AFRAID to TRADE overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today gave us a picture-perfect "Rounded Reversal" structure day, complete with powerful momentum divergences at the low. I hope you took my advice from yesterday's report - though so many people expect the market to fall from these levels (and are thus getting short), my advice is to WAIT and play it conservatively until we get PROOF that price is ready to fall. There is SOMETHING driving this market higher and you need to respect that until that force has ended - it is more powerful than all the bearish sentiment out there. If you tried to get aggressively short to put on a swing trade mid-day, you were crushed into the close - please remember that a large portion of this rally - both end of day and off the 875 lows - is due to short-covering. Don't be trapped in that. The same sentiment and description I gave last night applies to tomorrow's trading session - play it safe and follow the price NOT your opinion/bias.

That being said, the day began similarly to yesterday, with a large (but not TOO large) overnight gap which was quickly filled in an "ABC" fashion. There were two dojis in a row at 10:00am on a bounce off the 20 EMA which could have served as an exit or a 'buy long' signal which was faded with a push down to test both yesterday's close officially along with the rising 50 period EMA, which held price and formed a powerful (highlighted) doji off that level. No matter what happened before, this was a powerful buy signal that had low risk (a stop just beneath the 50 EMA). Keep in mind that price was still in an uptrend and had formed a higher high (gap) and higher low (doji swing up). The buy off the labeled "1" was a pro-trend trade that - thanks to the new momentum high - could have targeted a higher high on the day... which failed to materialize.

Remember, it is my contention that you can NOT predict the first or second waves of any impulse, and instead it's best to wait for the 3rd wave to materialize and play the ripples from it.

As price formed a long-legged doji just before 11:00am at $95.60, price began the third wave fractal move (again, impossible to see in real-time). Once price broke the morning lows beneath $95.00, you might have picked up that a lower high was locked in place and now we were forming a lower low swing.

As price broke down beneath support, you could have put on a momentum/price breakout trade short at that time, which would have been an aggressive move.

The second best trade of the day probably came in at 12:30 once price had made a new Momentum and TICK low at 12:00 and then retraced (pulled back) to the 20 EMA resistance which allowed you to put on a short-sale to play for new lows on the day (momentum trade). We indeed did get new lows of the session at 1:00pm (which is often a "1:00 Afternoon Breakout Trade") but look very closely at the positive TICK and Momentum Divergence - this, along with the complete 5-wave fractal which was now obvious to everyone - gave us the most powerful trade of the day - play long for a trend reversal, using a tight stop beneath the intraday lows in the event price continued lower.

The 'line in the sand' came as price formed dojis at the 20 EMA at $94.75... if price continued lower from this zone, it would likely result in a trend day down... but if price broke above, it would likely trigger short-sellers to cover, leading to a "Rounded Reversal" which is exactly what happened. You can exit at this zone and wait for the victor (of buyers & sellers) to emerge, and then join them, which is often the safest thing to do.

Price did continue higher and once price broke back above $95.00, we had a new (relative) momentum and TICK high on the session which argued for a continuation move upwards, particularly when we broke above resistance from yesterday's close at $95.12. Price continued higher as more and more shorts were squeezed out of their position, but if you were aware of the 5-wave fractal down into the TICK and Momentum divergence, you could have had the confidence to hold aggressively and expect a minimum of an "ABC" 3-wave correction to the upside - though it's hard to know just how far price was likely to go. What helps is knowing that virtually EVERYONE expects this market to fall, and when buyers can push it up just a little bit, it creates a cascade upwards (which you should be participating) as shorts are forced to cover - knowing when one side of the market is overconfident and over positioned... and knowing when they are forced to cover... gives one of the only "sure-fire" moments in the market where profits come easier. Remember - it's all about supply and demand - there's nothing magical about it.

We almost had a direct repeat of yesterday's session - that's why is VITALLY important to understand the concepts I discuss in these reports - history and trade set-ups repeat themselves so the more you see these patterns, the better you'll be to trade them in real-time.

