AFRAID to TRADE

overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today's structure was relatively clear and straight-forward - a rounded reversal complete with divergences and a nice rounded pattern as expected. Despite that, there were only a handful of 'idealized' trades that presented themselves, though they all underscore the strength of the strategy of waiting for a trade to set-up instead of being reactionary to price moves.

There was a conflicting bias to the day as mentioned last night. Odds were literally overwhelmingly in favor of a down move - almost compellingly so - but still the underlying bullish bias which has thwarted almost all sell signals still was underlying the market... as evidenced by today's Rounded Reversal in what would otherwise likely have been an easy 'no holds barred' Trend Day down.

The morning gap was 90 cents, in which odds do NOT favor trying to play for a fill to the gap. In fact, gaps greater than 90 cents tend to be precursors (the beginning) of Trend Days, so that should have been the dominant expectation off the morning's gap (thanks to poor earnings reports pre-market).

Price made a quick move to the upside before forming a strong Bearish Engulfing candle just shy of the falling 20 period EMA which should have been taken as a sell signal as price broke the low of the prior candle at $108.80. Price actually formed a "Bear Flag" pattern which contained three solid down bars in a row prior to a massive divergence formed, signaling both an "exit" and - for aggressive traders - a "flip and reverse."

Price formed a new momentum and TICK low on the 10:00am EST lows (meaning sell the first rally to play for a lower low in price yet to come ... the "Impulse Sell" trade) and then at 11:00am - an hour later - the actual price low that was forecast by the low momentum reading arrived. However, this new price low was met strongly with a positive TICK and Momentum divergence, which served as a glaring non-confirmation of the price low.

As mentioned on last night's report, watch the 30min and 60 min 20 and 50 period EMAs - price formed the strong divergence at the lower Bollinger and the rising 50 period EMA on the 30 minute timeframe - a buy signal.

We had a conflict that was later resolved objectively by a breaking of the 50 period EMA on the 5-min chart.

Remember, we have to make decisions in real-time with the information we have. Odds still favored a Trend Day down, though the powerful divergence served as a warning signal that a Rounded Reversal COULD be in the works - the line in the sand between expecting a RR and a Trend Day is always the 50 period EMA on the 5-min chart (in conjunction with watching market internals like breadth and TICK readings).

You probably should have gone into a "wait and see" stance or a neutral stance until price began to move downward or broke above the 50 EMA. As you see, an ascending triangle formed which further led you to wait for a breakout before taking any trades. There's an old saying "No Edge, No Trade."

The triangle reached the apex (convergence point) and price simultaneously broke upwards above the upper trendline of the triangle AND the 50 period EMA AND the upper Bollinger Band - all of which served as an aggressive entry for two reasons:

First, you are entering on a price breakout from consolidation which is its own trade

Second, you are entering at a position where the "Line in the Sand" has been crossed, the structure has officially changed, AND those who were short are now forced to cover... it's the classic "Popped Stops" play. Getting long after price has violated a boundary where a "pocket of stops" exist.

This creates a great opportunity to profit quickly and aggressively from these 'popped stops.'

Price ascended to form a new price, TICK, and momentum high, which set-up the "Impulse Buy" trade on the first pullback into support, which occurred just after 2:00pm EST with a (slightly) Bullish Engulfing candle.

The initial target is a retest of the prior high at $109.15 (with an entry at $108.80 and a stop under $108.70) - this was achieved just prior to the close. Let's take a closer look at some of the structural developments that could have enhanced your trade set-ups or provided new opportunities if you caught them happening.

Many times, you can draw a 'dominant' Fibonacci grid starting with a swing low and high and then watch as price moves into the 61.8%, 50%, and 38.2% zones as added levels of support and resistance, particularly when looking for confirmation (such as Dojis or spikes outside the Bollinger).

Of special note, the 2:00pm spike high came into the 61.8% Fibonacci resistance area, poked outside the upper Bollinger on the 5-min chart, had an internal 5-wave fractal, formed on a negative TICK and momentum divergence, and formed a sort of 'shooting star' candle. That was both a great place to exit a long and a spot to put on a high probability, low-risk short-sale to target the 20 period EMA as a scalp.

Otherwise, the buy signal that came after it formed on the 38.2% Fibonacci support area, formed a Bullish engulfing candle off the 50 period EMA on the 5-min chart.

Fibonacci grids remain permanent for the remainder of the day and only take about 30 seconds to draw.

The 5-min chart with trade labels and TICK/Momentum divergences labeled.

The 2:00 EST high formed on an internal 5-wave fractal into a distinct TICK and Momentum divergence.

