AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

# Daily "Idealized Trades" Report

## SPY (SPY 500 ETF) 5-min

What a day of unexpected developments! Let's take a look at the intraday opportunities and then note the current SPY structure on the higher timeframes.

First, we started the day with an overnight gap of 80 cents, which was just beyond the statistical zone (about 65 cents) to expect a gap fill... however, as you see, price filled the gap with very little movement against the upward fill.

In this case, the gap was not "expect no fill" which would be greater than 90 to 95 cents (in which case, we would have expected a potential trend day down) but it was just on the cusp, placing it in "no-man's-land" for most traders to feel comfortable trying to fill this morning's gap.

As such, there was plenty of overhead resistance in the way of the gap fill (target $104.77) in terms of the 20 and 50 period EMAs as seen on the charts. Price formed slight reversal candles... which could have been taken as short-sale entries, but price managed to break above these as well and just before 11:00am, the gap fill was complete. I would deem that only aggressive "gap-fillers" had the confidence required to stick through this morning's gap fill and reap the full profit - if you scalped a 50% retracement or got even a small profit from the morning's gap fill (by buying long), don't feel bad that you did not get the full fill.

Once the gap was filled, around the 11:00am frame, price formed a series of long, upper shadow candles that formed at yesterday's close which also happened to be where the day's "Pivot Point" (TradeStation chart) formed, creating a confluence resistance area.

I deem this the BEST TRADE OF THE DAY (short) even though the target was not met and price resulted in a stop-out. You cannot judge the day's superior trade in hindsight by noting trades that gave perfect profits - you don't learn much from that. Instead, you take all the knowledge and understanding you have, combine your experience of what you saw real-time, and then - now looking back - note what you should have seen and learn from it. The purpose of these and any summary report you write or read should be *increased knowledge* and enhanced pattern recognition. That's why - sometimes - you'll see me label the "Best Trade" that resulted in a horrid loss - as this example shows. This is a learning experience.

That being said, here is why I deem this the best trade.

Price had formed a 45-degree angle retracement back up to close the morning gap which resembled a retracement/bear flag pattern, and price had pulled back into a known confluence resistance area (yesterday's close + the Pivot Point) and had formed a negative TICK and momentum divergence into the eventual high just above $104.80 which formed a shooting star candle followed by two dojis. Shortly afterwards, price broke under the rising trendline on two large (relative) red (bearish) candles, signaling plenty of opportunity to enter. The stop would be located above $104.90 or even above $105.00 to be safer, and the target would be a minimum play down to challenge the intraday lows at $103.80 or even further if you interpreted this pattern as a bear flag.

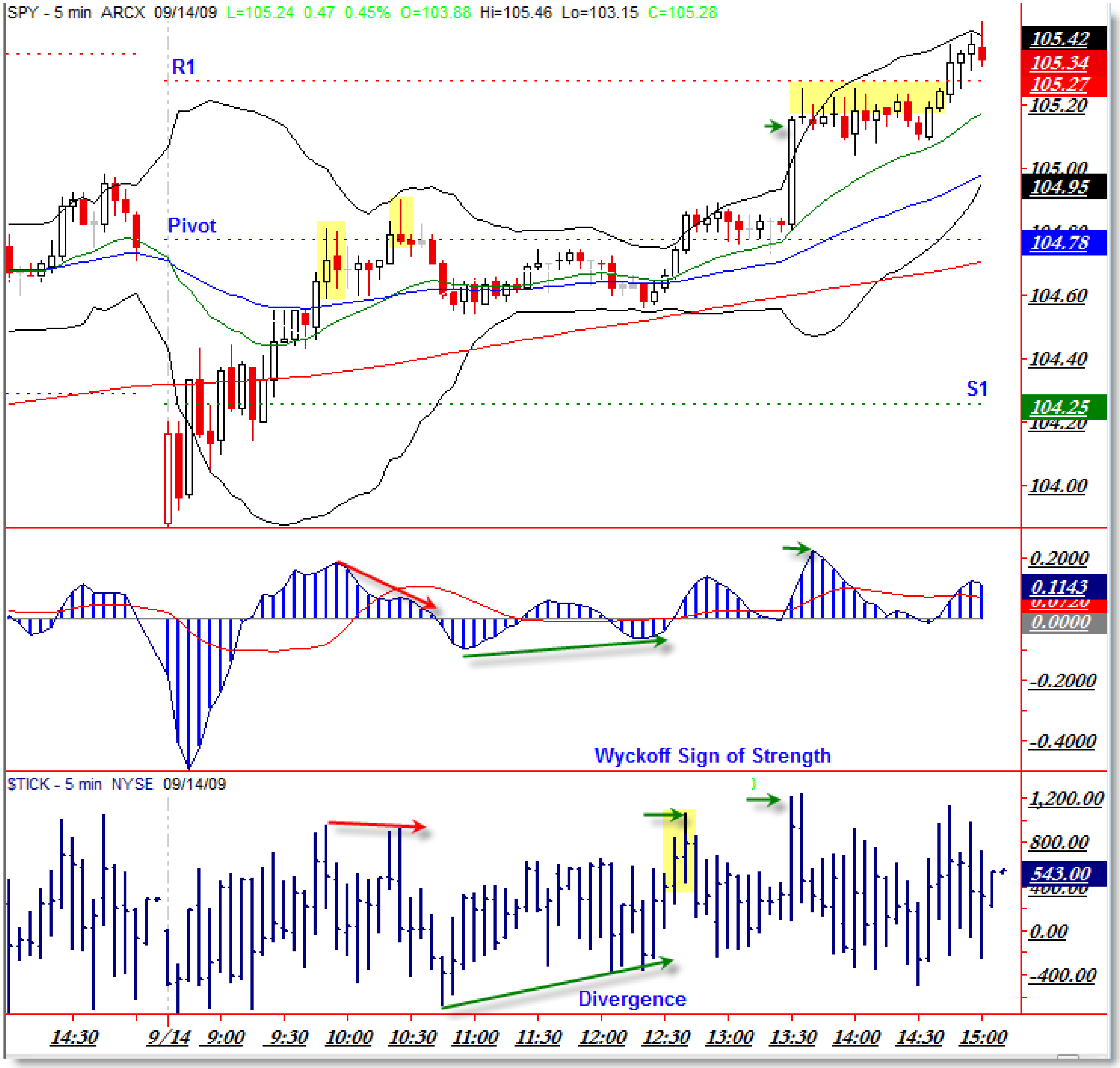
Price stumbled around the $104.60 area for the next two hours and gave us a "Wyckoff" Sign of Strength along with a surge in volume at the 1:00pm "afternoon breakout" zone, which should have clued us in that odds of further downside action had declined- namely because price failed to trail lower and instead consolidated... eating away the supply/sellers.

