

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

overcoming stock market fears *with* **Corey Rosenbloom**



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

### Summary Comments

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**Ten-Year Notes:** After falling for the last two weeks, Note prices have hit a key target at \$115, which is expected to hold at least as short-term support. Watch for a bounce off this level.

**S&P 500:** The bullish end-of-year seasonality took price in a weak position above 1,121 - the key level to watch. Continue to watch the negative internal divergences at key resistance, and be prepared for a sudden downside move here. Otherwise, trade long above 1,130 to target 1,150 and then 1,230 in a short-squeeze fashion.

**Gold:** Gold prices face a critical test with overhead resistance on the daily chart and potential support on the weekly chart. Any downside move here will target \$1,020 or \$1,000. Otherwise, watch for buyers to step back in if price can rise above \$1,120.

**Crude Oil:** Crude Oil rallied also in an 'end of year' seasonal play, and now stands at critical resistance at \$80 per barrel... with intraday charts showing a lengthy negative momentum divergence. Be short-biased here but also - like the S&P - ready to play a short-squeeze should buyers press prices above \$80.

**US Dollar Index:** The Dollar Index is showing strength, and the trend is strengthening on the daily chart but is running ahead into key resistance at the \$79 level from multiple timeframes.

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

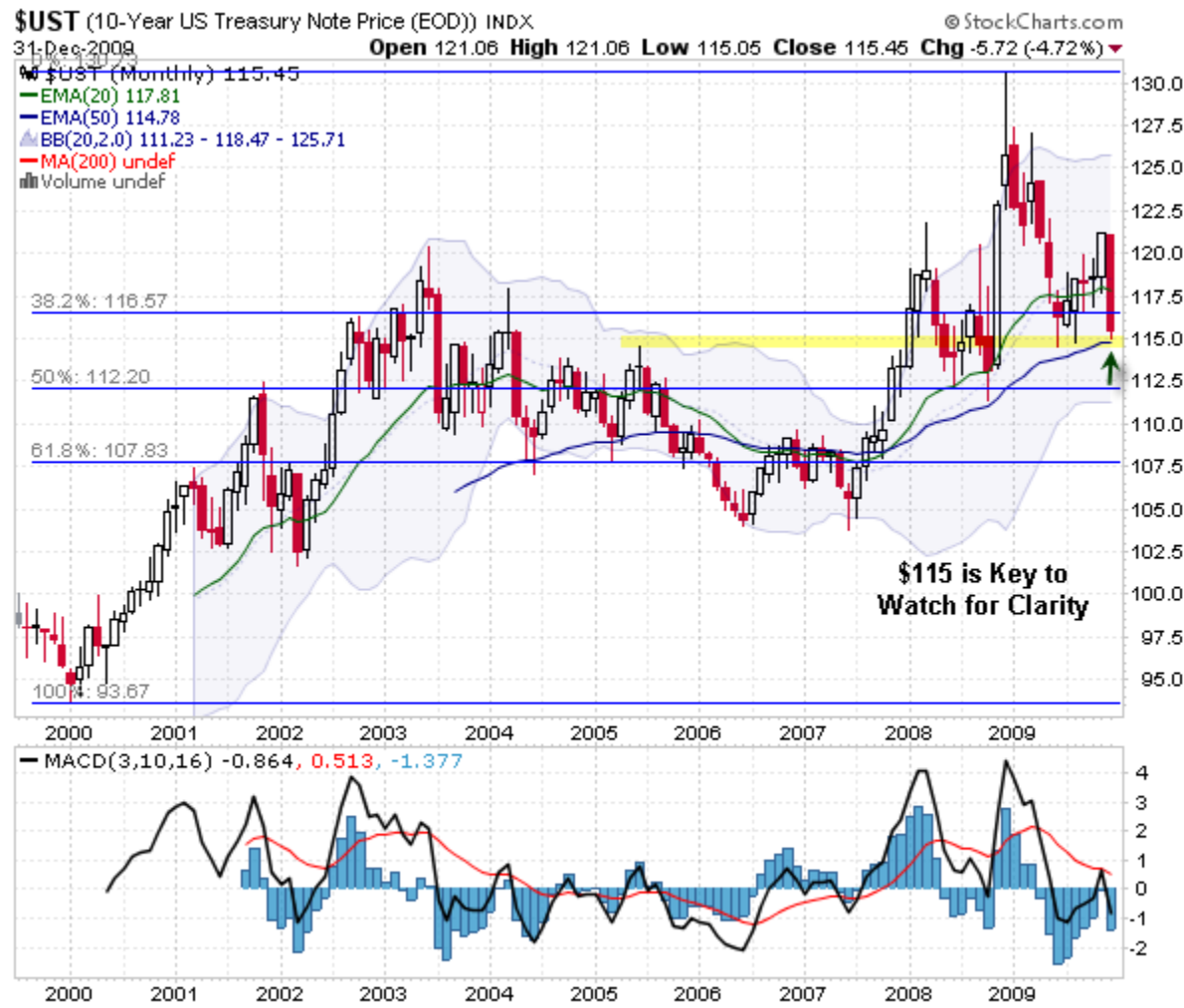
A RISING Dollar (Index) is BEARISH for Stocks and Commodities and is BULLISH for Bond Prices.

