998 - keep this in mind when looking at the current rally. The last decade has been a long-term 10-year 'trading range' that spanned from 1,500 to the 700 and 800 level.

For now, the weekly 50 EMA rests at 1,150 so that is a critical level to watch for any continuation move up to that level. Price is also testing the underside of a long-term trendline starting with the October 2007 price highs. There are many chart reasons to expect resistance at these levels, but any move higher through them would argue almost convincingly that we are in a new bull market phase as the "last line in the sand" between bull and bear would be overcome.

Weekly



Another key level to watch - that so many traders are watching - is the 1,121 level which is the 50% Fibonacci retracement of the 'entire' Bear Market. A "Pocket" of stops of both buy orders and stops from the short-sellers rests here, so any move up into this pocket would send price skyrocketing to test 1,150 immediately, and any move above 1,150 would send price up to the 61.8% retracement and 200 week moving average confluence just above 1,200. Be keenly aware of this possibility.

Barring this, the remaining 'chart evidence' argues for a downward move off these overhead levels as resistance, as a negative volume and momentum divergence - non-confirmations of the rally - persist.

As such, the market is at perhaps the most critical turning point in the week(s) ahead since bottoming in early March 2009. The resolution of 1,121 will determine whether this rally was a hideous "bear market" rally... or similar to that off the 2003 market bottom which was the beginning of a 4-year bull market that ended in 2007.

Daily:



The daily chart gives us a clearer look inside the recent 'trading range' that began on November 15th and spans to this day. Instead of declining as did the five previous market peaks, price corrected sideways, which has bullish implications - meaning that the 'sell swing' could only cause a sideways consolidation, and when the next 'bull phase' arrives - soon - then we would expect a stronger than normal rally - particularly as overhead resistance is broken at 1,121.

Watch the rising 50 day EMA at 1,080 for support, and ANY move under 1,080 would likely trigger a range expansion move down to the 1,020 area, and any move under 1,100 would argue for a deeper retracement that could target the 900 level again.

So the boundaries are drawn, and on an upside break above 1,125, target 1,150 and then 1,200. On a downside break under 1,080, target 1,020 and if under that, then target 900.



Shown above is the current "COT" or Commitment of Traders data (source - TradeStation).

We have a very clear picture emerging - the markets have retraced into key resistance and the general public - or 'non-reportables' in the CoT data are net short 275,000 contracts of the March S&P 500 futures contract while the Professionals or "Reportables" are long 142,000 contracts (not including "Commercial Hedgers" - which make up the difference - aka Commercials are net long 133,000 contracts). This argues for an extremely, extremely bullish development ahead, particularly if price rises above 1,121 which would trigger a potentially massive short-squeeze rally to the upside. The retail public as evidenced by the CoT data above seem to believe the market is about to fall apart here, while the professionals are net long the market. Given that the 'public' is wrong most of the time, this is extremely bullish.



For those interested in how this CoT data indicator has performed in the past, the Red Line - Public - was net long (above zero) for ALL of the bear market decline while the professionals were Net Short. The lines crossed in December 2008 when the Public went Net Short and the Professionals went Net Long.

At the March Lows, notice how the Public - red - was Net Short 300,000 contracts while the Professionals were Net Long 400,000 contracts.

The Public has remained Net Short (shell-shocked?) while the Professionals have remained Net Long to this day. This argues for even higher equity prices yet to come (data reported for @ES contracts).

Gold

Monthly



The interesting chart for gold this week shifts to the Monthly Frame, where we are seeing a repetitive pattern each time Gold makes a \$250 price run and then spikes sharply outside the Upper Bollinger Band... and then falls sharply lower as the next play. This happened in early 2006 and early 2008 and appears to be happening again as we enter early 2010.

Monthly longer-term support levels include the \$950 area (rising 20 EMA) and - of course - the prior support level at \$1,000.

The two potential Elliott Wave counts I've been showing have the current rally a "B" wave with a "C" wave down yet to come, or that the current rally is the end of a "5th" wave with an "ABC" retracement phase to come.

The bias now for gold is to the downside, though any upside move back above \$1,200 would - of course - invalidate this bearishness and target \$1,300 which is the "Inverse Head and Shoulders" upside target.

