



Weekly Inter-market Technical Report

Summary Comments

Ten-Year Notes: The big news this week was the collapse in treasury prices and a surge in yields. For the 10-year note, watch the \$115.00 level as key, as we could expect a slight bounce here... but a break under would be a breakout continuation move suggesting lower prices.

S&P 500: The S&P 500 extended its rally for a fourth week in a row, and is in 'open air' (no resistance) territory on the higher frames, suggesting a move up to 1,225. However... pay close attention to this week's CoT data chart which suggests a shift in positioning is near if the data continue into the future.

Gold: Gold rests at the \$1,100 important support level and is forming a consolidation pattern... either a short-term descending triangle or an intermediate term bull flag. Watch \$1,100 this week for expectation clues.

Crude Oil: Crude Oil appears to be continuing its 'rounded reversal' structure, hinting at downside prices ahead, yet watch the \$79.00 level as potential support... or a short-sale trigger if broken.

US Dollar Index: The Dollar rests at absolutely critical resistance currently at the \$82.00 level... and an upside break would hint at further continuation (which is bearish for crude oil and gold)... but if resistance holds, we could see a retracement down to \$80 or even \$79 which is a 'cradle' of support.

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



The big news this week of course was in the 10-Year Note breakout – which I mentioned was a possibility in last week’s report due to the consolidating triangle (which often precedes a breakout). This outcome is a great example of the range expansion/contraction principle.

For now going forward, watch \$115.00 as key support on the monthly frame, which is the rising 50 EMA on the monthly chart (\$115.11 to be exact). Always remember that yields are inverse bond prices, which means we saw a sharp spike in yields this week in a breakout move.

Prices still remain – for now – in an uptrend (price forming higher highs/lows) and price current resides above the 50 EMA – a key expected support zone here. Should price break under \$115.00, then it would be a major bearish development on the monthly frame, so keep \$115.00 in focus if trading or investing here.

Weekly



I mentioned the triangle pattern in last week's report (specifically the daily chart) but notice that the weekly chart is also forming an intermediate consolidation – which resembles a descending triangle (traditionally bearish). Once again, the key support – or line in the sand – is \$115.00 which has been tested as critical support at least four times. Also, the 61.8% Fibonacci Retracement – as drawn – rests at \$115.17.

Should price break under \$115.00 bearishly, watch for an initial test of the \$114.00 level – the 200 week simple moving average – and under \$114.00, price has a clear pathway to continue falling to \$112.00 (prior support), and if the 10-year price drops under \$112.00, it would imply a reversal and expected retest of \$106/\$108 – which would imply a surge or rise in treasury yields.

For now, price does officially remain in a consolidation pattern, and as such, it would be expected for price to 'bounce' or remain within the boundaries drawn at the \$118.00 resistance and critical \$115.00 support.

In the event that we get an unexpected bullish break above \$118.00, look for a retest of \$121. Keep in mind that an upward break in price would likely correspond with a downward move in stocks, yields, gold, and crude oil along with a potential continued rally in the dollar index.

Daily



As mentioned in last week's report, price was at the apex (convergence) of a short-term symmetrical triangle with a breakout expected – this week we got the breakout and the sell-short signal on the gap down through the lower trendline and \$118.00 level – and a continuation move resulted (stop-losses triggered for longs; short-sales entered for shorts).

For the week ahead, we could very well see a bounce or retracement off the \$115.50 level (began Friday) so trade appropriately. Bonds remain tricky, being caught in a compression range on both the short and intermediate term frames. Any move under \$115.00 would be a continuation short-sale, though again it would be likely and reasonable to see a 'bounce' back to \$116.50/\$117 in the week ahead.



This chart shows the TLT, the most popular ETF for trading/investing/swing trading bond prices. The TLT is actually the 20+ year bond fund (not exactly the 10-Year as shown in the weekly reports).

Notice the volume surge this week... though price still remains in a tight and obvious trading range between \$91.50 and \$88, so the dominant expectation is for a continuation in the range, though any break under \$88.00 is a breakout short sale and any (unexpected) break above \$92 in the weeks ahead would be a breakout buy signal.