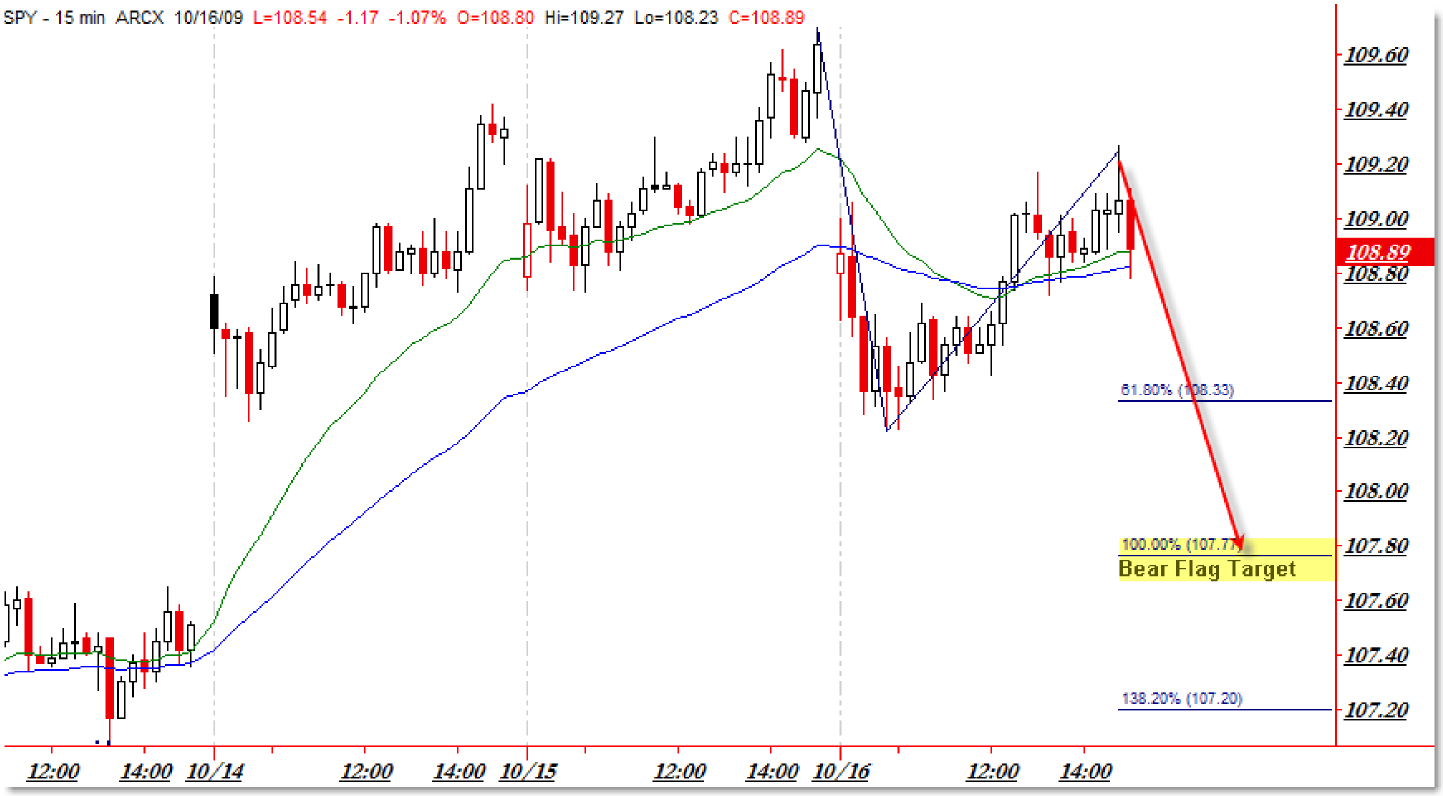
Otherwise, the morning lows also formed on a distinct TICK and Momentum divergence.

This chart highlights why it's so important to watch levels on higher timeframes.

Price turned as it tested the rising 50 period EMA.

Higher timeframe moving averages can serve both as targets (to play short into) and to 'flip and reverse' if confirming signals exist (like divergences, candles, etc) on lower frames.

For now, watch $108.50 as support and $108.80, which is just beneath price. If these averages break, odds will favor a continuation of the downward move that seems to have begun on Friday.



I'm showing a possible pathway for price in the event a Bear Flag (or a "Measured Move" AB=CD) pattern is at place.

I can remember twice in recent history that I pointed out to you that this pattern set-up into the close and then "played out" into the next trading day. One of which formed a gap right into the target.

On ANY down move on Monday morning should it occur, watch $107.77 for an initial target for a bear flag (exit shorts and consider going long if signals exist) and if $107.77 breaks, watch $107.20 for the same "flip and reverse" logic.

Otherwise, trade short down to these targets.

A move higher than $109.20 will likely invalidate this pattern, rending the downside targets useless and then $109.60 would be the upside target to watch.

ANY break higher than $109.60 should trigger the now famous "Popped Stops" logic that you should scalp for profit.

Under any objective circumstances, this would be a powerful and virtually irresistible (obvious) sell signal (both to exit longs and flip and reverse to play for a test of the 1,040 or 1,020 level with a stop above 1,125).

Such is the bias, and aggressive swing traders can participate in this low-risk trade.

However, as I've been highlighting/stressing to you, there is some overarching bullish/buying force/pressure that remains dominant, which is invalidating any and all sell signals, or causing sell signals to be good only for small scalps back to the 20 or 50 EMA.

Keep this in mind when putting on any short-sale trade (which is the normal and expected play).

A downward bias is favored for Monday barring any unforeseen positive economic report prior to market open.