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



On the monthly frame, 10-year Treasuries rest at a critical support zone - \$115.

This reflects prior support/resistance, and more importantly, the 50 month EMA, currently at \$114.78.

One would expect a support bounce higher from here, though if sellers push prices lower, the next likely move would be down to the \$112.50 support zone (50% Fibonacci and prior price support).

The monthly chart now resembles a “Head and Shoulders” pattern, which - if true - would be very bearish for bond prices - implying a move that could eventually take price back to the \$100 level.

Keep watching monthly support and watch lower timeframes for additional clues.

## Weekly



We see a potential Elliott Count (fractal) which would be confirmed if price broke under the prior support zone at \$114.50. \$114.51 is the 61.8% Fibonacci retracement of the June 2007 low to the December 2008 high, and it also reflects prior support from mid-2008.

The expectation is for a bounce off this support zone, as the lower target has been hit with price breaking the lower trendline (see daily chart). Any move under \$114.00 is shortable with a target of \$112.50.

## Daily



The daily chart shows why it is important to monitor 'simple' trendlines such as the rising rectangle I have drawn above. Price breakouts from consolidation phases can be swift and sudden, as 10-year notes show us.

The target I've been mentioning in the event of a downside breakout was \$115 (prior support) and we're at that level. Traders can try to play a support bounce here with a stop under \$114.50, though any move under \$114.50 is shortable so be prepared.

Falling bond prices mean yields are rising, which you can see on the \$TNX Chart below.



This chart - \$TNX - reflects the 10-year Treasury Note Yield.

Yields have been unable to break above 4.0% for a 10-year note, so this level is naturally an expected resistance area. Thursday's 'shooting star' candle implies odds favor a move down perhaps to the 3.6% area at a minimum if not 3.5%.

This would imply that 10-Year Note prices would rise.

However, any breakout above the 4.0% level would imply that rates were in 'breakout' mode, which would be bearish for Note Prices.

# US S&P 500 (\$SPX)

## Monthly



A key level has now emerged on the monthly chart - 1,150 on the S&P 500 Index. This level reflects a Measured Move off the March Lows, horizontal support/resistance (as shown), and the 50 month EMA. Any move above 1,150 should lead to a price expansion play at least to 1,230 (see weekly chart).

However, price is at a grossly overextended level here, and odds seem to favor an immediate pullback before higher prices can materialize.

We turn to the weekly chart for guidance.

## Weekly



As I've been highlighting, 1,121 is the critical 'line in the sand' in terms of the 50% Fibonacci retracement of the "Bear Market." It becomes difficult to be bearish as long as price is above this level. As long as price is above 1,125, the immediate target becomes 1,150, and if price is above 1,155, then the target is 1,230.

However, price has been rising on a lengthy negative momentum and volume divergence which is a non-confirmation and is bumping up against critical resistance areas after a solid rally - price needs to pause/consolidate to 'digest' these gains, and the risk in the market is for a sudden downside move ahead.

That being said, price is in an 'intermediate term' rally phase which has hit upside targets. Any move higher will argue that the trend may be shifting bullish in the primary degree instead of just the intermediate and short-term trends - which is why the 1,125 area is so important to watch. Aggressive traders should be exiting long positions and considering shorting here with a tight stop above 1,130. Any move above 1,130 should immediately target 1,150.

## Daily:



The daily chart shows us that the short and intermediate term trends are up, while the primary trend is still (arguably) down. Price continues to make higher highs and higher lows, and the moving average orientation is clearly in the most bullish position possible - any move to short here would be an aggressive move that necessitates a tight stop. Otherwise, conservative traders will continue buying pullbacks to support until price forms a lower swing low and swing high, reversing the trend.

1,112 is the 20 day EMA, and 1,095 is the 50 day EMA - watch these areas as support. Any move under 1,080 is a strong short-sale to target 1,025 at a minimum, if not a full move back to 1,000.

As stated earlier however, any move to new highs above 1,130 will trigger the 'popped stops' of the short-sellers and would likely send price quickly higher to 1,150.