Weekly



Weekly gold shows us the critical \$1,000 support level which could be the next intermediate target for Gold prices if buyers cannot find support at the \$1,050 or presently at the \$1,100 level (see daily chart).

Keep these targets in mind to play for on any continuation move down in gold - markets - especially commodities - fall very hard after they rally strongly such as the move from July 2007 to the March 2008 peak. We could be in store for a similar decline in the months ahead.

I would suggest not being long gold under \$1,100 until we test these lower zones.

Daily



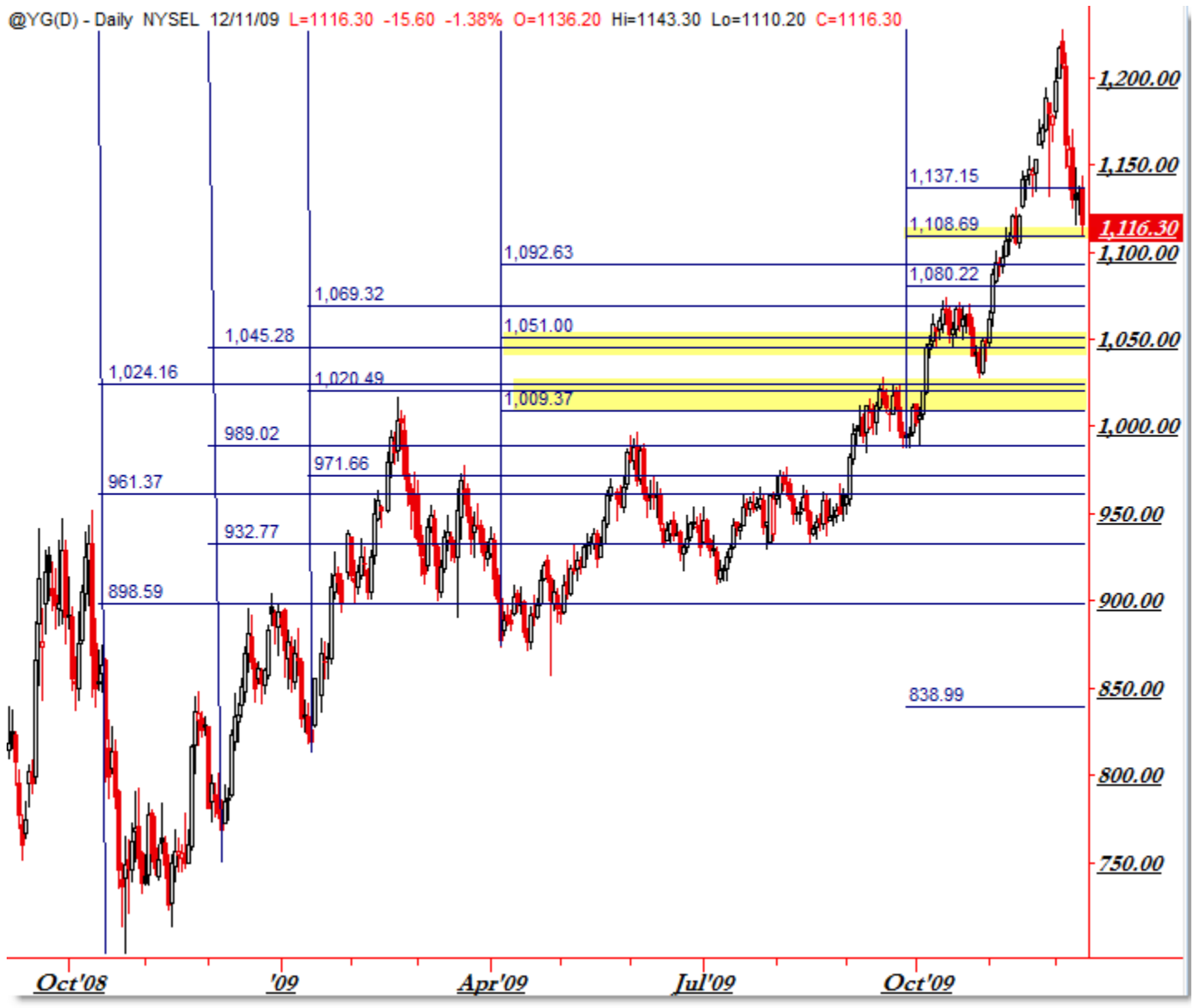
The daily chart shows why the \$1,100 area is important for buyers to hold, and why we would play to target \$1,050 and then \$1,000 if \$1,100 fails to hold as support.

