



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

### Summary Comments

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**Ten-Year Notes:** Notes continue their inverse relationship with stocks, as price rallied into resistance this week. Watch the overhead resistance level and potential for a bear flag to form as shown on the charts.

**S&P 500:** The S&P is sharply pulling back from the expected resistance at 1,150, and is challenging key support levels. A break under 1,080 would be significant, and I have highlighted key lower areas to watch.

**Gold:** Gold broke downward from the expected bear flag, but is not at a high-odds support level. Watch price closely and target \$1,000 if price moves solidly under \$1,070.

**Crude Oil:** Crude Oil fell sharply again this week, though price currently sits at a major confluence support area at \$74.

**US Dollar Index:** The opposite of gold, the Dollar Index broke bullishly from its bull flag formation, though it too challenges overhead resistance on multiple timeframes, so watch for any sign of weakness.

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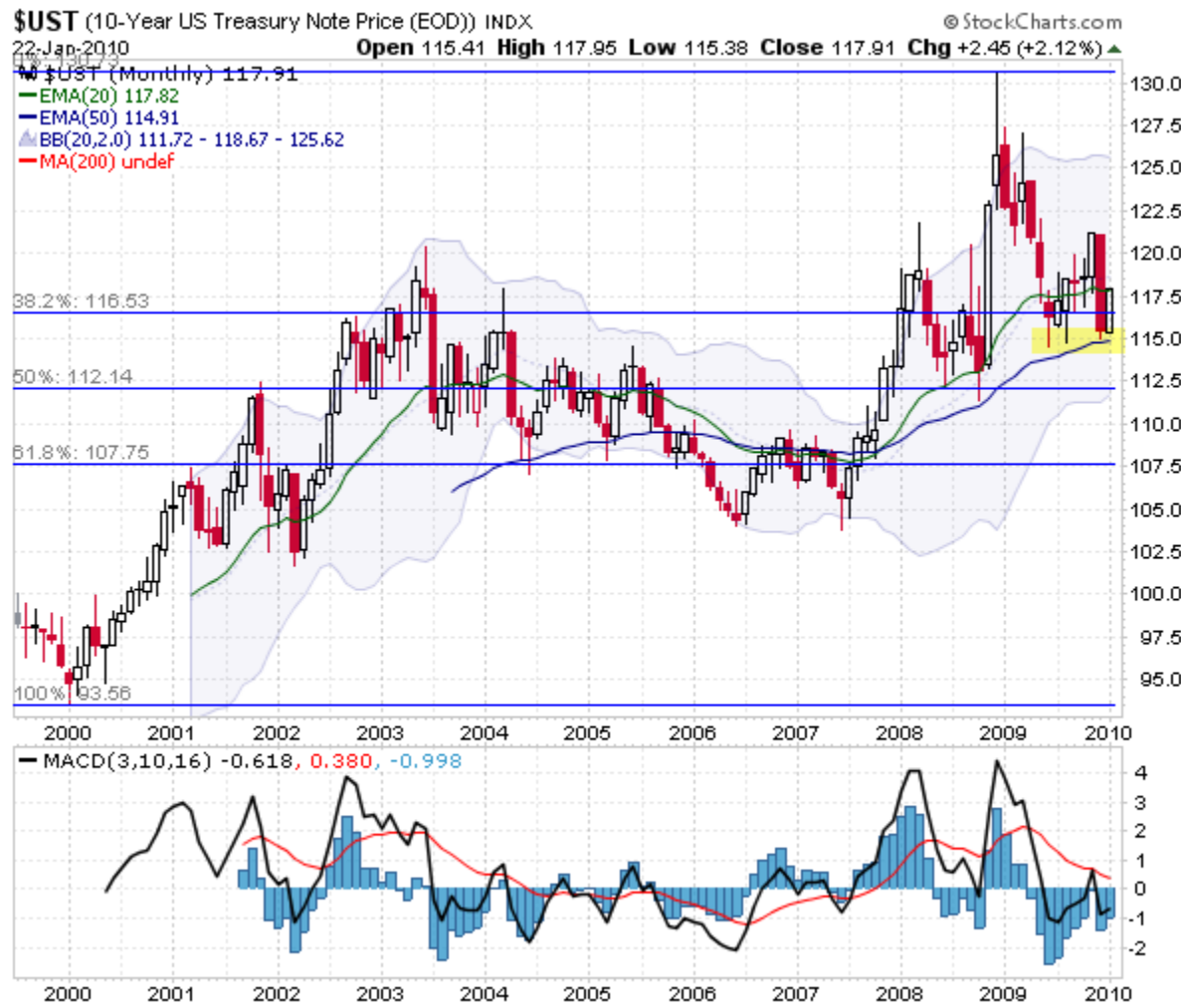
Remember, a DECLINING Dollar (Index) is BULLISH for Stocks and Commodities and is BEARISH for Bond Prices