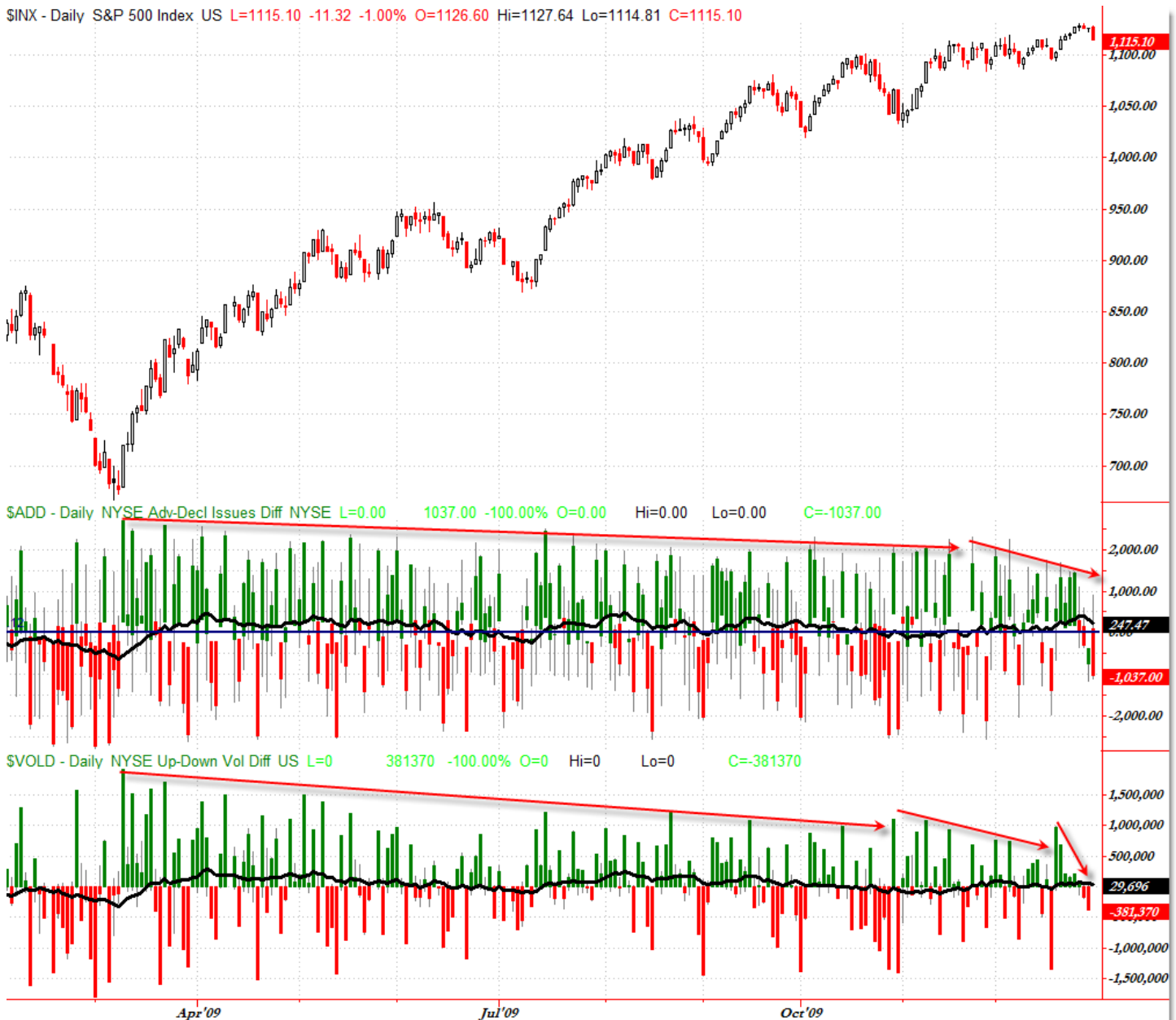


Here is an updated chart of the Commitment of Traders data (in a TradeStation indicator).

The picture remains the same - professionals (reportables) are net long 200,000 @ES futures contracts while the public (small speculators/non-reportables) are net short 281,000 contracts.

This paints a bullish picture that the “big funds” are long while the “retail public” is net short. It argues for continuation of higher prices yet to come... but remember that price cannot rise every day forever. A natural pullback seems imminent.

Otherwise, until this picture changes, it argues for higher prices to target 1,150 and even 1,200.



Market Internals - in contrast to the COT Data - are painting a bearish picture of non-confirmation.

