



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes: Bonds remains in a trading range with \$119 and \$120.50 being key levels to watch short-term to the upside and \$114.50 being the key support level to watch on the downside.

S&P 500: The S&P 500 remains at a critical resistance level at 1,111 - though due to the bearishness, any break above 1,111 should lead to a "Popped Stops" rally higher that could target 1,150. Otherwise, watch for a tradeable short-sale bias here.

Gold: Gold is in an almost identical structure to the S&P 500, also at critical resistance with a break above \$1,125 leading to a play to test \$1,160 and then perhaps \$1,220. Otherwise, watch for a downside swing to form as resistance holds.

Crude Oil: Crude Oil is interesting here - having broken one bearish trendline into another one - so watch for any strength above \$81.00 to send prices higher to \$84... but otherwise watch oil too for any signs of a downward swing. With Gold, Oil, and the S&P 500 forming similar structures, all should resolve in the same direction.

US Dollar Index: It's very rare to have Gold, Oil, the S&P 500, AND the Dollar Index all forming potential bearish structures, and we assume that at least one market is going to have to break resistance. If the dollar overcomes its key resistance and negative divergences at \$81.00, then Gold, the S&P 500, and Oil will likely fall. However, if the Dollar falls from its resistance level, then Gold, Oil, and the S&P 500 will break above their resistance levels. The next week and through March should give us solid clues about what to expect as these key levels are broken... or hold.

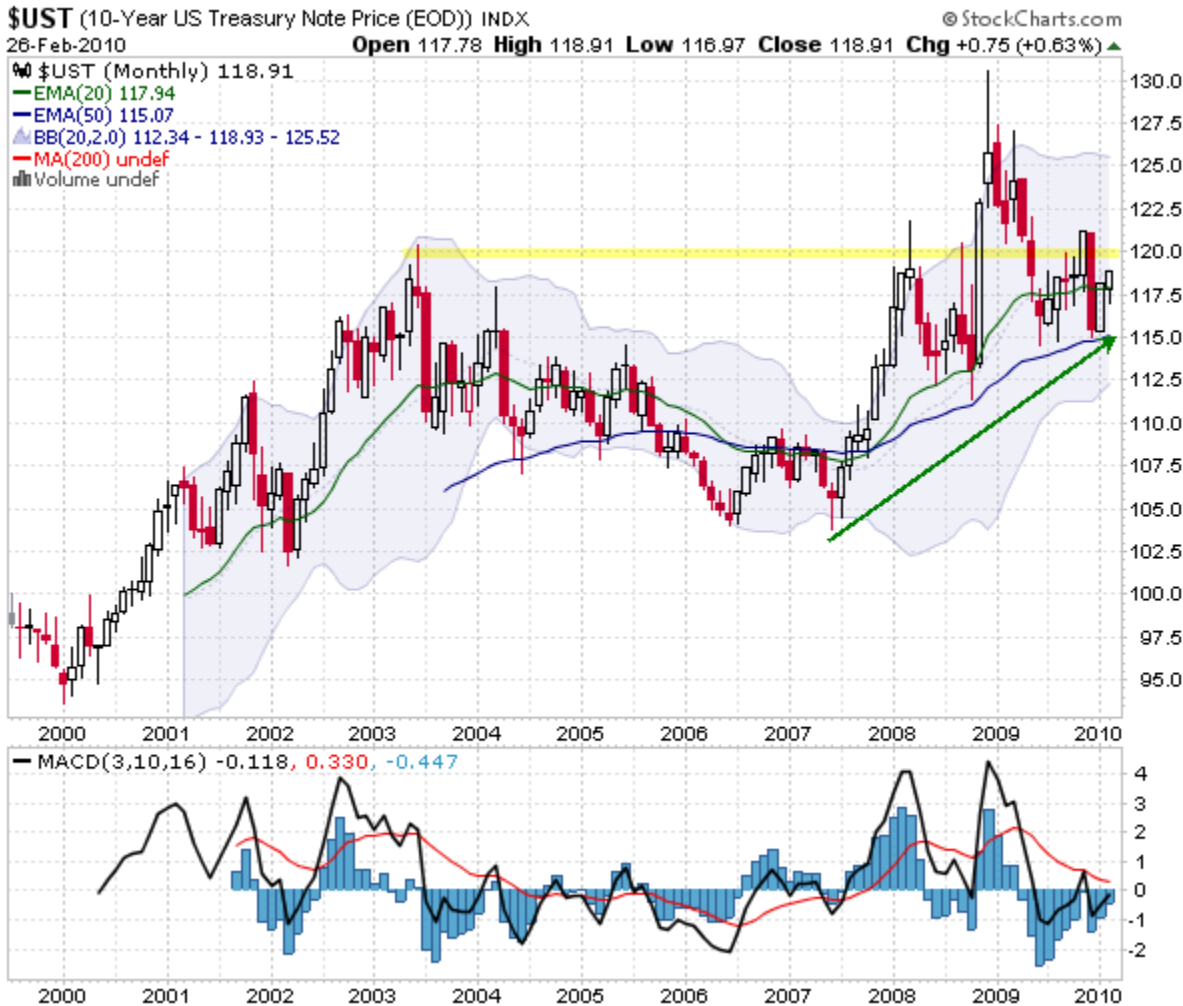
Remember, a DECLINING Dollar (Index) is BULLISH for Stocks and Commodities and is BEARISH for Bond Prices

