

# AFRAID to TRADE

overcoming stock market fears *with* Corey Rosenbloom



## Weekly Inter-market Technical Report

### Summary Comments

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**Ten-Year Notes:** We're roughly where we were last week – with bonds holding their breakout levels, but not confirming them with a break above key resistance at 122.

**S&P 500:** The SP500 has not yet 'fallen into the abyss,' but you certainly need to understand that a break under 1,040 is a major game-changer for the field of technical analysis – this is a level that everyone is watching.

**Gold:** Gold bounced back into the \$1,250 level, so any further push beyond that is likely to lead to \$1,300, particularly if stocks fall under support.

**Crude Oil:** Crude oil rallied into key overhead resistance – as did stocks – so keep a very close watch on the current levels.

**US Dollar Index:** The Dollar rallied into the overhead target in \$89, and has now formed a negative divergence. That means we should watch the current levels extremely closely as all markets are united at key turning points.

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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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# Corey's Comments

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Once again, all markets remain balanced/poised at absolutely critical turning points that will redefine intermediate trends if levels are broken. It's imperative that you are aware of these levels and the potential for major trend changes with just a slight push beyond support or resistance levels.

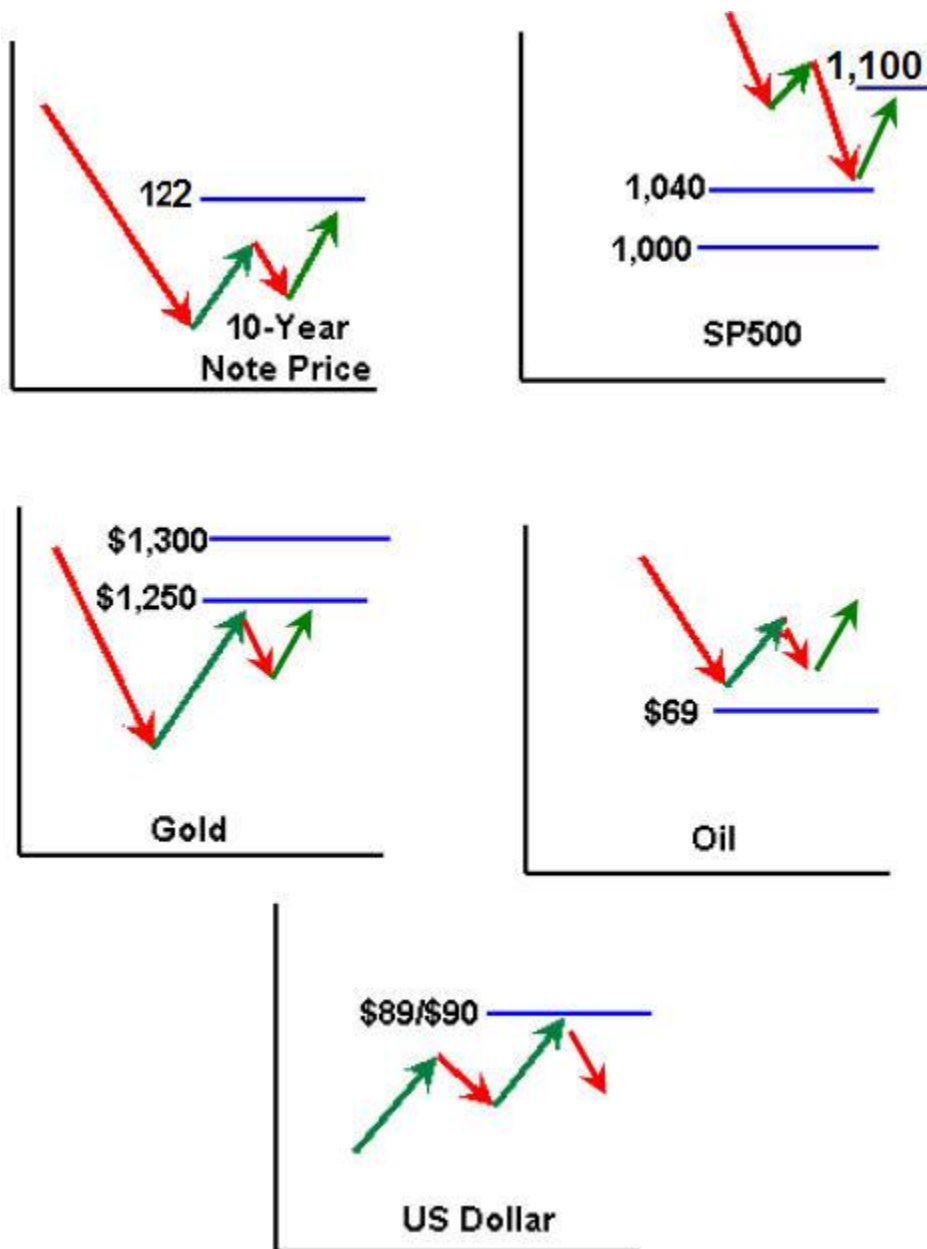
The levels are crystal clear on the charts – the risk assets: Stocks and Crude Oil – bounced last week and remain above their respective “abyss” levels... stocks at 1,040/1,000 and Oil at \$69. This corresponds with the safety/quality/risk-averse assets of Gold, Notes/Bonds, and the US Dollar Index all at major resistance levels - \$1,250, \$122, and \$89 respectively.