We could see a counter-trend bounce off the 50 week EMA at \$1,108... but we saw no such bounce off the 20 day EMA last week, so watch for any move under \$1,100 to target lower prices.

The final high was made on a slight negative momentum divergence, and now the momentum oscillator has registered a new momentum low, which happens to be the lowest oscillator low of 2009.

That argues for lower prices yet to come after a pullback.

A state again, it would be risky short-term to be long gold under \$1,100.



Confluence Fibonacci Grid for @YG Gold Prices.

The 50% Retracement of the October Lows to the December Highs rests at 1,108, which is where price is currently.

A confluence exists just under the \$1,100 level and beneath that, the next confluence comes in at \$1,050 and then \$1,020.



I've been mentioning the "rising arc" (exponential) in Gold and warning you to take action in the event that this arc was broken.

The arc was broken as I highlighted last week (after the Dubai World fiasco) and price has corrected sharply once the arc was broken.

A smaller arc can be drawn which connects the recent \$1,100 low, but again, if this level is broken, then lower prices will be tested.

WTI Crude Oil (\$WTIC)

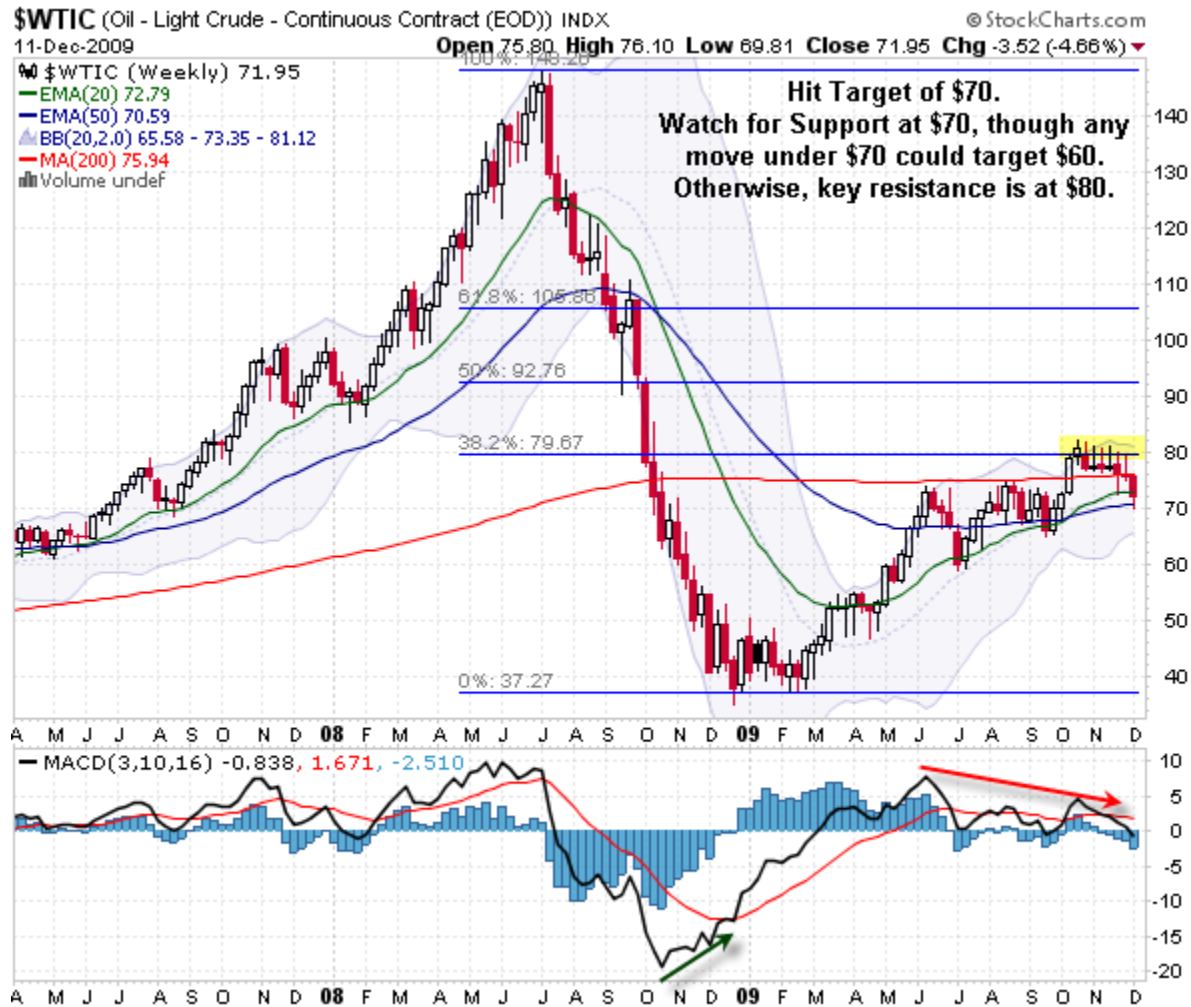
Monthly



Monthly Crude Oil has reached the \$70 target as mentioned in last week's report. We are now at this support level via the 20 and 50 EMA at \$72.83 and \$70.82, so any move under this level would argue for a steeper drop to lower support levels mentioned later, including \$65 and \$60.

Like one of gold's Elliott Possibilities, we place crude oil currently in a "B" wave up and could be beginning a "C" wave down - and a move under \$70 would strongly tip the odds in favor of this count. Otherwise, a move back over \$80 would serve to counter or overrule this count.

Weekly



The “bottom” in early 2009 was preceded with a lengthy positive momentum divergence while the “top” (perhaps) in 2009 is being preceded with a negative momentum divergence.

Price also failed to overcome the 38.2% Fibonacci retracement of the “bear market” at the \$79.70 level... and multiple dojis (upper shadows) have formed into this critical resistance level.

Again, we see confluence EMA support at the \$70 level, so any move under these averages - \$70.59 in particular - would argue strongly for lower prices yet to come.

Any support bounce immediately from here could target \$80 so those are the two plays to watch in advance.