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



Remember, today marks the end of February, making all monthly charts seen in this report the "final" candle/bar, and subsequently the percentage/price return 'official' for the month of February.

As such, bonds/notes continued their rise as stocks declined (then recovered) in February. The monthly chart reveals bond/note prices as remaining in a confirmed up-trend with price above the 20 and 50 month EMAs, though the key level to watch going forward will be \$120.00. Should stocks sell-off, we would expect a breaking above this level to test \$122 and perhaps beyond, though lower timeframe charts reveal a level of resistance at \$119 - and a trading range environment - as the immediate condition now, so the best play is to wait for a break outside the ranges mentioned below.

Weekly



The Weekly chart shows the trading ranges best, in that the \$120.50 area marks the upper price and Fibonacci Boundary, while \$114.50 marks the lower price and Fibonacci Boundary. Until price breaks bullishly above \$120/\$121 (which would likely correspond with a sharp sell-off in stocks) or bearishly under \$114.50 (which would correspond with a rally higher for stocks), then odds favor that price will remain 'trapped' within the above range.

Daily



There's a tiny upper resistance boundary at \$119.00 that could form a double-top and set-up a downside swing trade for those so inclined here. Watch for any weakness at \$119 which would correspond with a bullish break above resistance in the S&P 500 to offer a swing trading opportunity to target \$117.

Otherwise, because price is in a trading range, this environment is best suited to swing traders instead of position traders for now.

US S&P 500 (\$SPX)

Monthly



The Boundaries are very clear between bull and bear on the Monthly S&P 500 chart, given that 1,150 is the 50 month EMA (and 2010 price high) and 1,035 is the 200 month SMA, and just above the 1,045 2010 swing low. While odds and consensus seem to favor downside action ahead, it is also possible here that price could break the daily resistance at 1,111 which could lead to a sudden "short-squeeze" to 1,150. However, the monthly chart is showing the key boundaries to watch in the month of March - very bullish with a break above 1,150; very bearish with a break under 1,000 - both of which would clear 'open air' for price to move. Until then, monitor your positions carefully while we are between these areas.

