

# AFRAID to TRADE

overcoming stock market fears *with* Corey Rosenbloom



## Weekly Inter-market Technical Report

### Summary Comments

---

**Ten-Year Notes:** Notes hover under the key resistance level at 122. Any break above continues and officially affirms upside targets that could stretch as high as 130.

**S&P 500:** We are near the known make or break level at 1,040, and unless we bounce/support again off that level, which is still possible, we'll see an immediate swing to 1,000 if under 1,040 and then target 850 if under 1,000.

**Gold:** Gold continues to march to its own trend as a safety/reserve currency, so further fears will likely lead to a continued rise in gold. It's bullish as long as we're above \$1,200, and target \$1,300 as a likely level.

**Crude Oil:** Crude oil could not rally above the 20 day EMA, and if the next swing takes us back under \$70, we could see a sharp sell-off that would correspond with a similar sell-off under 1,000 in stocks.

**US Dollar Index:** The Dollar Index, also seen as a safe haven in a time of global economic uncertainty, continues to rally sharply without stopping. We hit a key resistance target at \$88, so if the index does not pullback and instead breaks sharply above \$89 then \$90, it would be a major game-changer... and would correspond with a downward break and potential panic sell-off in stocks.

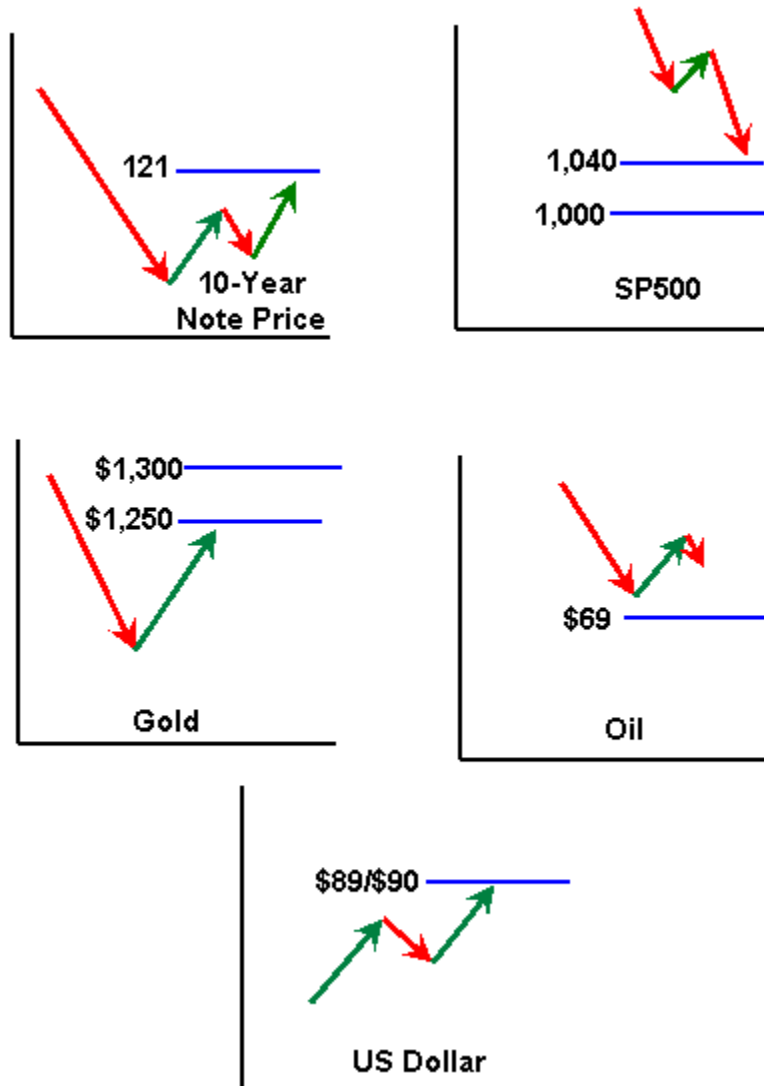
---

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.

