



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes: Notes now have taken on a slight downside bias, especially on the daily chart, but the larger frame shows a lengthy trading range... keep watching stocks for clues on the next move in bonds (inverse).

S&P 500: The S&P 500 is rallying sharply, but it does so on weaker and weaker market internals, momentum, and volume. This is unsustainable, and highlights the risk for being long here. Be prepared to trade any downside move, otherwise, suspend belief in charts as the market continues to rally.

Gold: Gold has rallied with stocks into an intraday negative divergence situation into key overhead resistance (see intraday charts). A break upwards here would target \$1,160 and then \$1,200, but be prepared for any downside action beginning here.

Crude Oil: Crude is showing a similar intraday pattern to gold, so watch for any weakness at the \$80 level. Otherwise, the structure remains - strong bull above \$84, neutral between \$70 and \$80, strong bear under \$70.

US Dollar Index: The Dollar faces critical resistance (and two weekly dojis) here, so watch for any downside move against resistance in the dollar index. A downward resolution in the dollar would send stocks, gold, and crude oil higher, despite their negative divergences and puzzling chart positions... while if the dollar breaks its resistance, we would see the expected resolution down in stocks, gold, and oil.

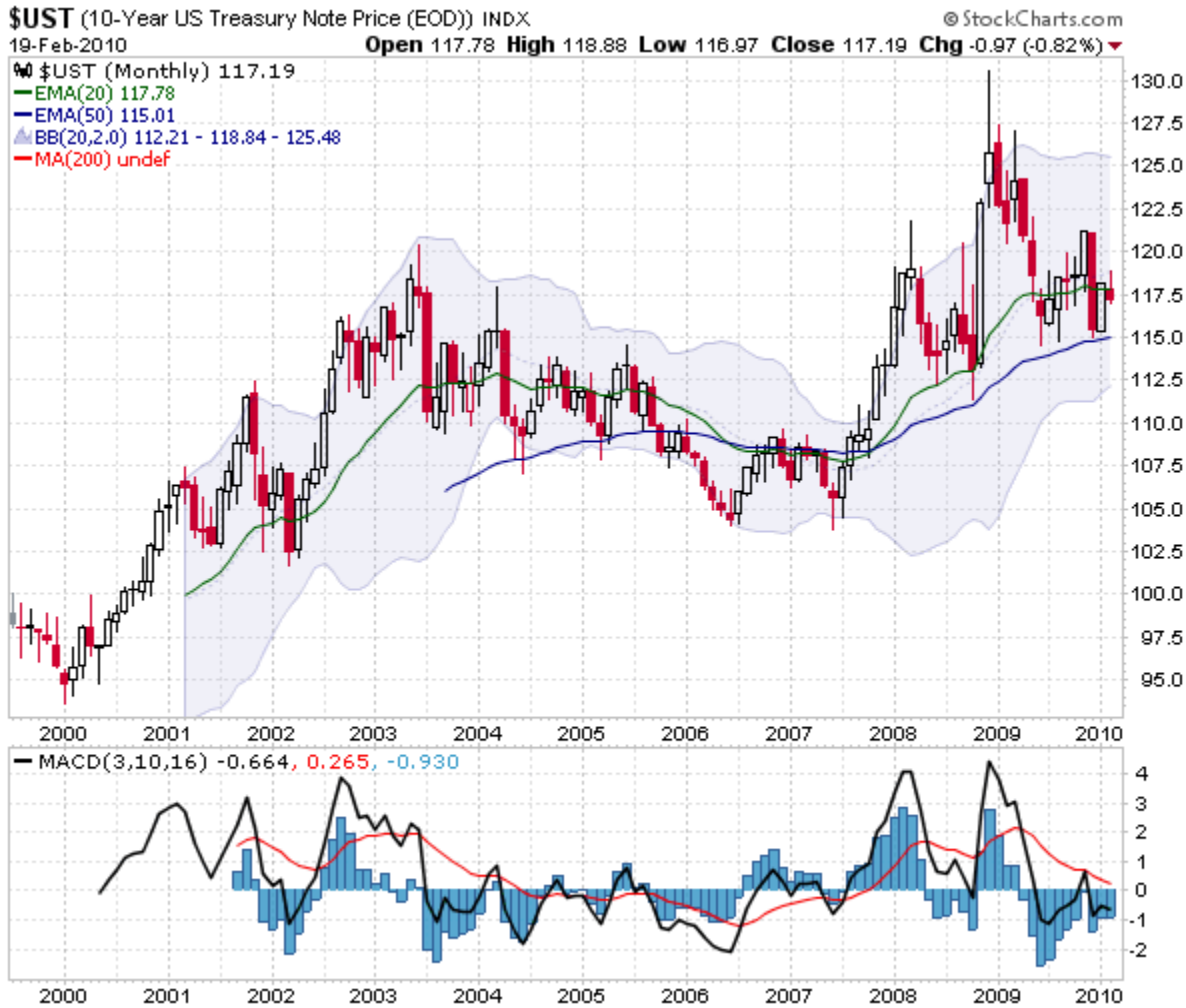
Remember, a DECLINING Dollar (Index) is BULLISH for Stocks and Commodities and is BEARISH for Bond Prices

