AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

I'm showing the dominant Fibonacci grid that helped structure the day.

Today was a 'failed trend day down' turned rounded reversal. Let's describe the structure point by point.

Although we had a long weekend, the bias carrying forward from Thursday's close (as I mentioned) was for that of a continuation move down - look closely at the bearish move down as seen on the left side of the chart prior to the morning gap. Structure carries forward - that's why these reports are important.

The morning gap occurred, though price quickly began rushing without pause to fill the gap. Because of this upward action, it decreased the odds of a powerful trend day down - though the initial gap - though large (but not greater than $1.00 - gave us the possibility of a trend day. You have to monitor each bar for confirmation/non-confirmation.

Although I'm not showing the morning Fibonacci grid (you would start at the $90.30 high and draw down to the $88.90 low), price retraced exactly to the 50% retracement zone before making an initial move down, giving us a near bearish engulfing candle just before 10:00am. Price made 'one last death gasp' and made a new high as price tested the falling 20 EMA (a great place to initiate an aggressive short-sale, as was the pullback to the 50% retracement with the deep bearish candle) and falling to a new low on the day. Notice the new momentum low that originated off the morning gap.

As you can see from the lower chart, we can count out a clean 5-wave count to the downside. The gap comprised Wave 3 - the pullback was Wave 4, and the easily tradable wave to a new low was your Wave 5 move down. Also, as you felt wave 5 was completing, that would have been a great place to 'get long' for a counter-trend (Elliott fractal is complete) reversal move, particularly when confirmed with a bullish candle (there was a small hammer just before 11:00am with a bullish engulfing candle sweeping over this distance). There was also a distinct positive momentum divergence which added better odds to playing a counter-trend move here.

The initial target might have been the 20 EMA or more aggressively, the 38.2% Fibonacci retracement. Notice how price tagged the 38.2% retracement (now drawn off the intraday low) and reversed twice off this level, sauntering through the 20 EMA in the process. The doji at 12:30 was a particularly nice sell-signal as price made a marginal low prior to 1:00 - but it didn't give much satisfaction otherwise.

Remember that there's often a "time of day" function to the 1:00pm "afternoon breakout" - you should be alert for the possibility of a breakout trend move at this time - we got it like clockwork today as price formed a doji under the 38.2% retracement in confluence with the 50 EMA 9 (a low-risk short sale that was quickly stopped out). Price continued to the upside and fell shy of the 61.8% retracement before falling back into a trading range (low opportunity) for the rest of the day.