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.

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

## Monthly



As is generally expected, treasuries are moving up as the markets move down - such is their expected inverse relationship, particularly in times of economic uncertainty.

In terms of monthly levels to watch, I think right now shows a good example of how moving averages can provide key levels to monitor for positioning/guidance.

I've mentioned how we could bounce off the \$115.00 support line (which is the 50 month EMA) and that's what has happened this month. Now, we are testing the underside of the 20 month EMA at \$117.82 - so this could be a key resistance level, particularly as it intersects with lower timeframe confluences.

A break above \$118.00 is a bullish sign of strength, and we would expect treasuries to continue rising if stocks continue selling off. Otherwise, this could be a resistance level here.

## Weekly



I mentioned \$118 on the monthly frame, and it is also critical resistance on the weekly frame, being the convergence of the 20 and 50 week EMAs (see values at upper left of chart).

As such, we would expect these levels to hold as resistance for the time being, but again watch for any move that breaks above \$118.50, which would clue us in that odds favored a continuation swing to test the \$120 level.

Also, \$117.55 is the 50% Fibonacci Line as shown above (adding to a potential confluence of resistance).

## Daily



Price broke above the 20 and 50 EMAs on the daily chart, and the next level to watch is the 200 day SMA at \$118.31 - again, another convergence at the \$118.00 level.

That's why a break above \$118.50 would be significant, and clue us in that we were likely to test the underside of the trendline shown above (near \$120).

Otherwise, we could see a down move ahead as price could be forming a bear flag... which would be triggered/confirmed with a break under \$117.

Watch treasuries closely this week.

# US S&P 500 (\$SPX)

## Monthly



We are seeing price give a powerful monthly sell-signal, as price has formed a lengthy negative volume divergence as price tested the underside of the 50 month EMA at 1,150, and for now (this candle is not complete yet) this is a shooting star bearish reversal candle, and with further downside this week, it will become a bearish engulfing candle. Notice we had a similar bearish reversal candle in October at the 20 month EMA that failed (price broke above this level). This is a testament to the strength of the buyers (whoever they may be), so it still might be a good idea to play a conservative strategy here (waiting for price to shatter downwards through the 1,050 and 1,000 level) before getting short unless you are playing an aggressive reversal strategy. Otherwise, this is currently an expected pullback against a strong up move.

## Weekly



The weekly frame highlights the negative momentum and volume divergence - non-confirmations of the rally.

Price is falling, but is not in free-fall mode (yet), because there are plenty of levels of support underneath, including the 1,065 20 month EMA, 1,080 20 week EMA, 1,040 50 week EMA, and 1,014 38.2% Fibonacci retracement line.

Any move under 1,000 tips the odds squarely to favor a 'collapse' position to expect price to fall back to the 850 level, but until then, this is just a pullback amidst a (weakening) up trend on the weekly chart. Thus, 1,000 is the "Line in the Sand" between determine if this is "just a simple pullback/retracement" or the "start of a reversal to test 850 and perhaps 650."