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



Monthly note prices remain trapped within their trend channel (see weekly chart), so there is no specific 'bias' with regard to direction. Many analysts are calling for a sharp downside resolution of the structure, but we're not seeing that yet - instead, seeing a neutral to flat/rangebound bias to note prices.

Support (monthly) remains \$115 from the 20 month EMA.

Remember that bond/note prices are often inversely correlated with stocks, so should the stock market sell off sharply here, we would see an upward rally in bonds, and if stocks firm and rally from here, we would see further downside pressure in notes/bonds.

Weekly



The weekly chart best shows the trading range in which note prices remain. The boundaries come from the 38.2% Fibonacci retracement (\$120) and 61.8% retracement (\$114.50). Otherwise, moving average are helpless to provide key support and resistance (trade entries or exits) inside of a trading range.

Most traders would find it best to wait for a resolution or break down from \$114 or above \$121 to put on any position, unless you are currently in one as a hedge.

Should the Federal Reserve begin a campaign of raising interest rates, then bond/note prices will fall - it would not take much to see this on the chart, so watch Fed policy and statements - as well as the stock market - for clues on the next likely move in bonds.

Daily



The news of the unexpected Discount Rate hike sent bond/note prices falling, but 10-year note prices remained roughly unchanged. There is a downward short-term bias in note prices currently, as they have broken the Fibonacci support, remain under the 20 and 50 day EMAs, and have broken a key rising trendline after inflecting down from the 61.8% Retracement.

Watch to target/trade a move down to \$115 on any break beneath \$117.

US S&P 500 (\$SPX)

Monthly



The monthly chart helps explain why price is experiencing a tight consolidation, as it remains trapped between the 50 month EMA (1,146) and 200 month SMA (1,035). Price is also trapped between the Fibonacci levels 1,121 (50%) and 1,014 (38.2%). The negative volume divergence during the rally suggests that this remains a 'corrective' rally, though that would be called into question and a strongly bullish posture called for on any break above 1,150 (again, trying to be as unbiased in these reports as possible).

For now, it would be a safe bet to assume that price will remain trapped perhaps for the next couple of months between 1,150 and 1,050/1,000.

Weekly



I'm still showing the dominant Elliott Wave primary count, which will remain the top count as long as price remains under 1,150. A move above 1,150 invalidates this count, and suggests that a move to 1,200 or likely 1,250 would be the expected play.

Until then, odds strongly favor (from a chart perspective) a downside resolution to the lengthy negative momentum and volume (and breadth) divergences - which are unhealthy signs of weakness in the prevailing weekly uptrend. A strong short-sell bias would be officially confirmed on any break beneath 1,050 and especially 1,000 (which would target 850 and then perhaps the 650 lows).

Daily:



The daily chart shows that price is challenging the 61.8% Fibonacci Resistance at the 1,110 level - the last 'line of defense' for the short-sellers/bears. Any break above 1,110/1,115 would be expected to clear the way for a retest eventually of the 1,150 level - however unexpected that may be.

Again, we see the decline in volume over the last four days of the rally, which serves as a sharp non-confirmation (we would expect higher relative volume on up-days to be signs of strength... not what we're seeing now).

Any move back under 1,110/1,090 is aggressively short-able to play for a retest to 1,040, but for now, stay very cautious as we're seeing very mixed technical signals, such as:

A break above critical resistance (1,100) on steadily weaker volume, momentum, and breadth, but a surge in buying from professionals (see CoT data). **Signals are very conflicted at the moment**, and so is the interpretation therein.



