



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

### Summary Comments

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**Ten-Year Notes:** Notes remain in a trading range with a slight downside short-term bias though larger timeframe upward bias.

**S&P 500:** Buyers continue to thwart bearish prognostications on the S&P 500, though price has pushed into a major intermediate price target and is nearing the 1,100 and 1,121 critical resistance/target levels.

**Gold:** Long term gold looks great but short-term, there is potential trouble on the price charts that needs to be overcome. Two Elliott counts are presented.

**Crude Oil:** The big news this week was crude oil's almost 10% rise, which broke the ascending triangle, sprung a bear trap, and brought price up into a confluence Fibonacci resistance area to watch very closely next week.

**US Dollar Index:** No change for the dollar - it is a battle between simple "trend" analysis calling for lower prices and more complex methods (like divergences and Elliott Wave) calling for a reversal soon.

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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.

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# 10-Year Treasury Notes (\$UST – Price)

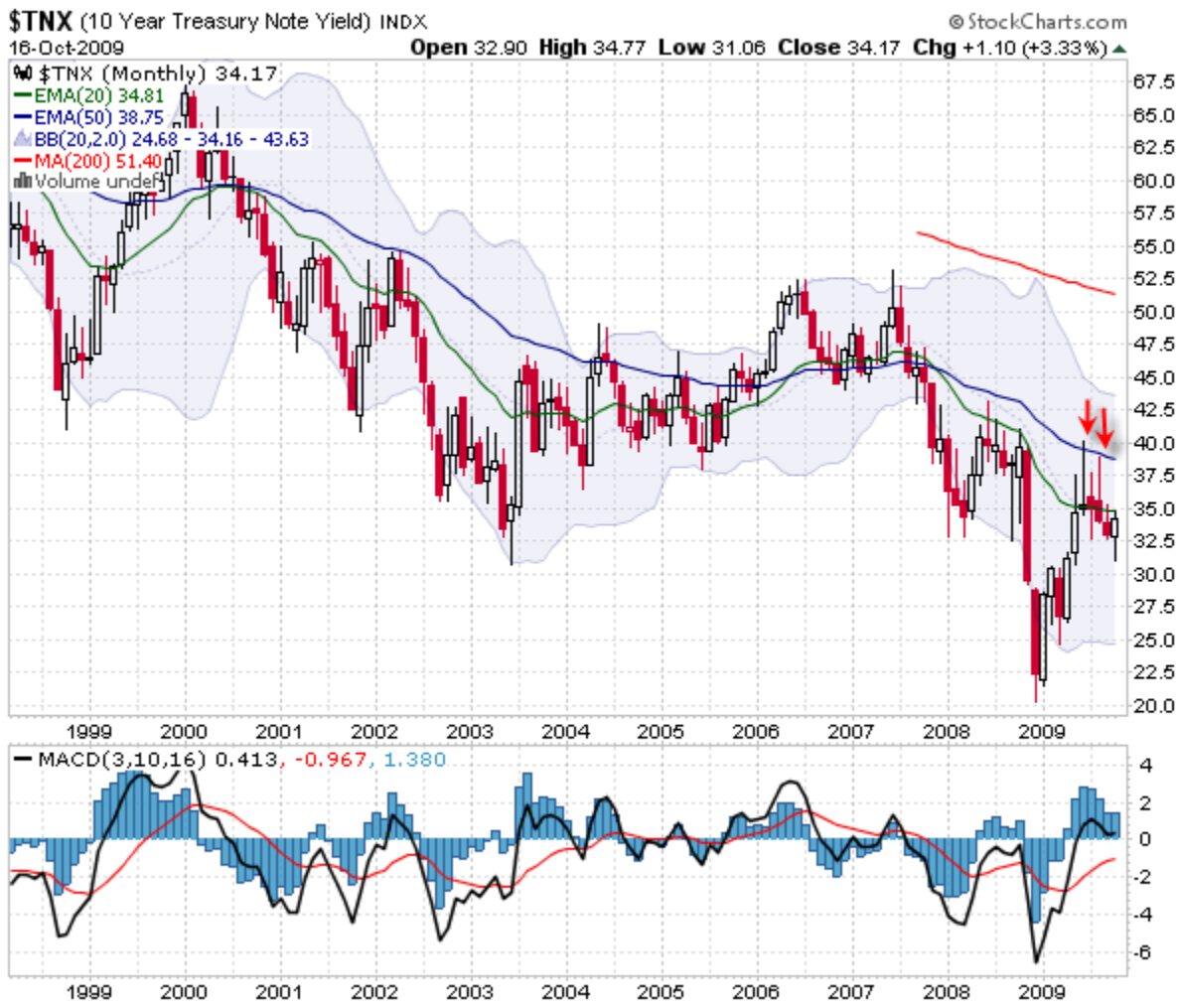
## Monthly



We'll see bonds currently in a trading range, but on the higher frame, we see that the \$117.60 area is important to watch for possible support off the 20 month EMA.

The trend structure remains up, as does the ascending trendline off the 2007 lows. Trend and price structure on the higher frame indicate that odds favor higher prices, which is the dominant bias, though a breakdown beneath \$117.00 would be a non-confirmation of this bias.