# "Lines in the Sand" Visualization Grids



The grid above represents the effective "Lines in the Sand" across the inter-market spectrum - as described in the report - that will change trends and future expectations for all markets if these levels are broken. It's likely that all levels will hold... or break within days of each other, and thus change the dynamic of the market for the next few months. These levels represent key turning points you should have memorized across all markets.

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

## Monthly



Monthly structure and bullish breakout remains in place. Bullish while above the breakout zone of 118, and 'super' bullish on a continued rally and break beyond 122. If stocks continue to sell off, and break 1,040 then 1,000, we are likely to see a surge higher in breakout trend fashion in bond/note prices, so until proven otherwise, it's probably best to be bullish bonds, particularly on a break under 1,040 on the S&P 500.

## Weekly



I've heard a lot of analysts, particularly on TV, come out and say that bonds are in a bubble, that you should be shorting bonds, and that bonds are due for a collapse.

I don't see how that can happen if stocks continue going up and fear comes back, or gets worse, in the market. In times of fear and uncertainty, people and funds sell stocks and buy bonds, driving prices higher. Notice the end of 2008, as bonds leapfrogged from \$112 to \$130 in two months. We could see a similar surge if stocks break down hard through their respective support levels and it becomes clear to the general public that we are headed towards a second recession - IF that happens.

The pundits on TV would be correct if the stock market recovered at the key support level we are now, and bond prices would come down.

Barring any major recovery in stock prices and the global economy - and that could happen - I see no scenario where bond prices AND stock prices both fall. If stocks fall, bonds will rise - simple as that.

From a chart perspective, if bond prices rise above 122 in the week ahead, the next upper target becomes 124 then 126 then potentially - on a panic - all the way to 130. Keep in mind, we have just broken out of a range consolidation triangle, which forecasts higher prices yet to come... which simultaneously forecasts lower stock prices ahead.

## Daily



Note prices bounced solidly off support at 120, the 20day EMA which is a bullish sign. As long as bonds/note prices remain above the December 2009 high, then we would continue to target higher levels, and if we see a breakout above the prior resistance at 122, then that would be a suggested buying opportunity which would likely correspond with a breakdown under 1,040 or 1,000 in the S&P 500 - a MASSIVE reversal of trend.

# US S&P 500 (\$SPX)

## Monthly



The simple thing to know about stocks in the week ahead: IF we break under 1,050 (1,040 technically), then we lose every single level of expected support on every single timeframe. Let that sink in.

From a technical purism standpoint, a break under 1,040, then a subsequent break of 1,000 (which appears to be nothing more than 'psychological support'), then we're likely to see a return to 850 (July lows) or even 650 (March 2009 lows) in a continuation (resumption?) of the prior bear market. The global economic winds seem to be blowing in that direction, but we need a break under 1,040 then 1,000 to set those targets officially. In theory, the market could hold support here... but a break under 1,040 changes everything.

## Weekly



The prior 38.2% Fibonacci Retracement of the entire bear market - which we toyed with in August 2009 - is at 1,014, and again, there is NO FURTHER support under that level. Technically, we're under the three key moving averages on the weekly chart, which is a bearish development, and the lower Bollinger Band rests at 1,035. Again, a break under 1,040 sends us directly to 1,000, but what I'm feeling is that a break under 1,040 is "game over" for the uptrend and bulls, and enters us officially into a new down-trend/bearish phase.

Objectively, and to keep unbiased, we could see support from the key 1,040 level so don't rush out and short your whole account just yet... but I don't see a plausible chart-based scenario where we break 1,040 then 1,000... and support anywhere before testing 900 or even 850, so keep in mind that we have an "Open Air" pocket (no support) if under 1,000... and the market could fall quickly through that zone.