A very puzzling transformation took place last week (data) in the COT reports - professionals (large speculators/green) went net long at the highest level in months, being net long 231,120 @ES futures contracts, while the small/retail speculators dropped further net short, to 116,362 contracts. That is a very bullish and sudden shift, and helps explain why the market rallied so sharply the last few days.

The message from the CoT data is for higher prices ahead - perhaps in a big way. Keep this in mind as you trade and analyze next week - this is a **very unexpected bullish turn of events**.



This is a very puzzling situation technically (chart-wise), in that we have four days in a row on sharp rises in price but each day was met with lower readings in market internals (Breadth and Up-Vol minus Down-Volume). This is the grossest type of non-confirmation, and hints strongly at a downside price resolution (in that fewer stocks are rising in aggregate, though the index price is rising). EXTREME caution is warranted here, as bears/sellers (short-covering) is pushing this market higher, and NOT new/fresh buying by excited bulls/buyers.

Gold

Monthly



No major change in gold's monthly structure, which has the price in a "spike" sell-off mode as seen in mid-2006, early 2008, and present. The expectation long-term is for a move at least back to the rising 20 EMA at the \$1,000 level, though as you can see from lower timeframe charts, we could be setting up a potential bull flag play here.

Weekly



The daily bear flag resolved just above its downside target, and now the structure appears to be forming (potentially) a longer-term bull flag. Remember, bull flags often have "ABC" three-wave movements, and it just so happened that the "ABC" movement here was a bear flag that resolved to the \$1,040 level (61.8% retracement).

See the daily chart for clarity, but if buyers can push price higher above \$1,140 and especially \$1,150, then this would confirm the odds strongly favoring a move back to \$1,200 or even to the \$1,300 level in a larger 'bull flag' pattern... but we're not quite there yet to call this a bull flag.

For now, watch for any continued upside action in gold prices and be prepared to trade this upward move... else remain neutral or short/biased for a potential downside test of \$1,040 or \$1,000. The week ahead should give us clues about what to expect.

