AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Buyers continue their march higher, which will almost certainly be met with higher prices into tomorrow's trading session again as both Apple (AAPL) and Texas Instruments (TXN) beat earnings projections by a healthy margin.

There were not a lot of "idealized trades" to discuss, which is often the case on Trend Days - on Trend Days, the opportunities come mainly from buying pullbacks to the 20 or 50 EMA or playing "stop pops" which is to scalp long on ANY new intraday high.

Monday opened with a small gap that was quickly filled and price consolidated, offering few opportunities in the first hour. The first major trade came from buying the intraday high at $109.20 after the strong impulse bar prior to 10:30am EST. This would have allowed you another opportunity to play quickly for the "Popped Stops" trade which seeks to buy intraday highs over prior resistance levels where stop-losses of the sellers are likely to reside - their stop-losses turn into opportunities for you.

As seen in the 1-min chart, this large impulse bar represented a potential "Third of Third" wave, which is impossible to predict in advance, but once it occurs (a strong impulse) and you can look backwards and count a "1 and 2" wave potential structure, then this clues you in that higher prices are likely to come and to be a buyer on any pullback into support and then watch for divergences into the final and expected 5th wave. That was the only way you could have profited from the morning's relentless up-move - there were no simple/classic pullbacks in which to get long.

A second "stop-pop" opportunity came at 11:30am when price crested over the $109.70 level, which was a prior resistance level and both the close of Thursday's trading AND a fresh new 2009 price high for the SPY.

Price then rallied into the end of a 5-wave fractal into a Momentum (but NOT TICK divergence). This allowed a "sell with profits" trade and even - for the aggressive - a scalp short to play for a test of the rising 20 EMA. Remember, we are more concerned with the TICK than any oscillator or indicator (other than moving averages) on Trend Days. Clearly, odds favored a trend day by this time.

Price retraced back to the rising 20 EMA, giving two opportunities to buy long prior to the 1:00pm push to new highs and a challenge of the $110.10 level (offering another play for the "Popped Stops" trade). Ultimately, price could not push beyond this level - which reflects the 1,100 level in the cash S&P 500 Index (a critical price target) and price began to move lower from these levels.

A final trading opportunity came for those willing to take it - though I'm not necessarily a big fan of end-of-day trades - when price retraced to the "Line in the Sand" zone, or the rising 50 EMA. A doji formed at this level, and a buy trade could have taken you for a quick 20 cent profit to re-test $110.00, but holding to the close resulted in a losing trade with the final down-bar.

Elliott Wave Fractals are overlaid with the TICK and 3/10 Oscillator. Highlighted regions reflect buy trades.

I've broken down the fractal (5-wave pattern) shown on the 5-min chart to highlight the "Fifth of Fifth" pattern - which is a great place to exit any longs and even - for aggressive traders - play short for a retracement or "ABC" corrective phase.

I believe there are only two areas to concentrate in real-time using Elliott Wave - recognizing the "Third of Third" wave and the "Fifth of Fifth" wave - both shown above.

A lengthy momentum but NOT TICK divergence formed into the final fractal 5th wave, increasing odds of a successful short sale trade. Ultimately, price consolidated and made a marginal new high, keeping the Trend Day bias alive.