## Daily:



Here's how the short-term play sets up. In theory, we could see a bounce off the 1,060 level as highlighted, as it reflects the closing price from February's low, while 1,040 represents the 'spike' low of both February (1,044) and May (1,040). That's why a break under 1,040 is an absolute game-changer for the trend. We've already made a lower high (May 10) and then made a lower swing low (May 25), but to be safe (objective), we would need to go ahead and see a break under 1,040 - the February low - to confirm officially that the daily and weekly trend has turned to the downside. It will be a big deal to the chart world (chart traders) if we see a move under 1,040, and so the buyers (bulls) are likely going to try anything in their power to keep the market up and bounce it off that level again. If they fail, then we likely create a feedback loop of selling (those who are long will sell to lock in what profits remain, while those who are waiting to position themselves short will either do so, or add to existing shorts on a break of 1,040 then especially under 1,000).

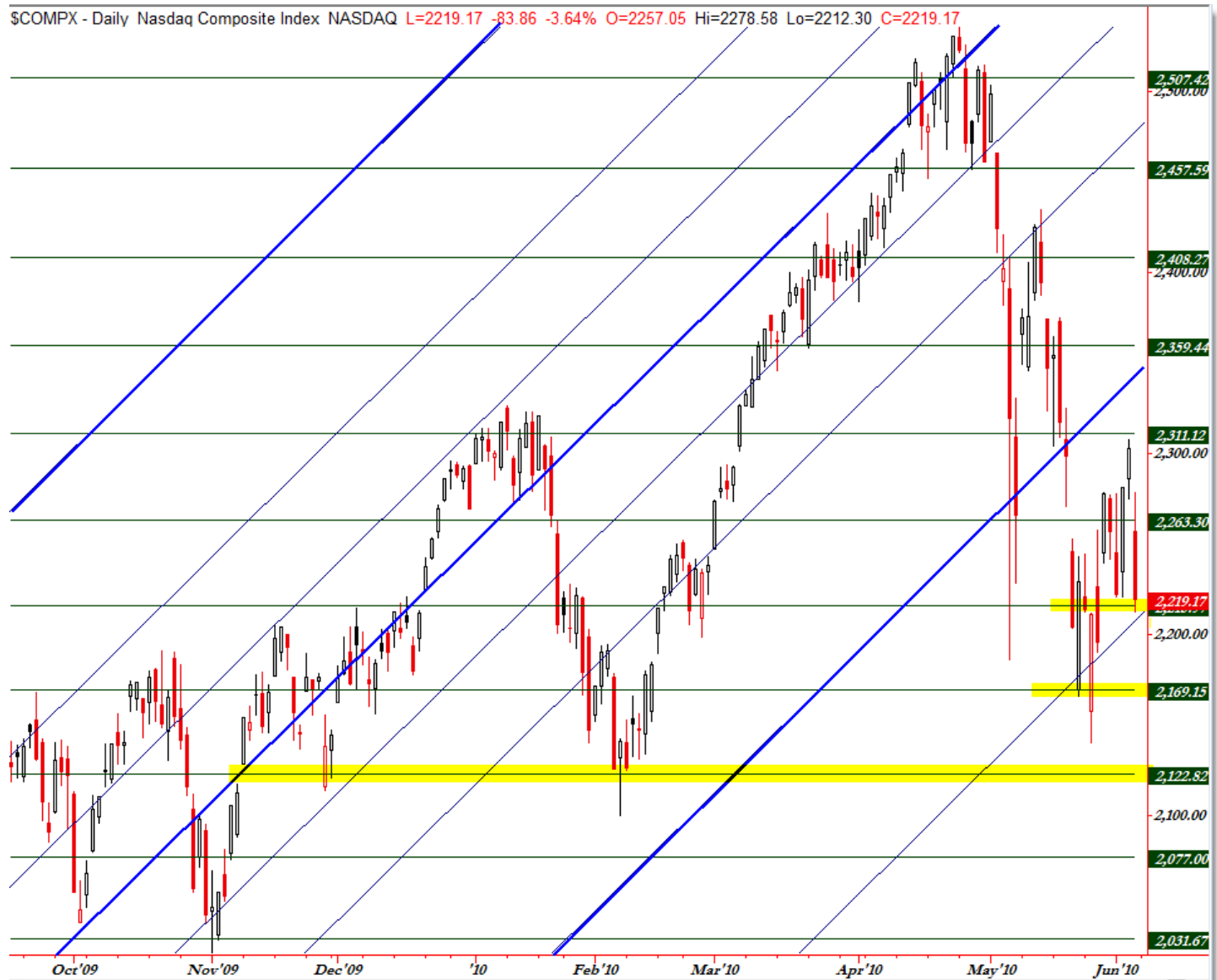


