

# **AFRAID** to **TRADE**

overcoming stock market fears *with* Corey Rosenbloom 

## ***Weekly Inter-market Technical Report***

### Summary Comments

---

**Ten-Year Notes:** A slight bullish bias has developed in bonds/notes, though price is still in a trading range. Be long-biased above \$120, neutral here, short-biased under \$117 and short-breakout mode under \$115.

**S&P 500:** Look closely at the charts presented, showing a powerful argument for overhead resistance, though a break above these resistance levels at 1,125 would argue for a "Positive Feedback" move higher in potentially violent fashion (massive short-squeeze up).

**Gold:** Gold remains in breakout mode up, and upside targets are presented at the \$1,175 and \$1,300 level, as well as an update on the current "Arc" pattern to watch.

**Crude Oil:** Crude remains trapped in a short-term range with a major decision point at the \$80 level ahead which could determine the future bias - long above; short under.

**US Dollar Index:** No major change in the Dollar Index, and the \$75 level remains the boundary between expecting to achieve the \$71 target or a break above \$77 to expect a retracement up or even a full trend reversal.

All markets remain finely balanced and energy is building across these markets for the potential of BIG moves ahead - stay alert and watching your investments/trades closely for opportunities of position shifts.

---

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



We're starting to see a bit of divergence in stocks and bonds - they generally are both rising. Bonds typically lead stock market turns (yields travel in the same direction as stocks; bond prices travel in opposite directions) so strength in bond prices could foreshadow a stock market turndown ahead... but this is a 'behind the scenes' signal right now since stocks continue rising for the moment.

Still, the 10-year note price is up for the month, remains in an uptrend, and the moving average structure is in the most bullish orientation, leading us to believe bond/note prices will continue to rise unless price falls under \$116 in the next few weeks.

Watch the \$118 level (20 month EMA) as possible support and otherwise watch for a break above \$120 to argue strongly in favor of higher prices, which could rise to \$123 or higher.

## Weekly



Bonds/Notes still (technically) remain in a trading range established since the June 2009 lows, and the boundaries roughly match that of the dominant Fibonacci grid drawn above - with \$114.40 as the trendline low and \$120.60 as the trendline high.

A break above would be very bullish and would be a buy/invest signal which would be very bearish for the stock market. Otherwise, an inflection down from here as price nears the \$120 level (price is at \$119.22 now) would be an argument for a continuation of the trading range, and a move lower in bonds (higher in stocks).

## Daily



Unlike the 'flat' trading range shown on the weekly chart, the daily chart shows a rising bias to the consolidation/trading range, with boundaries clearly established between \$120 and \$117.50/\$118.

The 3/10 Oscillator is showing a compression in momentum, which is often a precursor for a 'burst' or breakout expansion move.

Should the stock market fall in the coming weeks, we would expect to see a range expansion (trend) move UP in bond/note prices so watch for this possibility.

A clean break above \$120 is a buy signal for 10-year notes which would be bearish for stocks.

# US S&P 500 (\$SPX)

## Monthly



Stocks are perhaps at the most precarious position possible, and the next few weeks will tell us whether to expect this uptrend to continue ... or whether powerful confluence resistance will turn this rally into a tradable retracement play to the downside.

The level to watch is 1,125 and then 1,150. We see a declining trendline (seen better on the weekly chart) and the 50% "Bear Market" Fibonacci retracement at 1,121... near which price found resistance this week. The widespread expectation is for this level to hold, and this offers a sell-short signal here for aggressive traders to place a stop either above 1,121 (conservative stop) or 1,150. ANY break above 1,125 and 1,150 would be an aggressive buy signal to take advantage of those stop-losses triggered by short-sellers into confluence expected resistance.



For this week's report, I wanted to show both the Dow and NASDAQ's Fibonacci retracements and longer-term structure for reference.

The Dow Jones Index has failed to close above its 50% Fibonacci retracement level at 10,334 and also has found resistance so far at the 50 month EMA at 10,488 as well as the lower trendline originating from the 2007 highs.

The rally in the Dow Jones has occurred on subsequently lower volume (almost) each month since the March lows which serves as a technical non-confirmation (bearish) of the rally and places it in the category of "Counter-Trend" rally instead of "Pro-Trend" or "Birth of New Bull Market" trend.

