AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

I hope you took my advice last night and was prepared for a possible break of $104.00 in the SPY and 1,040 in the Index and 'took advantage' by scalping long once the stop-losses of the short-sellers were triggered, creating an almost guaranteed source of profits as seen both on the breakout of the triangle and in the strong bars where I have labeled "Short Covering." Few things in the market are 'predictable' but when your analysis allows you to find known/expected "Pockets" of stop-losses (for one side or the other), then if price breaks into that pocket, you should scalp to play the losses that occur - there's no name for it, but something market veterans are very aware and you should be too. It's as close to 'easy money' as they come and today was a great example of that.

The morning failed to give any major trading signals as long as price was within the swing boundary of yesterday's close ($103.20 to $103.80). There wasn't a morning gap and there was little incentive or trigger (none at all, really) on the opening down bar. You could have perhaps scalped after the morning long-legged hammer candle formed, but even then that was not worth the risk for the reward (a play to test $103.70 - yesterday's close).

Price did form two dojis up at this expected resistance level, but I hesitate to call those 'trades' because price evidenced a range-bound characteristic via price slicing through both the 20 and 50 EMA and the EMAs being tightly compressed together. This is the hallmark of a range-bound environment, meaning it would be difficult/inefficient to trade within the established boundaries. Structurally, it was best to wait for a break up or down before committing to any edge-based trades.

Triangle Break, Break of $104, Hammer, 20 EMA support, New Momentum High, New TICK high

The first 'edge' or "idealized" trade really did not come until 12:30pm EST with the breakout of the Triangle. Price formed a new TICK and Momentum High (meaning odds favor higher prices yet to come after a pullback) which meant we wanted to be buyers on the first pullback to the 20 EMA which happened initially at 11:30 at $104.00 and then finally (officially) with a bullish engulfing/hammer-like candle at 12:30 also at $104.00. This time, the trade got the "best of the day" and "aggressive" status because a triangle had formed along with official test of the rising 20 EMA and psychological support at $104.00.

This is one of those trades that provides excellent educational content looking back as an example, and plenty of confirmation (in the event that you missed something) in real time. The stop was conservatively beneath $104.00 but preferably and more realistically beneath the 50 EMA and the lower Bollinger Band (remember, the lessons on confluence work well in placing stops too - stops should go under confluence support zones like this if possible).

The initial target was an 'equal move' or the height of the triangle (30 cents) added to the breakout zone at $104.00 for an initial target of $104.30. Price formed dojis at this level which could have been taken for a signal to exit and wait for price's next move (buying back at the 20 or waiting to see if support held there) but the lesson I explained to you last night kicked in finally at 2:00pm with a strong break to new highs.

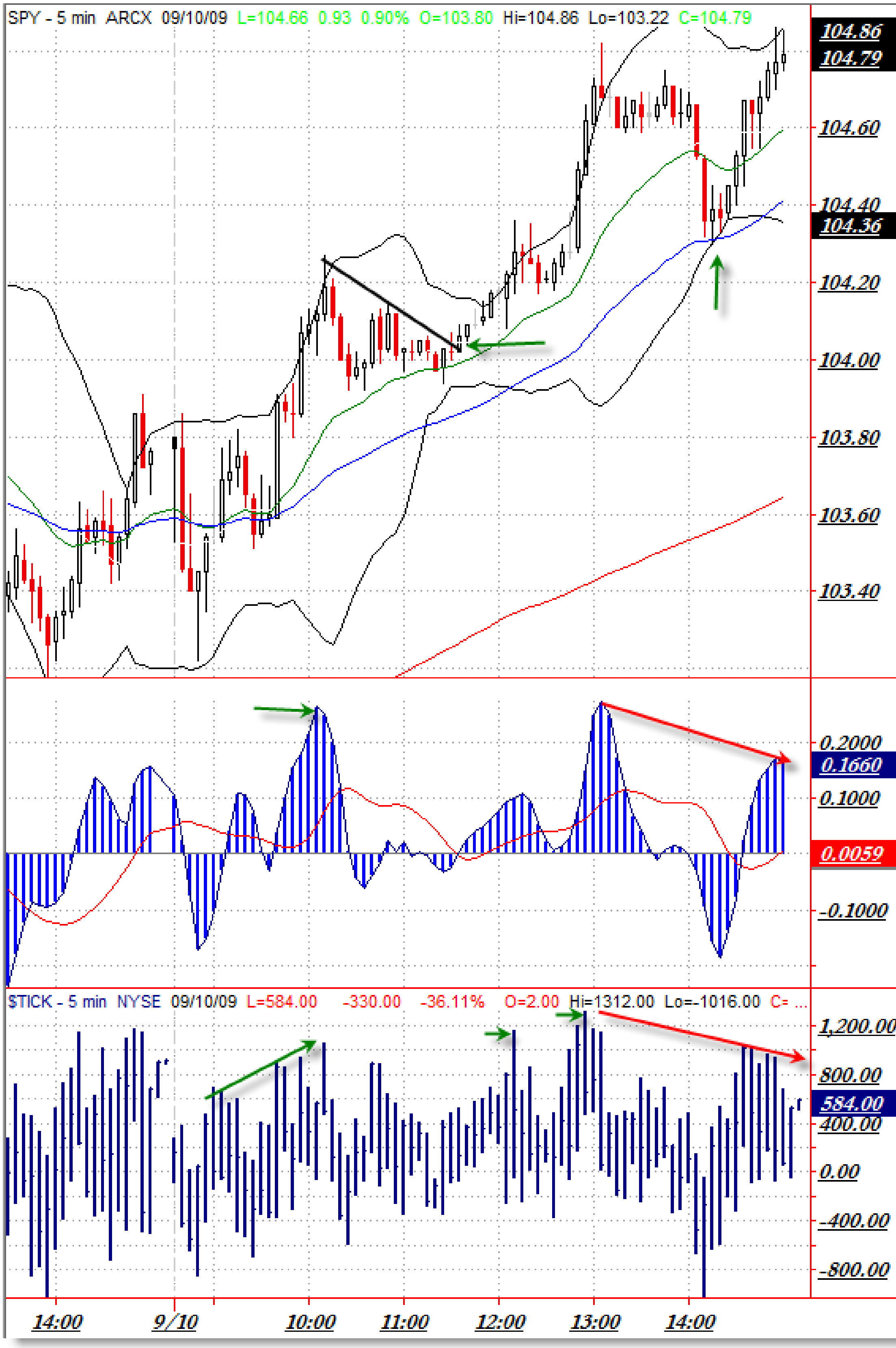
Again, there's not a name for it, but it's the tendency for stop-losses to be clustered above key levels, and if buyers can push the price to those levels, a snow-ball effect or cascade effect occurs when exact prices are triggered which lead to more stops being triggered and new longs flooding the market which creates strong - almost predictable - price moves you can profit if you know where to find them.

