AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Bulls managed to push another up-day in the market, underscoring my recent discussions on the fact that "supply and demand (imbalances) move markets," and that the bulls have managed to score impressive victories one after another in the battle for control of the supply/demand equation. Bernanke's assertion that the Recession was "probably, technically" over helped the bulls push prices even higher to fresh new highs for 2009... this time on increased volume.

We'll come back to the big picture at the end of the report - for now, let's learn from the opportunities/structure/set-ups that occurred throughout the day for reference.

The morning opened with a negligible gap which rose quickly into a bearish "Evening Star" (or doji reversal star) pattern (comprised of an up bar, a doji in the middle, then a strong down-bar after the doji). This was your first 'sell short' signal of the day, given that price had breached outside the upper Bollinger Band on two long upper shadows... a great short-entry (as price broke the lows of the 4th bar - a red bar - at $105.50) with a stop above the highs near $105.70. The target initially was yesterday's close at $105.30, though those so inclined to trailing stops would have received a nice profit as price cracked through expected support (20 and 50 EMAs) and tested the 200 period SMA at $104.80.

Price formed a long-lower shadow doji about 10:15 off the 200 SMA support, and then as price broke the high of this doji, that could have been taken as a quick scalp long to play for the $105.30 level again, which was yesterday's close. The dominant expectation for price/day structure at this point was for a RANGE DAY - given that we did not have a morning gap AND that price had auctioned in both directions. This meant you should be looking to scalp both long and short and keep a keen eye out for price divergences.

I labeled a "flag" at the 11:30 hour, which is actually better described as an "AB = CD" Measured Move pattern. The flag and targets are detailed in a specific chart below.

Ultimately, price consolidated into an ascending triangle that broke out exactly at the 1:00 "Afternoon Breakout" zone which gave perhaps the best trade of the day, given that price also broke to fresh 2009 highs just after this point which triggered even more short-sellers to cover, thus driving the price higher (and you to a profitable trade).

Trade entry occurred either as price broke above $105.50, or broke the morning highs (conservative entry) at $105.60 with a stop beneath the lower trendline and the confluence of the 20 and 50 EMAs with yesterday's close... all of which would have been roughly at the $105.20 level (loose stops are often better when playing for price break-outs).

Price then rallied almost without stopping until we formed a key negative momentum and TICK divergence at the absolute daily high at $105.90... a GREAT place to exit your long (buy) trade from the triangle and then to flip and go short in lieu of the TICK and momentum divergences.

Ultimately - and underscoring just how powerful the bulls are - price managed to form a nice "ABC" (three-wave) retracement back into the rising support of the 50 EMA, which is the absolute "Line in the Sand" for determining whether odds favor higher prices yet to come (yes, if bounce up) or a reversal/lower prices ahead (if prices cleanly break this level). It is important to find inflection points like this and then trade the "winning side" in the Supply/Demand (Sellers/Buyers) equation.

Ultimately, a doji and two bullish hammer candles formed with wicks again dipping outside the outer Bollinger Bands, which triggered a long (buy) entry when price crossed above the highs of the candles at $105.70 along with the 20 period EMA (regaining ground). A long trade here was successful (with a stop under $105.50) though there was a reversal at the end of day. Price managed to break above $106.00 in the SPY and 1,056 in the S&P 500 - both monumental.

The TradeStation 5-min chart adds the TICK divergences - which were good for nice scalps. There was a negative momentum divergence into the price highs of 2:00 EST which also formed a "head and shoulders" pattern that was ONLY able to lead to a tiny retracement - this underscores the absolute power of the bulls - their dominance remains until we start breaking key EMAs on the 30 and 60 min charts as I've described previously.

We see the Ascending Triangle pattern that led to the 1:00 EST Afternoon Breakout (TradeStation charts are labeled in CST).

The 1-min structure shows an inside look into the divergences that occurred both in the 3/10 and the TICK.

These help set-up trades or help confirm what you're seeing on the 5-min chart as you put on trades during the day.

We also see down-sloping trendlines that - when broken to the upside - confirmed trade entries long in the form of "flags" or clean retracement breakout trades as shown.

Today also formed an Ideal Elliott's Fractal pattern, in that a 5-wave structure was present which developed confirming (expected) internal fractals (three waves on corrective moves and 5 waves on impulsive moves). Knowledge of Elliott Wave is not required to trade successfully intraday but - like any method - it can be helpful in showing you potential that you won't get from other indicators (it is price based exclusively).

The other lesson to learn is the "Flag" price projection which met its target as the market encountered resistance at the $105.83 level (in which the head and shoulders and negative divergences formed). During normal times, this would have been the "Best Trade of the Day" (Fibonacci 100% Price projection target, multiple long-upper shadow dojis, bearish candles/dojis, negative momentum and TICK divergences, head and shoulder pattern) BUT the bulls managed to overcome ALL these structures/developments as I mentioned and you need to be aware that this is happening. ***Bulls remain dominant.***

The Daily Chart shows just how much the Bulls have had to overcome - a thick line of overhead resistance, negative volume divergences, negative momentum divergences, numerous reversal/doji/bearish candles at the highs, scratching up against the upper Bollinger Band. None of this technical evidence seems to phase them and as such, you should not be frustrated because of this, but aware of it and cautious because of it. As mentioned, it's like playing musical chairs. The bulls cannot under any circumstances continue pushing the market higher indefinitely - that is an impossibility. We don't necessarily have to endure a hard crash, but some sort of meaningful pullback - but when or how is beyond the forecasting because markets are governed by supply and demand. Whoever they are, the fact is that there are stronger/more buyers than there are sellers at the moment and that is the reality of the current market- however bizarre it might seem.

So from a swing trading position, traders are neutered - one cannot get long here with the price so overextended and negative non-confirmations forming... but one also cannot get short due to the immense power of the bulls to overcome these same odds.

As strange as it seems and sounds, the bias is to the upside as long as bulls can keep prices above the 20 and 50 EMAs as shown here and on the 60 min chart. Volume picked up today as price rose - that's a bullish sign.

Momentum is still weak/diverging, and - as a whole - volume is diverging as well.

As strange as it sounds, expect more of the same until proven otherwise by breaks of support and higher volume to the downside.