Other support remains at the \$115 area which is the 50 month EMA.



I wanted to show a different perspective, coming from Yields (instead of prices). Bond/Note yield and price are inverse, and here we are looking at the Yields, which are interpreted as being just under 3.50%.

Price could not rise above the 4.0% yield area, and the trend structure shows the possibility for lower yield ahead, as the moving averages are serving as overhead resistance.

Any break above 3.5% in yields would be a non-confirmation of the downtrend and suggest a return to the 4.0% level (which would draw prices lower).

## Weekly



We see the range developing on the 10-year weekly price, which is mainly the area between the dominant Fibonacci grid as shown.

Watch for any positive breakout above \$120.60 or any negative breakdown (which would be very significant) beneath \$114.

Otherwise, weekly trend structure places prices in a neutral position, as the moving averages currently overlap and give no predictive value at all.

If anything, the weekly chart could have a slightly downward bias, given the trading range which we'll see on the daily chart below.

## Daily



The daily chart takes a closer look at the trading range which exists between the \$120 and \$115 price index levels.

Should price break down beneath \$117.50 next week, then that would give us a clue (and a trading signal) that odds favored a retest of the lower boundary at the \$115.50 level.

Otherwise, it would probably be best to wait before taking a position (if not already in bonds) to see if an upward or downward break occurs.

A break above \$120 would signal a buy/long trade while a break under \$115 would signal a short-sale trade.

