AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

We had a continuation as expected from yesterday's down impulse into the close. After a quick morning gap (retracement), price supported on yesterday's close and then plunged to new lows and those new lows bred new lows in a Trend Day type mentality. On trend days, the only 'idealized' trades are often small scalps (short) on any pullback to the falling 20 EMA, particularly if a doji/reversal candle forms following a prior new TICK low. Let's walk through the day.

GAP FADE TRADE

The first major trade was to short the morning gap of 25 cents... if you deemed the risk/reward appropriate. Ultimately, the trade would have worked perfectly off the second bar... but the risk and reward (stop and target) were roughly one to one and the profit target very small. It was aggressive to take the trade and fine to pass on it as well, waiting for a little more information.

BREAKDOWN OF SUPPORT

The second and 'best' trade of the day came as price shattered the $106.20 level, which had held as support. The moment this support failed, given the discussion I gave in last night's report (multiple timeframe views and the overwhelming evidence suggesting continued downside action), you should have put on a short-sale at this level with a stop above either the swing high at $106.50 or intraday high at $106.60 to play for a large - roughly 'unlimited' trend/range expansion target. You would be waiting to exit on a countervailing buy signal and holding short to capture as much as the momentum move down as you reasonably can.

The four-bars down in a row in a solid impulse should have hinted to you that this was some sort of "Third Wave" Impulse, which should have geared you to get ready to short the first pullback which was likely to be a 4th wave counter-rally into resistance.

FOURTH WAVE/IMPULSE SELL

Ultimately, price failed to retrace all the way to the 20 EMA at $105.50, and price began its journey back to make new lows, given that the 10:30/10:45 new price low gave a new TICK and Momentum low (meaning you should be looking to short the first pullback for the next trade).

Due to the failure to retrace into the 20 EMA, this was a sloppier trade that wound up 'bleeding time' as price consolidated and trailed its way lower, edging itself beneath the falling 20 EMA all the way. You could have been aggressively scalping (large position which plays for a very small target with a very small stop just above the 20 EMA) any pullback particularly on any doji candle and taking quick exits on tests of new lows (for those so inclined). Otherwise, you should have trailed a stop just above the falling 20 EMA - or in this case, just above both the 20 EMA and the upper Bollinger Band.

Notice that price gave you a 'run for your money' as there was a tiny breach of the 20 EMA that did not penetrate the upper Bollinger Band. This ultimately led to a good trade short though it washed away any tight stops - I hope you weren't taken out by this 'bull trap' that preceded the new intraday lows.

WAVE 5, BOLLINGER-BAND, BULLISH ENGULFING/REVERSAL, LARGE-SCALE MOMENTUM AND TICK DIVERGENCE

Wow - that's a lot in a single trade - but that's why these reports are helpful. I educate you on the set-ups and price structures that lead to these very high probability, very low-risk, 'confluence' trades.

