AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today will be filed as a Trend Day up (with gap fill) Type II, but it certainly was unexpected by many and was driven in part by shorts throwing in the towel, just so frustrated from recent beatings. Bulls are firmly and dominantly in control - this is a one-sided market.

GAP FADE + UPPER BOLLINGER + BEARING ENGULFING

The first trade of the day was a quick scalp to fill the 50 cent gap in the SPY - that's well in our range of statistical odds of filling and the trade worked almost magically. As if the gap wasn't enough, price formed a bearish engulfing candle on the second 5-min bar which should have triggered short entry on a break of the first candle's lows at $106.00 (round number 'support/resistance'). The target was $105.70 which was the confluence of yesterday's close and the rising 50 period EMA.

FADE THE FADE + CONFLUENCE OF Y'DAY CLOSE AND 50 EMA + BULLISH ENGULFING

Often, with a successful gap fade, we get another trade in the SAME direction as the gap when the gap is filled and price begins to rise off the support of yesterday's close. In this case, we got that set-up but also price gave us a Bullish Engulfing Candle as well as a bounce (support) off the rising 50 EMA. This was a quick scalp trade with a stop under $105.60 and a target (minimum) of the intraday high of $106.20 - this trade worked out perfectly as well.

At this point, price consolidated at the intraday highs and formed a shooting star candle at the upper Bollinger Band which could have been taken as a short-sale in expectation of a "range day" which was indeed a good trade. The minimum target was yesterday's close at $105.70 (retesting that level) and price managed to find support above there at the rising 20 EMA and then rose to take out the stop of that trade.

STOP-POP TRADING + ASCENDING TRIANGLE (1-MIN)

As the stop was taken out, fresh new 2009 price highs were made which triggered in more buy orders from short-sellers who were forced to cover (as per our discussion in previous reports - you can profit/scalp from pockets of stop-losses being taken out).

There's no specific name for that set-up (buying as fresh highs are made which knowingly cause short-sellers to cover/buy which drives prices higher) but it did happen at the same time that price broke above an ascending triangle on the 1-min chart (drawn below).

Price rose quickly then consolidated about the $106.40 level in which an "ABC" (three-wave) pullback formed as price re-tested the rising 20 EMA. The exact same logic applies as above - when price broke above this consolidation range (popping out more stops and causing new longs to buy), you could have scalped alongside them as pockets of stop-losses (from sellers) were taken out, AND as price broke above a consolidation pattern.

This same event happened as we went into the 1:00 "Afternoon Breakout" zone where price popped above yet another consolidation zone to pop out short-sellers (buy to cover) which created more higher prices. You also could have bought (aggressively) as price tested the rising 20 EMA at $106.80 because evidence was mounting that a Trend Day was forming (plus, price, momentum, and TICK made a fresh new intraday high at noon, which hinted that higher prices were yet to come).