Not to be an alarmist, but to adhere to a technical purism unbiased approach, I had to repost this potential Elliott Wave Count which has been one of the dominant counts since the rally began in March 2009. A major count placed the recent rally as part of a primary Wave 4 which would be expected to give way to a final primary wave 5, and if so, then this is a logical place to begin the final 5th wave, particularly as price seems that price has formed a lengthy bearish rising price wedge.

Again, we would need lower support levels mentioned above (particularly 1,000) to be broken before we increase confidence in this count, but it long has since remained a possibility to be monitored.

If this count is correct, then over the next year, we would expect a move back to the 700/650 level at a minimum in a 5-wave decline.

This bias would solidly be disconfirmed with a move above 1,250 (wave 4 cannot enter the price territory of wave 1), and in that case, we would shift the count to favor that the primary 3 was actually the primary 5th wave, and that we are currently seeing a primary wave 1... but I find that count very difficult to believe at the current moment.

## Daily:



The last three days have been met with two solid trend days down in the market, as buyers seem to be scrambling to take (lock-in) profits while shorts (bears) seem to be willing to enter new positions, pushing the market lower.

I take a technical purism approach in these reports, but you also need to read the articles which explain the likely reason for this move, including the Administration's shift to a Populist agenda which cuts against Wall Street interests, and uncertainty in how this will be implemented has sent investors to the exits as they anticipate bank/financial profits will be reduced in the future.

That being said, watch 1,080 as the next level of expected support, and if price falls under 1,080 this week, then you can trade to target a move to the 1,020/1,040 support. Under this, we have the 1,000 level as mentioned above, and any move under 1,000 targets the June lows near 880. If this is to be THE decline, then this would be a logical place to expect it to begin, as price failed to overcome the critical 1,150 level.



This is a 'zoomed in' 120min chart, showing the 3/10 oscillator, a 5-wave Elliott Fractal, and the recent intraday action in the @ES futures contract, which is currently testing lower support on a potential complete 5-wave internal fractal move.

Cutting to the chase, we would expect some sort of bounce/rally immediately at this level, starting on Monday, but if buyers cannot stop the selling pressure at this level, then it would be a major signal that odds have shifted to favor much lower prices ahead.

Price is not expected to fall straight down, but to push up and down in swings - traders can take advantage of these swings while longer-term investors would be interested in a price break under key support areas mentioned above to call for strategic repositioning as odds shift to favor more downside action.



A quick comment on this week's CoT data.

Data are published on Tuesdays, so the current information does not take into account the recent sell-off beginning Wednesday - Friday.

As such, there was little change from last week's report - Large Speculators remain long 49,000 contracts; hedgers/commercials (less important in determining sentiment) remain long 32,000; while the retail/small speculators (who are often wrong about the future of the market) are net short 81,000 contracts.

This may have shifted dramatically after Tuesday's Massachusetts Senate race and President Obama's announcement, so keep in mind there is a delay in what you see in the CoT data and what may have happened as a result this week.

You can follow this data as it is updated - though not in chart form - at:

<http://www.cftc.gov/marketreports/commitmentsoftraders/index.htm>

# Gold

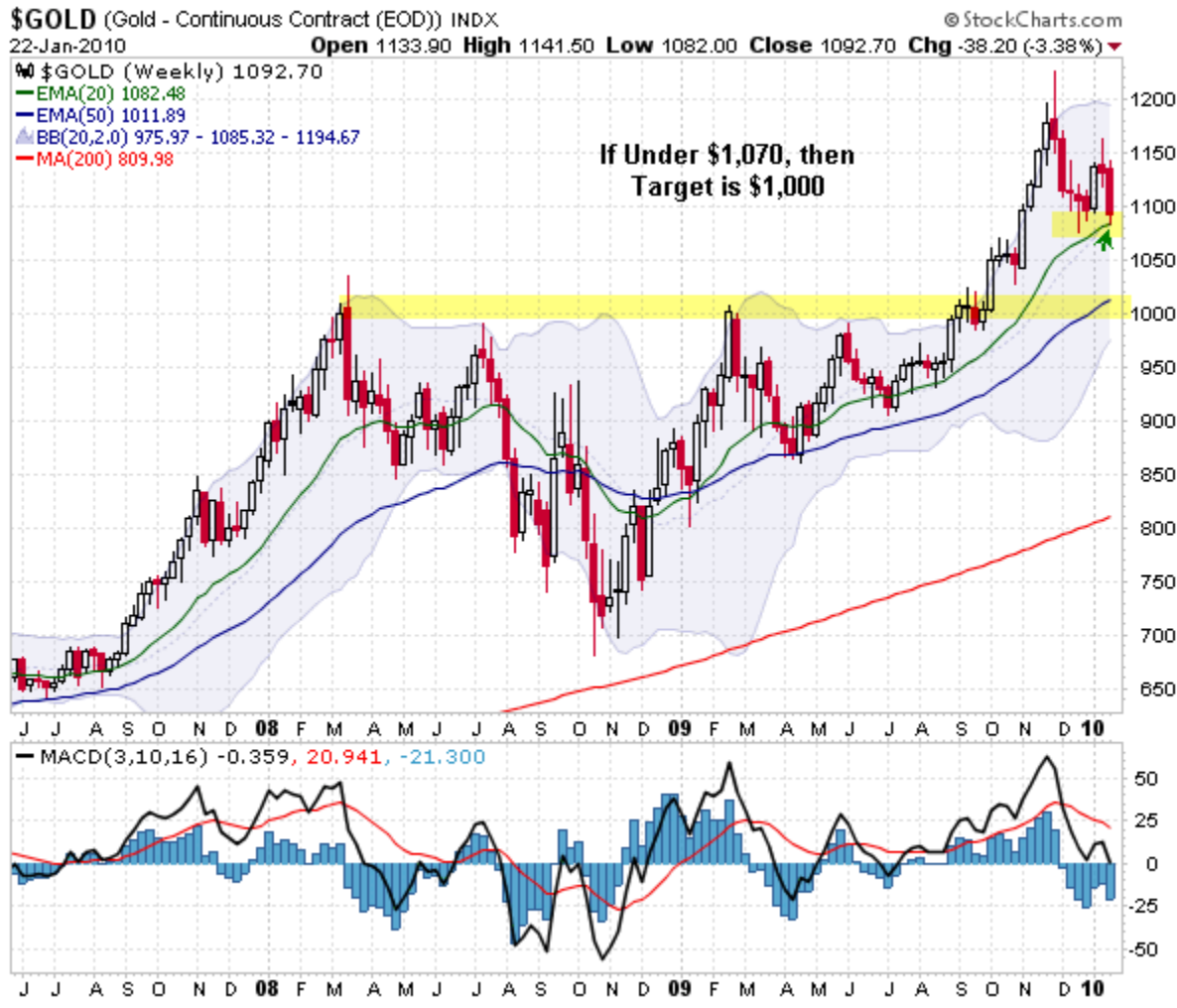
## Monthly



Gold appears to be following the expected script I've been highlighting, which is a move down to the 20 EMA as has been the case the prior to times (2006 and 2008... it's 2010 now) price has ejected strongly and formed an upper shadow outside the upper Bollinger Band.

We have no evidence gold is going to collapse or destroy the strong uptrend, but that odds favor a typical pullback/retracement/profit taking that should take price at least back to \$1,000 to test a key support level.