# US S&P 500 (\$SPX)

## Monthly

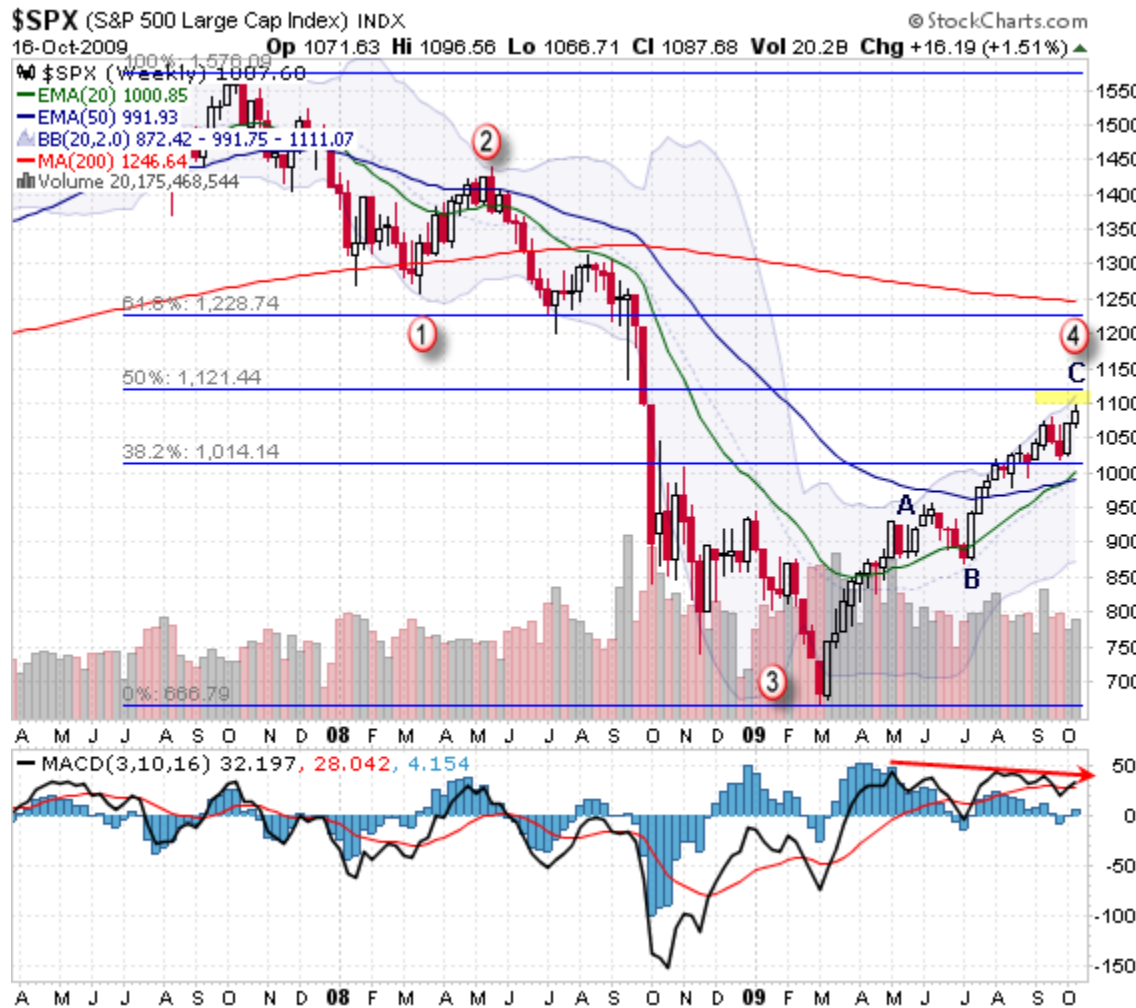


The retracement rally in the S&P 500 continues to extend, defying expected resistance at the 1,060 area, which reflected the monthly 20 period EMA. Overhead resistance now turns to the "round number" resistance at 1,100 and - more importantly - the 1,121 level which reflects the 50% Fibonacci retracement of the entire bear market. Above that is 1,156 which is the 50 month EMA.

From a risk/reward standpoint, it is far too late to put on a new buy (long) trade in the index as long as price is beneath 1,125. Risk remains to the upside (small target of about 25 points) while reward/opportunity remains to the downside (in the event that a reaction to the downside begins soon).

It is statistically improbable - but not impossible of course - for prices to continue to rise, though they do so in grossly overbought territory.

## Weekly



We see what I interpret as the dominant Elliott Wave count, which places this move off the March lows as an "ABC" corrective wave. As such, this area provides swing and position traders a very low-risk (stop above 1,130) and high reward (target minimum 900, then if broken, target 700) opportunity. Just because it is a high reward opportunity does not mean price is guaranteed to fall - traders need to understand that there is an unusual bullish force/imbalance currently operating in the market which skews the opportunities. New highs continue to trigger more short-covering (short squeezes) which perversely drive price higher against short-sellers.

Price will continue rising as long as this bullish pressure is present, however, as price ends a lengthy and overextended corrective phase into key resistance, sellers may be stepping up their aggression enough to counter the bullish forces. From a classic analytical standpoint, odds overwhelmingly favor - though never guarantee - a downward move at least to the 1,000 level if not 900 level from here, giving opportunity for those willing to take it.

A negative volume and momentum divergence have permeated this almost 45-degree angle rise which many people comment to resemble a "bear flag" 'abc' corrective pattern.

Conservative traders may want to wait to see a price breakdown of the lower trendline - beneath 980 - before getting short and that would be my recommended play unless you are comfortable shorting into a rising market into resistance with a stop above 1,120 or 1,150. I cannot recommend buying the market as long as it remains under 1,150.

## Daily:



The daily chart shows the strong rally off the "failed" Head and Shoulders pattern from July. Bulls/buyers are dominant and continue to thwart/invalidate all sell signals or attempts to drop the market lower. Keep this in mind before jumping too aggressively short before we see proof of downward momentum, like a close under 1,000 or a swift move beneath the rising 20 day EMA at 1,060.

