AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today showed why these "Idealized Trades" reports are so important - with the exception of the downside gap, the remainder of the price action was almost identical to yesterday's session - especially in regards to the move down into the major divergence into the lows which then led to an upside rally just like yesterday... and a down move into the close... just like yesterday. It's so important to study these reports and intraday activity - history DOES repeat (as do these set-ups).

MORNING GAP FILL/LOWER BOLLINGER BAND

The morning activity - thanks in part to RIMM's disappointing earnings report yesterday - resulting in a downside gap of - surprise - 20 cents in the SPY. The same discussion yesterday applies today.

For most people, the risk was not worth the reward, so it was perfectly fine to pass/skip on the morning gap fade play, which would have called for entry as price was rising on the 3rd bar, perhaps as price pierced above the 2nd candle at $104.75 to play for a gap fill of a $105.00 target with a stop-loss at least ten cents beneath the morning low near $104.56.

There was a lot of volatile movement after the large bar that instantly filled the gap. Price formed a doji and bearish bar at the confluence of the 20 and 50 EMA - which could have triggered a short-sale trade to play in the direction of the prevailing trend, but this trade would have been instantly stopped out unless your stop was 40 cents, which was quite large for such a trade. Price bounced around then rallied up to challenge prior highs (see yesterday's close) at the $105.30 level.

PRIOR HIGHS/BOLLINGER BAND/ PIVOT POINT PLAY

I would deem an appropriate short-sale trade as price challenged, spiked a few pennies above, and then failed at the highs into yesterday's close at the $105.30 level. This level was logical price resistance, but in addition, the upper Bollinger Band was situated just above this level, and the daily Pivot (floor trader pivot tool) rested at $105.41 (not shown on StockCharts.com).

As the bearish down candle formed, or after the candle completed, this was a great location to short with a stop-loss above $105.41 to play for either a retest of the confluence moving averages (which were not really working due to the range bound conditions - remember, moving averages are much less effective in "rangebound" conditions). The conservative target was to play for the $105.00 zone, and the aggressive target was to play for a retest of the morning lows at $104.60. Ultimately, the more aggressive target was hit, but not before two more additional "scalp" trades set-up.

SHOOTING STAR UNDER CONFLUENCE RESISTANCE.

This trade was a fun one. After the large impulse bar lower, price rallied up to challenge the underside of the 20 and 50 EMA - in confluence with the $105 'round number' resistance AND yesterday's close. A distinct and obvious "long upper shadow" candle - called a "Shooting Star" - formed, which triggered a short entry as price broke the low of this candle near $104.90. The stop would be at least $105.10, which is above the spike high and confluence overhead resistance. The target would still be a retest of the intraday lows, and this could have been an aggressive scalp trade for a quick profit.

The trade repeated itself as we spiked yet again above the 20 EMA about 11:30am EST under the same logic.

DESCENDING TRIANGLE BREAKDOWN

As price hit the target level of the intra-day low at $104.60, bulls tried to push price higher but failed. If you looked closely - here is where the 1-min chart can help you see structure better - a clear 'descending triangle' formed (lower swing highs in conjunction with a flat horizontal trendline support zone). The "sell short" or trigger price is when support is broken beneath $104.60, and the moment support failed a large price expansion bar occurred - and it was the "momentum environment" where you have to put on market orders or else risk being left out of the trade altogether.

Using the exact same logic of yesterday, the large, solid down bar hinted that this was probably some sort of fractal THIRD Wave, meaning a 4th wave pullback was the likely play in anticipation of a final 5th wave to make new lows.

Plus, off a new TICK and Momentum low - along with a new price low - the "momentum principle" forecast a lower price low yet to come. The forecast price low came later just after 1:00 EST.

The pullback or retracement up was weaker than yesterday, and there was not a clean entry short, nor was there much opportunity/price movement with which to profit. This led us to perhaps the best trade of the day... again... using the same logic as yesterday.

TICK DIVERGENCE/ MOMENTUM DIVERGENCE/ 5-WAVE COMPLETE FRACTAL / HAMMER CANDLE / S1 PIVOT

These reports are mainly designed to help you recognize then capture such obvious reversal points in the market (to those who are aware to see them).