For those of you who follow the report closely, the last time this happened was the major turn in the market in April, where we had assets balanced in the opposite orientations (stocks/oil at resistance and bonds/gold/Dollar at support).

Now, we face a similar boundary, and just like then, we have the potential for the boundaries to hold – which would keep stocks and oil in an uptrend – or break, which would officially reverse the intermediate trends of stocks and oil back to a new downtrend – which would be expected to continue for months.

A breakdown in stocks would almost certainly send gold flying to new highs to or beyond \$1,300, Bonds confirming their breakout to upper targets, and the Dollar Index reversing its intermediate trend to up.

I cannot underscore the importance of monitoring your portfolios/positions carefully. Key inflection points give you the BEST entries with the lowest risk – but always remember that you cannot know the future with exact certainty, so it is critical to establish positions and then monitor them accordingly – in the event that levels break... and then create traps where the price reverts BACK into their key levels. I will update you on developing structure as the data and structure emerge.



There's no major change since last week in the "Lines in the Sand" levels to watch. These still represent the key turning points you should have memorized across all markets.

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

## Monthly



Like the weekly chart, the monthly chart reveals that prices are in a likely range breakout mode from a declining trendline which resembles an ascending triangle breakout.

As long as we're above 118, price remains in breakout mode, though the weekly chart shows that 122 is the key line in the sand level to watch for an expectation of continued breakout – or overhead resistance.

Remember, in this environment, bonds are generally trading inverse stocks, as stocks represent risky assets (for higher return) and bonds represent safety (for protection).

## Weekly



Ten-year note prices remain in breakout mode, above the \$121 level but still under the “Line in the Sand” at \$122. A Break above \$122 would correspond with a break under 1,040 in the S&P 500 and lead to an expectation – or continuation – of further higher prices in breakout mode – particularly if investors ‘panic’ out of stocks and into the safety of bonds.

Otherwise, watch \$122 to be overhead resistance as 1,040 holds as “line in the sand” support. The weekly chart reveals plenty of open “chart air” above \$122.

## Daily



The daily chart shows the overhead resistance level at 122 – which represents the same “Line in the Sand” as 1,040 on the S&P 500.

Bonds have a tendency to lead stocks – remember that bonds broke out with a gap and sharp rally higher two days before the “Flash Crash” on May 6<sup>th</sup>. If we see bonds break sharply above 122, we could expect a corresponding break down from 1,040 in stocks – so watch for a possible day or so lead in bonds IF that occurs.