A quick look at the Gann Squares Levels and Andrews Pitchfork Grid shows again that the lower trendline, currently resting EXACTLY where the market closed Friday at 1,064, is the final line of the Pitchfork. We haven't closed under that level yet, but if we do, it will eject us outside the rising trendlines (pitchfork) which is an early "trend reversal" signal.

Otherwise, we still have the Gann Squares number at 1,044 (and 1,077), which corresponds with the "Game-Changer" theory.

A break under 1,040 likely takes us back to 1,000, and a move under 1,000 - which would be expected if we tested the level - takes us down to a likely target minimum of 900 and maximum... 650 (or lower if we really do get a 'double dip')

recession).



Updated NASDAQ Gann Squares (green) and Andrews Pitchfork (blue) chart.

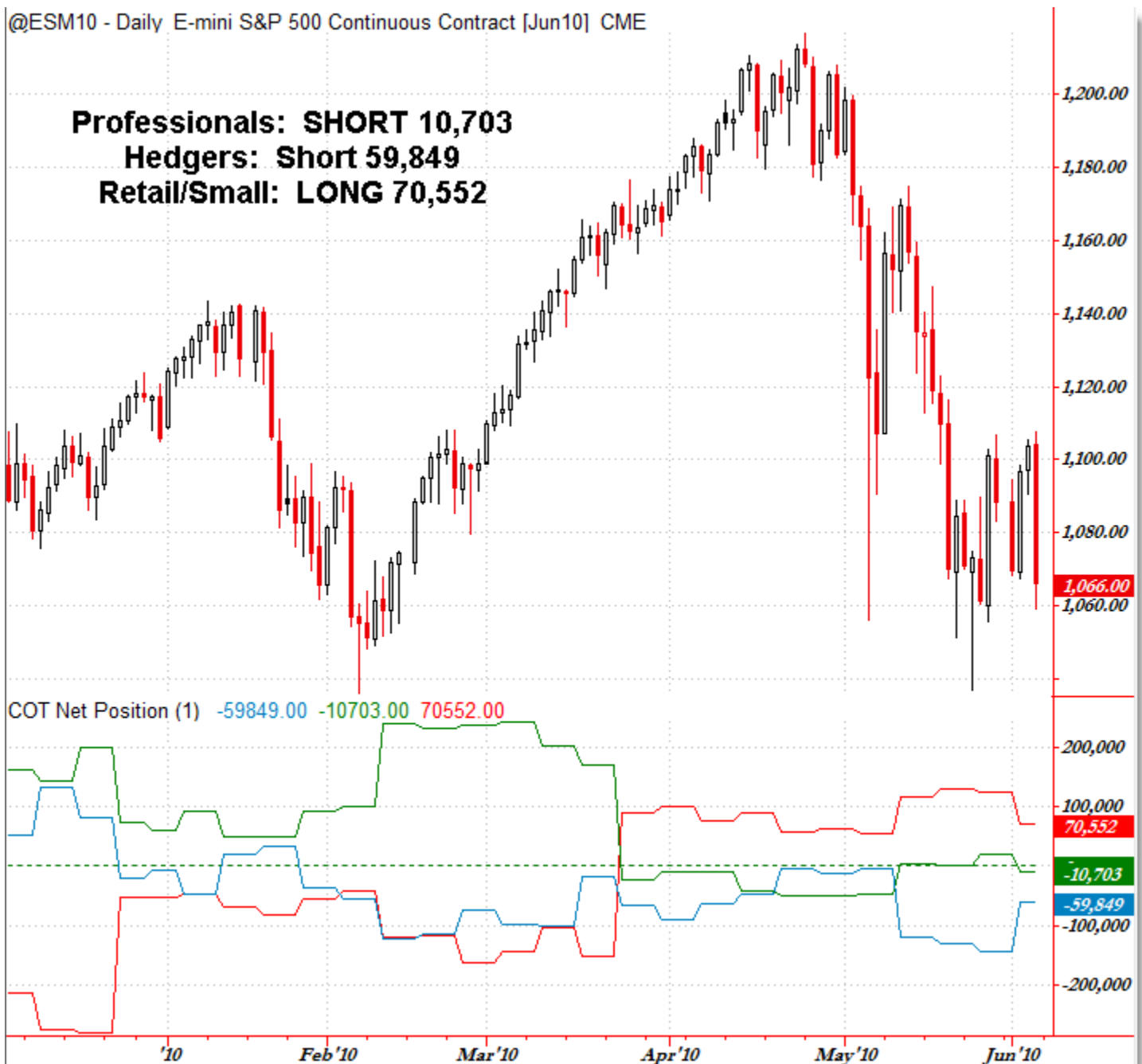
We're already under the 0% line - dark blue at the bottom - of the Pitchfork - that's bearish. I drew an extra -25% line that appears to connect the recent lows in a bear-flag style pattern that has been interacting with the Gann Squares lines as drawn (green/horizontal).