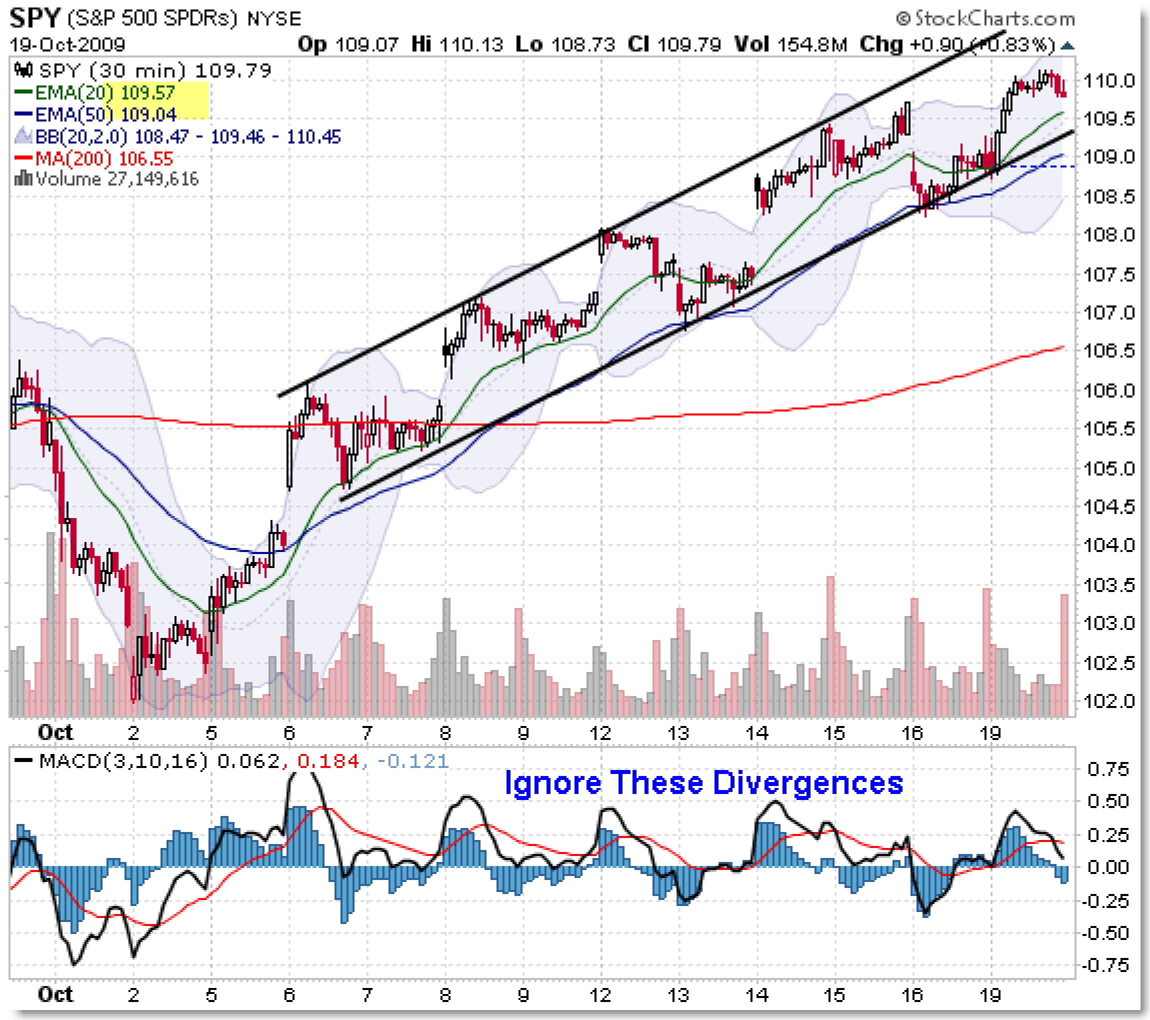
I wanted to describe a particular "Teaching Moment" and address Friday's Bear Flag structure. We had a bear flag trade setting up into the close and I gave two targets - based on Fibonacci Price Extensions - to watch for the SPY going into today's trading session. As has been the case previously, the futures market met the objective and then rose, giving intraday traders absolutely no opportunity to profit from the overnight pattern. The gray bars represent market closing times and after the market closed, price fell overnight (over the weekend) to test the 61.8% Fibonacci "flag" projection at the 1,075 level. Price found support at this level and rose into today's afternoon impulse. The red arrow reflects where the market opened this morning.

The lesson is that structure and set-ups can and often do carry forth into the next trading day, but the market is so efficient, that sometimes these classic targets are hit in the overnight session and the trade/bias is over before you have a chance to act on it when the SPY or other ETFs open.

This reflects a real-time 'walk forward' example where a trade set-up was described, targets given, but the trade was over prior to market open. The full bear flag target was not achieved (100% projection) but the 61.8% Fibonacci projection - a conservative target - was achieved. Once targets are achieved, price often finds support at these areas and begins to rise - as seen in this example overnight.

The 15 min chart shows a positive bounce off the rising 20 period EMA at $109.81. I'm projecting that a 5th wave (or more) up could be the next expected play, particularly given the bullishness of Apple's earnings beating (be sure to read about this story at your favorite Financial website - Apple posted some very good results that will likely cause a lift to the overall market. Given that the earnings report was so positive, it would be a surprise if the market traded lower tomorrow - Apple shares rose from a Monday close of $190 to over $202 - up $12 - as of 6:00pm EST Monday evening).

S&P 500 futures from 1,090 to 1,096 instantly along Apple on the news as seen in the @ES futures chart.



