AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today will be classified as a wide Range Day (despite having a range of $1.60 in the S&P 500, the market technically formed a doji candle - opening and closing at about the same level). However, today gave great examples and opportunities in both directions.

HAMMER + BOUNCE OFF YESTERDAY'S LOW + BOUNCE OF RISING 20 EMA

I would deem the first trade of the day (idealized) not coming until about 10:30 EST, with price breaking above the high of the red hammer candle that inflected with a long lower shadow off the rising 50 EMA and also bounced - on a closing level - off yesterday's close. The trigger was long at $107.40 with a stop under $107.20 for a target of a retest of the intraday highs near $107.90 or even a continuation of the upward structure to play for a target beyond $108.00. Ultimately, price formed only an "ABC" retracement, giving a second 'idealized' entry as price retested the rising 20 EMA. Price rose as high as $107.85 before collapsing into a downward impulse wave.

There really wasn't any way to exit gracefully at the $107.80 highs, other than seeing the long upper shadow form and then taking a 'trailing stop' exit or exiting as soon as price broke the low of the prior up-candle (that created the upper shadow just shy of the upper Bollinger Band) at $107.65 - which still would have been a profitable exit from a trade that triggered an entry at $107.40

I didn't see a reason to short this down move into expected support, and I would deem that the day structure was shaping up to be a "Range Day" so we would be looking to buy a retest of the lows particularly at confluence support at the $107.30 level.

Price bounced upwards off this level, which could have signaled a trade entry with a stop beneath $107.20 and target again to the $107.80 level, though this was quickly stopped out as soon as it was entered. I don't like trading during the noon lunch hour for this reason - moves are choppy, and tend to be less efficient.

Ultimately, price broke the $107.30 support line which told us that we were either in a "C" Wave or a 3rd Wave down. Broken 'obvious' support levels lead to scalp trades in the opposite direction because stop-losses are triggered. Your stop - if you were long - was triggered too but as price broke support, you could have flipped for a quick scalp short to capture the stops of others who were stopping out.

Just after noon, price formed a new price, Momentum, and TICK low on the session, which meant the classic "Impulse Sell" trade was just around the corner as price rallied upwards to test the underside of the 20 EMA. In this case, price couldn't even rally that far and formed a spinning top/doji candle just under the famous "Cradle Crossover" (20 and 50 EMA) which triggered the "Cradle Doji Trade" (short). A stop was placed above the confluence of the 20 and 50 EMA (also yesterday's close line) at $103.70 and then a downside target for a trend reversal down was expected (monitor the trade for signs of buy signals and hold as long as possible.

Ultimately, price formed a swift and solid swing down which you should have traded (the trend structure had flipped to a downtrend at this time) into new lows at 1:00 and then 1:30.

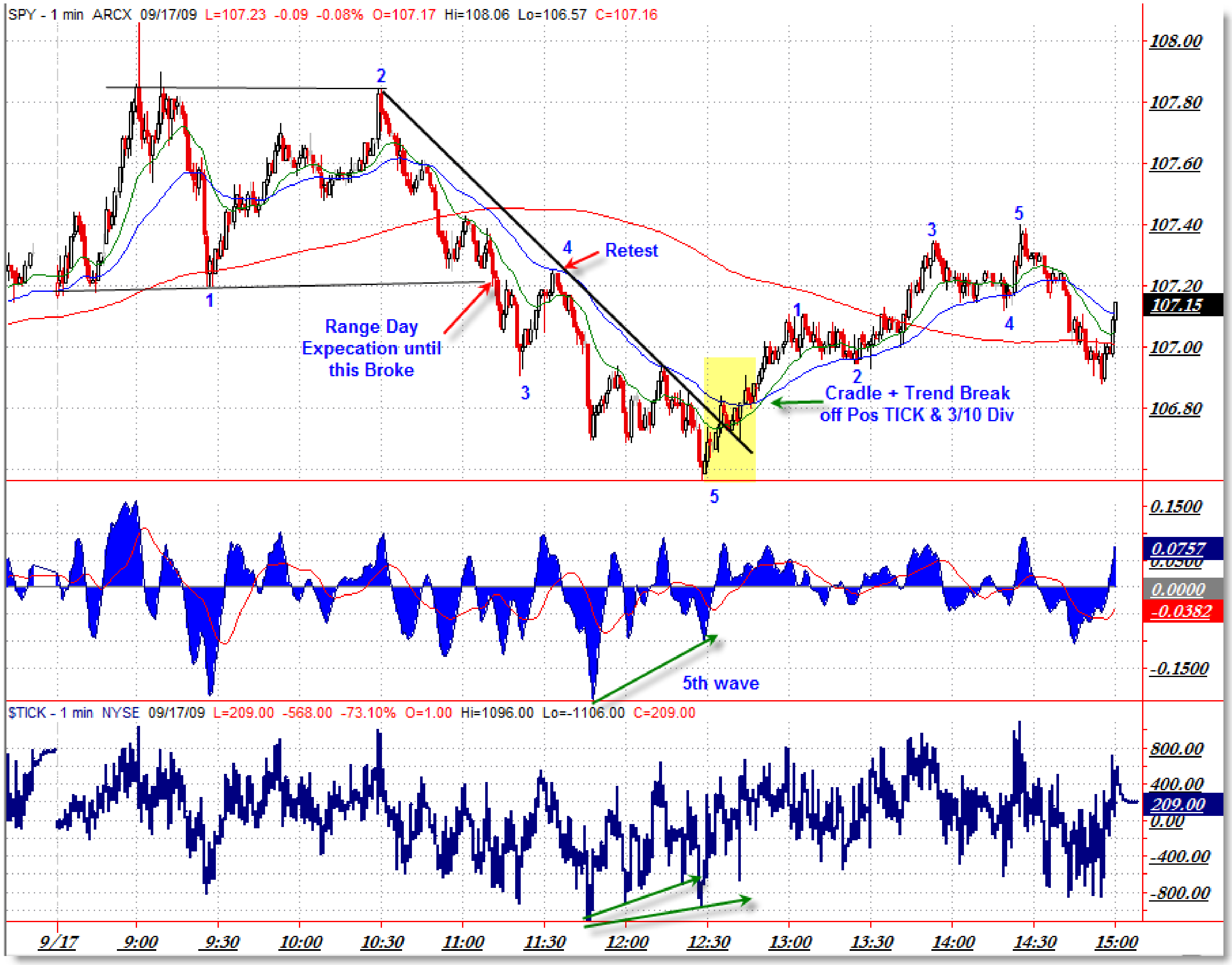
However, looking back, we see that a 5-wave structure had completed, which decreased the odds of further downside. On top of that, the 3/10 Oscillator and MORE IMPORTANTLY the TICK formed higher lows on the final push down to the $106.60 level at 1:30 - that was plenty of reason to exit any short-sale position and enough justification to flip and trade long for a minimum of an "ABC" three-wave retracement back up to the EMAs (conservative) or yesterday's close (aggressive).