For the NASDAQ, the levels to watch are 2,200 for an initial bearish break and then 2,122 for a "Line in the Sand" official trend reversal break, similar to 1,040 then 1,000 in the S&P 500.



Breadth Data are getting more bearish - we had a negative divergence on Thursday's swing high then a collapse in breadth and VOLD on Friday's sell-off.

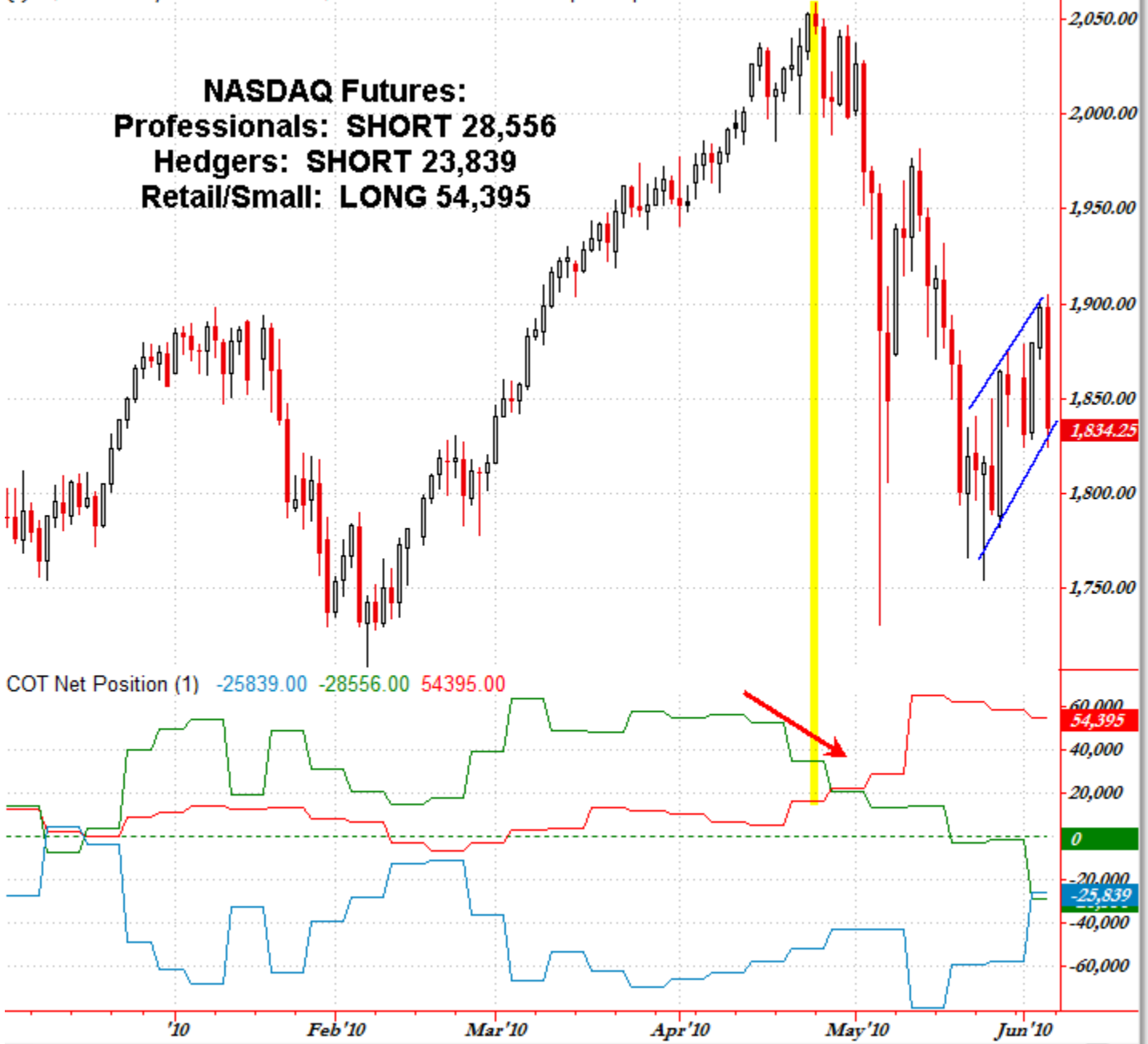
Notice the trendlines. A break above 1,100 is a bullish signal that would temporarily negate all this bearish talk, but unless we break above 1,100, the market is the bears' domain.



Recent CoT Data show that Professionals now are net short - a change from last week - 10,700 @ES contracts. The Retail Public (small specs) actually lightened their exposure but are still net long 70,552 contracts. The Commercials/Hedgers (those using the @ES short as a hedge against a long/buy portfolio that perhaps they can't sell but feel the market will be lower in the future so they are "buying" protection), lightened up their hedges slightly, but are still net short almost 60,000 contracts.

Taken together... the 'smart money' professionals and 'hedgers' are net short 70,000 contracts while the 'dumb' retail (small) public are net long 70,550. That's a very bearish sign, and that's been the case since these numbers flipped over in mid-March, WELL in advance of the top.

@NQM10 - Daily E-Mini NASDAQ-100 Continuous Contract [Jun10] CME



The story is similar in the NASDAQ futures, though I feel like the @ES is a better indicator of retail/professional behavior/leanings.

The Professionals and Hedgers are roughly tied at net short 25,000 contracts each, while the retail public remains net long 54,000 contracts.

Notice that the switch-over took place slightly later in the NASDAQ, but the story is the same:

The smart money is short... the dumb money is long.

According to the traditional interpretation, that suggests lower index prices yet to come.

# Gold

## Monthly



No change in the powerful uptrend in gold. As long as the chart looks like this, we can expect higher prices around the corner.

## Weekly



Gold - like bonds - is still in 'breakout bull' mode and appears to be heading towards its next target at the \$1,300 level.

Notice the support cluster at the \$1,150 level which comes from the rising 20 week EMA and trendline.

The market trend is in the most bullish mode possible, and if economic fears continue, particularly with regard to currency devaluation (Euro), then we're very likely to see even higher gold prices.

The uptrend and upper targets remain the dominant play as long as we're above \$1,200 (short term) and \$1,150 (intermediate term).