The level to watch on the Dow Jones is thus 10,500.



The NASDAQ has shown relative strength, in that it is retraced over the halfway mark (50%) of the Bear Market retracement line at 2,063 but has not yet been able to retrace to the 61.8% retracement at 2,255. The NASDAQ seems to be having trouble ascending over 2,200 just shy of this line, therefore watch 2,200 and then 2,260 for a breaking of expected resistance and the "Popped Stops" (positive feedback to the upside) that will occur in the event these levels are taken out.

Until then, the strong bias is for them to hold as resistance.

## Weekly



The weekly chart shows us an inside look of the structure as discussed on the monthly chart. We see the negative volume and momentum divergence underlying the recent rally into the 50% Fibonacci projection (an upside target that is now achieved) and descending trendline from the October 2007 highs.

A Gravestone Doji has formed into this confluence resistance level, and it is a widely seen (obvious) sell signal that aggressive traders/investors can take in anticipation of a trend reversal or deep retracement while utilizing a tight stop above 1,125 to 1,150.

Trading is not about knowing the future (ie, whether this will hold as resistance) but about contingencies - such that because this level is so widely seen, it WILL trigger short-sellers to sell here and locate their stops above 1,150. In the unexpected event price rises up to this level, this will trigger the "positive feedback" loop of short-sellers' stops being triggered (buy to cover) along with longs/buyers pushing price higher which should create a 'burst' in the event 1,125 and then 1,150 is taken out. Be prepared for either scenario - an expected fall from the current levels... or the "popped-stops" phenomenon/opportunity on any rise above 1,150.

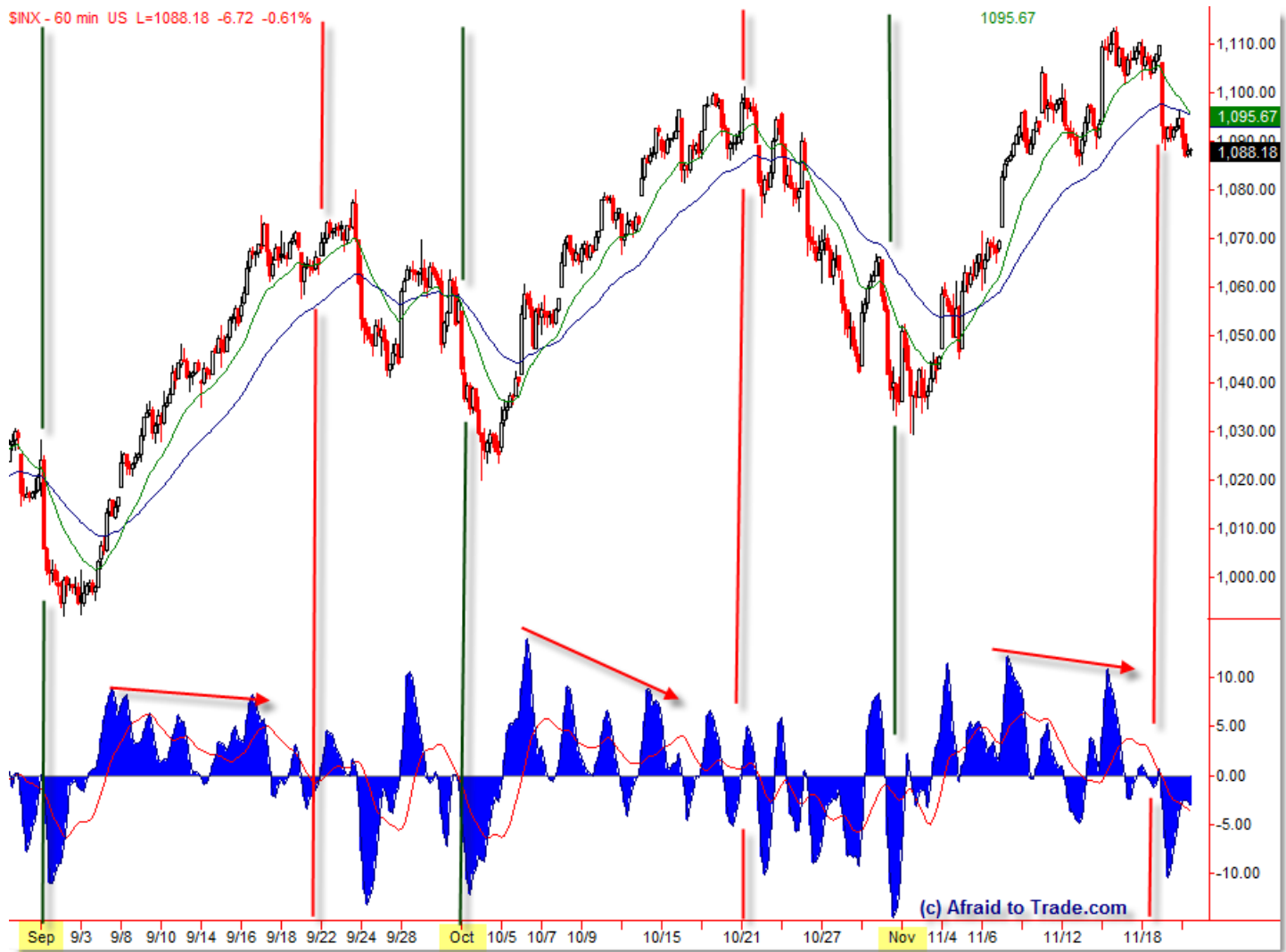
## Daily:



The daily chart shows us the precarious position buyers/bulls are in - price has rallied over 60% since March, which is an amazing rally. Throughout the whole rally, the momentum oscillator and volume has roughly trailed OPPOSITE of price (especially on the recent swing to new highs) which serves as a severe non-confirmation.

This is probably the best chance sellers/bears have to turn price around, but if buyers can push price above 1,150, then it would be a major development on the price, indicating that bulls/buyers have seemingly unlimited capacity to push prices higher which would argue for continuation of the rally.

Until then, the odds/probabilities (risk/reward) - but not certainties - very strongly favor downside to begin here. Conservative traders may want to wait for a confirmed break of the daily EMAs, or a break under 1,000 to get short (it's best NOT to try to pick absolute highs but to manage risk). Otherwise, watch lower EMAs for support on pullbacks.



A chart of the "Cycles" in the recent S&P 500, calling for a 'repeat' move to the downside to target a short-term fall to 1,050 or 1,040.

This chart is explained in my post:

<http://blog.afraidttrade.com/will-current-repeating-spx-cycle-predict-future/>

# Gold

## Monthly



I'll let the chart do the commentary for the monthly frame.

Price continues, and remains in a long-term uptrend, and lower timeframes offer us specific targets to play for, though gold's trend structure remains unabashedly up.

