AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

There's a lot to learn from today's trading session! I've been saying all week "Do not be a hero - do not fight the bulls" and that continues to be the case. Whatever force is driving the market higher, it is winning and any short-seller is adding to the upward momentum when they cover their position by buying back borrowed shares, adding fuel to the upward momentum/trend move.

I mentioned in last night's report that the momentum move into the close should carry forward into today's session which occurred until 11:00 EST when we had perhaps the 'best' trade of the day - a terminal fractal 5th on a positive TICK and Momentum divergence complete with a doji and a powerful engulfing 'hammer' candle at the 11:00am lows. You had plenty of warning to cover your short positions and flip long (if so desired) with those powerful bits of evidence before you - if you missed this zone, these reports will help you by constantly highlighting structure, trade opportunities, and expectations. It's not easy - don't be upset if you missed this zone, though do not let a bearish bias cloud your trading now.

On to the analysis of the day.

Price began with a downward gap (no surprise) of about $0.50 in the SPY which was quickly filled, and price fell a few pennies short of an official fill, but notice the significant resistance via the 50 (and 20) EMA overhead that contained price and formed two 'long upper shadow' tails on the two 5-min candle bars. If you were still long, you should have exited as these two candles formed at the latest - it was also an aggressive (though low-risk - the stop would be around $97.70) short-sale to target a minimum of the $97.10 morning low or to play for a new low thanks to the downside momentum and new momentum low on the day.

We got a swift momentum move down that created yet another new price, momentum, and TICK low on the day (complete with indecision/doji-like candles at the $96.90 area) which should have clued you in that a decent short-selling opportunity existed if we got a pullback up (which I've labeled as a '4th wave'). We got that quick snap-back rally into the resistance of the 20 EMA and formed a nice doji, which should have triggered an aggressive short entry as price moved upwards to the 20 EMA or a conservative entry after the doji formed, completed, and the next candle broke the low of the doji. A stop would be placed conservatively above the 20 EMA at $97.30 or aggressively above the 50 EMA (my preference) at $97.40. The play was for a new low or a minimum of a retest of the lows. Remember, small, high-probability moves add up quickly if you are trading @ES futures contracts or leveraged ETF funds and using the SPY as a basis for decision making, which is what I do.

As price formed a final push to new lows, we observe one doji and a bullish engulfing hammer candle at the lows, which occurred on a clean positive 3/10 Divergence as well as a clean positive TICK divergence... and one could have counted out a 5-wave fractal (remember do not strive for perfection in Elliott intraday - observe the 3rd wave, trade after the 4th wave completes, and flip the position when evidence mounts that the final 5th wave is complete).

A buy position here would have been the best trade of the day, seeing as there was plenty of evidence in favor of a significant price reversal, and we got a staggering rally as price broke the high of the $96.90 candlestick. This triggered a conservative entry to play for a true trend reversal, with an initial stop being placed beneath $96.70. Aggressive traders could have expected this to hold as the low and trailed a stop until the close.