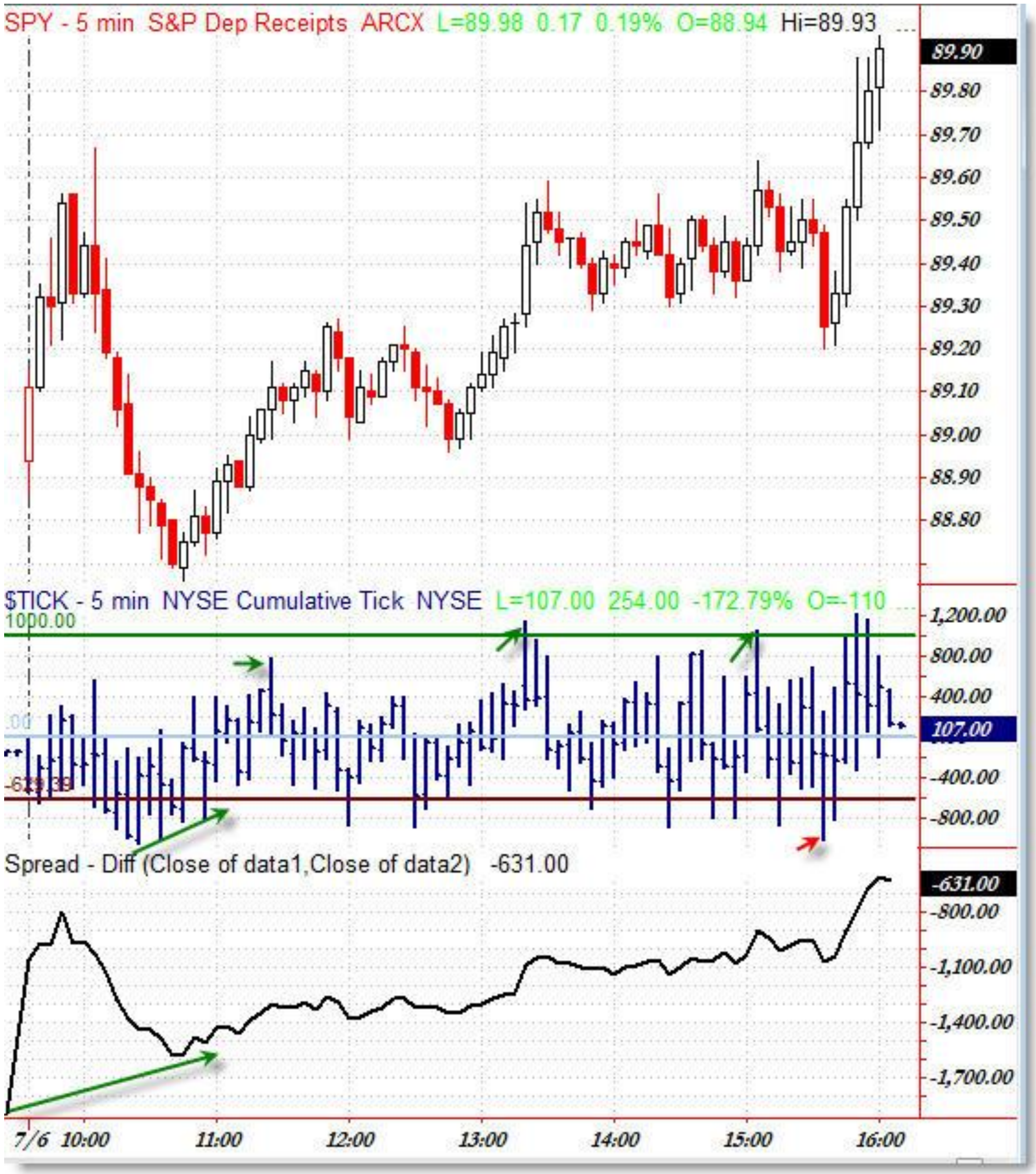
One could have bought pullback to the convergence of the 20 and 50 EMAs, but even this did not yield much satisfaction.

At the end of the day, we got a frustrating "F-You" trade (some call them "finger trades") as price initially broke confluence EMA support AND the 38.2% Fibonacci line (which held as prior resistance) before forming a sudden and unexpected reversal to the upside. I've found that moves at the very end of the day tend to the 'random noise' action as funds must balance and rebalance and they do so at the close of the day - it's very difficult to find ideal trades at this time and in my experience, the morning and then action from 1:00 - 3:00 tend to yield the best results.

We now focus on the Elliott Wave structure to help us set-up trades and play for more appropriate targets and entries.

Remember that the Elliott structure becomes clearest after the 3rd wave has ended with a new momentum and price low. At this point, your next trade is to find a spot to get short (into Fibonacci or EMA resistance) to play for a new price low which will carry out Wave 5. As wave 4 is retracing upwards, you can easily look back to make sure you find a clean Wave 1 down and Wave 2 up - we do. That's how we have greater confidence a W4 rally will materialize, as will a W5 push to new lows (which is tradable).

Price formed the standard "ABC" three-wave correction off the lows, which also gave good opportunities (buying Wave A, exiting as B forms, then buying back in at the end of Wave B/start of Wave C).



It's rare you get this kind of confirmation - when you get it, you must be aggressive.

As we moved to new lows at 11:00am, we had a TICK divergence. The breadth reading actually begins here off Thursday's levels so it's not technically a divergence, though we see a strong non-confirmation of lower prices and hint that a powerful reversal is brewing - particularly when you can count-out a complete 5-wave Elliott Fractal (and momentum divergence) on the lows.

Shortly after, the TICK registered a new high on the day. The move down in the afternoon gave us a low TICK breakout that turned out to be false - again, the end-of-day moves can be quite difficult.

I'm zooming-in on the morning's 1-min chart to highlight the three-swing positive TICK Divergence that built a strong base for the morning's reversal - forming the absolute low of the day. As price made new lows, the TICK formed higher lows. Look closely at 10:00am to see a negative divergence in Breadth (lower panel) and price as we form a three-push price pattern into the day's highs. Sometimes it pays to look inside the market and at the 1-min chart for structure.