Daily



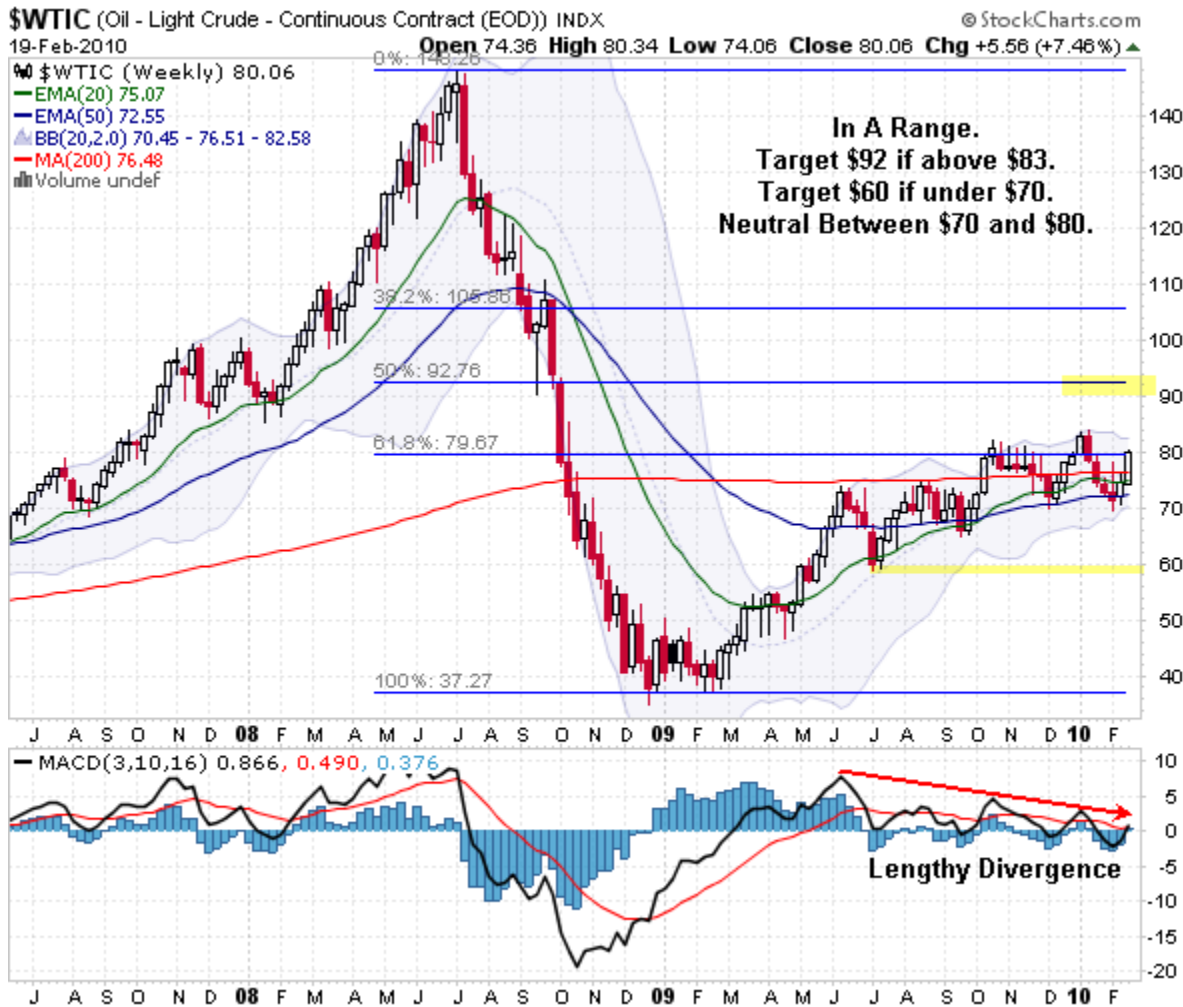
We see the descending trendline that now rests at the \$1,100 level and 38.2% Fibonacci retracement, where price is currently consolidating. A solid break above \$1,120 is an aggressive buy signal long to play a breakout and potential bull flag beyond \$1,220, but conservative traders might want to wait to enter to make sure the prior swing high at the \$1,150 level is taken out before entering. Either way, a stop on a bullish play would be placed slightly under \$1,100.

Like the S&P, gold is difficult to interpret at this exact price, so watch closely in the week ahead for clues to a resolution.



The 120min chart shows that an upward resolution here could suddenly target the \$1,160 area, but we are seeing a three-push negative momentum divergence/pattern here at the recent highs, so that is serving as a classic sell-signal and non-confirmation which clashes with a potential bullish trendline break on the daily chart. Caution is key and WAITING for a clean resolution before putting on any new positions. Should price rise above \$1,130, then odds favor a quick move to \$1,160.

Weekly



The weekly chart shows the two targets to play for if either range is broken - it's \$92 if \$82 is broken, and \$60 if \$70 is broken.

For now, we see a lengthy negative momentum divergence with price that hints at a downside resolution, but the 50 week EMA - currently at \$72.50 - has provided support since mid 2009. Price rests currently at the overhead Fibonacci retracement.