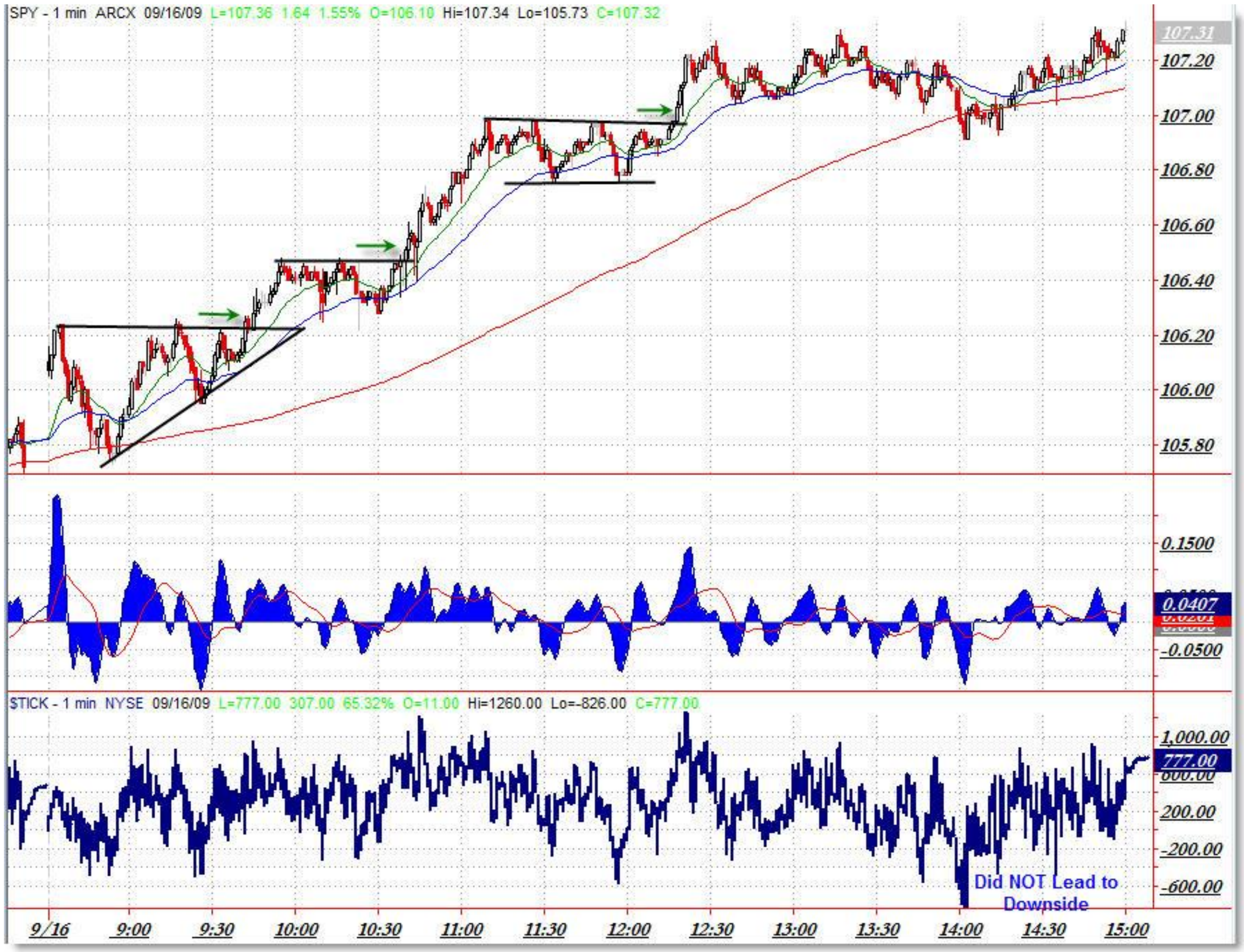
Finally, price formed a negative TICK and Momentum divergence at the absolute highs at $107.20 as price consolidated, which could have been plenty of reason to exit any long/buy positions for the trend day and then for aggressive traders to short at this level with a stop above the intraday highs. A 5-wave Elliott Fractal could also have been drawn into these highs. This was a high probability, low-risk short that - as I've been saying in each night's report - tempered (caveat) because bulls have been in major dominance of the supply/demand equation, and thus any short-sell signal has been good ONLY for a scalp.

This time was no exception.

Price retraced down to support just above the rising 50 EMA (deemed the "Line in the Sand" on Trend Days) and price formed a hammer candle just above this level, triggering a potential buy entry as price closed above the hammer and above the 20 EMA. This might have been too close to the close for many traders to trade.

Despite this major non-confirmation (TICK and Momentum), (or perhaps BECAUSE of it drawing in fresh short-sellers who would later buy to cover as price rose toward the end of the day, generating positive pressure on price), price managed to close on the highs of the day.