To trade/invest in the 7 to 10 year ETF (similar to the charts I provide here), use symbol IEF.

US S&P 500 (\$SPX)

Monthly



We are still in "breakout" and "open air" mode on the monthly frame. Price has cleared both the 20 and 50 EMAs as labeled, and remains above the critical resistance level of 1,150. The market is bullish/a buy above 1,150, though look to the lower frames for nuances of the next likely swing going forward.

Pay particular attention to the confluence target (1,225) on the weekly frame, which has no resistance on the monthly chart as seen above.

Weekly



The key takeaway from this chart is that price has cleared the 1,150 level and is in 'open air' until the next critical upside target of potential resistance at 1,225 (61.8% Fibonacci Retracement + 200 week SMA).

Also, we see key support at the 1,121 (50% Fibonacci) level as it will soon intersect with the rising 20 week EMA that is currently at 1,107. As an aside, price remains at the upper weekly Bollinger... but it has done so for the past four weeks which implies market strength (notice the period from August to December 2009 showed a similar pattern with small exceptions). The monthly and weekly charts clearly show that there is "open air" (no higher timeframe resistance) to 1,225... but the lower timeframes give a potential warning.

Daily:



Price is grossly overextended, but that is not a reason that price *has* to come down - markets in positive feedback loops (where buyers drive price higher which triggers short-sellers to cover, buying, driving price higher, etc) can continue much farther than people think - the rally from February is a great example of that concept.

Notice that the largest volume spikes have been on DOWN days (sell days), and that a negative momentum divergence has set-in as price has formed upper shadow (bearish) candles - including a 'key reversal' day/bar on Thursday. That tells you that you should NOT be putting on fresh (new) long/buy positions for swing trades here - but it also tells us that only aggressive/experienced traders - for now - should try to short this strong momentum move. It would be safer to short if price breaks back under the key support at 1,150, and then broke under 1,130 as well. Any move under 1,100 would be expected to send price back to 1,050... but those are bearish assumptions. As long as price remains above the rising 20 day EMA (currently at 1,150 - which is also key support), the bias is "long/buy" or "Out/sideline".