Weekly



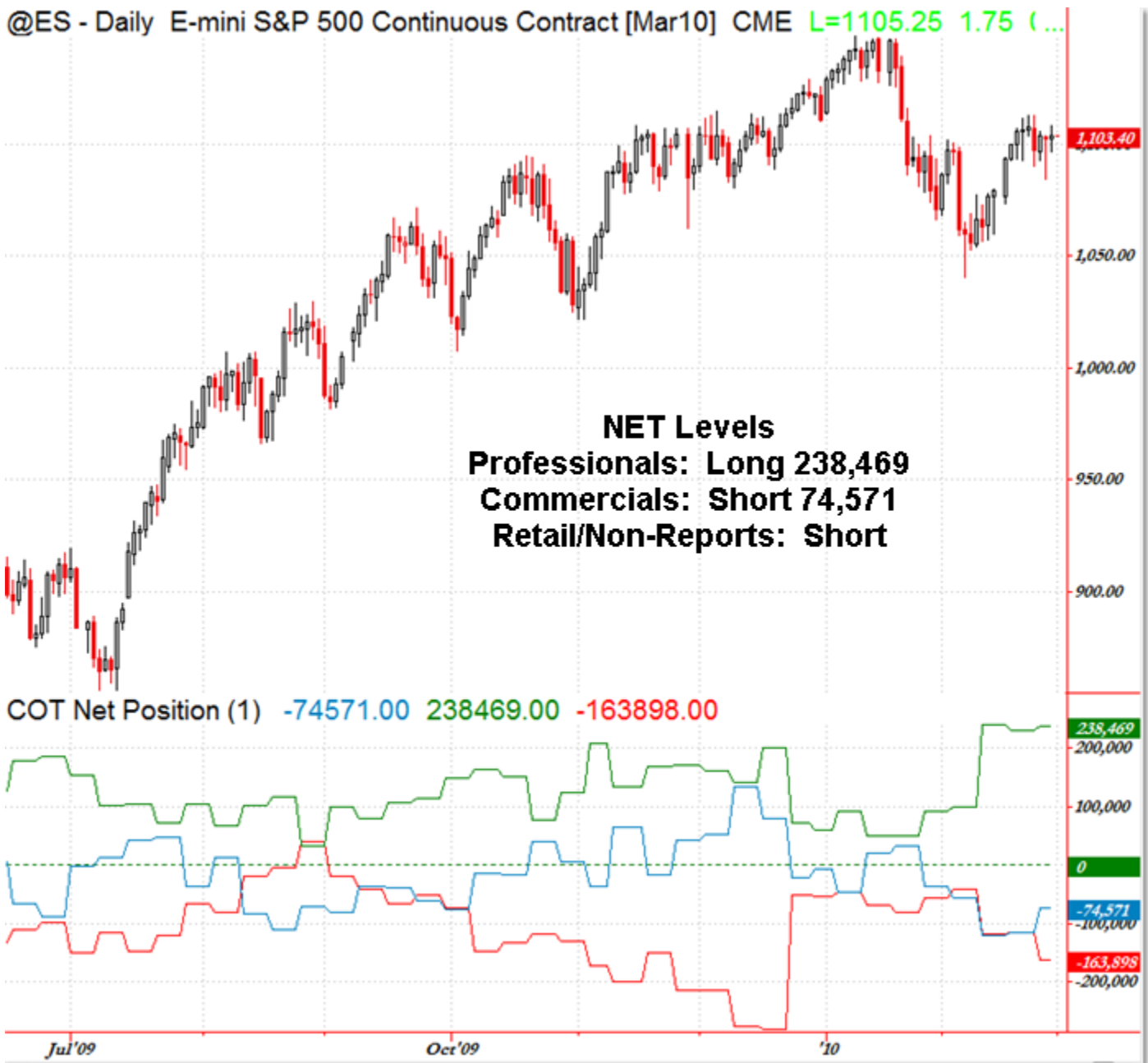
The generally-accepted Elliott Wave count remains unchanged, and will be the dominant count as long as price remains under 1,250, at which point it would officially be voided. The count would be confirmed with a break under 1,000. Until then, we're seeing a classic negative volume and momentum divergence - both of which are bearish non-confirmations which hint at lower prices yet to come with a resolution of these divergences.