## Weekly



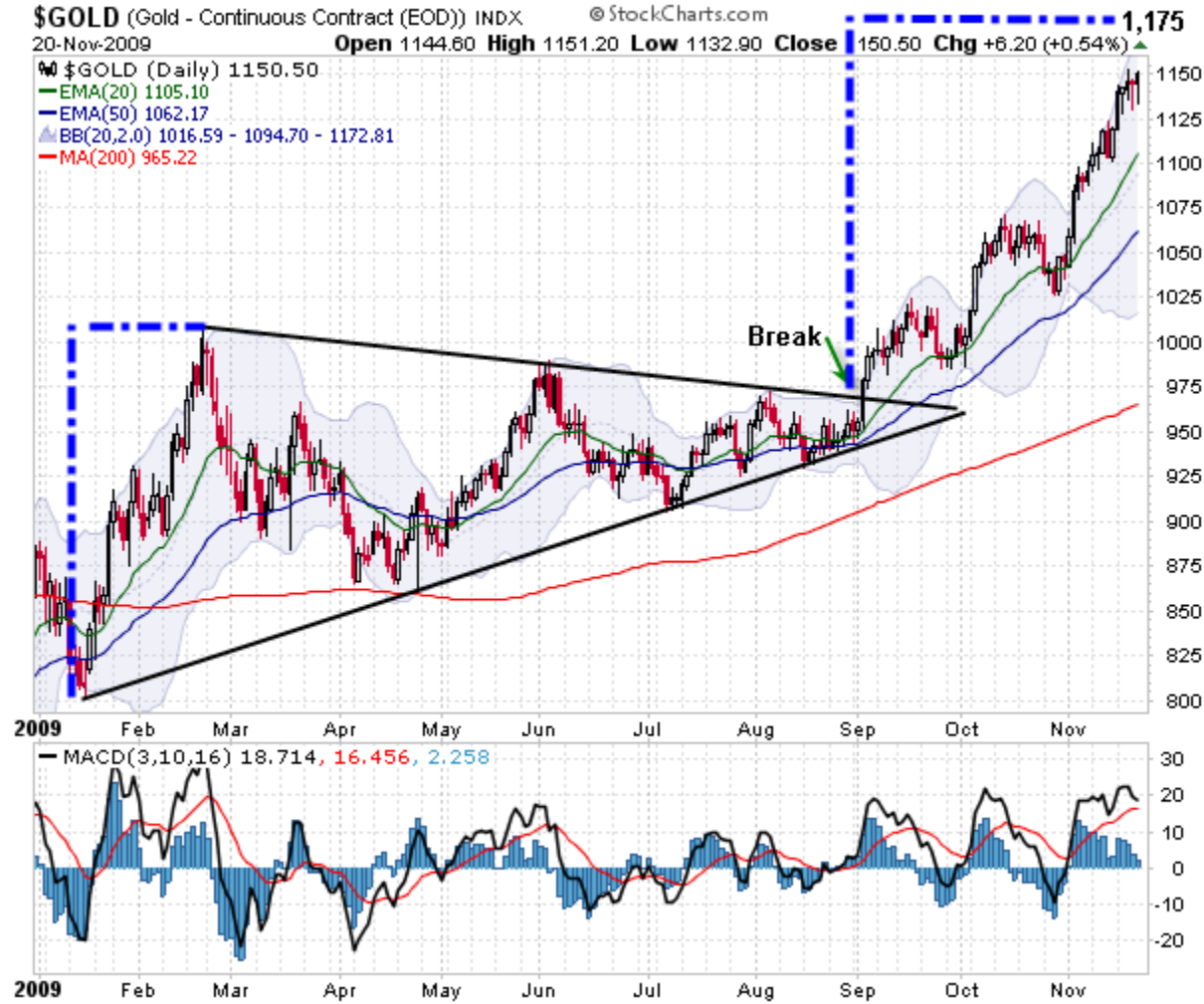
I'm using the Weekly Chart to clarify the "Target" from the Inverse Head and Shoulders. A few subscribers have asked for clarification on this point, and I think this chart does the best to explain the widely-held target. Take the distance from the \$700 low to the \$1,000 resistance level ("neckline") and then add that - \$300 difference - to the breakout near \$1,000 to give us a target of \$1,300.

I've drawn blue lines to show this target.

In anticipating this breakout in prior reports, I mentioned that price would have a sustained breakout if buyers could clear \$1,000 in a price expansion move (positive feedback - shorts covering; longs buying) which we now see coming to pass.

Strangely, the 3/10 Oscillator is not confirming the new price highs with new oscillator highs. However, the trend is up and - for the moment - any pullback would be a counter-trend retracement. It's late to be a buyer now as the risk is too high to buy now (it's best to buy pullbacks into support or at exact breakouts).

## Daily



Using the same logic, we see the symmetrical triangle breakout I've been calling for since around July coming to pass and into its expected price-projection target near \$1,175. The blue lines show the logic and math behind the target.

Price is overextended and forming slight negative divergences in the oscillator so again, it's late to be a buyer.

Any strength in the US Dollar index would be bearish for gold prices and could trigger sharp selling, so watch the relationship of gold and the dollar closely.



I want to keep you updated on the "arc" formation that's evident in gold prices. We have still NOT broken the arc, so until then, any test of the parabolic arc is a short-term buy with a tight stop.

Price has a tendency to fall sharply shortly after breaking the ascending trendlines that comprise arc rises, so do be cautious but aware of this tendency.