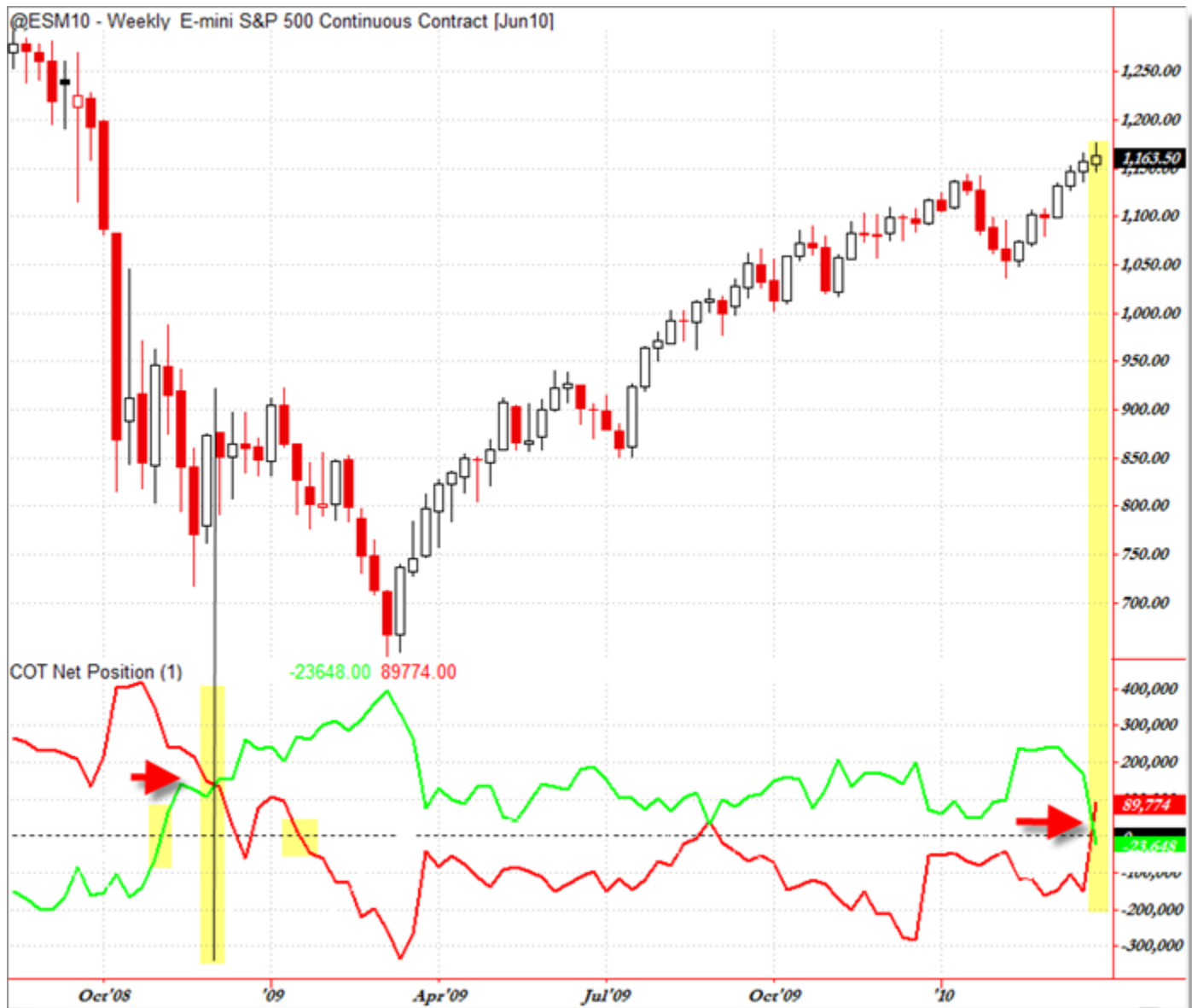
@ESM10 - Daily E-mini S&P 500 Continuous Contract [Jun10]



This is a MAJOR development, and shows why I continue to publish these CoT charts for you. For the first time since the end of 2008, we have had 'zero-line' crossover and an absolute crossover in the Professionals/Retail Numbers (I eliminated the "Commercials" or "Hedgers" - which I often show as a blue line - to clarify this development).

Interpreting the data as such, it states that Professionals/Large Speculators (green) have been selling (lightening up long/buy positions) and now have flipped this week into a net (overall) short position of 23,600 contracts. At the same time, the retail or 'small speculators' have either covered their shorts (buying) or gotten long (bought) now such that they are net long for the first time since flipping net short just prior to the market bottom.

It goes without saying that the way to interpret this data is that the "Smart Money" is now net short while the "Dumb Money" is now net long... suggesting a top could be in place.



Take a moment to study this chart which shows the CoT Data (small speculators in red; professionals/large speculators in green) and the two crossovers - one just prior to the absolute market bottom... and the other right now, suggesting a potential market top.

We've not seen any downside action yet, so do not rush out and short just because you see this chart. Keep in mind that tops and bottoms take time to form, and the last time this crossover occurred, the market bottomed 3 months later.



For those of you that follow or at least are somewhat familiar with basic Gann work, this is the dominant Square of Nine levels off the 666.79 low, with the most recent 'square' target of 1,178.

Look back at the past in regard to what has happened when price hits a Gann number – price often pulls back perhaps to the next lower line if not two lines lower and then rallies up to the overhead target.

The next support is 1,143, and under that is 1,111, while the next overhead resistance target is 1,212.

Gold

Monthly



Still no major change in gold's monthly frame, which hints that a pullback to test the 20 EMA at \$1,000 is the likely expectation, based on the prior two occurrences price has 'spiked' outside the upper Bollinger.

However, for now, gold rests at a critical support level, so it would be best to wait to see what happens at that level unless you are in a position already - we could see a support move forming... as shown below.

Weekly



Gold rests currently at the critical \$1,100 level - which is the rising 20 week EMA (bullish) and the simple 'round number' support level (\$1,100). In addition, gold may be forming a bull-flag of sorts, which would be triggered/confirmed with a break above \$1,150 (trade long above \$1,150).