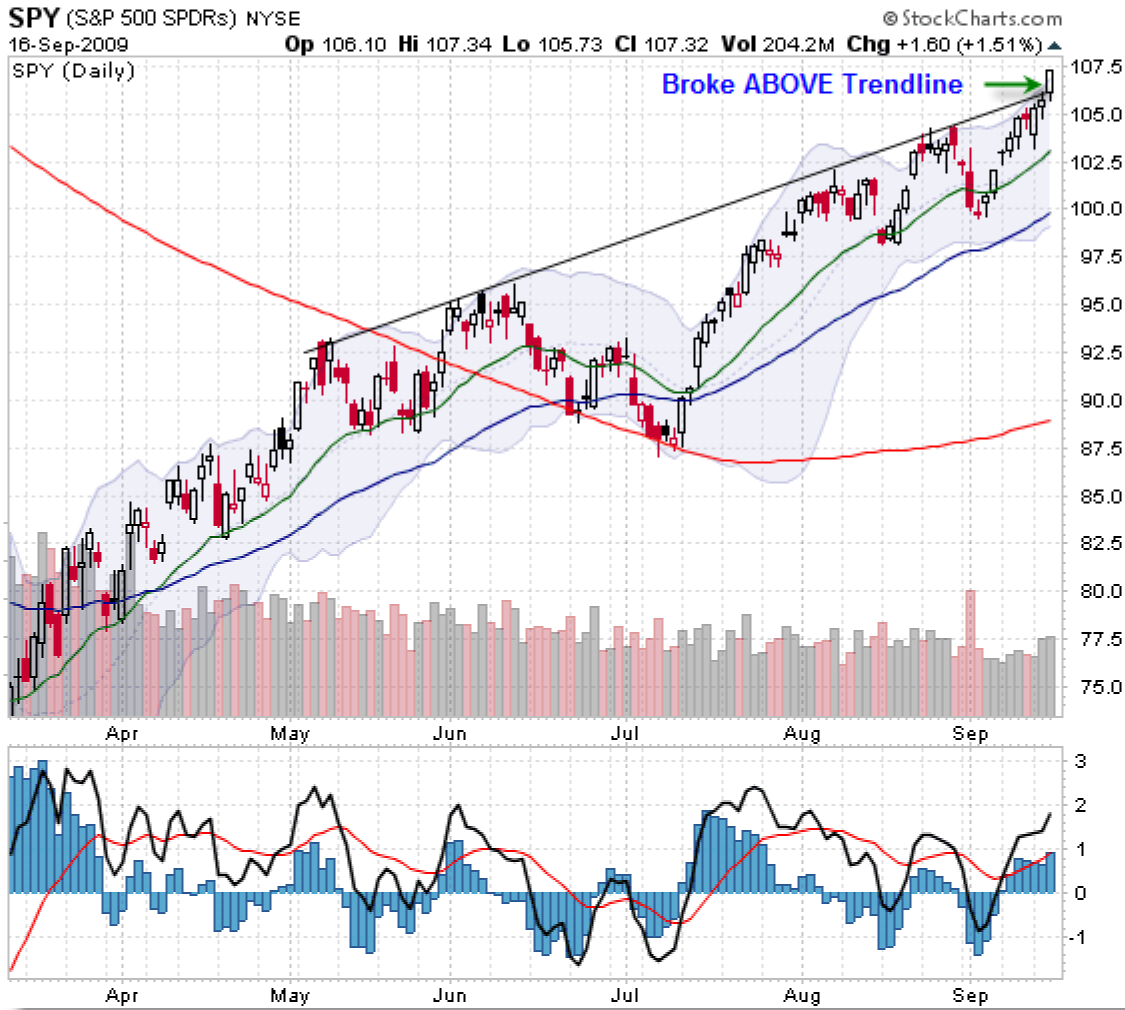
The 5-min structure shows the TICK was concentrated above zero all day; any negative TICK reading is a BUY Signal particularly if price remains above the 20 EMA. Buyers overcame a negative TICK and Momentum divergence - that takes some MAJOR buying pressure and tells us that SOMETHING is up behind the scenes (bullish massive strength).



The 1-min structure shows the Triangle and Rectangle patterns as well as a closer look at the TICK.

Bulls were so powerful today that they managed to keep price roughly above the 50 EMA on the 1-min chart all day long.

Breakouts above consolidations or horizontal trendlines on a Trend Day are automatic buy/long signals.



You are now entering the Twilight Zone.

Just kidding, but this is the kind of chart you would expect to see at the height of an economic recovery when everyone is so bullish and optimistic and plunging money into the market - and there are no fears on the horizon.

I'll be showing all lower timeframes, because they are showing pictures you'll rarely ever see again - in terms of a virtual straight-up ascent on all intraday timeframes - absolutely impressive and amazing.

There comes a point when the term "short covering" gives way to "actual buying" in which the entire scenario changes. I keep saying that Bulls are Absolutely Dominant in the Supply/Demand equation - resulting in higher prices - despite sell signal after sell signal. Rather than mere words on a page - this is the reality. Despite what's out there, bulls keep buying. Don't ignore this fact. If you can't see how price can keep rising - I've heard almost 100% negative comments in terms of "price can't keep going up" "price has to fall" "this sell signal will work" etc - you don't have to be long, you just can't be short in a rising market. If you can fathom higher prices, be long. If you can't, then be out of the market. I've been saying it for weeks now - do not short until key levels as seen here are taken out on intraday charts on higher down volume (can short intraday for scalps of course, but do NOT try to swing trade short).

Take a look at the lower timeframes:


SPY (S&P 500 SPDRs) NYSE
©StockCharts.com
16-Sep-2009
Op 106.10 Hi 107.34 Lo 105.73 Cl 107.32 Vol 204.2M Chg +1.60 (+1.51%)
SPY (15 min)


SPY (S&P 500 SPDRs) NYSE
©StockCharts.com
16-Sep-2009
Op 106.10 Hi 107.34 Lo 105.73 Cl 107.32 Vol 204.2M Chg +1.60 (+1.51%)
SPY (30 min)
Totally Ignoring Divergences

Yes, price is over-extended, but nothing "has" to happen in the market. I remind you of 2 of Mark Douglas' "Five Fundamental Rules:" (*Trading in the Zone)*

1. Anything can happen
5. Every moment in the market is unique

And Brian Shannon's famous quote "Price is King." (alternatively, "Only Price Matters.")

As such, bulls are in control, the structure and trend is positive, however price is grossly overextended.

As long as the bullish bias exists, be biased long but trade very cautiously.

As intraday traders, we have that luxury.