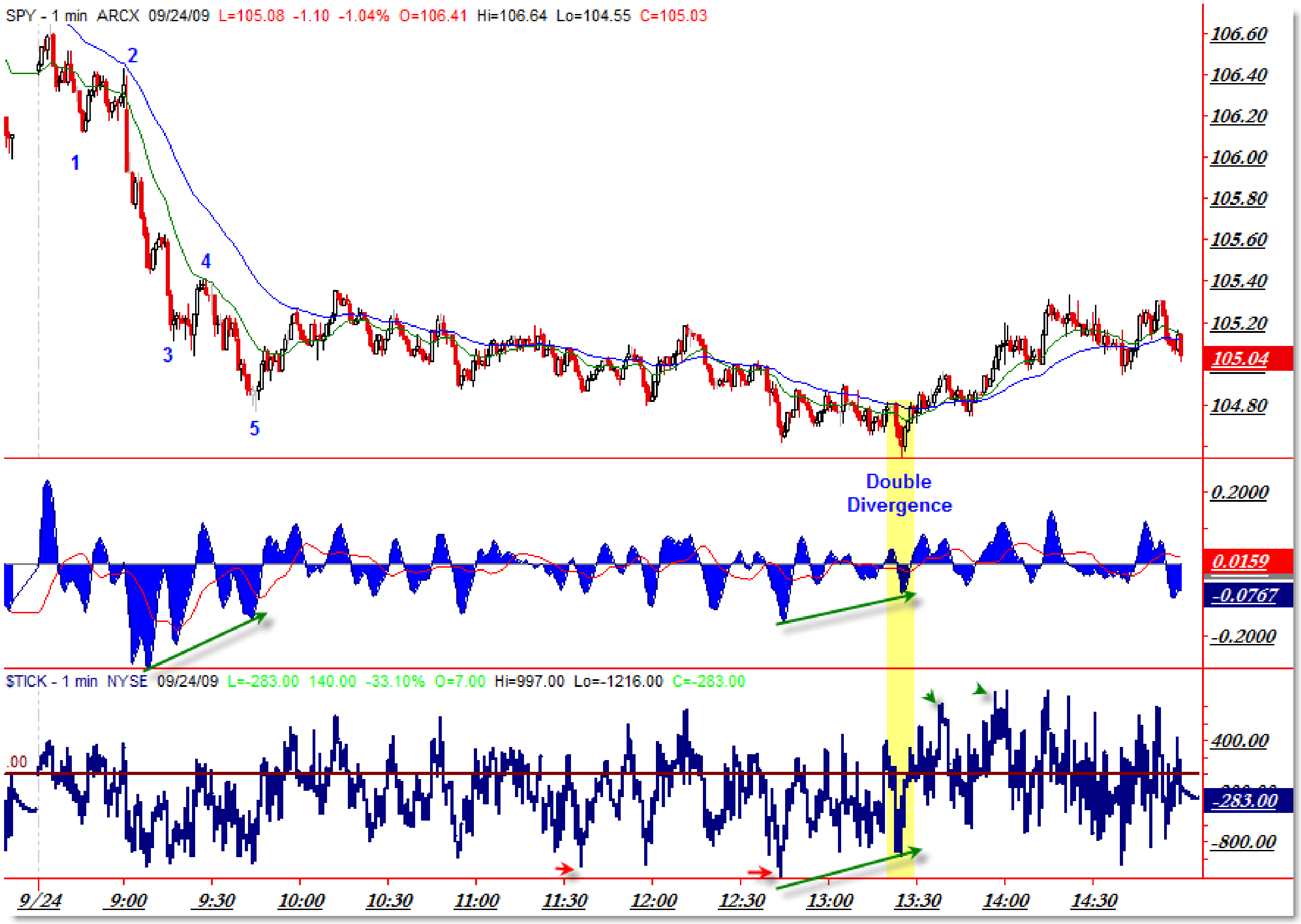
Again, after seeing the "third wave impulse" down, and seeing the 4th wave pullback, the expectation was for a new price low to be made in a potential 5th wave move. Often, 5th waves end on momentum divergences, which allow us to put on aggressive trades in anticipation of a larger target if we are correct in our analysis and a trend reversal occurs. In addition to the Elliott Fractal and the lengthy Positive Momentum Divergence, there was an obvious TICK divergence on the 1:45 lows and the final 2:30 lows of the session - both lows of which occurred at the lower Bollinger Band and were followed by a strong bullish (almost engulfing) candle which signaled a rejection of the low.

If you got long on the first new low at 1:45, you had to endure another new low which threatened or perhaps triggered your stop-loss. However, by the time price did make a new low, it did so this time on a positive TICK divergence (which the 1:45 low did not have) on a similar pattern. Stops would be placed at least 10 cents below the $104.55 low to play for a larger target of a potential "ABC" trend reversal.

Price behaved as expected, rallying up above the 20 EMA and then breaking above the "Line in the Sand" which is always the 50 period EMA on Trend Days. A break and close above this level leads to a "Rounded Reversal" day instead of a Trend Day... though the day will be classified as a "Trend Day" because A) the Reversal happened too late in the day and B) Price ultimately went lower and closed under the 20 EMA... though not at the absolute low of the day.