Otherwise, the \$1,000 level is both a 'magnet' to test for support should any downside action form here, though notice the lower trendline and rising 50 EMA - a short-term trader's target if \$1,100 is broken again - at \$1,050.

The best clue for the next likely move in gold comes this week from the daily chart.

Daily



Depending on your interpretation, price is potentially forming a descending triangle consolidation pattern - as drawn above - or the higher bull flag (as drawn on the weekly chart). Either way, price remains in a consolidation channel with clear boundaries drawn at the \$1,120 level and especially at \$1,080.

In the event that price does break under \$1,080 this week, expect a sudden move lower (tradable) to test the \$1,050 level, and should \$1,050 fail (it's the spike low from February and the rising 200 day SMA), then expect the full retest to \$1,000 as the monthly and even weekly chart implies.



These represent short-term and intermediate term Fibonacci grids on gold – which helps explain the recent trading range as shown in the upper chart. The key takeaway here is that there is a dual overlap at \$1,045 (as drawn) and triple overlap at \$1,080. The darker blue line is the dominant grid while the other two retracements are minor levels.

Notice how price has stayed within these boundaries. If an expected support level fails to hold, expect price to fall to the next level... and if price breaks above \$1,150, expect price to travel through 'open air' back to \$1,225.

WTI Crude Oil (\$WTIC)