A negative volume and momentum divergence have also set-in. Keep in mind that a 'battle' between basic and intermediate/advanced technical analysis looms here... or a battle between "trend following" (buy all pullbacks in an uptrend) and "mean reversion" (short-sell overbought conditions and buy long oversold conditions) strategies is in effect. One certainly cannot argue that technical analysis is being ineffectual here because price is following the "Trend Following" strategy (buy ALL pullbacks to the 20 or 50 EMA in a rising uptrend) very closely. Price, however, is not rewarding those trying to 'fade' or 'call the top' of the current up-trend - and both camps are using technical and quantitative analysis. The failure has been in trying to call a top - not in technical analysis.

Given that, another 'sell signal' has been generated at the recent highs near 1,100 as price has formed a reversal candle at the upper Bollinger Band after a distinct negative volume and momentum divergence. Odds strongly favor a short-term (trade-able) pullback to the 1,060 or 1,020 area with a stop above 1,125 for a short-term swing trade that should carry the bias next week to the downside. A breakdown beneath 1,020 would trigger an intermediate term sell-signal.

# Gold

## Monthly



I'll be showing two Elliott Wave counts of gold this week (long-term Elliott Wave counts do not change often, so that is why I don't update wave counts every week).

The above chart shows the "bearish" take which argues that we are in a "B" wave corrective mode and that the next pathway for price is a "C" Wave down.

This case is becoming more difficult for adherents to argue. Although B waves can indeed make new highs above 5th waves (take a look at the monthly chart of the Dow Jones and S&P 500 - both of which made 2007 peaks in a "B" Wave rally), this phenomena is rare. Still, the rally from \$700 to the current highs has 'felt' more corrective in terms of overlapping waves and a lack of 'impulse'. That makes it more consistent with most "B" waves. In Elliott lore, "B" Waves can contain the peak of sentiment (most optimism) which appears just before a "C" Wave "Crash." Remember that Wave analysis is only ONE way to look at the market, so add this in to everything else, including the pervasive up-trend in price and key support levels.



I've presented the alternate count to you also in the past, which is reflected and updated above.

Under this count, we would currently be in the middle - perhaps the 3rd wave - of a primary wave 5 rally. This is the most likely count that is in effect IF gold prices meet the "triangle" and "inverse head and shoulders" price pattern targets of \$1,170 and \$1,300 respectively (or, this is the possible pathway to meet those price targets).

Laying aside the Elliott and back to classic technicals, price is undeniably in a solid and steady up-trend as evidenced by higher price highs, higher price highs, and the moving average structure - in fact, there is no possible way to find a more bullish chart. Trend structure (basic analysis) argues overwhelmingly in favor of higher prices, but we always need to be on our guard for any adverse developments or non-confirmations at new price highs. As there are no resistance levels in bull markets, support zones to watch include the \$900 area and the \$800 area (20 and 50 month EMAs).

## Weekly



Not much to update on gold's weekly chart, as this week formed a 'spinning top' or near 'shooting star' at the close. That's not necessarily bullish - as a shooting star outside the upper Bollinger Band is a classic and high-probability/low-risk sell signal. Any close above the recent highs of \$1,070 would invalidate any bearishness this sell signal gives.