# WTI Crude Oil (\$WTIC)

## Monthly

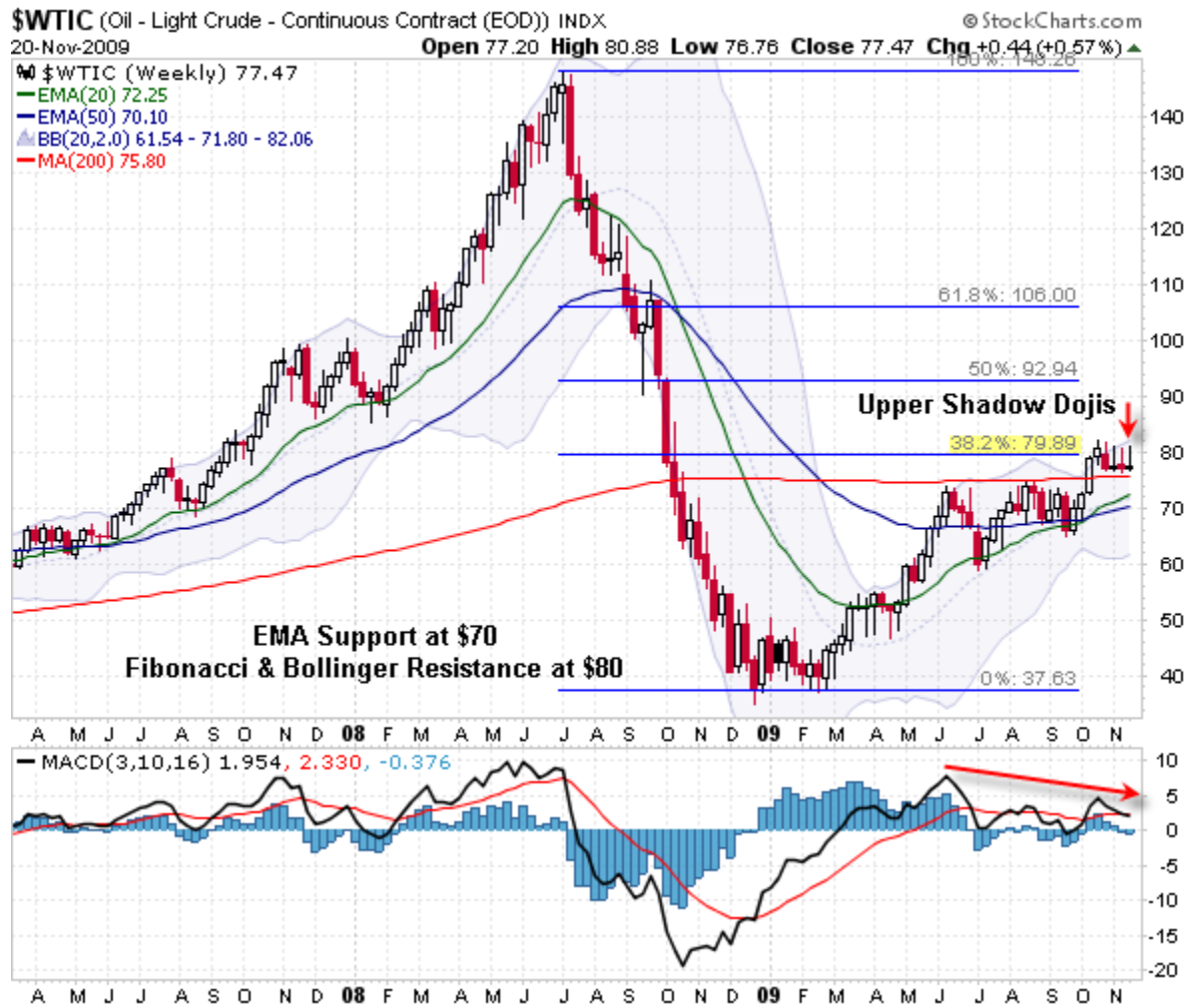


The monthly crude oil structure remains unchanged, along with the Elliott Count, placing us in a Counter-move up.

The \$80 level is critical to knowing whether or not to accept (yes if price falls) or reject (call into question with a move above \$81 and especially \$92).

As such, be bullish-biased above \$80 and bearish/neutral beneath.

## Weekly



There appears to be a huge battle between buyers and sellers of crude oil (along with traders/speculators) and this is creating very choppy/volatile conditions. Buyers want price above \$81 as it would trigger a tradable positive feedback expansion move likely to \$92 while bears/sellers want it underneath, as it could trigger a move back to \$60 or lower.

For now, the levels to watch for trend shifts are \$80 (bullish above) and \$70 (expected support but bearish beneath).

A negative divergence has set-in under price, and three gravestone dojis have formed at the recent price highs - that's bearish.