Monthly

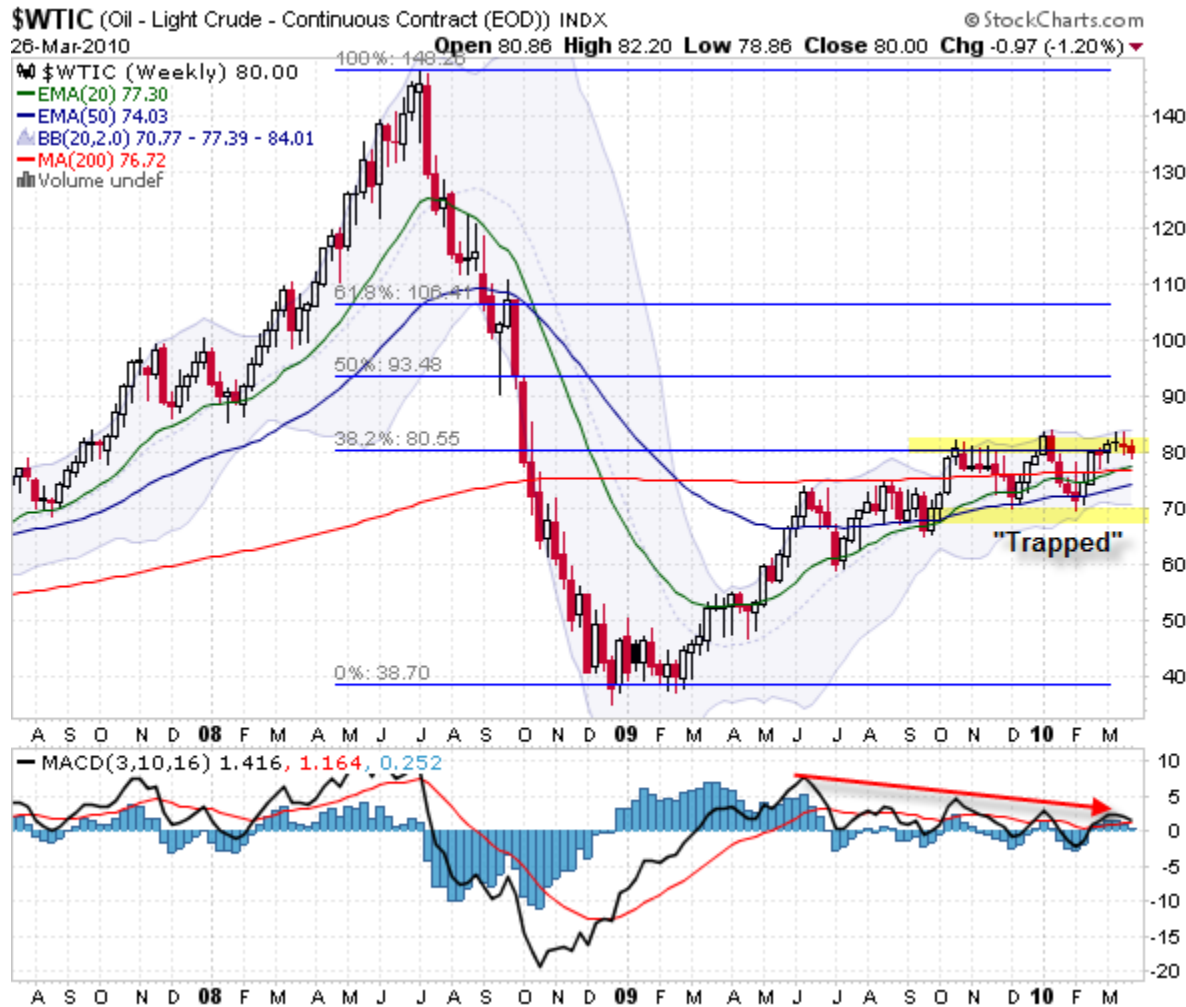


Pay particular attention to this monthly chart of Crude Oil, and print it as a reference if you trade in this market.

The Andrews Pitchfork I drew is of less importance, but shows how the standard tool contained price on the rise, and then showed a change of character once the lower pitchfork was broken in both cases.

Of greater importance is the dominant Fibonacci Retracement grids as drawn, showing that price has remain 'trapped' within the 50% and 61.8% retracements between \$83.26 and \$67.90 (\$83 and \$68). Those boundaries have tightened in the last few weeks, showing a very tight consolidation pattern forming that is \$10 in range.