Price consolidated between the 20 and 50 EMAs (a great argument for why we use moving averages - they contain price moves and also illuminate price structure) and then broke above the 'line in the sand' (for expecting further down moves) where the green arrow is drawn at $107.10. This could have triggered a scalp-long position to capture the stops of those who placed them just above the 50 EMA (and new longs - like yourself - who were playing a breakout move).

Shortly after, price formed a nice 'flag' style retracement after forming a doji (great long exit/short quick scalp) at yesterday's close line and then formed multiple dojis as price tested the upper side of the rising 20 EMA... then formed the bullish "Cradle Trade" as price tested and formed a lower shadow at the zone where the 20 and 50 EMA crossed over (stop under $107.10).

Price surged upwards off the Cradle Buy Signal... but failed to overcome yesterday's close at $107.30 and you should have scalped out for a small profit or a scratch after price formed two upper shadows at the upper Bollinger Band (and yesterday's close level). Price swung to the downside only to 'stop in mid-air' (such is the end-of-day moves) just before the close - locking in the daily doji.

The TradeStation chart is a better reference today for the trade set-ups mentioned above.



Can you see the "Best Trade of the Day?"

It's when a 5-wave fractal move terminated into positive TICK (very important) and 3/10 Momentum Divergences... AND price broke above a clean downward sloping trendline at the $106.80 level.

Otherwise, the "Wave 4" retest (after price broke from the 'rectangle' or range trendlines, it came back to 'retest' the underside of the lines), this was also a great place to get short with a tight stop above $107.20 and target for new lows.

Otherwise, we see a better look at price as it moved intraday and the TICK and 3/10 relationships.

It would be too easy to expect a pullback from the Doji that's formed outside the upper Bollinger Band at the $107.50 level at fresh new highs for 2009. Notice how price ripped through the doji sell-signal (almost mockingly) that formed at the $105 level.

I continue to emphasize that - until proven otherwise - BULLS/BUYERS are in absolute dominance and - as strange as it seems/feels - this is the bias.

Price is too overextended for a long entry, and the obvious play is to short here... but the over-ruling factor is the total dominance of buyers who have driven the market higher despite many sell signals just like this one. Until the market returns to a more logical 'swing' motion (or a two-sided market), be cautious.

Someone told me today "As far as I know, the market is not a one-way street" meaning one side of the market does not dominate forever. It sure looks like that's the case now, despite all logic and reason! But it is what it is.

For my advanced subscribers, a confluence Fibonacci Projection and External Retracement Projection Chart.

The 138.2% external retracement (red) of the move from $88 to $102 resides at $107.72
The 161.8% external retracement (red) of the $104 to $100 move rests at $107.37.

The 61.8% Projection of the $88 to $102 move rests at $107.31 (blue - large swing)
The 138.2% Projection of the $98 to $104 move rests at $108.07 (orange with blue labels)

If you don't understand the logic behind this, that's fine but the main idea is that we see four levels of short-term Fibonacci price projections aligning at levels where price is finding current resistance.

The cynic in me says that these are new resistance levels for the bulls to blow through.
The classic technical analyst in me notes that - in a normal world - odds favor a pullback retracement from these targets.