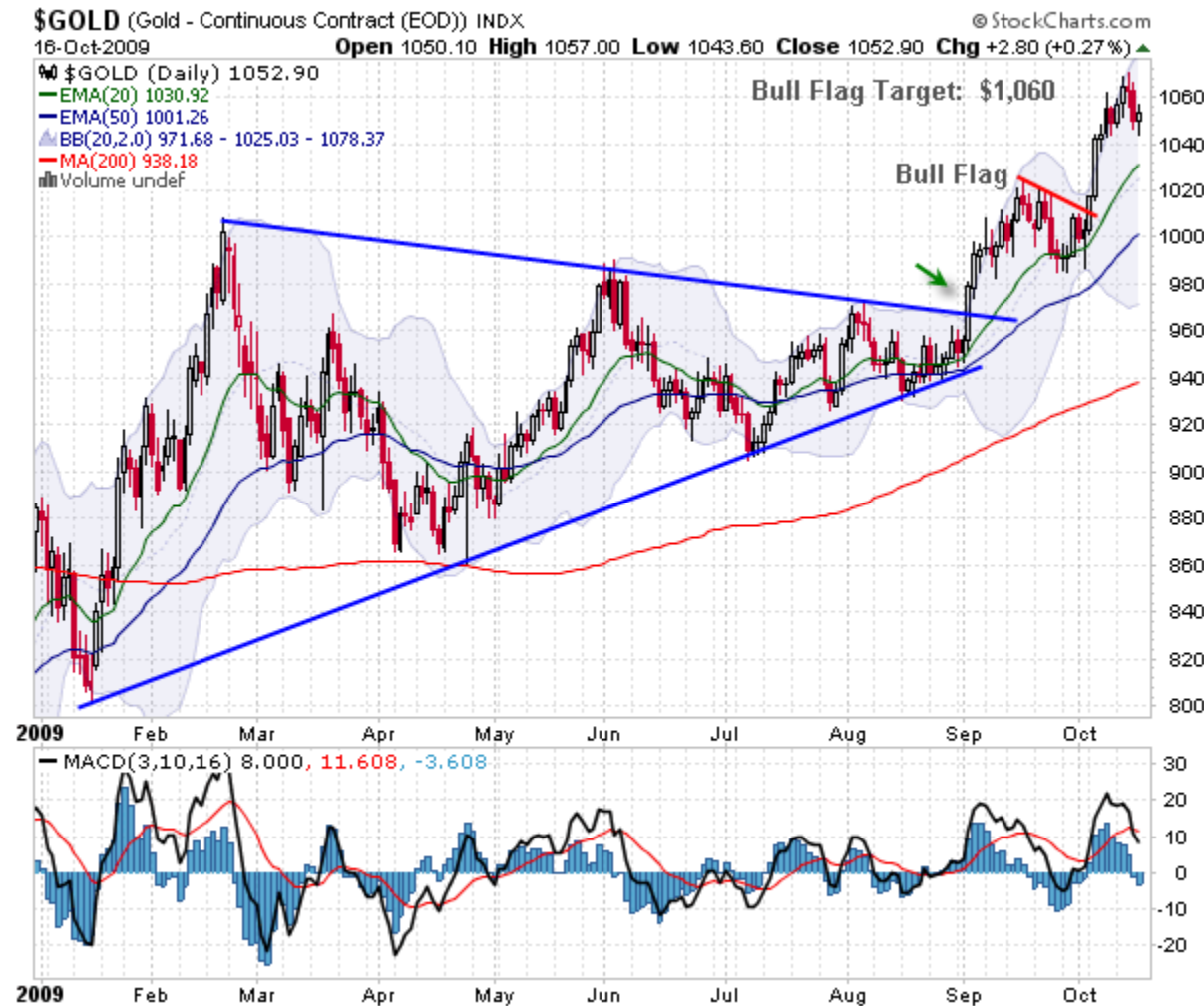
Otherwise, trend structure is still positive and in favor of higher prices. I detailed the triangle and inverse head and shoulder targets in the prior reports, and the upwards levels to watch (or play for) include the \$1,170 area and \$1,300.

A stop-loss should go under \$1,000 and a "flip and reverse" bias should go under \$900.

In the event bears/sellers can push price down to \$900, a "Pocket of Stops" would be triggered which would likely lead to an impulse move lower that you could trade.

Remain bullish above \$1,000; neutral from \$900 to \$1,000; and bearish beneath \$900.

## Daily



Structure on the daily chart remains bullish, though watch the \$1,020 level for expected support and of course the \$1,000 level (50 EMA). These are places to locate stop-losses, and - for short term traders - any close under \$1,000 should trigger a reaction down to \$960 if not back to the \$900 level.

Consider waiting to buy the market until price pulls back and retests the rising 20 day EMA at \$1,030 or makes a new high above \$1,070.

Price has met and exceeded the recent bull flag target I discussed which targeted the \$1,060 area.



I wouldn't be doing my job if I didn't caution you to watch the "parabolic" rise gold has experienced.

Generally, we want uptrends to progress in steady/stable 45 degree angles to be confident in buying any and all pullbacks.

In the event price goes parabolic, we lose confidence and a situation of doubt in the sustainability of the trend arises when moves go parabolic. This could be the case currently in gold, as we can see different angles of momentum forming.

Watch for ANY break of the upwards trendline arc which could signal a short-term sell signal.



I'm showing the estimated "angular momentum" (angle of ascension) of three different trendlines as price has continued to rise.

