

AFRAID to TRADE

overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



I thought I'd start off the report by describing the technical structure of the S&P 500 Daily. Main idea: There is a possible head and shoulders formation that lacks one or two more days of testing the neckline - key support - that is established around the 885 level. With the volume and momentum divergence, odds clearly favor the downside, but keep in mind it's probably best to wait until a confirmed break of 885 to short aggressively. This pattern is too "obvious" and could fail, but if this pattern fails, it will be squarely against the developing technical structure.



Not much to say from this particular timeframe - nevertheless, the trades were clear on this Type III powerful Trend Day Down: Short Any Pullback to the 20 EMA and trail the stop initially above the 20 EMA and then as the averages converge, trail it above the 50 EMA into the close.

Today was a "Jobs Report" Day, which (just by itself) is often a precursor for a Trend Day (up or down). This should have been your assumption even before the report was released - that we might have a Trend Day up or down today.

There were two cross-currents going into the morning session that I highlighted in last night's update.

First, the Technical Structure was overly bearish, and hinting lower prices yet to come. That's exactly the case, but the alternate current was that the day before a holiday - 4th of July - has a slight bullish bias. I heard on CNBC this afternoon that today's close was the worst performance (percentage) in history of days prior to the 4th of July holiday.

The large overnight (morning) gap, combined with new TICK lows and the fact that price continued its plunge (there was no retracement up at all) off the open, gave much greater odds of a Trend Day - again, this should have been your assumption.

This called for simple but aggressive trading tactics - short EMA pullbacks, monitor the Market Internals, and turn off oscillators. Let's see the TICK structure as the day developed, which was puzzling.



I'm not showing the gap so we can see the structure clearer.

We made an initial new TICK low of -1,266 with a New Breadth Low of -2,250 off the open - that further confirmed the odds favored a Trend Day and that lower prices (off the open) were likely yet to come (they did).

Now, here's where things got weird.

As price made new lows into the 10:30 hour, we actually saw distinct higher lows in the TICK - that's a divergence and a non-confirmation. Price did rally off the morning lows but turned (as expected) and made a new low into noon.

Look closely at the TICK and the Breadth and compare those to price lows - the divergence gets even worse, signaling odds now have shifted to favor a "Rounded Reversal" forming or at least a "failure" or non-confirmation of the power of the trend day.

Price balanced finely for the remainder of the day until 2:00pm when price broke sharply downwards through the red support line. We formed a new TICK low, pulled up for a bear flag, and formed a doji (entry short signal) right at the resistance of the 20 EMA - perhaps the most powerful trade of the day (assuming you missed playing the morning fall).

The high in the TICK came at 1:30 on a clear lower high so that was either a false signal or a failed reversal sign.

We turned right around and made three new TICK lows after this high TICK reading - hinting that odds had shifted to lower prices, or at least that more stocks were 'ticking' down than up at those time periods.

Most interesting to me is that Breadth as well continued a massive divergence all day long. This is unusual on Trend Days - often we see breadth and TICK make new lows all day long on trend day structures. It was acceptable edge-wise to play for a reversal back up (due to the internal divergences) but it's often better to wait until we get a solid close above the 20 EMA or even better to have a close above the 50 EMA - neither of these occurred, leaving traders puzzled deeply.



SPY 1-min structure walks us closer inside the TICK and Breadth divergences all day.



15-min structure shows new TICK and Breadth Low occurred today, hinting at price weakness ahead.

Enjoy the holiday weekend!