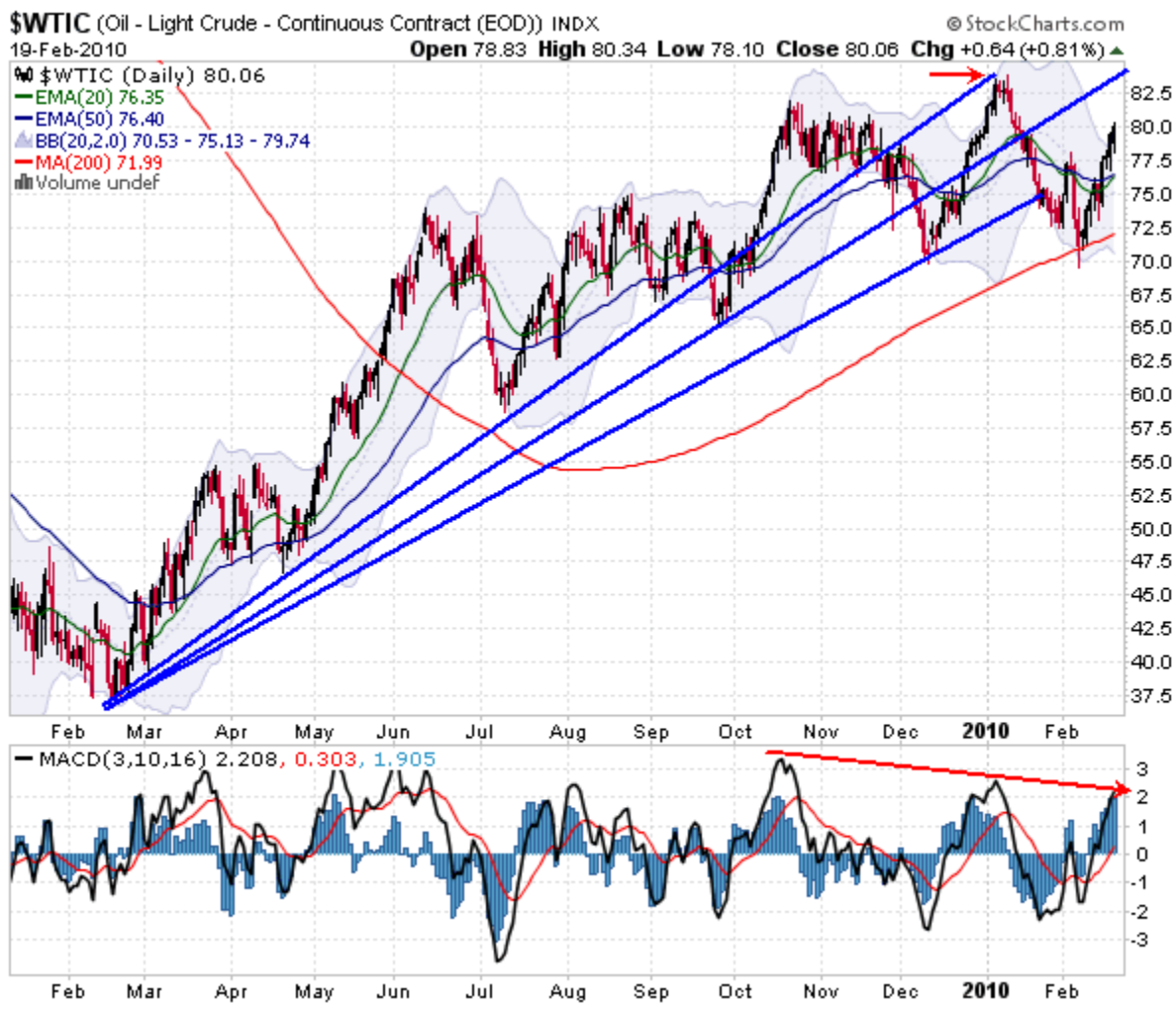
Daily



I drew two trendlines to highlight the range compression in Crude Oil, giving aggressive traders a chance to short-sell here if we see any weakness (not seeing any at the moment) from the \$80 resistance level.

Otherwise, a break solidly above \$80, then above \$84 would give a buy-biased trade to play for \$92.

Remember, we trade by price levels and probabilities - not certainties.



I'm showing a quick 'fan' chart of Crude Oil, showing the polarity principle of the trendlines.

There is an upper trendline at the \$83 level which should bounce-back price if we rise above \$80.