A 62 degree angle is clearly unsustainable, so be on your guard if you begin to see any downward move in gold as a result of a broken trendline or rise "too much too fast" in price (which is what is forecast by looking at "angles of ascension").

# WTI Crude Oil (\$WTIC)

## Monthly



Crude Oil surprised everyone this week with a strong, 9% gain that shattered overhead resistance and broke the pattern of dojis on the weekly frame which served as active sell-signals. Part of the rise was triggered by short-sellers 'buying to cover' or a 'short squeeze' which occurred when this widely visible sell-signal was invalidated or broken.

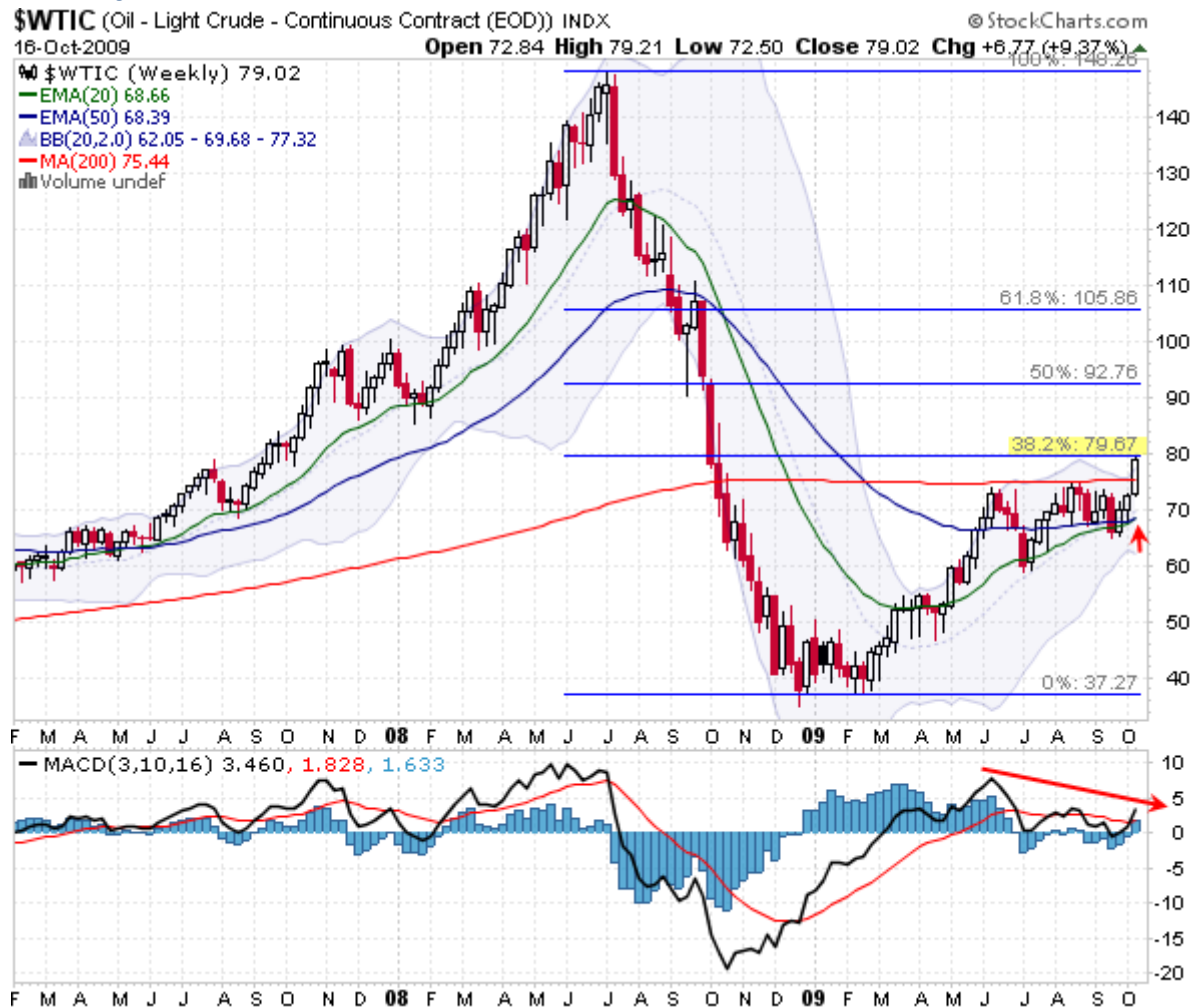
I'll stick with this as my dominant Elliott Wave count unless price rises solidly above \$80 next week. For now, price has rallied into a "make or break" region between a "new bull market" and a "correction in an ongoing bear market."

