AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today was a sort of cross between "Rounded Reversal" and standard "Range" Day, given that price ultimately formed a "Doji" on the Daily frame (see below). Let's spot the key opportunities that existed today for educational examples, and then note the precarious position buyers/bulls are in... which may or may not matter at all!

NOTE: For all of us who trade @ES or other index futures contracts, this week marked the final week to trade September Futures - it's now time to Roll Over and start trading December contracts, which use the "Z" symbol. So the new symbol in TradeStation is @ESZ09.

First, we started with a small, almost insignificant overnight gap of 20 cents in the SPY which was almost filled on the first bar. Ultimately, price rose to the upper Bollinger Band in a very choppy fashion - too choppy for most traders to do much progress long or short.

There was a long-legged doji at the $105.20 level at the upper Bollinger which could have been used as a tight-stop (above $105.30) with a target either of yesterday's close ($104.80) or the rising 20 period EMA ($104.90) - both targets were hit. The next bar (after the doji) was a strong bearish engulfing candle which should have taken you out of any longs and triggered a 'scalp short' mentality.

As price hit the support of yesterday's close (often a support/resistance level), we formed two side-by-side candles and almost a 'bullish engulfing' which could have been a trigger long as the high of the candle was taken out on the next bar to scalp long to play either for a test of the intraday highs near $105.20 or fresh intraday highs - price ultimately failed to make a new high, so the "double top" and inner doji at the 11:00am hour at the $105.15 level provided yet another quick, aggressive scalp down either to the 20 EMA ($105) or yesterday's close ($104.80).

All of these so far - I would deem to be 'marginal' trades - the price was too choppy to allow for too much confluence - and my guess was that more stop-losses were being taken out at the highs along with fresh new shorts (who were on the sidelines) trying to short at the highs, creating a battle - hence the choppy, somewhat volatile action that resulted in small stops and small targets.

That structure changed on the downswing into new intraday price (and momentum, and TICK) lows at the noon EST hour. Price had also busted through the confluence of yesterday's close and the 50 EMA (often the "line in the sand" as I frequently mention). This switched the structure - or trend - and combined with deteriorating market internals, flipped the expected bias to scalp short (at least on the 5-min chart).

I'm going to declare two "Best Trades" of the day - the first of which was the following pullback (red arrow and highlighted zone) into the $104.90 area as price came back to test the underside of the falling 20 EMA. You could have executed in this zone (I labeled it a 'bear flag' on the 1-min chart) and placed a stop just beyond $105.00 (round number resistance) and played for a new swing low or a "Sweet Spot" trend reversal trade.

Volume picked up (confirming the new lows) and price fell all the way down without stopping to test $104.30 and in the process forming a new TICK, Momentum, and intraday price low.

Price formed a lower shadow bullish candle that preceded a rally higher to challenge the expected resistance of the 20 (and 50) EMAs - and trading this 'scalp' long (stop beneath the lows) would have been a very aggressive play - it was better to wait for the short-sale to set-up as price rallied back into the resistance zone to establish a more favorable position there. I deem this set-up (asterisk) the other "Best Trade" of the day, even though the trade outcome failed.

This was your standard "Impulse Sell" trade in a downtrend after a new price, momentum, and TICK low (5-min chart) and waiting for the retracement into confluence resistance to get short. The target was a minimum retest of the $104.30 area if not new intraday price lows (given this was interpreted as a potential 'fourth wave' pullback).

Again, price had other intentions, and as soon as the large bullish reversal bar (the strongest of the day) completed, you should have taken a scratch or small loss on the trade. You could have waited for your stop to be taken out at the $104.80 level, but either way, this 'ideal trade' with the odds in its favor failed - remember we always deal in probability and edge - never certainty.

It was fine to stay sidelined into the close - or to recognize the 'upward bias' that often occurs into the close and scalped some small long positions if aggressive.

Otherwise, to me, the entire 'channeled' (trendline) move up from the 12:30 lows looks to be a potential piece of a larger bear flag, and a move beneath the lower trendline at the $104.60 level would trigger an aggressive short-sale to target a measured move of the impulse which would take us down to $104 as this chart shows:

Please also keep in mind to take any and all bearish set-ups with a grain of salt for trades that aren't 'scalp' trades intraday - bulls have destroyed many bearish sell signals all the way up since March.

The morning price highs were not confirmed with new momentum or TICK highs as shown.

The 12:30 price burst (sell-signal) actually contained a "Wyckoff Sign of Strength" (meaning, when the TICK spikes to a new high and price does not, that can be a hidden sign of strength that higher prices are yet to come... this is a tendency, not a rule).

The 1-min structure shows hidden momentum and TICK divergences that are helpful in confirming trade set-ups and entries on the 5-min chart (or higher timeframe).

The bear flag is clearly seen on the 1-min frame which may have passed you by on the 5-min chart.