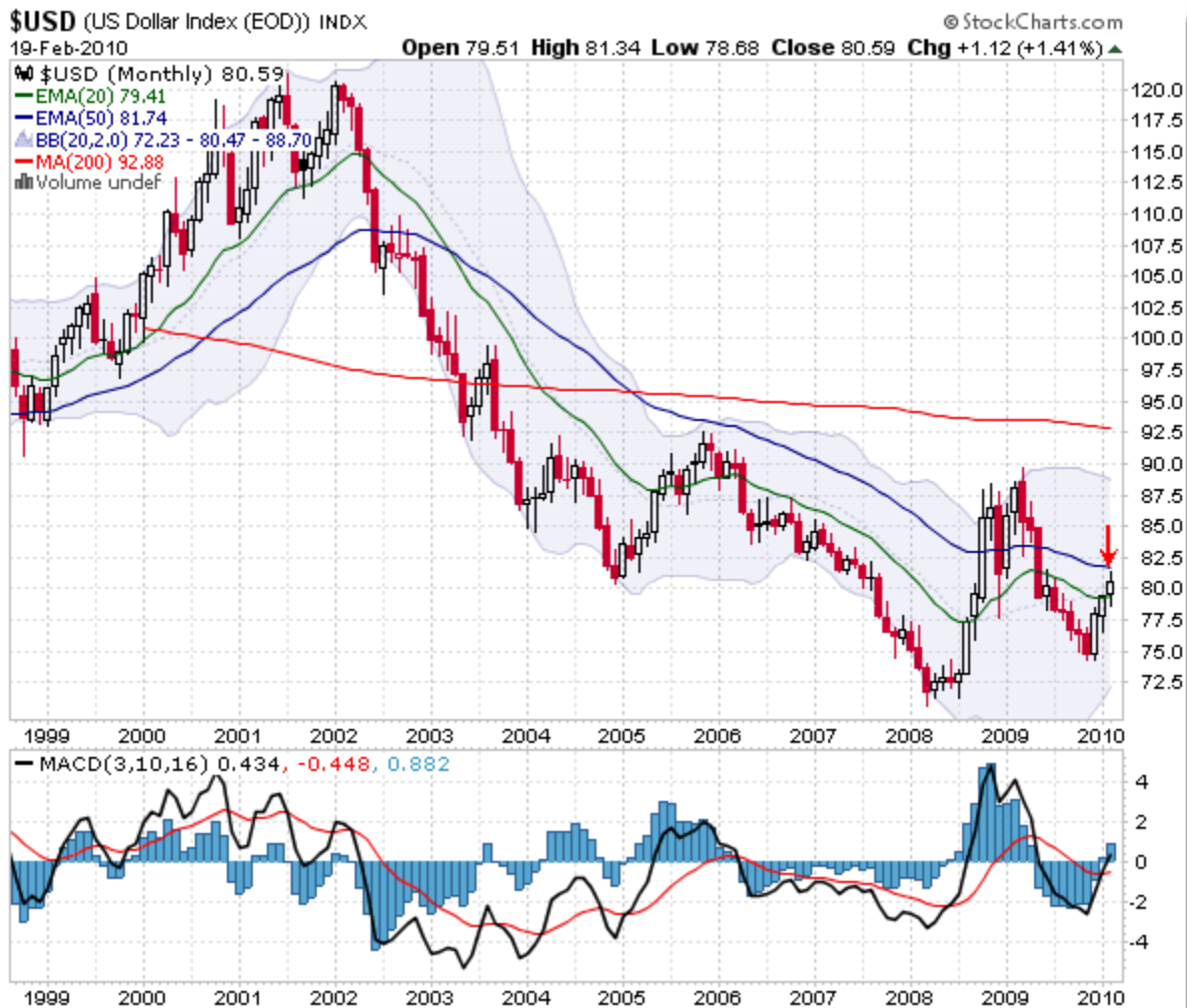
Otherwise, we see a lengthy negative momentum divergence, which is a bearish non-confirmation.



Similar to gold, we see the recent rally forming on a lengthy negative momentum divergence... or specifically a "Three Push" pattern which is a bearish sell signal on any weakness here. Price nipped above the 61.8% retracement, so it's not safe to short right now but would be aggressively if we see a break back under \$80.

US Dollar Index (\$USD)

Monthly



No change on the monthly dollar index.

Watch \$81.75 (50 month EMA) as resistance - otherwise price remains in a lengthy, confirmed downtrend.

Weekly



The weekly chart shows confluence resistance here at the \$81 level, coming in from the 200 week SMA at \$80.45, two doji/indecision candles, and the 50% Fibonacci Retracement at \$80.45. This is a key level to watch, as price is faltering here to rise above.

Should buyers drive the dollar higher, then \$83.00 would be the next target.

Remember, if the dollar finds resistance and falls here, then we would expect an upside move in stocks, gold, and oil (and a downside move in bonds/notes).

Daily



In addition, the Dollar has completed a Bull Flag price projection target as defined at the \$80.50 level - holding as resistance. We are seeing a distinct negative momentum divergence here, which hints at a downside resolution in the dollar. This would be bullish for gold, oil, and the S&P 500.

Otherwise, if the Dollar continues to break resistance, rallying despite divergences, it would hint at a wide downside move in stocks, gold, oil, and a bullish move for bonds.

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.