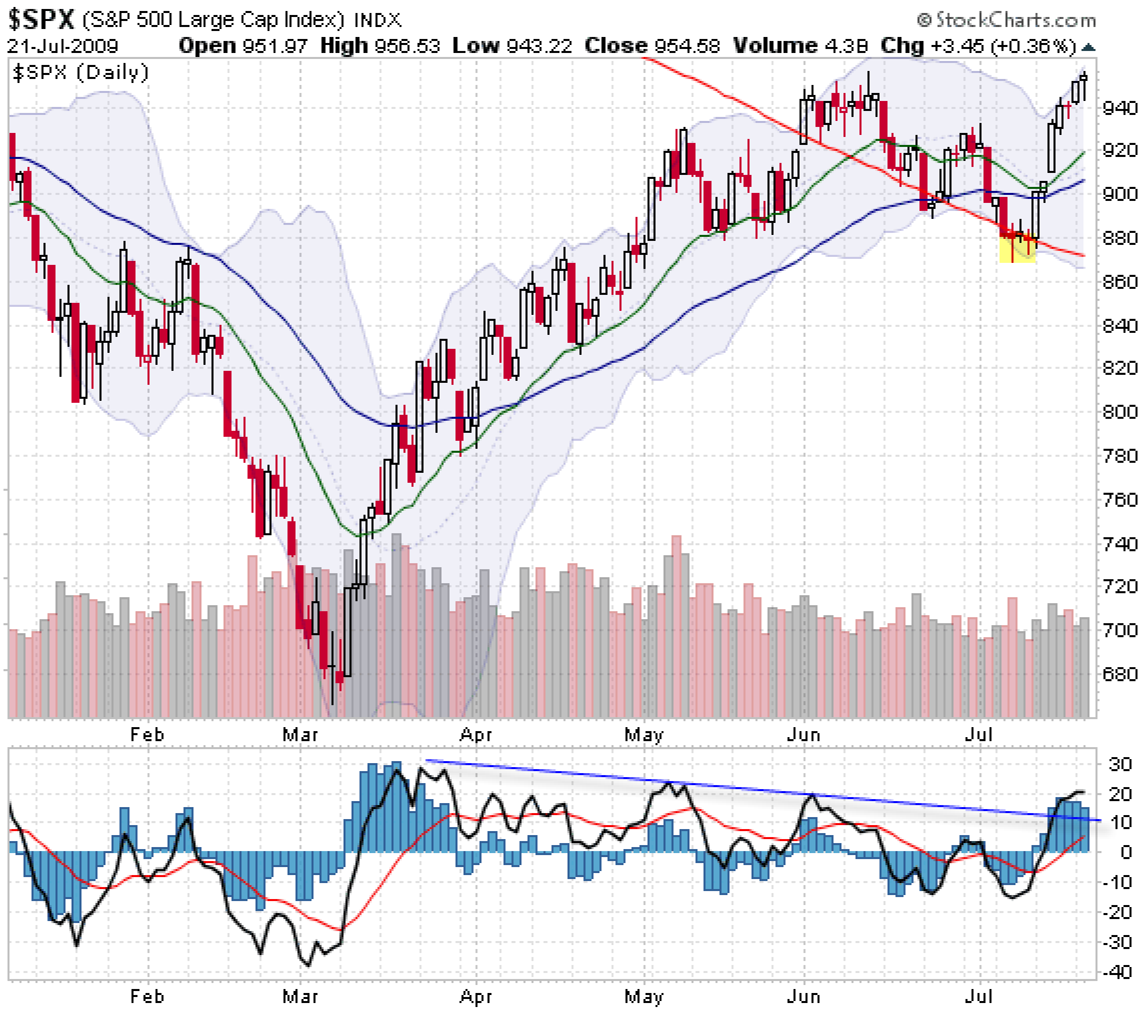
We see the gap move down finished in a 5-wave fractal that ended on a positive divergence and then price retraced upwards to form the larger 2nd wave fractal which formed on a "Three Push" negative momentum divergence (great place to get short or exit your long at the $95.50 highs). We then rolled over smoothly in a nicely telegraphed downwards reversal that picked up momentum until we plunged down into the 3rd wave (which should have been obvious at this point) new TICK low for the day and new relative momentum low at 12:00EST. This meant that a 4th wave fractal retracement was likely and that we would want to position short when we felt this 4th wave was ready to roll-over to give us the final 5th wave fractal that we expected... and we got this trade nicely.

I want to call your attention yet again to the "SUPER Divergence" that formed on the 1:00 EST absolute price lows. An obvious positive momentum divergence formed along with a more powerful and obvious positive TICK divergence.

Once price began to inflect upwards off this level, you should have covered your short positions immediately and flipped aggressively long - the structure permitted it.