Otherwise, we’re seeing negative divergences at a key overhead resistance level where stocks are showing positive divergences at a key support level – thus it is not out of the question that these key levels hold. We should know by next week.

# US S&P 500 (\$SPX)

## Monthly



I continue to say that the S&P 500 is literally poised at the Edge of a Cliff – and it is.

At the Los Angeles Expo, there were other professional traders stating identical analysis, so this is THE level we are all watching for reference – beneath 1,040 puts us back into a likely bear market where there is no further support until we reach 850 or even 666 – and market participants know it.

The buyers will do anything possible to support price at this level, but if we see a move under 1,040 and then under 1,000, we could see a downward spiral that takes us back to 850 then 666 over time.

If that doesn't happen, then we support at this level and begin a choppy process of bounding higher. Under 1,040 then 1,000 and all bullish bets should be off the table.

## Weekly



Another way to look at the chart is to consider the level under 1,040 as “The Abyss” into which the market – from a technical analysis standpoint – will fall. It’s NOT in the abyss yet, though if we don’t see buyers support the market here, there is little hope for them to do so under 1,040. So this is THE level to watch that literally divides the market between a “retracement” in the context of a prevailing uptrend that began in March 2009, or the official beginning of a new downtrend that began in April 2010.

There’s no need to overcomplicate the analysis beyond that.

## Daily:



For short-term traders, two levels are keys to the future. For the bears, a break and close under 1,040 turns the official daily and weekly trends to DOWN and argues for a minimum move to 850; maximum move to 666 or lower. For the bulls, a move above 1,110 temporarily takes these downside targets off the table for the time being, and places upside targets of 1,150, and if above 1,150, back to new recovery highs. That would define this sell-off as a very deep retracement in the context of a larger bull market... but a break and close under 1,040 reverses the trend officially.

There is a 'wall' of resistance at 1,110, so that's why a close and break above that level will be a short-term gamechanger. So will a break and close under 1,040.

Adjust portfolios/positions on either break – with so much tension at these levels, the market could break either way, though it depends on whether bulls or bears are more aggressive (it always does).



In analysis, we have to be as objective as possible, and reference different timeframes and indicators. I love the CoT data because it shows you WHO is holding open contracts – net long or short – in the @ES futures market. This type of data has been extremely helpful in assessing the short-term future trend/change of the market.

Now, we have a slight shift and 'muddying of the waters' in the CoT data. Why? Retail (dumb money – red) got "Less Long" (net selling, though they're still net long 70,000 contracts) while the Professionals (smart money – green) got "More Long," and actually flipped back long 50,000 (net) contracts. That muddies the waters because usually the "pros" are on one side of the market while the "not-pros" are leaning the other way – and the market usually goes IN the direction the pros are leaning.

Right now, we have Dumb and Smart money net long about the same level, while Commercials – also known as "Hedgers" (think portfolio managers 'hedging' a portfolio with short futures rather than selling stock) are net short the balance – 117,000 contracts. I would interpret this as "Less Bearish" instead of "Very Bullish" though if this trend continues, we'll see higher prices in the market due to a shift-over where the retail get 'scared short' and the professionals get positioned long.



This is the current “Gann and Andrews” chart, which shows key levels to watch as being – surprise – 1,110 and 1,044. 1,077 really hasn’t been an effective level in calling market turns, nor does it ‘confluence’ with anything else meaningful like 1,110 and 1,044 do.

While you don’t need a special/advanced chart to tell you what you already know – that 1,110 and 1,044 are the key levels to watch – you have one in the advanced Gann/Andrews chart above. Levels remain permanent, so you can use this as a reference.

# Gold

## Monthly



We typically use the monthly chart to identify long-term (primary) trend and also any key inflection points.