Weekly

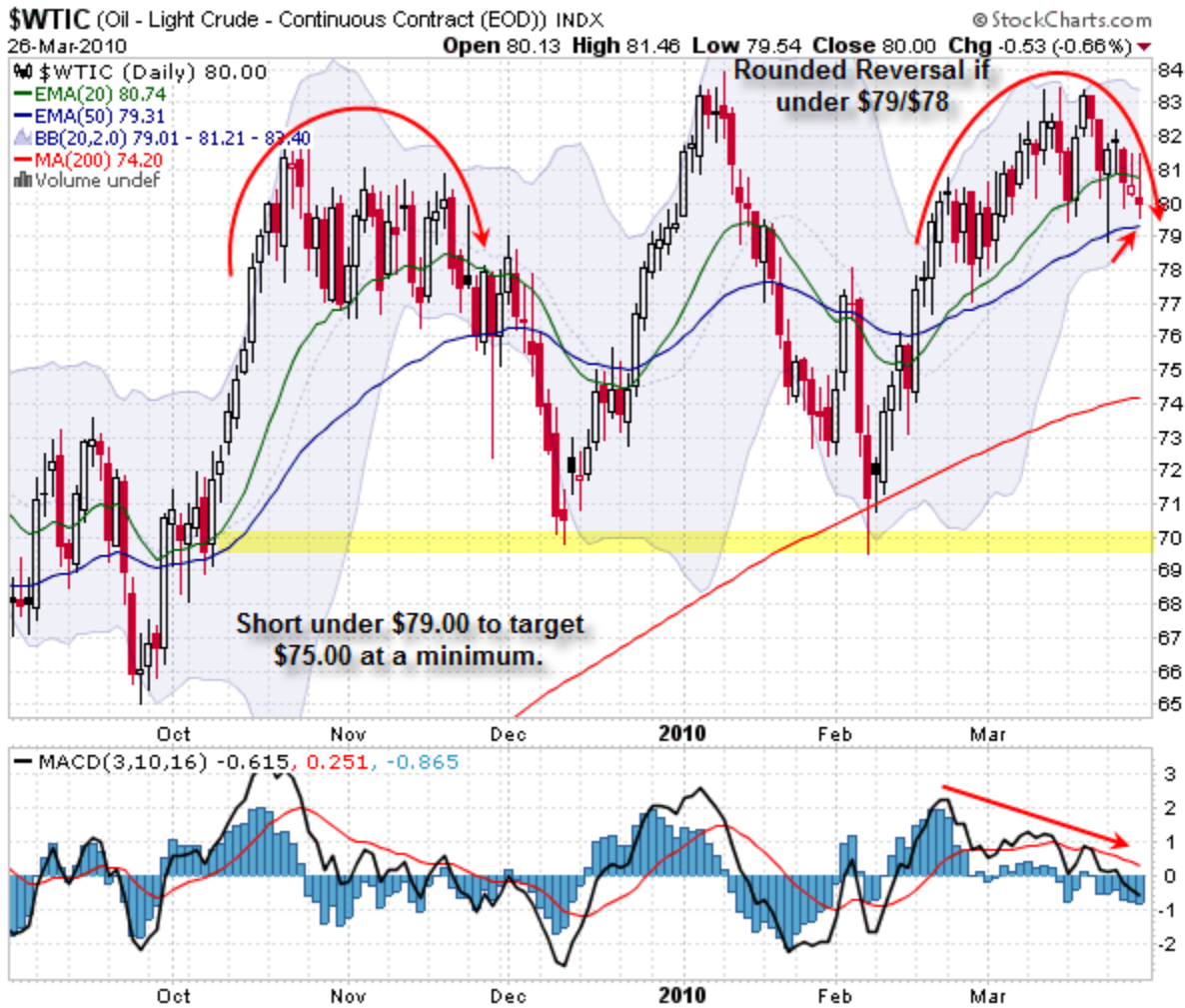


I'm referring to the prices being 'trapped' between the \$82 and \$70 levels (best seen on the daily chart) which is the hallmark of a consolidation period in price. According to the 'range alternation' principle, price alternates between states of range expansion and range contraction. We are seeing a 'consolidation' after the deep retracement of 2008, but the consolidation/contraction phase that we are in now will end and give way to a range expansion move to complete the cycle.

If price breaks solidly above \$84, then we would expect a quick range expansion move up to the \$93.50 level at a minimum, which would imply that stocks and gold were also rising to their upside targets while the dollar and bonds fell through their support levels.

Notice also that a negative momentum divergence has formed all through the contraction phase, which hints at a downside resolution... but ultimately price is 'king,' not indicators.