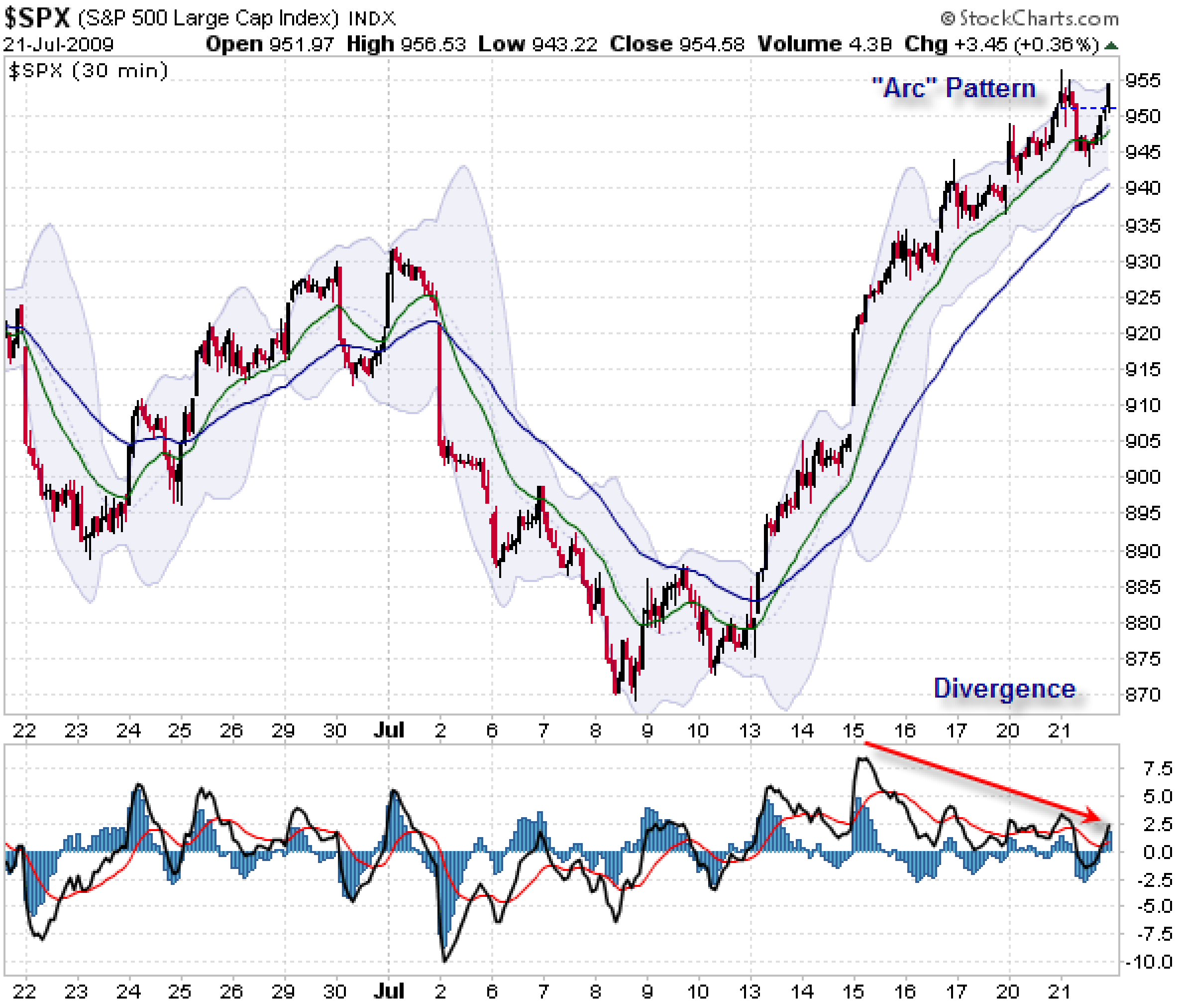
Immediately afterwards, we got a New TICK High which - again in Wyckoff terms - is a "First Sign of Strength" which hinted that the structure now favored a rounded reversal as the likely structure of the day.

As price continued higher, we saw confirmation from new TICK highs all along the way (along with new impulses in the momentum oscillator and slight confirmations from rises in volume). Thus, you should have held long or at least avoided getting short as price, TICK, and momentum continued to 'arc' or rise into the close.



The reality is that we are roughly 2 S&P 500 points from a fresh 2009 high which would take us back to levels not seen since early November 2009. I didn't think I'd have to say this so quickly, but we have moved from the "Last Line in the Sand" for the Bulls at 875 to the "Last Line in the Sand" for the Bears at 956 (960 is perhaps better to use). The Bears HAVE to defend and prevent a new high from being made, so it's possible they will try all they have to do so tomorrow, but if bulls can nip us past 960, bears who have not done so already are going to be forced to cover in large numbers, creating a momentum burst that would likely be trade-able intraday.

The 3/10 Oscillator broke a down-sloping trendline, invalidating a 'triple-swing' negative momentum divergence so keep your eye on that. Volume still is not impressing us, which hints that this rally lacks strong, strong conviction.



On the 60-min chart, we see a 'rounded arc' pattern which is completing (is not complete or confirmed yet) which hints that we probably have better odds of reversing soon than pushing aggressively higher, and - as expected with arcs - a multi-swing negative divergence has formed. None of these guarantee price is going to reverse, but they sure hint that the bulls have used up a lot of power in this recent swing, and we would expect the bears/sellers to step up any moment... but as mentioned earlier, it's probably BEST to wait until the structure deteriorates before getting aggressively short, no matter what you may be feeling or thinking. Play it conservatively on the short-side until we get confirmed sell-signals - for whatever reason, demand is overwhelming supply and all those betting against this rally.

Don't be a hero - guard your risk, focus on intraday plays, and don't *expect* something to happen just because price is so overextended.