## Weekly

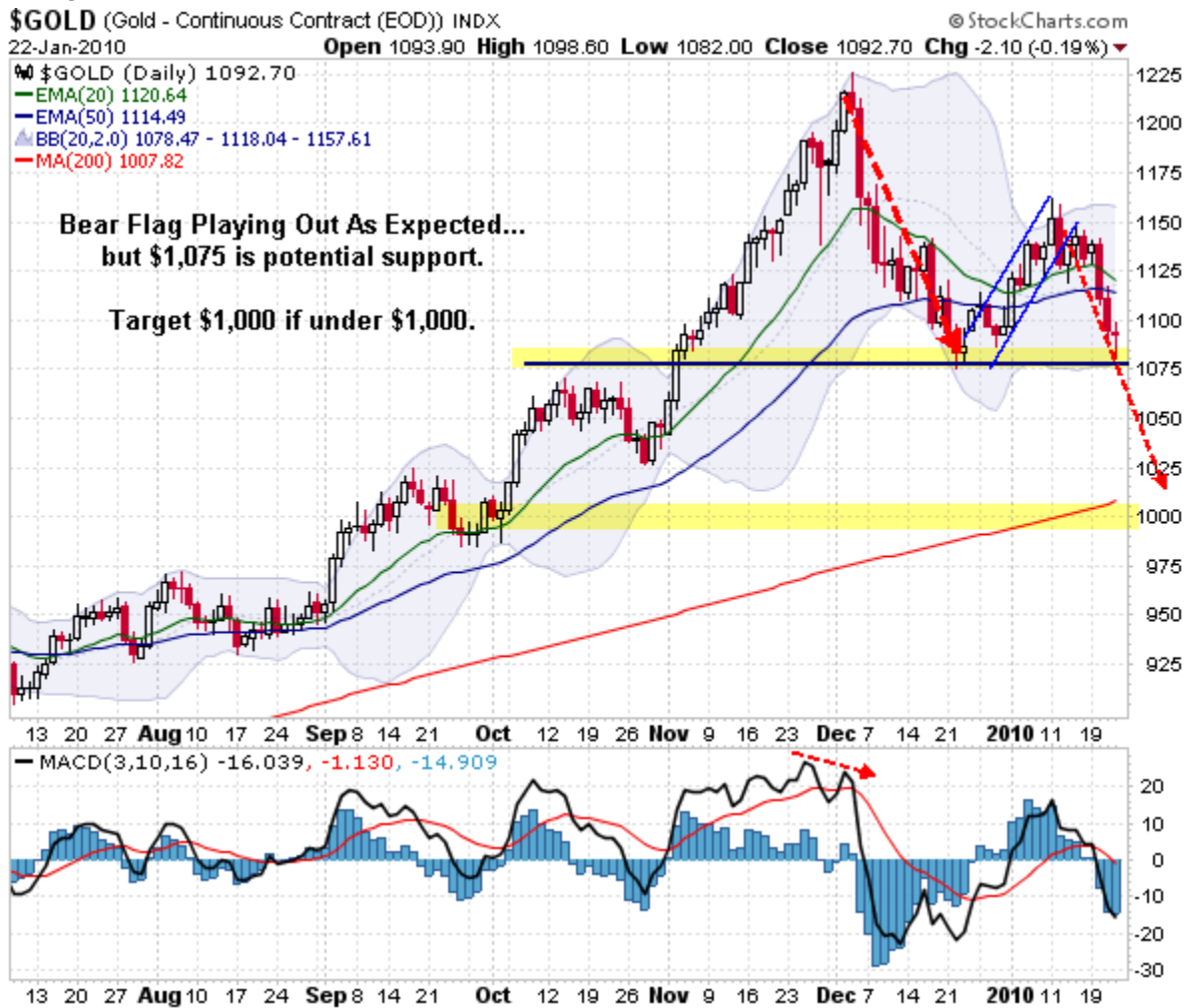


A major level that could hold as support includes the 20 week EMA at \$1,082, which is where price is currently.

We saw a bounce up off this level as expected in December, and now we have returned to that level - it could hold as support, but if price cracks under \$1,080, then odds would strongly favor the next swing taking price back to \$1,000.

Remember that gold is in a potential bear flag set-up as seen on the daily chart.