That being said, watch 1,050 for a target and support, as it is the 50 week EMA. A break under 1,050 targets 1,000 immediately, and a break of 1,000 would be a devastatingly ominous sign for the market, setting up a target of 850 and then a potential return to the 700 level... but we're NOT there yet so it's best to take it week by week and prevent yourself from being deeply biased either bullishly or bearishly. The unprecedented Government Stimulus is in effect 'negating' some of the expected downside action that would occur were the Federal Reserve not "flooding" the markets/economy with liquidity.

Daily:



The daily chart shows key resistance - both from the 61.8% Fibonacci Retracement (1,109), prior February price high (1,112), and downward sloping trendline connecting the 1,150 to 1,112 (not shown for clarity). As such, odds very strongly favor a downside resolution of this confluence of resistance, but if buyers can break through resistance, then we would almost certainly see yet another classic "Popped Stops" rally (reference early September, October, November 2009 and mid-February 2010) which could in effect carry price - through a short-squeeze - back to 1,150. That's why we can't just walk up and short here. Any move under 1,080 is a confirmed sell-signal that should lead to price follow-through to test 1,040 at a minimum for the next move.



We're seeing similar strength in the CoT Data (really the only indicator other than the positive moving averages and the trend) that called for bullish strength ahead - it's showing similar bullish readings, in that professionals (large speculators) remain net long 238,500 @ES contracts while the retail/public/small speculators remain net short 164,000 @ES contracts. This indicator is interpreted as "Go with the Green (pros) and Fade Against the Red (small retail). If this remains true, then - according to the data - we should expect higher stock market prices yet to come, despite what the charts say. It's always best when everything aligns properly, but that is not the case currently.



120-min chart shows key levels to watch on a 'zoomed-in' basis.

We're underneath a key rising trendline, so odds favor we'll stay under it, but a rally back above 1,111 disconfirms this and would likely set-up a short-squeeze, hitting the "pocket" of stops above 1,111.

Gold

Monthly



Gold rose 3.3% in February, along with Stocks (SP500) which rose 2.85%. The positive correlation remains.

Gold formed an isolated Bullish Engulfing sort of candle in February, which is a bullish sign, but we'll have to keep watching this on the lower frames for additional information.

Gold prices still have a potential 'retracement' target of \$1,000, which is a key magnet area, which would likely be met if stocks sell-off from here. However, should stocks break above key resistance, then so would gold in an almost identical fashion.

Weekly



The S&P 500 has a similar structure and descending trendline (see daily chart), so my expectation is that what happens to one will happen immediately to the other - in that if stocks hold resistance, then so will gold hold its resistance at \$1,125. However, if stocks sell-off, then gold will likely sell-off and achieve its target of \$1,000.

Otherwise, watch price as it could bounce off the key \$1,100 level... but if gold is under \$1,100, then the next target for support is the prior swing low near \$1,050, and beneath that is the ultimate \$1,000 target.

Daily



Again, the trendline is best shown here in the daily chart, as are the possible pathways for the future (which create trades).

It's worth noting - from an unbiased perspective - that we could be seeing the workings of a Bull Flag, but I'd need to see price above \$1,150 to believe that. Price above \$1,150 and especially (little doubt) beyond \$1,225 sets up a target near \$1,300 over the next few months... but again we're not there yet.

The boundaries are clear for the next move in price - above \$1,150 targets \$1,225. Beneath \$1,110 targets \$1,050; beneath \$1,050 targets \$1,000.