I mentioned that any break to new highs should be met with vicious stop-loss covering (buying) and that you would want to scalp aggressively long on any break. Notice the volume spike up at 1:00pm (afternoon breakout time) which hinted that 'power' or participation was building to the upside (pressure). On the break to the upside at 2:00, buyers steamrolled the sellers, adding money to the accounts of those scalping long and away from those who were short going into the move and throwing in the towel to cover. Again, moves like this were you know in advance where the pockets are tend to be rare but VERY profitable. The goal was to hold long until we saw any sort of price weakness and place a stop beneath $104.20 or even beneath $104.00.

Price surged up three candles, formed a long upper shadow shooting star and then multiple dojis - any of which would have been an excellent exit for your scalp.

Price plunged back to test the confluence of the rising 50 EMA and Bollinger Band - forming a bullish hammer candle - so this could have been taken as an entry (when price rose above the high of the candle) for those aggressive traders who don't mind playing into market closes. We had further sustained price action to the upside as the battle between sellers at the highs and buyers continues... with bulls/buyers yet again (as I explained yesterday) taking the victorious position.

The same goes for the "prediction" for tomorrow - nothing matters but that the bulls/buyers are dominant over the sellers. This means an upward bias - despite all the technical/chart evidence to the contrary - persists and that caution is the name of the game (as well as quick scalps as opposed to aggressive swing positioning). Bulls are on very shaky ground... but that doesn't seem to bother them at all.



New TICK Highs as labeled preceded new Price Highs. Price closed on a distinct negative TICK and Momentum divergence which needs to be watched (non-confirmation) though filtered through the lens of the domination of the bulls.

The 1-min frame zooms us in to excellent examples of the "Three Push" pattern (morning), Triangle Breakout Pattern, the "Stop-Loss" concept, and various TICK divergences.

The picture of health.

Absolute NO short-sales should be taken for more than a scalp intraday (ie NO swing trades!) unless price breaks the 50 EMA and closes on higher volume.

This is the picture of bullish strength and bearish despair.

It will continue until the 50 EMA is broken to the downside.

This chart shows the importance of knowing where "Pockets" of stop-losses reside.

Knowing this would have given you excellent scalps when the highs of late August were taken out today.

Anyone will tell you that volume declining as price continues to rise is a non-confirmation and is thus bearish.

But the bulls/buyers either are unaware of this or are completely ignoring it with the urgency to get in.

The only reason someone would buy at these prices is because the FEAR of missing out ("the market has rallied 50% without me! I have to get in now!) is greater than the FEAR of Loss ("I'm nervous that if I buy here, the market will reverse and I'll lose money.")

When the charts/fundamentals/quants seem off, realize that buyers and sellers - putting on positions in aggregate - drive the market.