## Daily



This week, we saw a bounce again off the 20 day EMA at the key short-term support at \$1,200. As long as we're above \$1,200 we continue to target \$1,250 then \$1,300. Any break above \$1,250 officially locks the \$1,300 target as the dominant play.

A break under \$1,200 sets up a test of the 50 day EMA at \$1,180, then perhaps even a retest of \$1,150. A move under \$1,150 would be an unexpected chart outcome worth watching closer.

As long as stocks fall and debt worries fuel global investors, we're likely to see higher gold prices. If global fear subsides, then we'll see a pullback in gold as investors remove their 'panic' hedge (buy) positions.

Gold seems to be trading more in line with bonds and the US Dollar Index during a period of global economic instability than with stocks/oil.

# WTI Crude Oil (\$WTIC)

## Monthly



Like stocks, if crude oil breaks under the key support at the \$70 per barrel level, then there is NO FURTHER support zones beneath price, which sets up a likely test of \$60 or even \$50 per barrel.

Watch \$70 closely in the week(s) ahead.

## Weekly



The weekly chart clarifies this point. Under \$70, there is nothing left to support price, and we would officially confirm a downtrend in crude oil - similar to the S&P 500 (which also stands on a precipice at 1,040/1,000).

The S&P 500 and oil are trading closely together, trend-wise, so keep that in mind that as stocks go, so is likely crude oil to go.

There is an EMA resistance cluster at \$75 as shown, so any move strongly above \$75/\$76 would negate the bearish structure while price remains above that level. Failing to move above \$75 means that odds strongly favor a move back to \$70... and lower if stocks break 1,040/1,000.