Daily

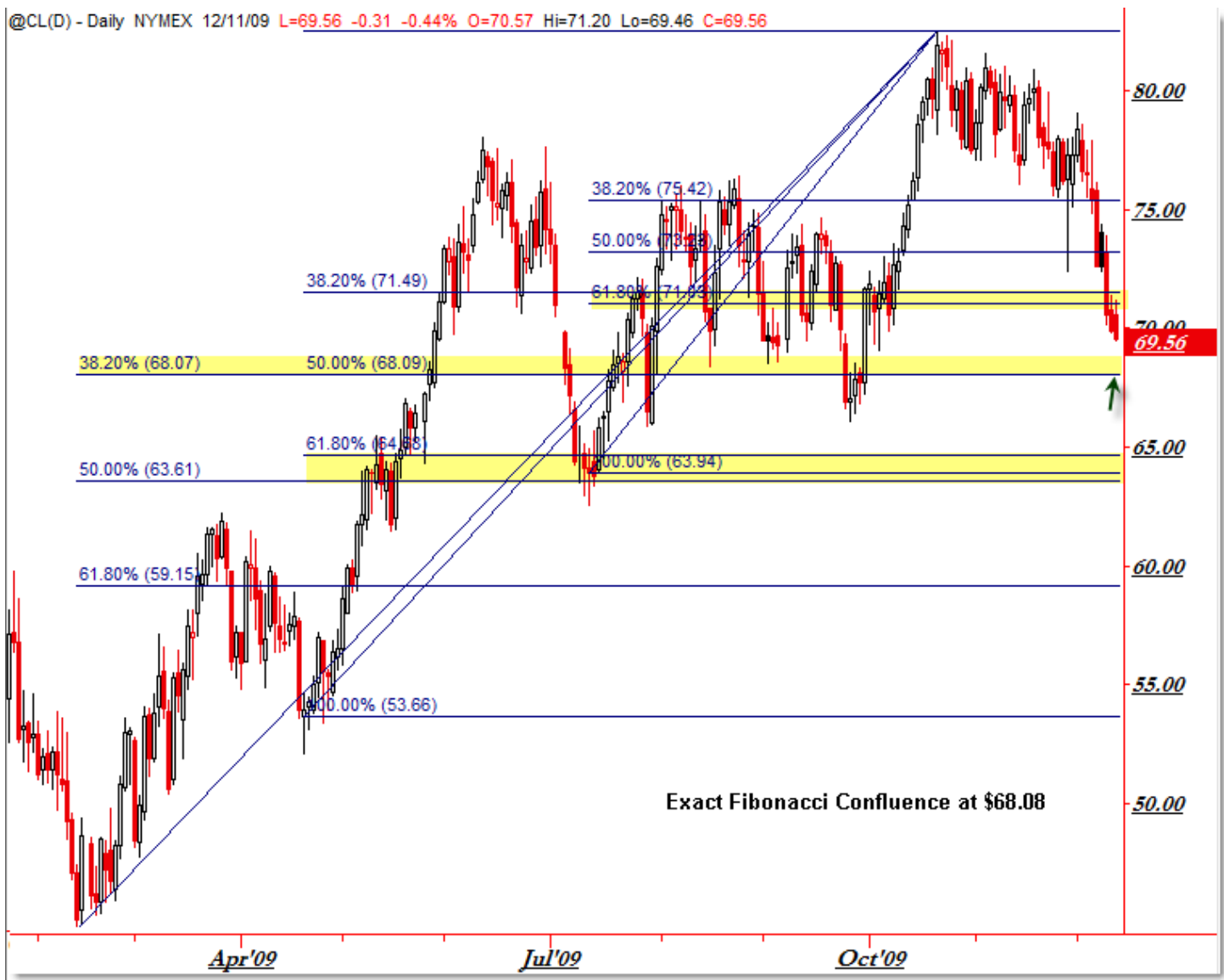


I mentioned last week that the structure was tipping to the downside, and price had closed under the key support of both the 20 and 50 EMA which forecast odds favoring a down move in the week ahead. We got that expected and logical down move this week.

We also hit the target at \$70 I mentioned and then began to bounce higher in a bounce up off the \$70 support.

We could bounce into the confluence EMA zone of \$75 so watch for that move, but as long as price remains under \$80, crude is a short and the move into \$75 would allow for a good low-risk (stop above \$76) entry to play for \$66 or lower.

In fact, this chart shows the two lower targets to play for to the downside - \$66 and \$60.



Like Gold, we see the current Fibonacci confluence levels for Crude Oil.

The first confluence at the \$71.50 level was broken last week, and now there is an "exact" confluence at \$68.08 - so watch this.

Any move under that level would argue for a play down to test another weak confluence level near \$65.

US Dollar Index (\$USD)

Monthly



The monthly Dollar offers us little in terms of levels to watch, but I did want to mention the 20 EMA that currently rests at \$79.13. Thus, the \$79 level could be an overhead resistance level/target to play for on this frame, but otherwise, we need to turn to lower frames for more insights.