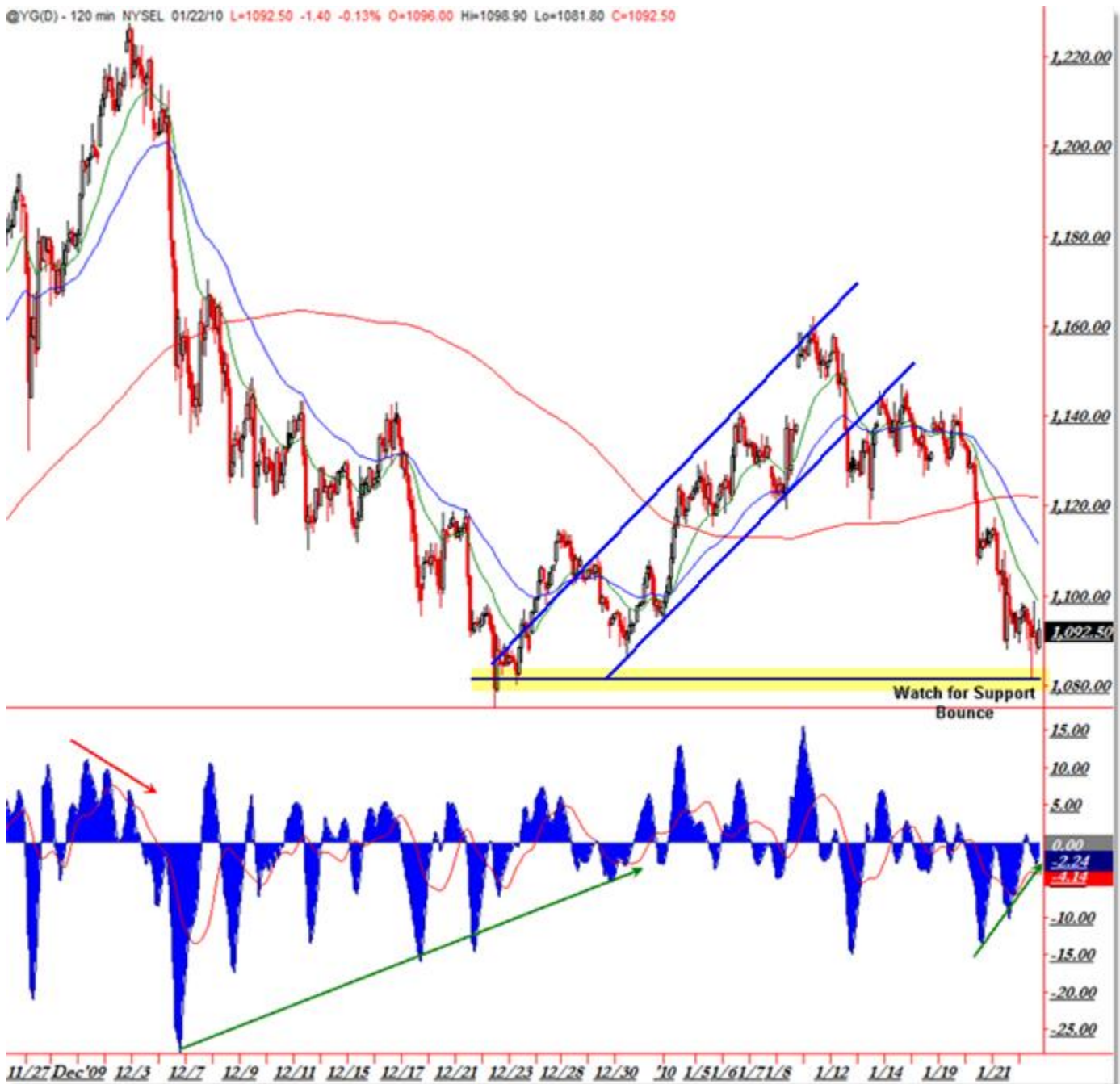
## Daily



Last week, I highlighted the bear flag formation in gold and the trade triggered nicely, resulting in a move back quickly to the \$1,075 level as expected.