Internals (as shown in Breadth and UpVol minus DownVol) peaked off the March lows, and have been steadily trailing lower ever since. In fact, readings above 2,000 in breadth were common off the lows of March 2009, while the recent index highs above 1,100 can barely register a move above 1,500 (in net advancers minus net decliners - NYSE). That suggests underlying weakness.

The same bearish picture rings true in VOLD - UpVol minus DownVol. This indicator has been declining (in terms of intraday peaks) since the March Low, which implies that less volume is flowing into advancing stocks.

The market Internals are in conflict with the Commitment of Traders Data so that paints a muddy picture for the moment. I would probably place more weight on the Market Internals of the broader market, as opposed to the overnight holdings of the @ES S&P mini-futures contracts (COT data).

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Here is a snapshot 'inside' the current rally to new highs in terms of Breadth and VOLD - both showing negative divergences which forecast lower prices yet to come. Remember that this is a short-term snapshot in time.

# Gold

## Monthly



Monthly gold prices remain in a powerful and strong uptrend, however the picture is calling for a downswing here that could take price back to \$1,000 at a minimum if not lower.

As I've been showing in prior reports, when price has spiked outside the upper Bollinger Band (mid-2006 and early 2008), a swift and sudden retracement down has followed. We're seeing that same pattern now, which indicates that - if history repeats - then the \$1,000 target is a likely move in the months ahead.

## Weekly



A key level to watch on the weekly chart is \$1,070 - the 20 day EMA which has so far held price support. Any move under this level certainly sets up a target of \$1,000 to play short.

Likely targets under \$1,070 include the 38.2% retracement at \$1,018 and the \$1,000 'key' level - which is prior resistance and the 50 day EMA.

Look for the daily chart to see that we need to clear overhead EMAs to get long - this immediate price here is not a spot to get long at the moment while we are under daily EMAs.

## Daily



Price has fallen sharply and broken both the 20 and 50 day EMA - at \$1,113 and \$1,106 respectively. As long as price remains under these levels, the bias is to the downside (meaning short sellers will be trading short and placing stops above these levels - particularly \$1,115/\$1,120). Any move higher will cause bulls/buyers to re-enter along with short-sellers covering, leading to an upward move.

Until this happens, the bias is still for a down-move to target \$1,020 as the next likely target.

On a separate note, a slight positive momentum divergence has formed on the recent swing to the \$1,075 lows.

# WTI Crude Oil (\$WTIC)

## Monthly



Monthly crude oil still remains unchanged, and will remain that way as long as price is under the key \$81 per barrel level. As such, \$80/\$81 is the line in the sand between expecting a move up to \$92 (trade long if above) or back to \$70 at a minimum... and if price falls under \$70, then the target becomes \$60.

## Weekly



Weekly Crude Oil prices are still struggling to break above the \$81 per barrel level - any move above this level places a short-term target of \$90/\$92 for traders in a range expansion/short-covering rally play to upper resistance.

Until this happens, the structure still favors the possibility for lower prices, as evidenced by upper resistance zones here and a negative weekly divergence (and strength in the US Dollar Index).

It's been said that Crude Oil has a bullish "end-of-year" seasonality and we have seen that this year.

Watch the daily chart for more clarity.

