AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Highlighting two back-to-back "Rounded Reversals. The larger fell just shy of its target (retest of lows) and the second smaller pattern retraced 50% of its upward arc movement.

It's rare to have two back-to-back Rounded Arcs or Rounded Reversals in a row like this - it makes a great example!

There were four rapid-fire trades in succession that I wanted to highlight.

Remember yesterday that I mentioned we had a "Cradle" Sell Signal into the close which didn't have time to play itself out before the close - the structure carried forward into today's trading with a downward bias as I mentioned and the completion of a profitable trade for those willing to hold overnight to let the trade come to fruition. Personally, I prefer exits on closes.

First, with a gap of $0.50, odds strongly favor price filling the gap - this should have been your first trade of the day. One should have exited at $88.20 (yesterday's close) and then stayed flat until you recognized the long upper shadow candle which is either described as a Shooting Star or Doji - whatever it's called (is irrelevant), the signal was clear - that was a strong price rejection of the highs of that 5-minute period. It also occurred into confluence EMA resistance which was a good place to enter an aggressive short once price began heading lower. Perhaps the 'ideal' entry for this trade was $88.30 which was below the low of the doji candle, meaning price appeared to be heading lower and we did get the large down bar and a test of the day's lows at $87.65.

This served as an exit, particularly when we got three long-legged lower shadows into the 10:00 hour - it showed definitively that selling was being 'rejected' and a bullish bias took over - which probably occurred too fast for you to put on a successful trade (the price got away from me at this level as well - such is the nature of counter-trend trades - I find it better to wait for them to play out into resistance and THEN enter a position instead of trying to scalp every tick possible.

So price retraced BACK to the same confluence EMA resistance and formed three dojis in a row - this should have been an obvious entry given that structure was in a downtrend, the EMAs had proven themselves to contain price on the upside (also a good spot to locate a stop just above). You could have entered on the first, or second doji, but by the third doji, odds so strongly favored another down move that perhaps you should have used a leveraged or larger than normal position to scalp the odds in your favor.

Indeed, we did get a strong push to new lows into 11:30am, which resulted in a 'flat-line divergence.' I didn't see much else that led us to believe that this would be a key low (TICK made a new low), though price did form a strong bullish Hammer off these levels (but that's not enough ever to call for a trend reversal).

Price then rallied upwards in a flag-like pattern to the 20 EMA which would have been another good place to play for a Bear Flag trade short, entering around the $87.80 area for a classic flag. Unfortunately, this expected flag trade (and pullback to resistance in a down trend) failed, and resulted in a stop-loss being taken.

Price broke upwards through the EMA resistance and crested at the demarcation line of yesterday's close before reversing lower. The structure did NOT reverse to an uptrend, as price did not make a higher high and a higher low... and the 20 and 50 EMAs never crossed - though it was shaken, the structure (bias) remained bearish as price was still in a confirmed downtrend.

I actually annotated the "Failed Flag" a little later, because I assumed the flag was continuing into a more extended pattern, and decided the large red bar was sufficient to trigger entry. It too failed. Price had entered a tricky, choppy, consolidation into the close as (like I mentioned in prior reports) bulls and bears battled it out for control of supply and demand - a 'draw' or tie was the result of their battle into the close, though bulls did manage to score a slight victory into the close.

During this battle into the close (to hold the daily support level above 875), there were no 'edge' trades to take, as the price action deteriorated to random noise during this time.

Other than this, what else can we learn from today's structure?!

Beginning with the Intraday Low and drawing to the 12:45pm high, we're overlaying a simple, standard Fibonacci Retracement grid (this takes about 15 seconds to draw in real-time).

The question was "if the 12:30 move is indeed a key price high, what level might the market find support... or what levels does the market have to break to convince me we're in a down-move instead of a retracement?"

The answer - or the "Make or Break Price" is often the 61.8% Fibonacci Retracement price. This was at $87.67 and we see that from the 10:30am swing low to the 12:30pm swing high, price hit this 'line in the sand' and formed a Bullish Hammer Reversal Candle off this level.

I admit I missed this too in real time, but that's the benefit of this report - you learn what you could have done better, take the time to apply the simple analysis techniques you 'missed' or 'forgot to use' in the heat of battle (and with the blinders of your biases).

What might be ahead next week - using a technical approach?

I almost hate to issue anything bullish, but looking at the 30-min structure (of the actual S&P 500), we see price making a higher low and coming off a positive momentum divergence into Wednesday's lows (where we cracked the all-important 875 level).

Also, we have a positive TICK Channel that has formed (higher lows and higher highs) which hints at internal 'bullishness' that could be brewing.

We'll have to break above 885 and particularly 890 (which would make a new high, officially confirming a 30-min Trend Reversal Up having made a higher low and higher high and taking out the prior high) before getting super bullish and I would recommend waiting for price to rise above 890 before committing long, though aggressive traders can play in this zone.

The obvious support is the 870 Lows so all eyes will be focused on those key levels - rampant bullishness above 890 and rampant bearishness beneath 870.

Right now, it's a struggle/battle and both sides know what's at stake - more traders are bearish than bullish, which means that if bulls can push us up through 890, a lot of stop-losses will be triggered and a large short-squeeze (bullish) could unfold quickly so you'll want to try to participate in that intraday.

Here is a chart of the current S&P 500 Daily Structure, showing 3 doji days in a row to finish out the week.

In classic analysis, this is called a "Tri-Star" Doji pattern, and is often indicative of a price reversal.

Price is sitting solidly on absolutely critical support which stretches back to the February highs near 875.

I would suggest odds are very good bulls can make a stand at this level, but it won't be easy. Price is at a key juncture and so many people and funds are waiting patiently (some not so patiently) for a clean break either way.

When the break (up or down) comes, it will likely lead to a continuation move as one side will be unexpectedly 'squeezed' and have to trigger their stop-losses en masse. It's probably better to join the winning side, profiting from the pain of those having to take their stop-losses which will be profits for you.

To coin a phrase, "The S&P 500 is balanced on the edge of a razor."

It's probably best not to be a hero here with a large position betting on a winner - let the winner be declared and then join the rout.