Price "should" be going down from here but any move above \$80 will trigger the "Positive Feedback" of short-sellers covering and new longs/buyers coming in, so be prepared for that.

There's an old saying in trading in that "When price SHOULD do something but it doesn't, it often sets up a more powerful move in the OPPOSITE direction" - which would be up for Crude in this scenario.

## Daily



For shorter timeframe traders, watch \$75 for a clue of the future of Crude Oil. It's expected to hold as support, but if price breaks under this level, it would set-up a play to \$70 or lower (even down to \$65).

Otherwise, a break above the \$80 resistance would be cause to buy in for a long/buy position.



The large October move was preceded by a "Bear Trap" and this shows an educational moment of the "Popped Stops" positioning.

Price "SHOULD" have gone down as trendlines were broken, but when price started to rise, buyers tentatively stepped in and weak short-sellers bought to cover (exit) and then an 'avalanche' of positive feedback occurred with shorts scrambling to buy to cover (exit) with new longs buying crude, creating a 'positive feedback' burst to new highs.

Beside this, we have range expansion moves alternating between range contraction moves.

We are due for either an upside or downside 'range expansion' move in crude oil so be aware of that possibility up (above \$81) or down (under \$75).

# US Dollar Index (\$USD)

## Monthly



Still no change in the monthly downtrend and lower target (\$71) on the US Dollar Index.

For detailed commentary, look at the lower timeframes.

There is no bullish signal that comes from the monthly frame.

## Weekly



While the monthly chart offers NO bullishness at all, the weekly chart offers the POTENTIAL for a bullish retracement... though that has been the case for some time now. It's an argument of the power of the Trend concept (odds favor trend continuation over trend reversal)... but trends do reverse and we need to know the risks/rewards of that happening.

Any move under \$74.50 would reaffirm the bias to target the \$71 level if not lower.

However, price has a decent probability of finding some sort of upward retracement here at the \$75 level, coming from a "Polarity" Level ... meaning prior support in November 2007 and prior resistance in June 2008. That could turn into support in November/December 2009.

A positive momentum divergence underlies price (bullish) as well as a complete Elliott Wave fractal move (bullish).

Let's look at the daily chart to see these in more detail.



This is the same EW count as before, and the \$75 level - particularly \$74.50 - would be the dividing line between accepting the advanced technicals arguing for a trend reversal (or strong retracement) and the simple technicals, arguing in favor of trend continuation of the downside.

There's a lengthy positive divergence in place along with a full five-wave Elliott count.

Aggressive traders can position for a trend reversal/upward move here, while conservative traders can remain shorting strength (rallies) and buy only on a positive cross of the 50 day EMA at \$76, or even a taking out of a recent November swing high at \$77.

A move above \$77 argues for a trend reversal or deep upward retracement while anything beneath \$74.50/\$75.00 argues for trend continuation.

Should stocks turn lower at their overhead resistance, the Dollar Index will rally.

Should Stocks break above their overhead resistance levels, the Dollar will continue to fall.

## Daily



A closer look at the daily chart shows these levels to watch.

*Disclaimer:*

All information is from sources deemed to be reliable, but there is no guarantee to the accuracy. Information is for educational purposes only and is not intended to give specific trading advice. Past performance is no guarantee of future performance. Investment/ trading carries significant risk of loss and you should consult your financial professional before investing or trading. Your financial advisor can give you specific financial advice that is appropriate to your needs, risk-tolerance, and financial position. Neither Corey Rosenbloom nor Afraid to Trade was compensated in any way by any of the broad markets, stocks, or securities discussed in this report. Corey Rosenbloom is compensated by the sale of this report and not by any underwriter or dealer associated with these markets. Opinions are based on widely-accepted methods of technical analysis including the Elliott Wave Principle, Oscillators/Indicators, Candle-charting analysis, Volume, Fibonacci, and other methods of analysis. No specific recommendation is given to buy, hold, or sell any of these markets/securities or exchange traded funds related to these markets. Neither Corey Rosenbloom nor Afraid to Trade is a Registered Investment Advisor. Long-term investment success relies on recognizing probabilities in price action for possible future outcomes, rather than absolute certainty – risk-management is critical for success. Error and uncertainty are part of any form of market analysis.