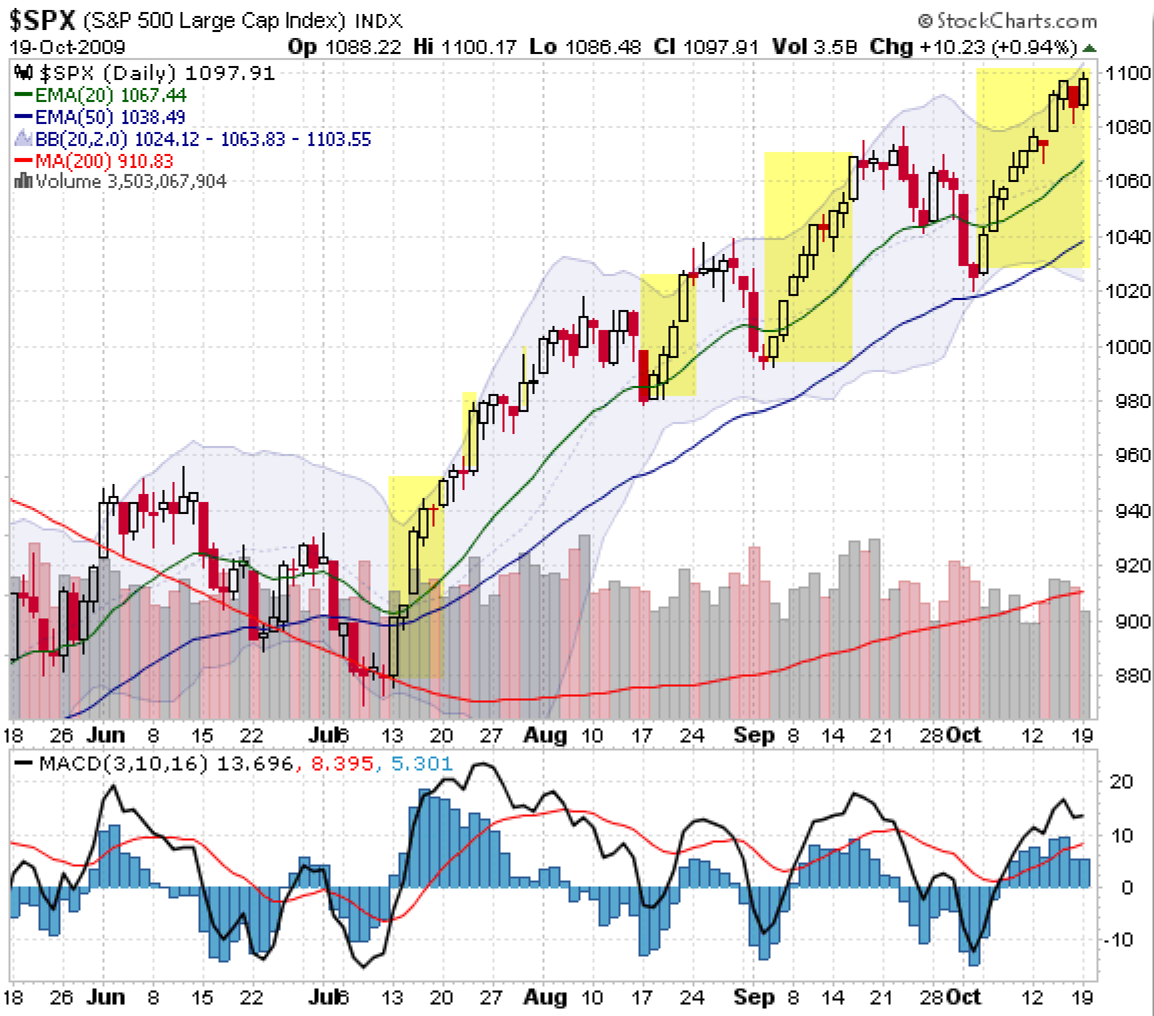
Not much to say given that the expecation is for a gap up tomorrow if the market can hold onto the gains Apple's earnings report gave, along with the bullishness and positive sentiment from the report.

We see a distinct and confirmed upward trend channel with upper boundary "off the chart" and lower boundary at the $109.50 level along with the rising 20 period EMA.

Do yourself a favor and focus only on price, not the lengthy negative momentum divergences which often form during strong up trends (just like on trend days).

60min structure reveals the most bullish orientation possible for the moving averages and trend structure.

Until the 20 period EMA is broken on the 60 minute timeframe, it is ill-advised to try to short this market and advised to scalp and play on the intraday charts instead of trying to swing trade in these choppy but steady uptrend conditions.



The yellow zones reflect the "Popped Stops" or the Short Squeezes that occurred after each and every short-sale signal (broken moving averages, divergences, etc).

We are in the middle of another short-squeeze that could take the index up to the 1,021 level which is the 50% Fibonacci retracement of the entire bear market.

Continue to play "Popped Stops" at any new highs tomorrow and watch the internals for signs of non-confirmation all day long to see if Apple's earnings AND fresh new 2009 price highs can force another Trend Day up.