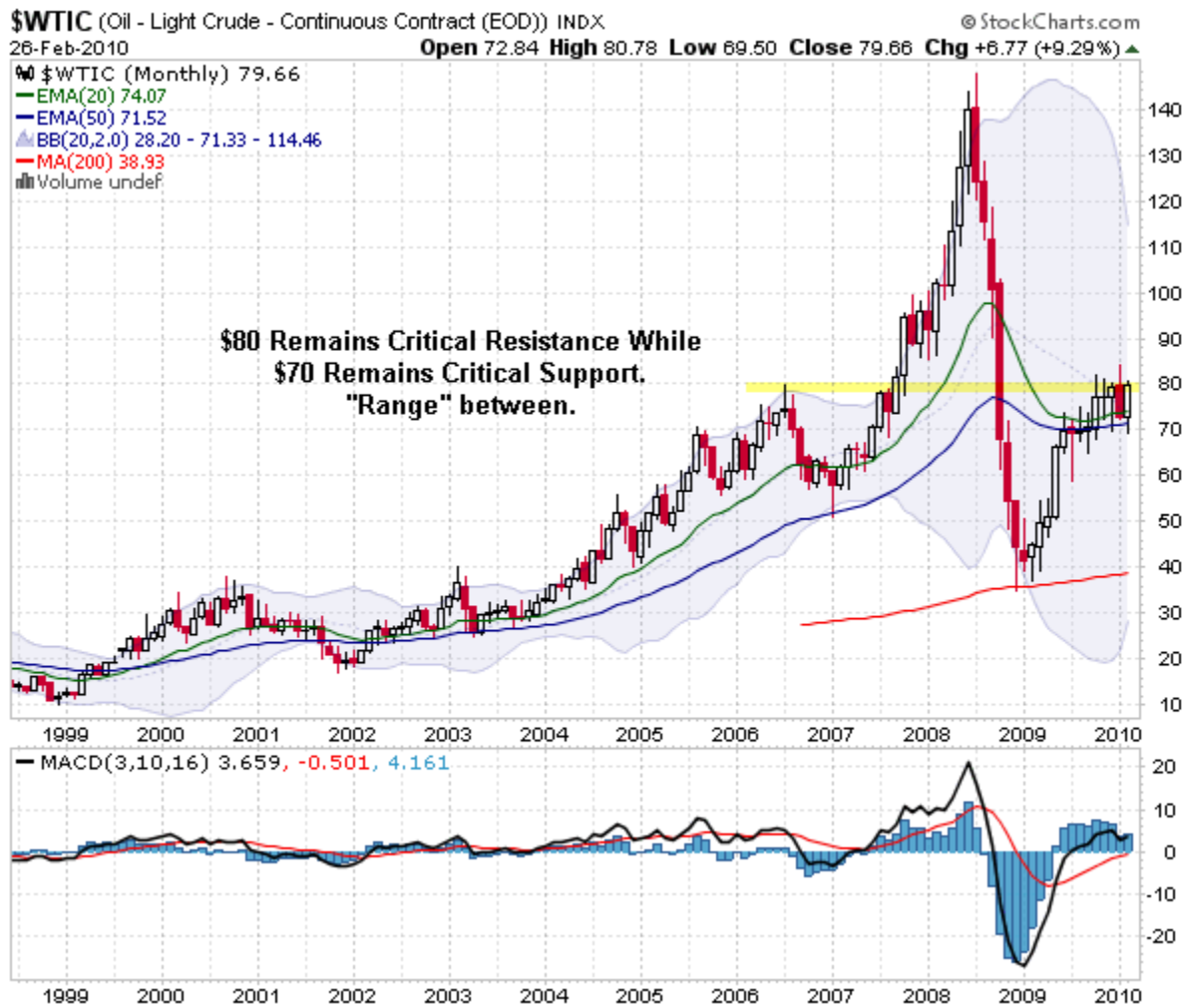


Interestingly enough, the main trendline (lower) has been broken in a bullish break, though the upper trendline has not. If we see a move above \$1,140, then we would be seeing the birth of a potential reversal and breakout trade to the upside to target \$1,060 then \$1,220.