Weekly

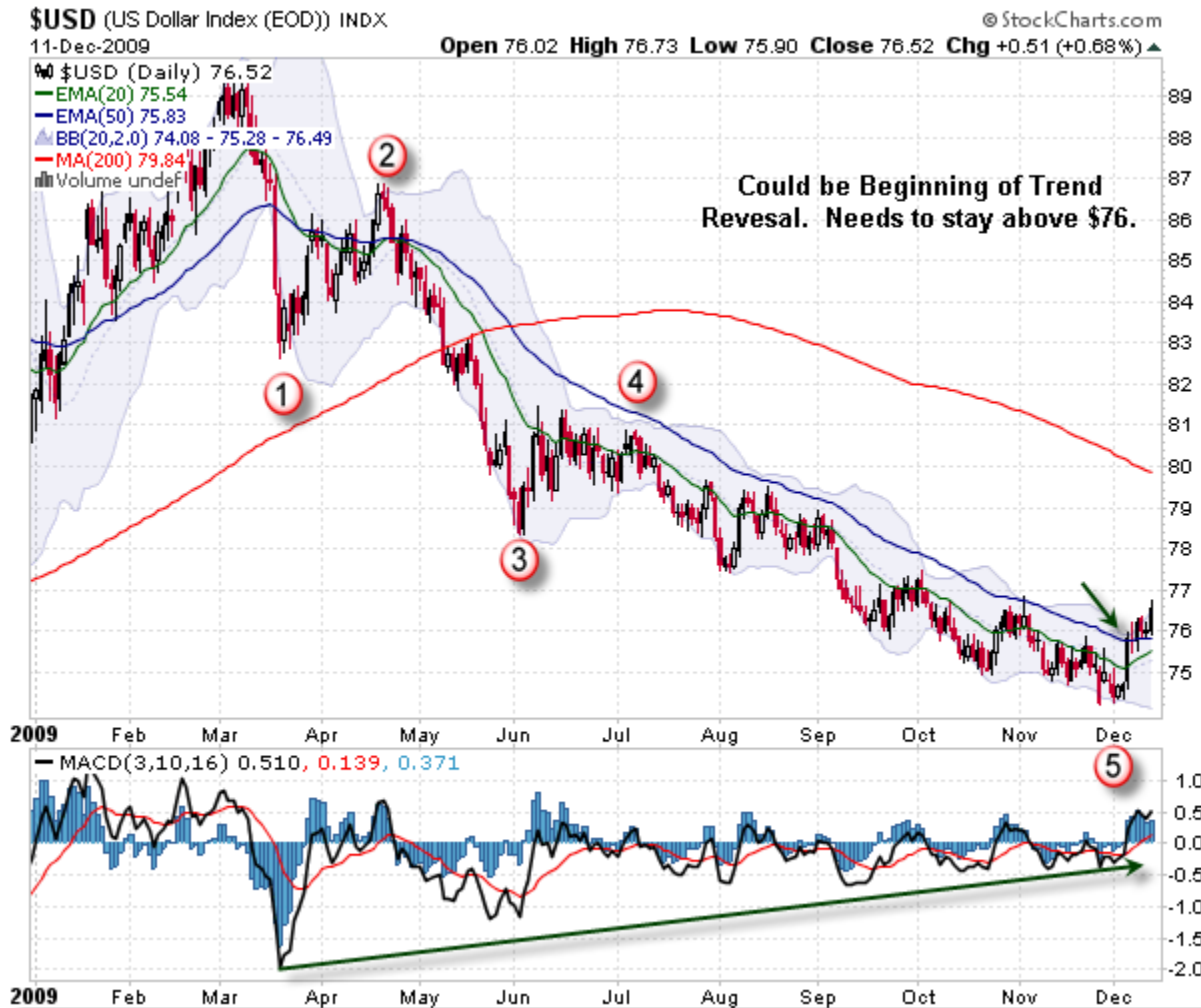


I've been saying for a few weeks now in these reports that odds favored a reversal or at least strong retracement up in the dollar due to the lengthy positive divergence that had been building since July. We are now seeing a piece of that move as large funds cover short positions in the dollar, and the Index rallies into overhead resistance/target levels at \$77.

If price can continue rallying and close above \$77, then it would argue for a move back up to the \$78/\$79 level which is the next overhead resistance level.

Any move above \$79 would be strong evidence that the retracement was actually a trend reversal which would have repercussions across all major markets, so even if you don't trade FOREX or the UUP (or other currency ETF), you need to watch the current moves in the dollar very closely.