Now that we're here at \$1,075, the potential exists to see a bounce/rally, so be aware of that especially if you trade gold or gold ETFs intraday. Friday formed a doji in gold at this critical support level, so we would need price to fall under \$1,075 to have confidence in the bull flag target of the \$1,000 level (or \$1,020) so if you decide to take (at least) partial profits here (if short), then look to put on a position to target the lower support levels in the event \$1,075 is taken out.

Otherwise, watch the market early next week for signs of strength.



Here is another reason why we might expect a short-term bounce.

Price has formed a swing down to the \$1,080 (futures) level which is prior support and has formed a positive momentum divergence - reasons to expect an immediate bounce.

Again, if buyers can not parlay this divergence at support (with a doji on the daily chart) into at least a retracement near \$1,120, then it would clue us in that odds strongly favored a down-swing to the \$1,000 level.

# WTI Crude Oil (\$WTIC)

## Monthly



If the current candle holds (with a close lower on Friday), then it would be a bearish engulfing style candle that produced a "finger trade" or "rinse and wash" (aka "vicious bear trap") above the critical \$81/\$82 level. These can trigger powerful sell-offs as the new buyers are trapped and a vacuum is created to the downside.

However, like the S&P 500, there are critical support levels under price so rampant bearishness on oil is early for now.

The 20 and 50 month EMAs reside at the \$72 area, as do moving averages on the weekly chart.

\$70 is the line in the sand (like the 1,000 SP500 level), and any move under there targets lower support... potentially as far as \$40.

Otherwise, any move back above \$83 invalidates the bearish (favored) case on oil.

## Weekly



The weekly chart also shows critical support levels underneath for oil, and a break of \$70 should trigger a flood of sell orders that would likely push price to the \$60 level at a minimum.

We see a lengthy negative momentum divergence that has served as a non-confirmation of the recent corrective rally.

Still, the 20 week EMA rests at \$72.00, and price is currently testing a rising trendline, which is seen better on the daily frame.

## Daily



We see the dominant rising blue trendline that started with the July 2009 lows, which ends currently at the \$75 level.

A horizontal trendline connecting price highs also ends just under \$75 (\$74 to be exact), so we could very well see a bounce short-term off this critical support level.

Just like the S&P and Gold, if buyers cannot force price higher here, then odds would strongly favor a move back to \$70 at a minimum, and if price is under \$70, then we look only to prior price support lows (which are often weaker than trendlines or moving averages) for potential bounces.

A negative momentum divergence formed on the recent push to new highs.



A potential Elliott Wave count shows a fractal move ending us at the 3rd wave, so we could expect a 4th wave rally here, particularly as momentum has formed a quick positive divergence at the prior support level of \$74 (congestion range in mid-December).

It still looks like price wants to test \$70, but watch for any type of bounce here.

Otherwise, study this chart to see how divergences have forecasted price reversals recently.

# US Dollar Index (\$USD)

## Monthly



The \$79 level is multi-timeframe resistance, starting with the 20 month EMA (\$79.17).

If we are above \$79.20, then the next monthly resistance level to watch is the 50 EMA at \$81.75.

The lower frames clue us in to more information.

## Weekly



Keeping with the confluence theme, the 50 week EMA is \$78.59, which is where price found resistance this week as expected. The upper Bollinger Band rests at \$78.46, but any break above these \$78.50 levels should complete the bull flag on the Dollar into the \$80.50 target.

The Dollar broke strongly higher this week as the bull flag I mentioned in the last week's report officially triggered, setting the upper target as the likely play if this overhead resistance can be cleared.

## Daily



The daily upper Bollinger rests at \$78.55 while the 200 day SMA - at which price found resistance with a shooting star candle Friday - rests at \$78.70. I've drawn the pathway and target again for the expected bull flag (\$80.50), but price has key resistance to clear. Any move next week above \$78.50 and especially \$79.00 triggers a high probability move to the \$80.50 target.

Otherwise, if crude and gold firm (retrace/bounce higher), then we would expect this resistance level to hold short-term in the Dollar with a correction back to \$77.50.

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