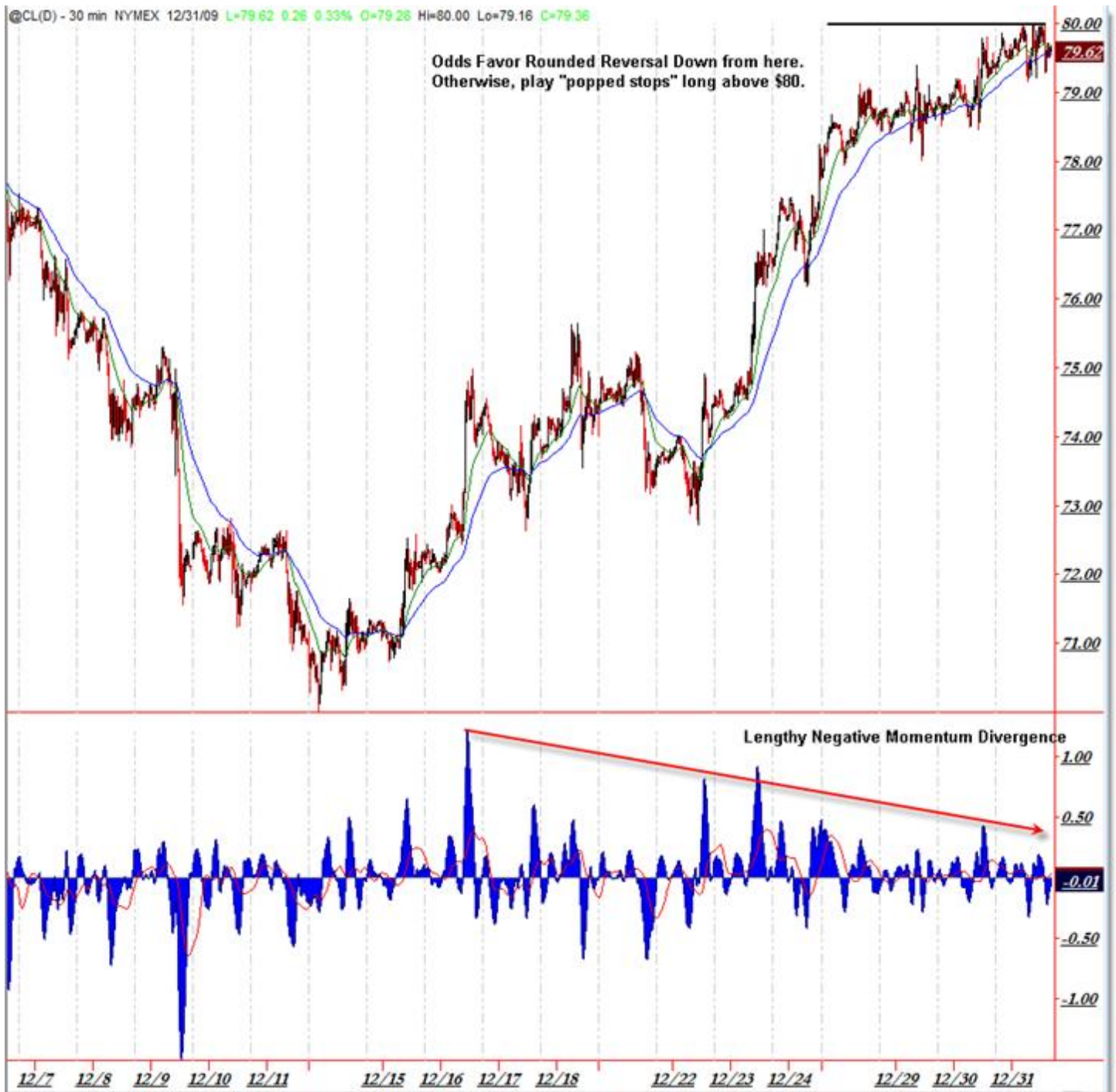
## Daily



I've drawn the dominant trendlines, starting with the upward sloping line that ends near \$72.50. There is a horizontal line just shy of \$75, which reflects the upper boundary of the Ascending Triangle pattern. And above that, we see the key \$80 per barrel level.

Price has swung higher into this critical \$80 level and appears to be forming reversal candles (dojis), which means that traders will likely be short-selling here and placing logical stops above \$80 and \$81. The expectation thus is for a move lower at least to \$75 if not a full move back to \$72, while any move above \$80 and \$81 will trigger the 'popped stops' play similar to that of the S&P 500. Also, price could break out to the upside if upper resistance is cleared, which - again - targets the \$90 level.

Until then, odds favor at least a down-move occurring first, so be prepared for that possibility.



30-minute intraday chart shows a lengthy negative momentum divergence occurring as price retests upper resistance at \$80.

# US Dollar Index (\$USD)

## Monthly



The monthly dollar Index chart shows possible overhead resistance/target at the \$79 level from the 20 month EMA.

Otherwise, we see that the long-term trend is down, but showing a potential sign of life here, especially if price can rally above \$80 and \$82 in the next few months.

Until then, the longer-term structure is down and this move higher is classified as a 'counter-trend retracement.'

## Weekly



The weekly chart also shows potential resistance/target at the \$79 level (\$78.70 to be exact - the 50 EMA). Otherwise, the upper Bollinger Band rests at \$78.71 which intersects with the \$79 level. This is a potential target and expected resistance area to watch... and if price breaks above this level in the next few weeks, it would send a strong positive signal that we could be looking at a potential trend reversal instead of a larger than normal retracement swing up.

Otherwise, watch support at the 20 week EMA at \$77.20.

Note the multi-month positive momentum divergence and complete 5-wave Elliott fractal move that ended (finally) at the \$74.50 lows.

## Daily



The Daily Dollar Index shows further support at the \$70 level from the 20 and 50 EMA, and also shows another target/resistance area at \$79. Again, any move above \$80 would be very bullish, but until then, watch the \$78.50 and \$79.00 level for overhead resistance.

We observe a new price and momentum high in December, signaling odds favoring higher prices yet to come according to the momentum principle.

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