## Daily

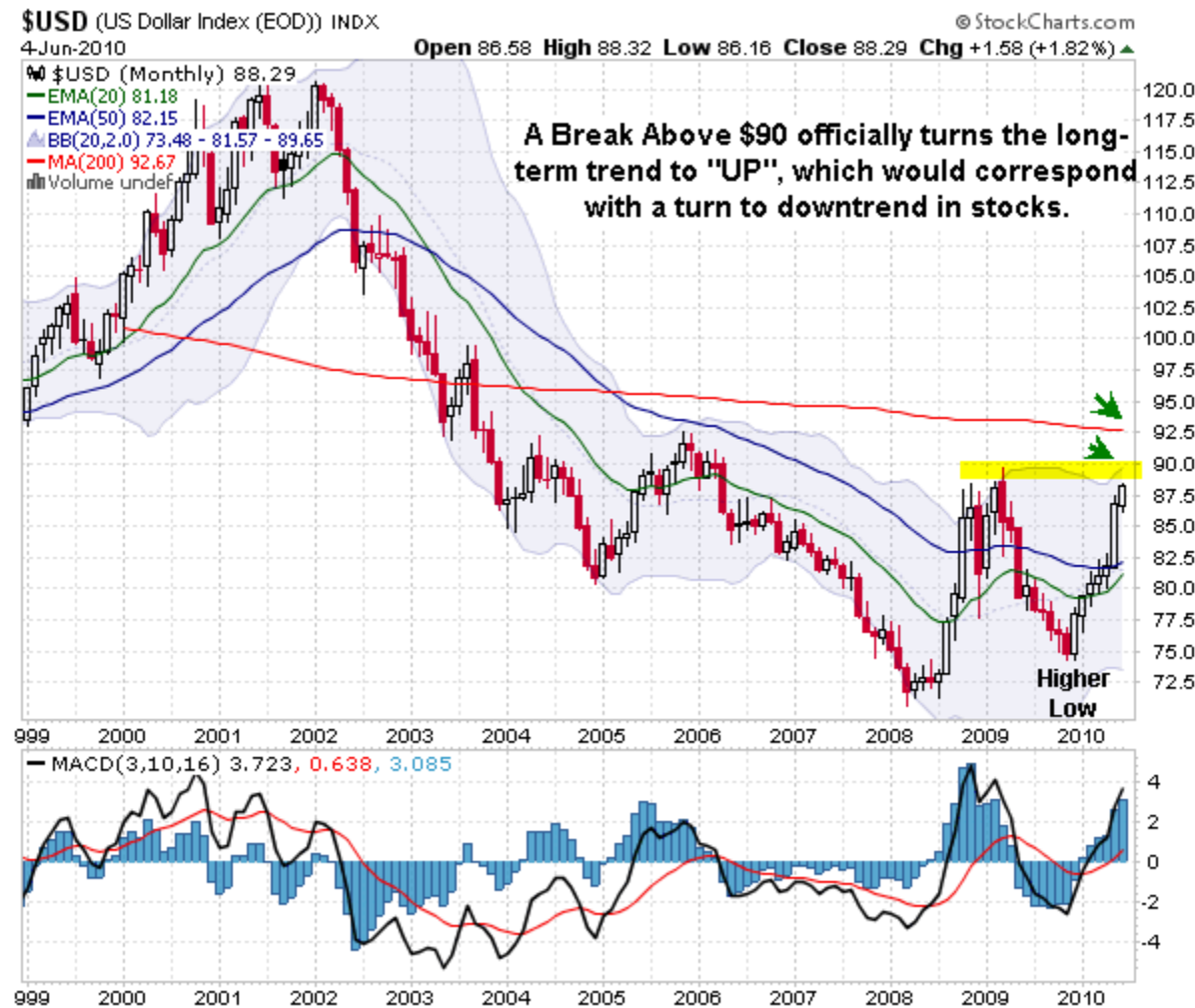


The EMA resistance cluster is slightly higher on the daily chart, placing the level exactly at \$77.

Otherwise, price appears to be failing to rally above the falling 20 day EMA, which means that - unless price can rally above \$75 soon, we expect a move back to the \$67 level and lower.

# US Dollar Index (\$USD)

## Monthly



The Dollar trades inverse the US Stock market, so a negative trend reversal in stocks translates to an official positive trend reversal in the Dollar, IF Stocks fall under 1,040/1,000 and the Dollar breaks above \$90 (and especially \$92.50).

Like there's no support for stocks if under 1,000, there's no resistance for the dollar if above \$90 (technically, above \$92.50).

Keep that in mind - trend reversals don't come often, so we could be seeing a period of trend reversal in ALL markets.

If not, then all markets will hold their respective resistance or support levels as shown.

## Weekly



The recent rally in the Dollar Index is as a result of the collapse in the Euro and for global economic fears... particularly that the US Economy is and likely will hold up better - on a relative strength basis - than overseas markets, including Europe and perhaps even China... that's why the Dollar rallies - global economic instability/fears of lingering recession.

And it will keep rising if fears continue to rise.

From a chart perspective, we've hit our upper target at the \$88 level, so \$89 is less than a dollar away (in the index), and unless the Dollar finds resistance here - meaning stocks find support at 1,040 - then the Dollar will continue its rally, breaking out to new highs and officially reversing the intermediate and long-term trends to UP (the higher low was November 2009 and making a higher high above \$89/early 2009 high will officially turn the trend up... as stocks' trend turns down).

## Daily



Friday, the US Dollar Index broke above the horizontal resistance, and ascending triangle pattern, at the \$87.50 level in a power up bar. Any break above \$89 then \$90 is likely to correspond with a similar positive feedback loop to the upside as the positive feedback loop to the downside in stocks... if we get bad economic news next week or if perceptions change large-scale bearish.

Either way, watch confluence support at \$86 (trendline and 20 EMA).



An Andrews Pitchfork tool of the US Dollar Index shows that we're already above the 100% Pitchfork Line (that's a big deal with suggests the trend is accelerating to the upside). I drew an extra 125% tine line (similar to that of the NASDAQ on the other side) and price is now at that line, so watch what happens here. Again, a breakout is likely to result in even higher prices, else we could see a short-term pullback.

*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.