As such, with the closing action in mind, the day will be labeled a "Type 2" Trend Day down.

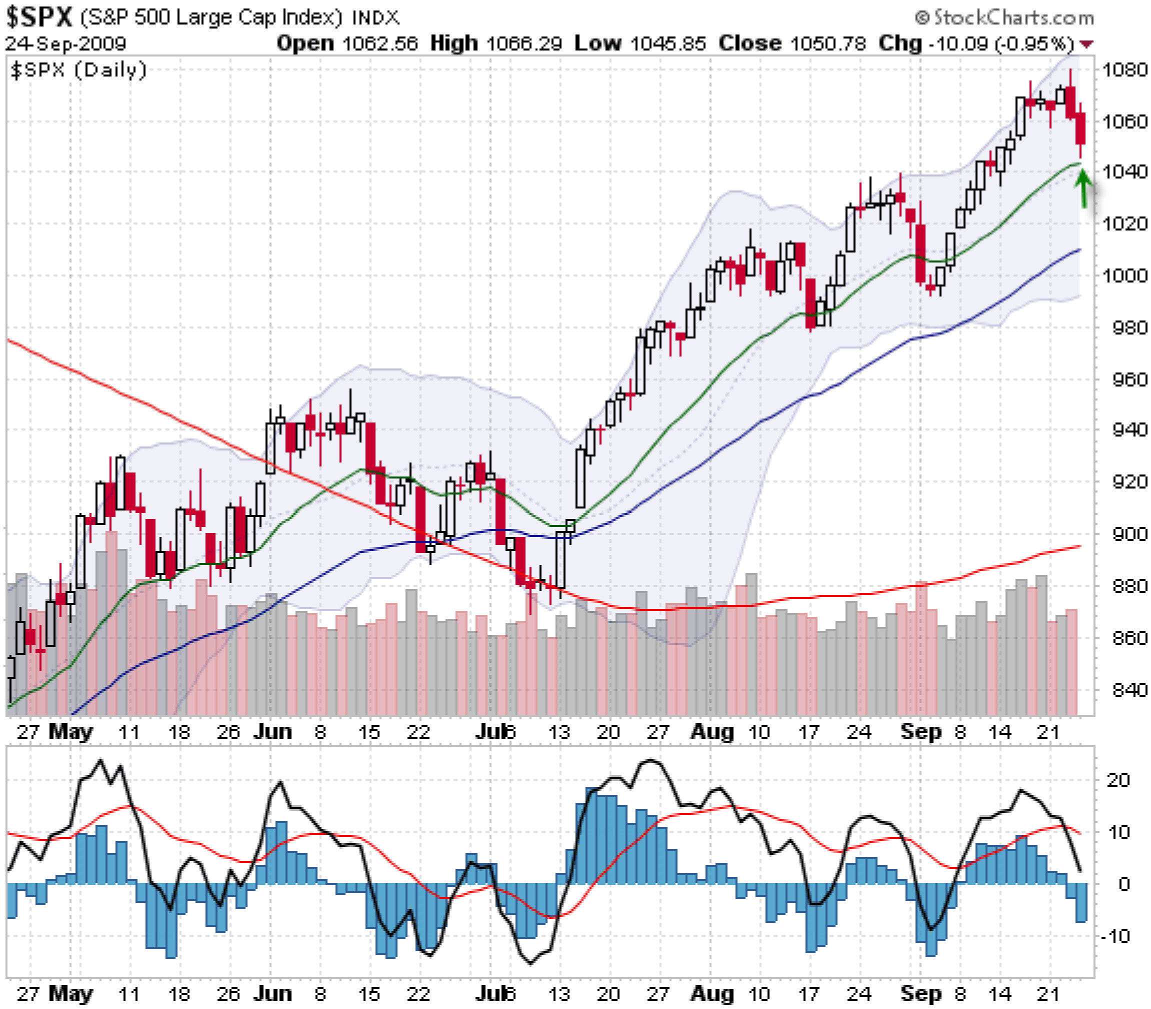
Another Lesson - other than the TICK Divergence on the absolute low - is to watch the TICK "Distribution" or main concentration of bars. During the morning session, the TICK was concentrated beneath zero. For the final hour, the TICK concentrated above zero. There is so much to learn from the TICK.