Though it may seem simplistic, the monthly chart shows a powerful uptrend, with odds favoring higher prices yet to come via the trend structure, and the only reference level to watch being \$1,050 – the 20 month EMA. We're at the upper Bollinger, but have been so for quite some time, as Bollinger Bands lose their validity in strongly trending markets – which is what we have now.

Main idea: Clear skies ahead according to the primary trend in gold.

## Weekly



While the monthly chart shows clear skies ahead, the weekly chart shows a key – critical – overhead resistance area at \$1,250. Gold is also seen as a safety haven in this climate of global economic uncertainty, thus it will be very likely that gold will break sharply above \$1,250 in the event that the S&P 500 breaks under its key support level of 1,040 (and 1,000). That should be the play you anticipate.

There is a chart divergence in the momentum oscillator at the recent highs, and the most recent weekly candle is a shooting star, which was followed last week by a doji – both at the upper Bollinger Band. These are classic sell signals, but again, in this environment so close to an upper resistance level, we would see a likely positive feedback loop if above \$1,250 that could take us quickly to \$1,300 – a triangle breakout target AND inverse head and shoulders target.

The play: IF above \$1,250, target \$1,300. Otherwise, we could see a pullback to the weekly 20 EMA at the \$1,175 level.

## Daily



The daily chart clearly shows the overhead resistance at the \$1,250 level, coming from the prior price highs – that makes \$1,250 the KEY level to watch – notice that it corresponds with 1,040 (as support) in the S&P 500.

If gold breaks above \$1,250 and bonds/notes break above \$122, then we're almost certain to see a crack/breakout under 1,040 in the S&P 500. This is how to use intermarket relationships to your advantage to obtain the larger/broader market picture in how markets are closely related.

# WTI Crude Oil (\$WTIC)

## Monthly



No major change in Crude Oil's monthly chart – we're still looking at the \$70 level as critical "Line in the Sand" support which will also – like the S&P 500 – divide the chart/trend definition between "steep pullback" (if above \$70) and "new bear market" if under \$69 (for more than a day).

The rising 50 day EMA rests currently at \$72.68, so that – along with \$75.72 (20 month EMA) – are the key levels to watch for clues – like the S&P 500, there is NO chart support under \$70 (monthly).