Daily



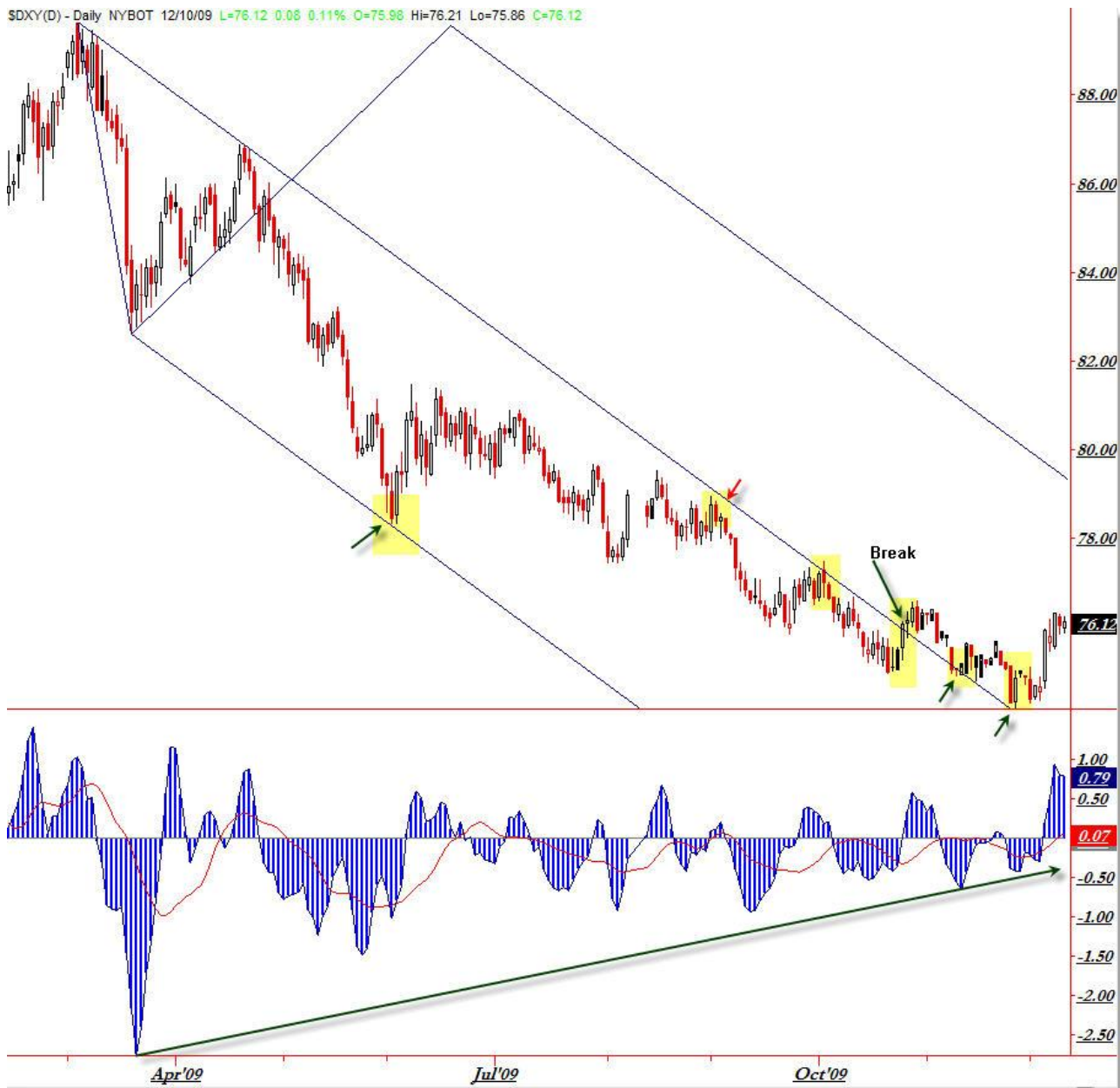
This is a longer-term update on the Dollar Index which shows the 5-wave Elliott pattern I've been highlighting along with the lengthy positive momentum divergence that began with the March lows.

Divergences like this - along with such clear wave-counts - tend to produce trend reversals instead of just simple retracements into resistance, which is why it should come as no surprise at all that the Dollar Index has broken both the 20 and 50 day EMA at the \$76.00 level - this is an early sign of a potential trend change.

IF price can hold above \$76, then this increases the odds of a trend reversal. Any move back under \$76 would argue that the retracement was ending, so watch this level very closely. A move under \$75 would argue that the larger down-trend was continuing and that this expected strength was just a deeper than normal retracement.



A closer view of the daily dollar index which focuses on the recent EMA breakouts.



An Andrews Pitchfork (advanced) view of the US Dollar Index and the early Pitchfork Breaks and recent support on the midline of the Trendline... along with the lengthy positive momentum divergence.

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