LESSON: When price "SHOULD" do something (based on a confluence of sell or buy signals) and it DOES NOT, or price stagnates for a period of time, that is often sending a more powerful signal in the opposite direction. Meaning, with all the people trying to short-sell to push the market lower in the afternoon, buyers managed to "eat up" or counter-act all those sellers in aggregate, and in so doing, this meant that underlying buying pressure was strong. Sure, you can't anticipate this in advance, but you can pick up on the signs, in that you have valid expectations but you realize that markets are moved by supply and demand (buying and selling) instead of chart patterns or indicators. Knowing this, you should have realized that price has very high odds of going down due to various technical factors... but the fact that downside action did not occur right away should have clued you in to watch for any upside momentum (trade management is ACTIVE management) and exited on any unfavorable development and then flipped and traded long - as per my many discussions of "stop-losses being triggered" - to capture the frustration of - in this case - the short-sellers as their well-placed stops are taken out.

Chances are your stop was taken out as well, but instead of getting frustrated, understand that thousands of other traders probably saw the market the exact same way you did and put on short-sale positions as well... and when some of the stops were taken out as price rose, know that a cascade or 'tide' of short-sale stop (buy to cover) orders rested roughly where your stop did as well... and that with further buying pressure... like a snowball rolling down a hill... those orders will be hit, resulting in swift upward action that you want to participate.

So, the large bar after 2:00 was only in part due to new buyers - it was more a result of old short sellers exiting the market *en masse* that you - as per our discussion in this report last Thursday and Friday - should have flipped/scalped long to take advantage of ... their pain.

Once price surged to new highs on new TICK and Momentum highs, odds favored higher highs yet to come, though price struggled for over an hour at the R1 resistance level. The idea entry was at $105.10 as price pulled back and retraced to the rising 20 EMA (stop just under it or beneath the rising 50 EMA). That trade would have 'worked' only if you were comfortable trading into the close.




We see the morning Momentum & TICK divergence and then two "Signs of Strength" that came from new TICK and then Momentum and price highs (hinting higher prices were yet to come).


The 1-min chart always helps illuminate what we see intraday on the 5-min chart, and helps us see inside divergences clearer.

Again, the large surge at 2:30 EST was - in large part - frustrated short-sellers covering.

As I've been mentioning, WHATEVER force is driving the market higher, IT IS IN CONTROL and you should not be trying to swing trade short against this powerful force (of demand).


Price is forming an "Arc Formation" (one of many that have 'failed' on these timeframes) on a negative momentum and volume divergence.

Under classic technical analysis, this would be a glaring 'sell-short' signal... but the forces of demand/buyers/bulls are solidly in control and have been thwarting each and every bearish non-confirmation or signal.

Stand aside if you must, but do not fight this tide. As mentioned so many times to you here, DO NOT SHORT for anything other than an intraday scalp until you see these 20 and 50 EMAs broken solidly on higher volume. Notice how beautifully price supported on the $104.00 level which was the "bear flag" target I mentioned in Friday's report along with the rising 50 EMA on the 30-min chart.


The 60-min chart shows us the same structure - only more compressed - as seen on the 30-min chart.

Volume actually surged on the downside price move going into September (hinting that volume confirmed the downward action) though a divergence has formed into new price highs (suggesting price is NOT confirming these price highs).

All fundamental, quantitative, and technical analytical methods remain moot as long as buyers are aggressively pushing the market higher as they are.


The Daily Frame shows brand new price highs (marginally) on a surprising Bullish Engulfing Candle.


A follow-up to a "Prediction chart" I posted for you on Friday:

I mentioned it looked like a "Bear Flag" formed into Friday's close and I drew the target being the $104.00 level.

This was correct, but unfortunately, the only way to profit from this was to see this pattern prior to Friday's close and then remain short over the weekend and exit at this morning's open. That's virtually an impossible task.

But it does show how structure carries forward into the next day's trading and how setting targets can be effective.

(This was the chart shown on Friday's report):