Otherwise, the resistance level remains \$1,030/\$1,040.

WTI Crude Oil (\$WTIC)

Monthly



Crude Oil was the big winner in February, rising over 9% or \$6.77.

However, oil is still 'trapped' in a similar trading range, with the boundaries being \$70 and \$80... in fact, the month of February saw both boundaries both tested and re-confirmed.

Price is building energy to make the next major push - the chart is hinting that it could be a down move - but oil is tied to gold and stocks. Should Gold and the S&P 500 break their key resistance levels, we would expect crude oil to do the same and vice versa (which would correspond with a sharp sell-off in the Dollar and Bonds).

Weekly



There are two conflicting patterns as seen above. First, we see a bullish ascending triangle (which is not required to resolve to the upside - in truth, it's a consolidation/compression pattern). Contrast this with the lengthy negative 3/10 Momentum divergence with price and we see a collision of major indicators. In addition, the short-term trend is 'flat/range,' while the intermediate trend is up. This is clearly a market in transition, building value around the \$75 price with 'overbought' at \$80 and 'oversold' at \$70, so any move above \$80 should lead to a move to \$92 or beyond, just as a move under \$70 should lead to a retest of \$60. Until then, oil remains trapped in a consolidation range as best seen on the daily chart.

Daily



Oil is a mass of trendlines as seen above, including these intermediate term lines, one of which exists at \$81, another at \$74 (and \$70 - not drawn), and the rising trendline ends at \$77 along with the daily moving averages (moving averages are of less value in a trading range).

Due to the compression, it's best to wait for a break before putting on a trade, unless you are in one now. The edge often comes from the range expansion out of a breakout pattern, instead of trying to be a hero and guess which direction price will break (that's because if you don't take a stop quickly and get caught on the wrong side of a range expansion move, then your losses can be larger than you expected).

@CL(D) - 240 min NYMEX 02/26/10 L=79.61 -0.05 -0.06% O=79.66 Hi=79.66 Lo=79.66 C=79.66



Crude Oil broke a key rising trendline on a negative momentum divergence, so the expectation is thus for lower prices yet to come, particularly as price did so at the \$80 resistance level.

Again, due to the bearish expectations for crude oil, odds favor a downside move, but if buyers can drive price higher - corresponding with a resistance break on the S&P 500 and Gold - then we would see a potentially large "short-covering" or "short-squeeze" rally in all markets, driving oil back to \$84.00 potentially in a matter of days.

US Dollar Index (\$USD)

Monthly



The key takeaway from the monthly Dollar Index chart is that the trend remains down officially, though that would come slightly into question (warning sign for potential reversal) on a break above \$83 (breaking above the 50 month EMA at \$81.73) and especially on any break above \$90... but we're clearly not there yet. As such, the larger structure is bearish for the time being, and monthly resistance lies at the \$82 level.

Weekly



Keeping the them of "Resistance at \$82," we see a confluence Fibonacci Grid overlapping at the \$82.50 area. We see a tighter (closer) confluence where we are now at \$80.50, so it's very important to watch if the Dollar can Break this boundary (which would mean Stocks, Gold, and Crude Oil all held their resistance) or if the dollar falls here (which would likely mean stocks, gold, and oil would rise, breaking resistance).

Remember, the Dollar has met a price projection target at the \$80.50/\$81.00 level from the successful bull flag.

Daily



The Dollar Index appears to be forming a weakening/reversal pattern here at the \$81.00 level, as evidenced by a 'rounding' or smoothing of the trend which is being met at overhead resistance on negative divergences - all of which hint that a retracement down is likely. However, support has continued to come in via the rising 20 day EMA currently at \$80.01 so we'd need to see a break under \$80.00 to expect/confirm downside potential. Until then, we're seeing momentum weaken at a higher timeframe resistance level, so risk is increasing for a downside move.

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