## Weekly

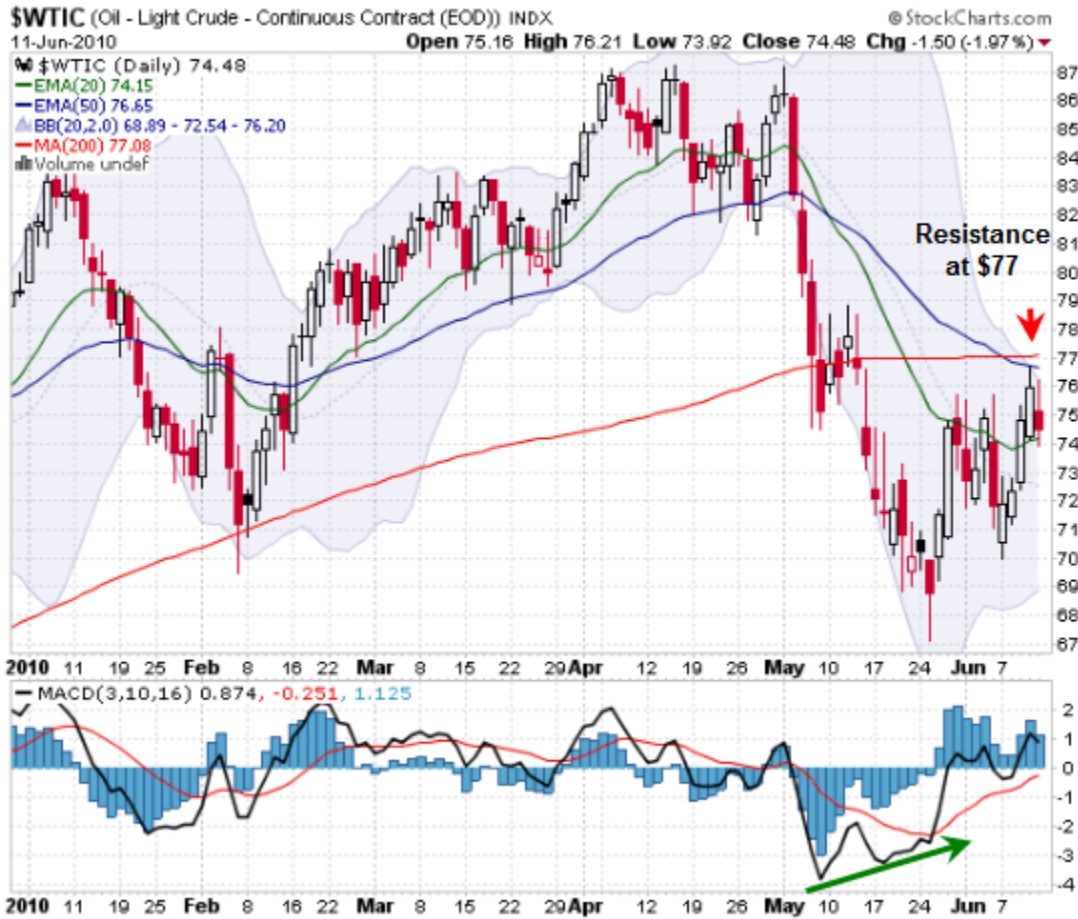


Crude Oil is correlated positively with the S&P 500 and has a 'blanket' of overhead resistance via weekly and daily moving averages. The cluster on the weekly chart is at the \$75 level, so watch those boundaries closely.

Otherwise, we have price support at the \$70 level.

Whatever happens in the S&P 500 will also happen in Crude Oil, so I would recommend safety/neutrality between \$70 and \$75 – just as you would remain neutral between 1,040 and 1,100 in the S&P 500.

## Daily



Daily crude oil shows an overhead confluence resistance from the 200 and 50 day moving averages at the \$77 level. That will be the critical level to watch. If above \$77, then we target \$80 and potentially back up to \$87. That correlates with the expectation in the S&P 500 that if we're above 1,110, then we target 1,150 then 1,200.

\$69 represents the lower support boundary – line in the sand – and \$77 represents the upper resistance boundary.

Neutral between – bullish above – bearish beneath.

# US Dollar Index (\$USD)

## Monthly



The US Dollar Index hit its overhead target last week and this week pulled back slightly with the end-of-week bounce in the market. The \$89/\$90 level remains the KEY line in the sand level between deep upwards retracement in a bear market... or new birth of a bull market.

Keep in mind – as usual – this correlates with 1,040 in the S&P 500 as support – the Dollar is clearly inverse the stock market.

The intermarket picture remains : The safety assets – Gold, Bonds and Dollar at critical resistance- and risk-seeking assets – Stocks and Crude Oil – at critical support.

## Weekly



\$89 remains the “Line in the Sand” between a new/fresh confirmed bull market in the dollar – which would correspond with a trend reversal down in the stock and oil market. Last week formed a slightly bearish candle at overhead resistance – notice the doji then shooting star(ish) candle that marked the high in March 2009 (stock market bottom).

It’s possible we form a double top here – as in gold – but if we breakout, it’s likely due to further economic panic/turmoil that would likely lead to a continuation of trend instead of reversal.

This is true across all markets – it’s a very rare time where all markets are ‘perfectly poised’ – it happens only a couple of times per year.

## Daily



The US Dollar Index is forming a distinct negative momentum divergence at the \$89 level on the recent high – notice the doji candle at the absolute high on a negative divergence – that’s a “take profits” signal (particularly as we came into overhead resistance). It’s possible to see a bounce off the rising 20 day EMA at \$86.70 as the next short-term play – just remember that weakness in stocks will translate to strength and a breakout in the dollar index, bond market, and gold.

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