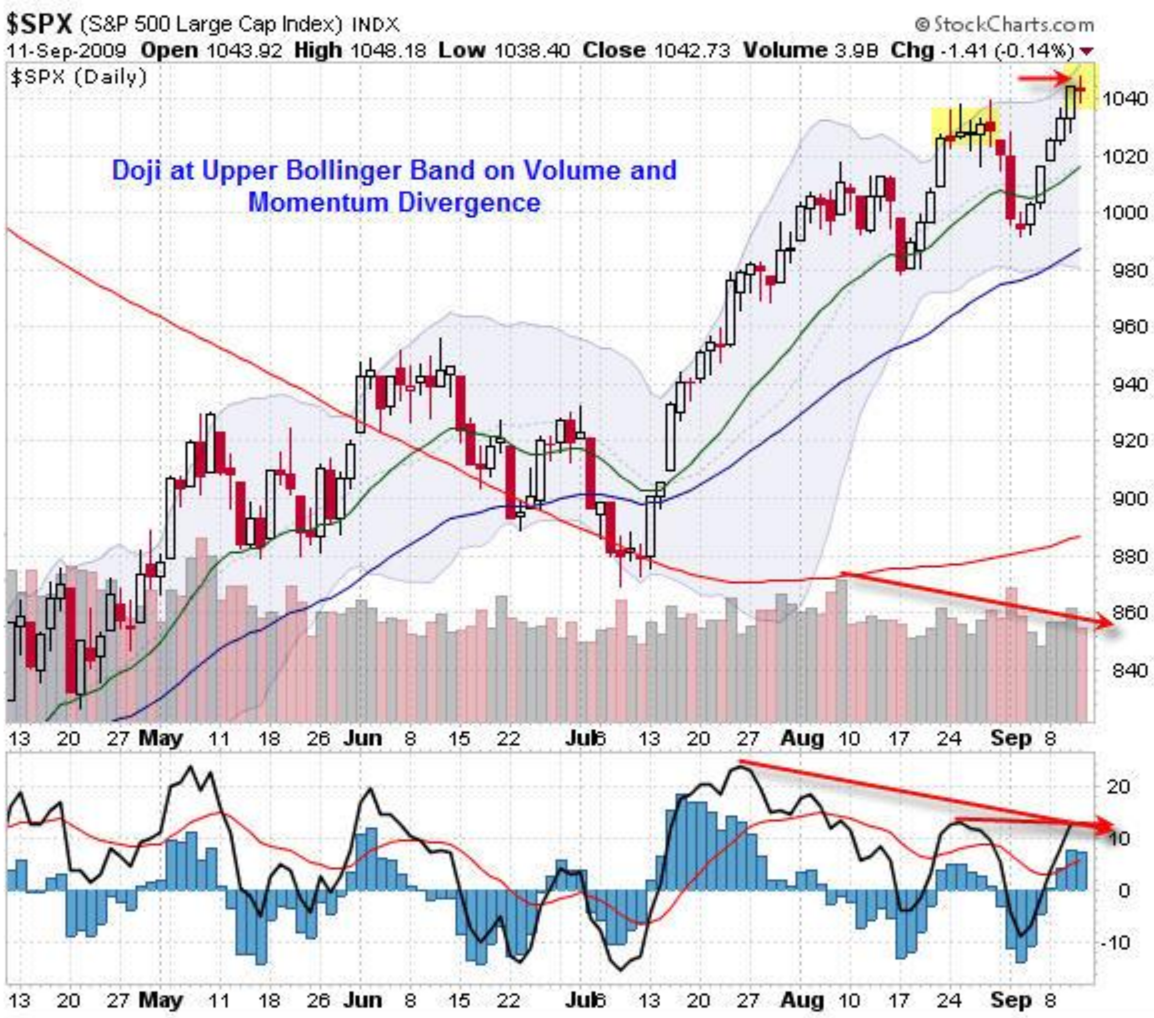
Remember that the price target of the bear flag often serves as a price support/reversal zone - as this example shows.

In last night's report, I warned against swing trading short unless higher timeframe moving averages were broken. This is why. Price found support off the 15min 50 period EMA as well as the 30 minute 20 period EMA.

It's helpful to observe other timeframes, so long as you don't get too caught up in 'analysis paralysis' which plagued me for a while when I first began intraday trading.

Focus on one timeframe and then look for OBSTACLES on a higher timeframe and then confirmations (divergences, etc) on lower frames.

Same logic as the 15-min chart - a break of $104.50 will likely set-up a scalp down to test $104 (50 EMA) but do not short until these levels are broken... despite the negative volume and momentum non-confirmations (bulls refuse to give up).



Under normal scenarios, I would all but scream at you to sell short right here right now with a stop above 1,050 or beyond and a target of 1,000.

These are not normal scenarios. Every sell-short signal has been blasted, and part of this upward rise was done so on the stop-losses of frustrated and angry short-sellers.

As long as this tendency - for the market to rise continuously - continues, you must respect it. Supply and demand (buyers and sellers) move prices/markets.

Not dojis at the upper Bollinger Band on a negative volume and momentum divergence after a 6 day rally into a known prior price high/resistance level (October 2008) at the 1,044 level. Normally, these confluences would cause sellers to flood the market and profit takers (longs) to exit - creating a sell swing. Odds and probabilities strongly dictate that will happen this time as expected (a downward move from here)... but do not be upset/surprised/frustrated should price continue its upward trek that has been littered with bears all the way up.

Even if the market has a 90% chance of falling from here, it has a 10% chance of rising further (those are arbitrary numbers intended to show how to think in probabilities instead of certainties). In fact, should there be even a small rise early next week, it will drive even more bears to cover, driving prices higher. Guard your capital and don't try to be a hero here (unless we get some serious moves to the downside on higher volume). Have a great weekend!