There was an internal fractal structure to the 3rd wave (again, the "Third of Third" or third fractal of the larger third wave held the day's largest move... which was a major clue of the potential direction - down - for the future... in that a 4th wave up was to precede a 5th wave down).

The other lesson to see is the new TICK lows on the session as labeled led to new price lows later. The TICK Divergence at 2:30 EST preceded the day's reversal and then the two new TICK Highs as labeled ("Wyckoff Sign of Strength") led to new price highs yet to come.

The 1-min chart can give us additional clues as to the expectations and developing structure we see on the 5-min chart.



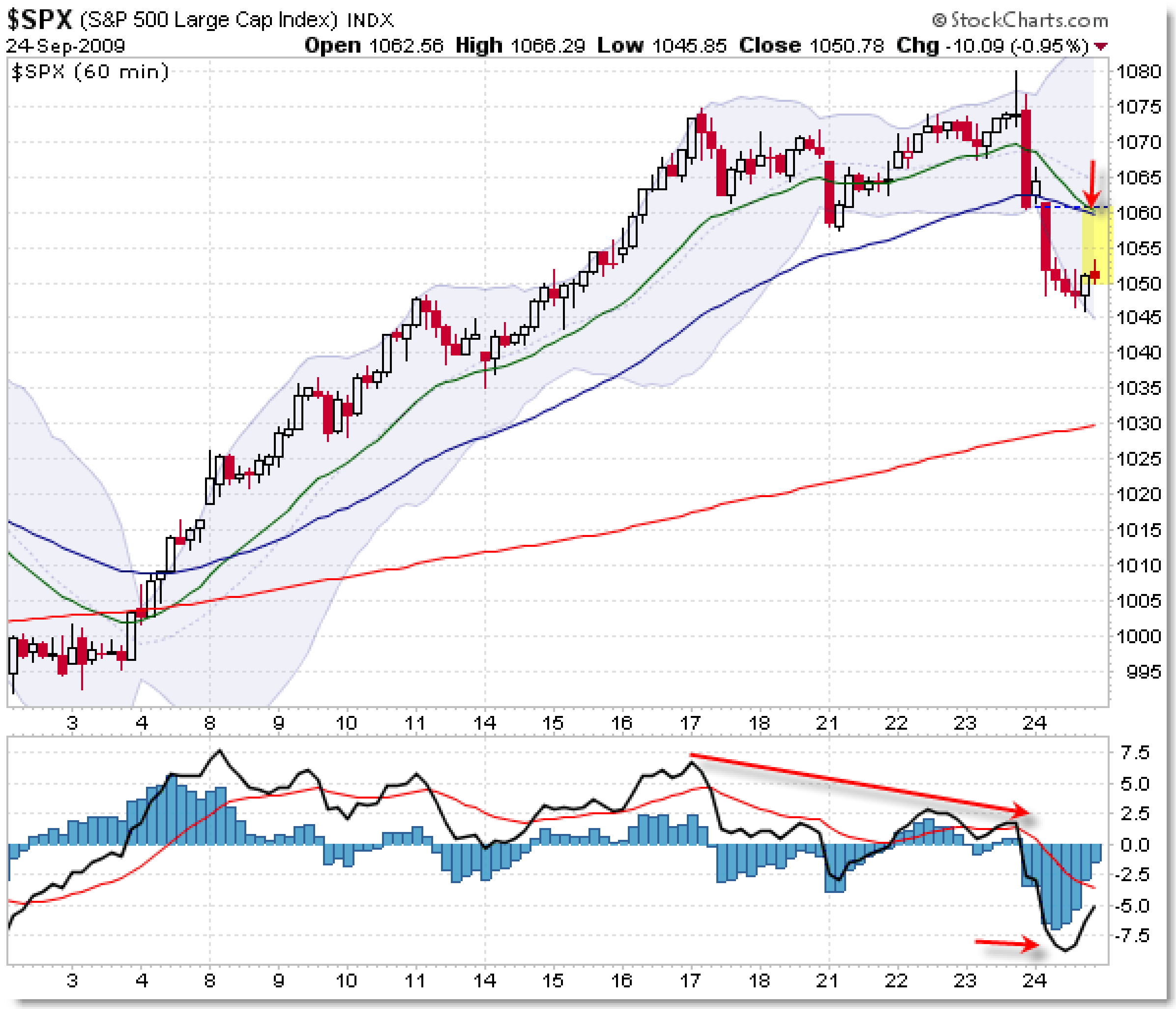
Looking ahead now, I mentioned in last night's report that odds seemed overwhelming (though never guaranteed) that we would test the 1,040 level which - at a minimum - reflected the rising 20 EMA. Look at the lower timeframe charts to see other targets that were hit - the 38.2% Fibonacci retracement (1,046); the 200 SMA on the 30-min chart (1,045), etc.