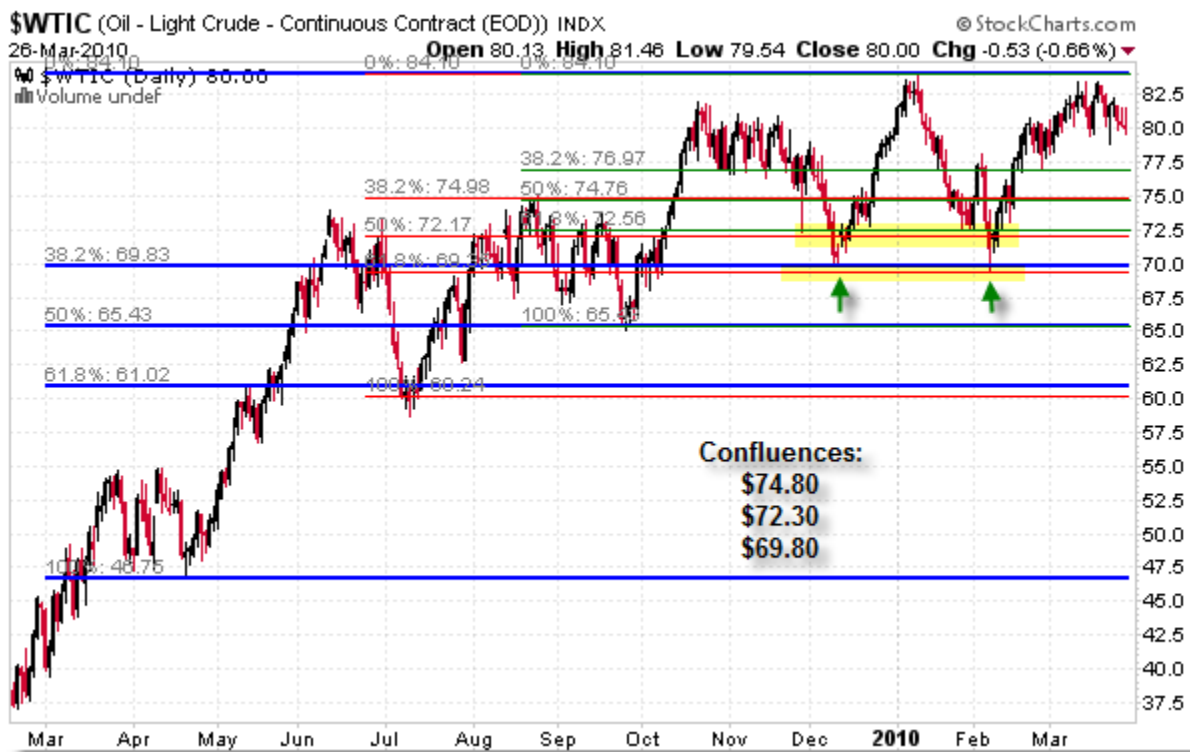
Daily



I've been mentioning the short-term "Rounded Reversal" pattern that is completing itself on the daily chart (or 'rounded arc'), but there's also a larger "Head and Shoulders" pattern that could be at work as well. If we see a mirror image and a full completion of the Head and Shoulders pattern, we would expect the next swing to continue to the downside to test the \$70.00 level again.

However, price has been respecting (bouncing off) the 20 day EMA as shown, and now price is testing the 50 EMA. Should price bounce off the 50 EMA as well at the \$79.00 level, then we could see a 'broken' rounded reversal and move back to test \$84 or higher - again if stocks and gold continue rallying.

Until then, there is a strong short-sale bias under \$79.00.



Like gold, I've provided the dominant 'confluence' Fibonacci retracements for Crude Oil, showing the dual confluences that exist at the \$79.80, \$72.30, and \$69.80 levels as shown... which have contained (supported) price on pullbacks.

The next retracement is \$77.50 and beneath that would be the \$75.00 level should we continue to see a downside move develop.

US Dollar Index (\$USD)

Monthly



There is a very interesting development to watch this week in the US Dollar Index - it's what happens at the \$81.72 level, which is the falling/bearish 50 month EMA... which served as temporary resistance and price is now challenging that level afresh.

Like the S&P 500, there is "open air" above the moving average (no higher timeframe resistance), so it would be a bullish buy above \$82.00, which would suggest a continued rally in the dollar which would imply that gold and crude oil, and likely stocks, would all fall together.

Keep watching \$81.70 and \$82.00 very closely this week for any clue of a breakout.

Weekly



There is another significance to the \$82.00 level - it's the 50% Fibonacci Retracement (\$82.20) of the 2009 high to the 2009 low. In addition, the upper Bollinger Band currently rests at this area (\$82.48).

As such, we have a lot of resistance at the \$82.00 level, which implies that odds favor a downward retracement soon, perhaps back to the \$79.00 level (which would be bullish for gold and crude oil if this occurred).

However, price is in an upward 'trend' or rally mode, and the 20 and 50 week EMAs just crossed bullishly this week, which forms a 'cradle' or floor of support at \$79.00.

Should the dollar continue rising and break solidly above \$82.20 - perhaps above \$82.50, then expect the index to continue its rally to the \$84.00 level.

Daily



I'm showing a potential Elliott Wave count, which places us currently in the fourth of fifth (fractal iv as a retracement of 5 of an impulse). This implies that we'll see a move back down slightly lower and then a final push to new highs would be favored.

Beyond Elliott, we see the strong surge in the Dollar Index on Wednesday, suggesting we could see further higher prices to come... again if the index can strengthen above the \$82.20 level (it was resistance on Thursday and Friday).

Keep in mind that the daily dollar index is in a confirmed uptrend, as evidenced by higher highs and higher lows along with a positive/bullish EMA structure, hinting that higher prices are likely... and that any downside move under \$79.50 calls any 'dollar bullishness' into question.

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