AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

The operative word is still CAUTION - aggression is NOT ADVISED in this environment. There is a significant battle between buyers and sellers which is evidenced by the seemingly random price swings as seen above. Today was a slightly better than normal 'range' or 'flat' day in which I consider "inefficient" in that you must monitor much information, struggle to find trading opportunities, do a lot of 'work,' and most likely wind up with very little profit to show for it. These are the types of days that are best avoided by newer traders - most people do not have to (or need to) trade every day - on days that frustrate you, consider switching to simulation mode or taking a break. Do not overwork yourself and over frustrate yourself when the market is giving you little opportunities.

Day's Opportunities

As for the opportunities, as the week has been giving us, many days have begun with a morning gap that has filled (or come within pennies of filling). This day gave us another example, so your first trade out of the gate should have been to get long to fade the $0.50 gap, PARTICULARLY after price formed an "almost" bullish engulfing/Hammer pattern around 9:45 - once price broke the high of this candle, that should have been an obvious entry at $97.30 with a stop beneath $97.10 (or preferably $96.95 or so).

The target was $97.90 or yesterday's close, which you see was hit very quickly in a momentum move up. The SECOND trade after a successful gap fill is almost always a "Fade the Fade" or in this case get short to play for a retest of the morning's low at $97.10... that trade was successful but not without sweating it out. As price tested the $97.90 level, a doji formed at 10:00 am which heightened your confidence to enter short around the $97.80 level to target $97.10. A stop would likely be placed above $98.00.

As price retested the lows at $97.10, a powerful hammer/doji formed at the lower Bollinger Band that gave us a scalp entry with the anticipation price COULD be forming a Range Day (odds were very low that today would be a Trend Day as evidenced by the successful gap fill and muted TICK and volume readings).

The initial target (conservatively) could be a test of the 20 or 50 EMA around $97.50 which was successful, but remember that on a true Range Day, EMAs (as support and resistance) are irrelevant as price will slice up and down through them, and the strategy becomes looking to find turning points in the market either by tests of prior (price) highs and lows or overbought/oversold levels in standard oscillators (like classic RSI or Stochastic).

Price overshot the $97.50 target (an initial stop should be beneath $97.00 with entry around $97.25) and then formed dojis just beneath the 200 period SMA at the upper Bollinger Band (on a Flatline TICK divergence seen below).

Astute traders might have recognized this as a weaker type of bear flag or also known as "AB = CD" trade (meaning once you see a 45 degree angle with respective trendlines, in this case sell-short once price breaks beneath the lower trendline to target a "MEASURED MOVE" or equal swing - like a flag - of the initial down-move for a target.

The short entry came in around the break beneath $97.50 with a target being 'round number' support at $97.00 or just above this level - this target was hit.

Notice that the absolute price low was formed on a positive divergence from the morning which was followed by a bullish engulfing candle. Price did rise higher, but it was a very choppy, difficult to trade, difficult to find entry environment. The stop would have been placed beneath $97.00 to play for a retest again of the 20 or 50 EMA which was achieved. The end of day rally wasn't forecast by classic methods - large funds have a tendency to move the market into the close and by this point, it should have been obvious that the day's structure was a "Range" or "Flat" day where in a simple "buy the lows near $97.00" could have gotten you long with a stop beneath $97.00.

Otherwise, the action was very choppy and relatively difficult. Let's look at some charts with TICK from TradeStation.

The main idea from this chart is that price formed a positive TICK and Momentum Divergence at the 10:45 CST level which - along with the Doji and Bottom of the Bollinger Band - gave for perhaps the best trade of the day (highest probability, lowest risk opportunity).

There was a "Flat Line" divergence as price made a swing high into the $97.65 level into the top of the Bollinger Band and 200 period SMA (complete with dojis). This also served as the "AB = CD" weak bear flag trade.

On Range Days, when you discover odds favor a Range Day, you can use extreme readings in the TICK as 'fading' opportunities - as in unless the TICK makes a SIGNIFICANT new high or low (which could be a sign of strength), then fade extremes as the TICK begins to come down lower off a high level - notice the range of the TICK - the high was 993 and the low was -910. A GREAT sign of a Range Day is that we NEVER have a plus or minus 1,000 level in the NYSE TICK.

A focus on TICK and 3/10 Divergences.

If you're seeing clear 3-wave structures instead of 5-wave "Elliott Fractal" patterns like I mention, then that's ANOTHER bit of evidence the day is a Corrective or a Range Day. Notice the amounts of "ABC" 3-wave swings.

We did have one example of the 5-wave pattern (recognize the large 3rd wave impulse with new TICK & Momentum Low, wait for the 4th wave to pullback into resistance, then short the 5th wave and then reverse/flip and go long the 5th wave). That's how I use Elliott in terms of the "Best Trades" intraday as have been mentioned many times in these reports. Today's absolute low formed on an 'Elliott Fractal."