With these downside/expected targets hit, this added to the bullish reversal into today's close (which gave even more evidence than the divergences I mentioned above that price was more likely to mount a counter-trend rally than to continue lower - this is how multi-timeframe analysis can help your intraday trading, if you know these levels in advance of price achieving/testing these targets).

It will also keep you from overstaying your welcome on the short side.

We have greater odds now - it seems - for a retracement back to the upside, however slight. How far?

1,060 seems logical.

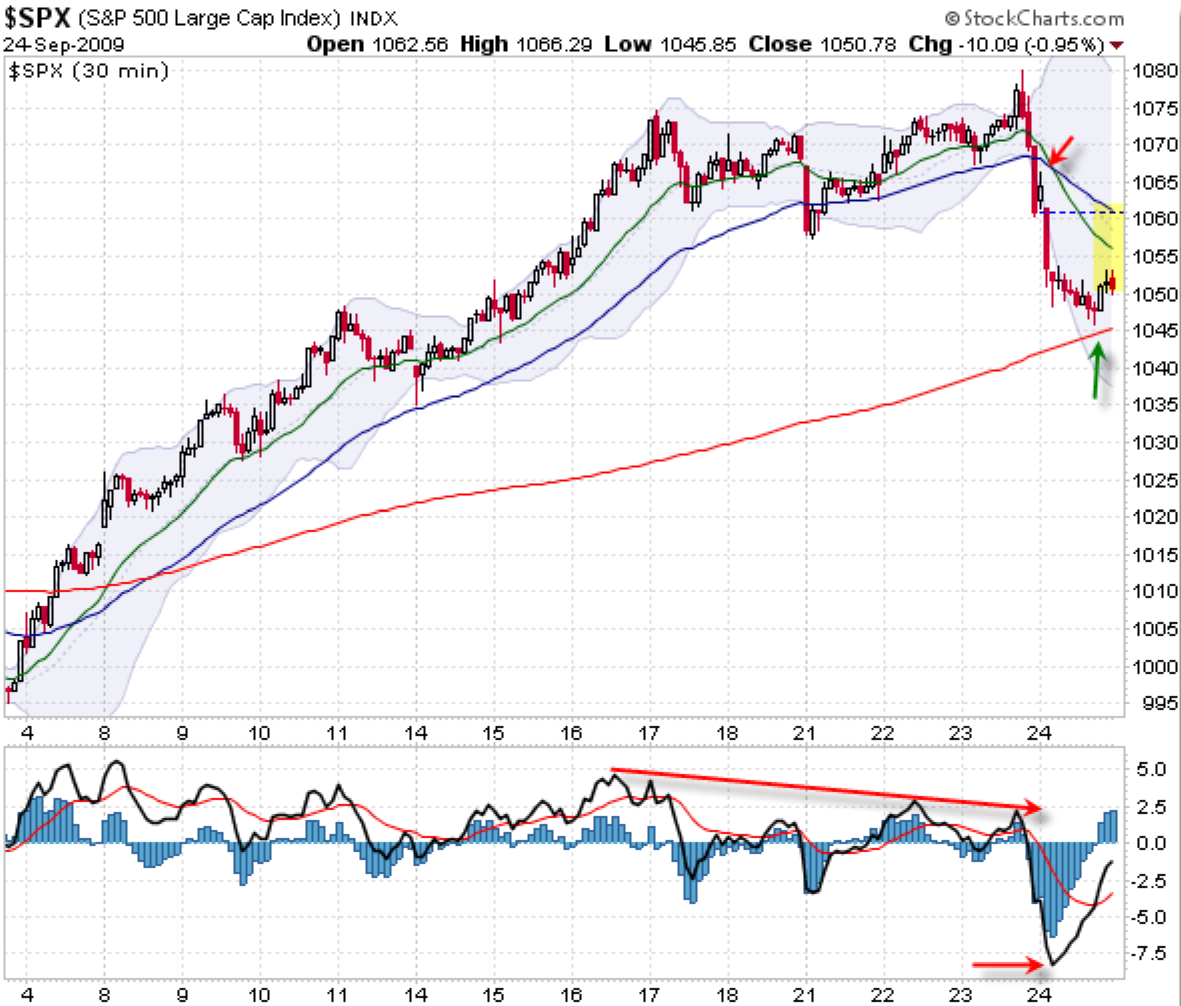


The 1,060 level reflects the confluence of yesterday's close along with the bearish crossover point - the "Cradle" - of the 20 and 50 EMA on the 60min frame as shown above.

Don't get too excited. We've formed a new momentum low on the 60 and 30 min frames, which means odds favor lower prices yet to come according to the Momentum Principle... but not before a retracement up occurs.

In addition, price formed a doji and hammer at the lower Bollinger Band of the 60 min chart.

If would be surprising if bulls can't retrace price at least to the 1,055/1,060 level before we expect bears to try again to push the prices down lower.



The 1,060 level reflects the falling 50 EMA on the 30 min chart.

Again, we see the negative momentum divergence and then new momentum low that preceded the reversal down and then formed on today's action.