Price has retraced to the exact confluence of the 38.2% retracement of the "2008 bear market" and the 50% retracement of the 1999 low to the 2008 highs.

If price can break above \$80, it would be a monumental occurrence that would shift the bias partially away from the bearish camp and in the neutral/to bullish camp, having overcome key levels of overhead resistance.

As such, watch crude oil very closely next week. Any close and sustained move above \$80 would be a major development that would be bullish for both crude oil and the stock market.

## Weekly



Again, crude oil has retraced to the 38.2% retracement of the 2008 highs to the lows after a staggering drop.

Should price break solidly above the \$80 level soon, then the next level to watch and possibly play for a price target would be the \$92.00 level - the 50% retracement. Last week's 9% gain helps throw doubt on the bearish bias, though I still would suggest bearish under \$80, neutral from \$80 to \$83; and bullish above \$83 (target \$92).

A negative divergence is setting up under price, and price is currently outside the upper Bollinger Band.

Notice that the weekly EMAs just crossed bullishly this week, making \$68.50 an important support level to watch for possible "Cradle Buy" signal in the event that price retraces to this zone.

Any price move above \$80 should continue to trigger stop-losses of short-sellers, which would create bullish opportunities for swing and day traders so keep that in mind.

## Daily



I must say this outcome was the lesser of the two probabilities, but it only underscores why stop-losses along with risk/money management is so important.

Price broke downwards out of the ascending triangle beneath key resistance, then reversed back to the underside of the triangle and then broke back to the upside. This is the definition and an excellent example of a "Bear Trap" (a legitimate short-sale signal which is then 'busted' and then a large impulse move occurs in the \*opposite\* direction).

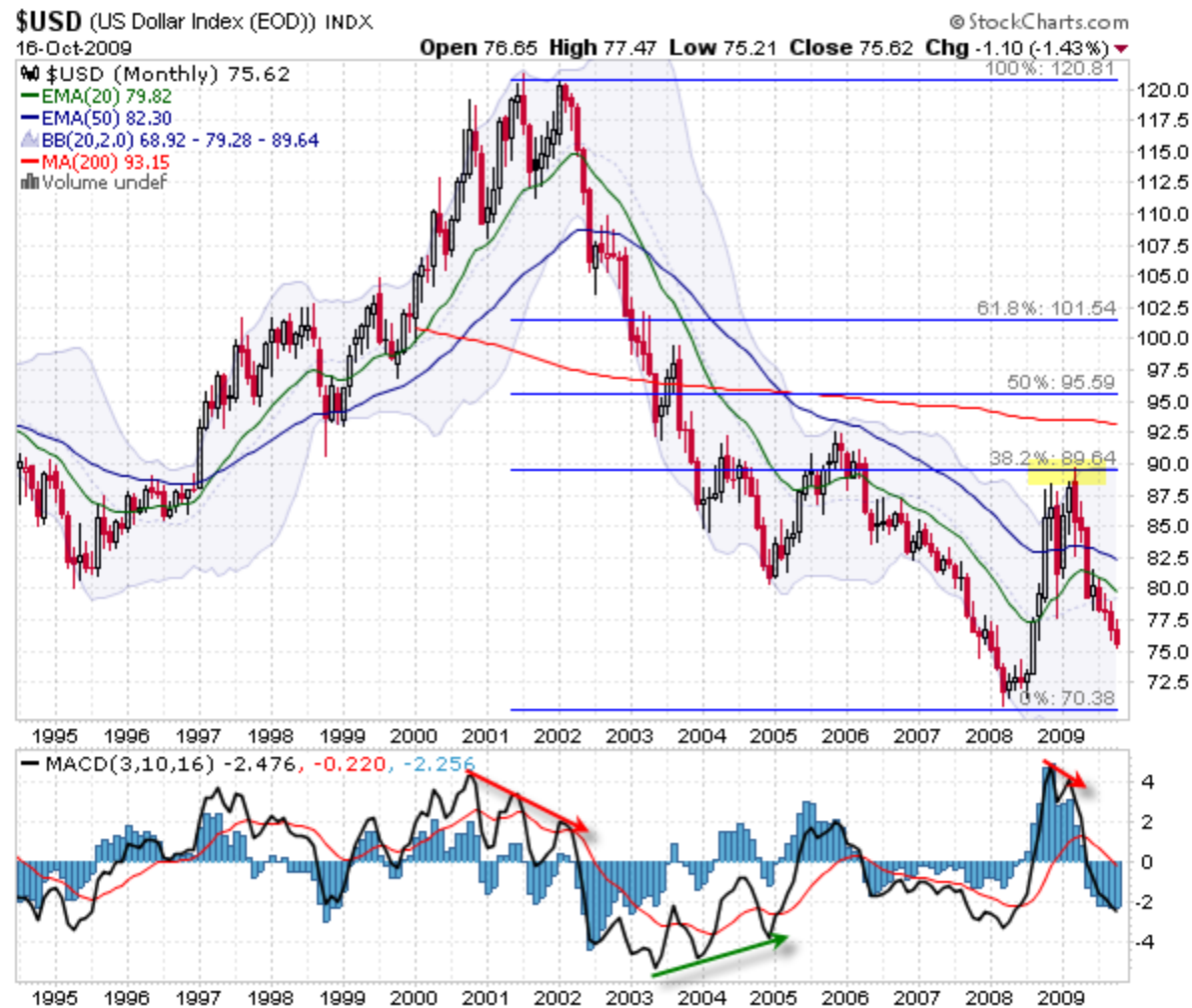
Savvy traders can take advantage of such opportunities, but for most people, they are just very frustrating and serve to remind us that we operate/trade/invest in an environment of probabilities - never certainties. Traps keep us humble.