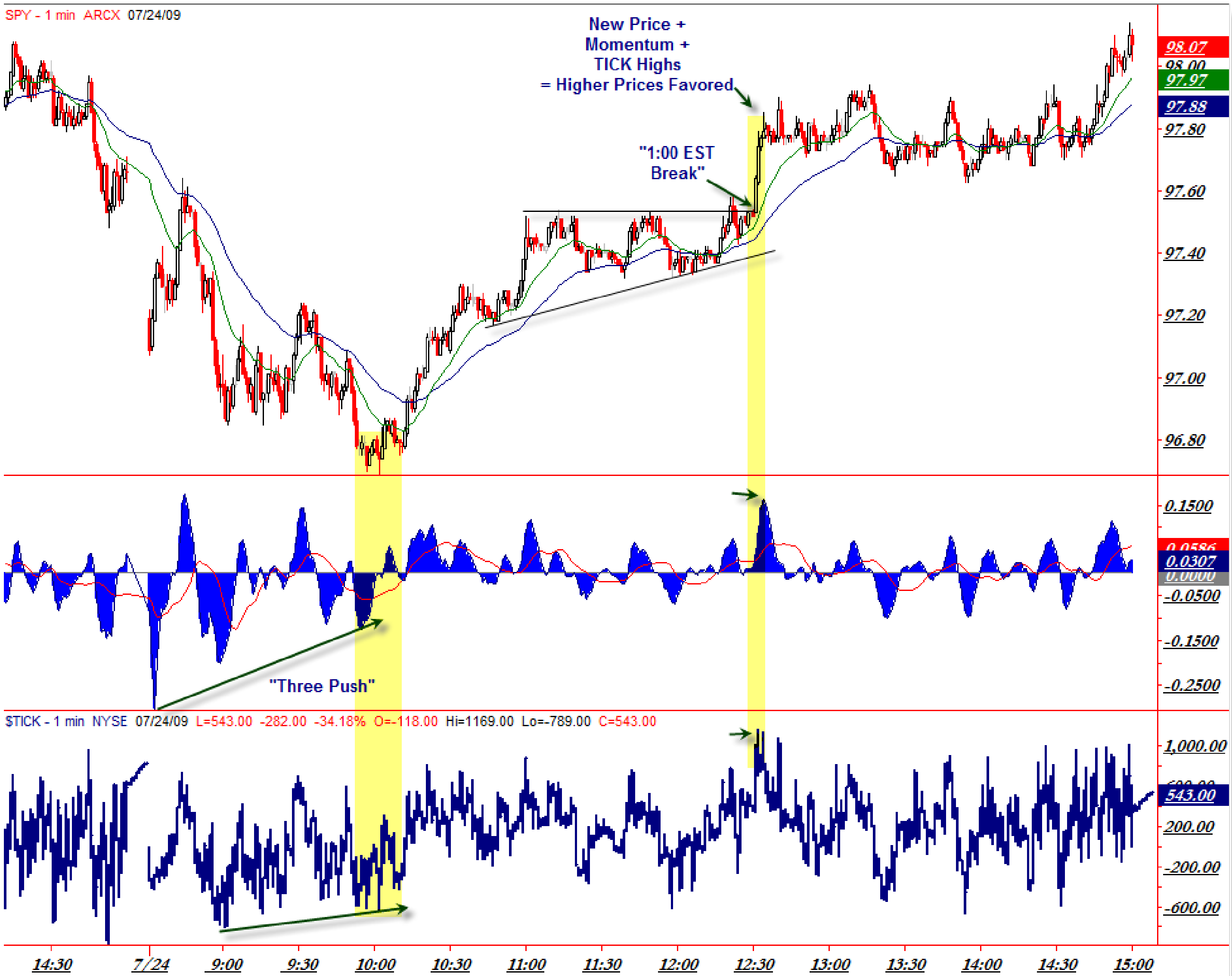
The next trading opportunity was to buy the "Cradle" trade which occurred at the "a" label (these are labeled in hindsight which reveal structure). The hammer/doji candle here served as an aggressive long entry with a stop beneath $97.20 to play for a "Cradle Trade" reversal (on the back of the prior structure mentioned). The trade bounced back for a 'late' or 'second chance' entry and formed three dojis in a row - the elusive "Tri-Star" Doji pattern (which is a very powerful entry).

Once again, price surged higher off the confluence of the 20 and 50 EMAs (cradle) and new momentum highs at 12:00pm just in time for the 1:00 (Afternoon) break-out trade I discuss and trade so often. We formed yet another new TICK and Momentum (and price) high on the day, hinting that higher prices were yet to come, so we should have been waiting to buy the first pullback, which gave us an entry around 2:30 at the $97.65 level as price tested the rising 20

EMA with yesterday's close (blue line). A stop would have been placed beneath the 50 EMA at $97.50 and the target would be for a new high or exit on close. We had consolidation at this level, though price finally broke in the close to the new highs that were expected from the new Price, TICK, and momentum high (this is detailed below).

We had a Double Divergence (Momentum and TICK) on the 11:00 EST (this chart is in Central Time) lows which again served as the best trade of the day. There were two instances of new TICK, Price, and 3/10 Oscillator highs which triggered entry long on the first pullback (the first of which formed the "Cradle" trade).

This chart actually serves as a good example of the momentum divergence and "New High" concepts.



The 1-min structure actually showed a "Three Push" pattern in the 3/10 oscillator into the 11:00 EST lows (further confirming the power of the trade) which played out beautifully.

I'm also highlighting the new Price, TICK, and Momentum highs as being a catalyst for buying the market on the first pullback (though we consolidated longer than expected before achieving that new price high after the first pullback).

Take a moment to study this chart for additional insights into this concept - it serves as a great example.

I'm showing that Breadth (difference between NYSE Advancers and Decliners) often serves as a 'coincidental' indicator rather than a leading indicator (like the TICK or 3/10 oscillator).

However, should you ever observe a breadth divergence, it often has powerful significance and can show hidden strength in the market.