It seems like at least tomorrow's morning session - if not full day - will be up for a retracement.

We see the dominant Fibonacci retracement grid for the month of September. Price hit the 38.2% retracement at 1,046. Notice the intraday low: 1,045.85. This is how Fibonacci retracements - even drawn in advance - can be helpful for watching how price reacts to these levels. Again, the argument is for some sort of retracement - however slight - back up perhaps to the 1,060 level.

TradeStation Quot...

	Sym...	Description	Net %Chg
1	XLF	S&P Sel Financial Spdr Fund	-2.06%
2	XLY	S&P Sel Consum Discretion'y Sp	-1.14%
3	XLK	S&P Sel Technology Spdr Fund	-1.29%
4	XLI	S&P Sel Industrial Spdr Fund	-2.00%
5	XLB	S&P Sel Materials Spdr Fund	-2.32%
6	XLE	S&P Sel Energy Spdr Fund	-1.32%
7	XLP	S&P Sel Consum Staples Spdr Fu	-0.28%
8	XLV	S&P Sel Health Care Spdr Fund	-0.00%
9	XLU	S&P Sel Utilities Spdr Fund	-0.27%
10			

The final grid is the "Sector Rotation" Model of the AMEX Sector SPDRs (offensive sectors at top; defensive sectors at bottom).

Money flowed solidly out of the offensive sectors (at top) and money stayed in - or there was relative strength - in the "defensive" sectors.

This is a confirmation of lower prices on the day and gives a deeper perspective of likely capital flow. There's no trading signal off of this - just something interesting to reference.