I've mentioned that any close above \$75 should trigger stop-losses and that is exactly the case.

Make no mistake - this was a stellar move in crude oil prices in a week. Odds are that the \$80 level will be tested, though again watch price closely and monitor any open positions closely for any signs of intraday weakness, as price is in an overbought condition above the daily and weekly Bollinger Bands just under confluence Fibonacci resistance.

# US Dollar Index (\$USD)

## Monthly



No change in the monthly Dollar chart, as the over-arching trend structure continues to take precedence, driving prices lower.

Trend and EMA structure are completely bearish and negative on the monthly frame, with overhead resistance (not support) to discuss.

A downside target would be the \$71 prior support lows unless buyers can reverse the trend off internal divergences as seen on lower timeframes.

## Weekly



This week, price invalidated the classic buy signal generated (and began last month) with the double-doji and positive momentum divergence outside the lower Bollinger Band. That was a formidable obstacle for sellers to overcome.

Price still remains beneath the lower Bollinger on a positive momentum divergence (bullish advanced technicals) while the trend structure continues to argue for lower prices yet to come (bearish classic/simple technicals).

## Daily



The daily chart shows a lengthy positive momentum divergence and a near-complete 5 wave fractal downward move.

Like all markets - as discussed earlier - there is a disconnect between simple/basic technical analysis ("The trend is down - short it") and more advanced methods (including the positive divergence, candles outside lower Bollinger Band, and complete 5-wave Elliott fractal move).

Remember that it's much easier to trade with the trend than to try to fight it, but we all know that trends do not last forever and eventually reverse. It is a better probability play to wait for confirmation of a trend reversal (in this case, a close above index level \$78) to get long, or to continue shorting rallies up into EMA resistance.

I try to present both cases for you to make your own decision as to whether you prefer to follow the basic or more advanced technical methods which usually aren't in such divergent opinions.

As such, any close above \$76 would be a warning signal for bears, and a close above \$77 would be a stop-loss for bears and a potential new trade entry for Longs.

Aggressive traders can enter long here in anticipation of a reversal, but I would suggest waiting for some actual bullish price evidence before getting long instead of acting on bullish 'potential.'



A quick look at the deeper fractals of the US Dollar Index.

According to this count, we are towards the latter part of the 5-wave move, and are most likely positioned in the final 5th wave fractal of the larger 5-wave fractal move down.

The lengthy positive momentum divergence supports this count, but again, the aggressive play is to get long here and the conservative play is to remain short (or short any pullback that does not rise above \$77) or enter long on any upside break of \$78.

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