As price made the final low, a positive TICK and Momentum divergence formed - TICK divergences are much more powerful than Momentum divergences.

A long-legged bullish hammer reversal candle formed at 1:00pm which is often associated with price reversals. Officially, the price break above the high of the hammer is your entry signal to get long. Price ultimately swung one more time quickly to the downside (two bars) but once again, after all these bullish conditions were in place, the bulls ran with price and we had a trend reversal that you should have seen and participated long.

In addition, price was supporting on the "S1" or "Support 1" Daily Pivot as seen in TradeStation - one more bit of non-correlated evidence in favor of a price reversal.

Your stop would go just below the intraday low at $104.53 and target would be a trend reversal... or a minimum of the retest of the 50 EMA at $104.60. The trade worked very well.

BULL FLAG/CRADLE/WYCKOFF SIGN OF STRENGTH/IMPULSE BUY

After price broke above the 50 EMA (the LINE IN THE SAND for any trend-style day), we had a pullback which resembled a Bull Flag which also happened to correspond with the "Impulse Buy" trade set-up (buy the first pullback after a new momentum and TICK high has formed... which was also a "Wyckoff Sign of Strength" condition). As the 20 period EMA crossed back above the 50 - and price pulled back into this level - the "Cradle" Trade kicked in.

There was one pulse higher, though price ultimately failed to have any follow-through. A second pullback to these confluence EMAs set up another 'buy long' trade... which also failed as price descended into the close (just like yesterday!). A negative TICK and Momentum divergence formed on this final swing high.

The additional charts highlight more of the opportunities described above.

We now see the TICK and Pivot Points overlaid on the 5-min chart. These gave excellent reference points to monitor price throughout the day, confirming trade entries and exits.

It was strange that the day's range extended from the Daily Pivot at $105.41 (just shy of this zone) to the Daily S1 Pivot.

The 1-min chart shows the descending triangle pattern, along with looks "inside" the momentum and TICK divergences.

The 30-min SPY structure is shown above.

There is two distinct conflicting technical signals on this frame.

First, we have a positive momentum divergence going into today's lows.

However, price has pulled back and failed to overcome the 20 period EMA at $105.00...which is a sell-signal.

A break above $105.00 would be bullish and call for a rally higher, however until that happens, the EMA is expected to hold as overhead resistance... along with the 'psychological' level of $105.00.

The 60 min structure show the overhead EMAs are above price, and that these EMAs have crossed bearishly, altering the price structure to the downside.

Volume has spiked as the price has fallen, though volume is returning back to normal levels.

To expect lower prices according to classical technical analysis, we would want volume to start small and then expand up as price fell (the opposite of what volume is doing now) if we expected lower prices.

As such, in the event price continues to fall, the $103.00 level looks like a logical target to play for.

	Sym...	Net %Chg
1	XLF	-0.95%
2	XLY	-0.52%
3	XLK	-0.77%
4	XLI	-1.43%
5	XLB	-1.10%
6	XLE	-0.73%
7	XLP	0.00%
8	XLV	-0.21%
9	XLU	-0.31%

As mentioned in Wednesday's and Thursday's reports, the logical (and almost overwhelming) price target was a pullback to 1,041 or 1,040, which was the rising 20 day EMA. We hit that target today and bounced off of it.

Bulls have a chance to wrench momentum and turn the tide back to the upside here, so be aware of this bias on the intraday charts.

I wouldn't swing trade short or be too biased short UNTIL bears can push price under 1,040, which would set-up a potential test of the 1,000 level yet again. As such, 1,040 is the "Line in the Sand" to watch for clues as to who is winning the supply/demand battle (and which side to join intraday).

The sector rotation model screen (right) shows that selling was concentrated in Industrials and Materials today, with Financials coming in third (worst). That's not quite as bearish as if the selling had come in the Financial, Retail, and Technology sector - that's ... slightly ... a positive lining for bulls. The best 'performing' sectors were the three "defensive" sectors - Staples, Health Care, and Utilities. This again is more for 'interest' than trading signals.

Have a great weekend!