AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

I felt today was straight-forward in trading opportunities and structure – the Rounded Reversal took place in textbook fashion, giving us a near perfect example of this concept to use as a reference.

This goes in line with what I mentioned earlier in the week – many traders "fear" or avoid trading the OpEx Friday, but in recent times, it seems like the "chop from hell" (a Connie Brown phrase) occurs DURING the middle of the week as opposed to THE actual OpEx Friday. That's a character shift in the market that you need to know.

1. TWO UPPER SHADOWS, CONFLUENCE EMA, 'FADE THE FADE'

The market opened with an overnight gap of roughly 60 cents. That's on the upper end of the expected 'range fade' data, and remember that the larger the gap, the lower the odds of a full fill.

Remember that I prefer to wait generally two bars before putting on a gap fade trade, so this morning, the gap fade occurred within 10 minutes (two bars), leaving opportunity only for the most aggressive traders.

The "fade the fade" trade (play IN the direction of the gap… or at least treat it like an impulse to short-sell against) occurred into the confluence resistance level of the 20 and 50 EMA and formed two long-upper shadow reversal candles. This gave a high-probability, low risk opportunity – with entry near $109.60, stop above the wick highs OR above yesterday's close at $109.80, and target being a retest of the prior low at $109.25 or – aggressively – a new price low. This occurred quickly, forming a new price, momentum, and TICK low. This called for the "Impulse Sell" trade on the immediate pullback.

2. IMPULSE SELL, EMA CONFLUENCE

Upon the immediate pullback to the confluence EMA zone, this gave us the "Impulse Sell" trade, with entry near the EMA or upon a reversal candle (this did not form… or at least a nice doji or engulfing did not) at the $109.60 level, stop above the EMA confluence at $109.70, and target for a retest of the low or a new price low near $109.15. This trade worked quite well, giving us confidence to expect a possible Trend Day down. In hindsight, it's always clear, but in real-time, odds favored a Trend Day down, particularly since higher timeframe EMAs had been broken and price failed to overcome a test into resistance… combined with the large opening gap.

3. DOUBLE DOJI, POSITIVE DIVERGENCE, BOLLINGER BAND TEST – SCALP

This trade was ONLY for aggressive traders willing to play for a retracement to the 20 EMA. There were two dojis at the lower Bollinger Band that occurred on a positive momentum divergence – enough to put the odds in your favor for at least a quick scalp back to the 20 EMA. This trade unfolded in two bars.

4. RETRACEMENT DOJI AT 20 EMA

This was a pure Trend Day (bias) trade set-up, as price retraced to the 20 EMA and formed a single doji. Entry was as price broke the low of the doji at the EMA and then stop was above the 20 EMA at $109.30 and the minimum target was a retest of the $109 lows or just beyond – though $109 would be expected to provide support. Ultimately, price did not make a new low, and formed a bullish hammer at 1:00pm EST off the lower Bollinger Band. Interesting.

By this time, price had formed a very lengthy (multi-swing) positive momentum divergence, and the "moment of truth" came as the day hung in the balance between being a continuation Trend Day move down… or a potential for a Rounded Reversal. Remember that certain failed trades can be early warning signs of structural reversals… and the failure to make a new low did call the trend day into question. The focal point became the 50 EMA to see if buyers could push price beyond the "Line in the Sand" into a trend reversal.

5. LINE IN THE SAND BREAK, ROUNDED REVERSAL CONFIRM, WYCKOFF SIGN OF STRENGTH

The line in the sand (50 EMA) broke, confirming a Rounded Reversal had taken place – this "turning point" is often a great spot to put on a long/buy trade, as those people betting on a Trend Day down (holding short) are going to have to cover at this level (Popped stops) which gives you a short-term opportunity.

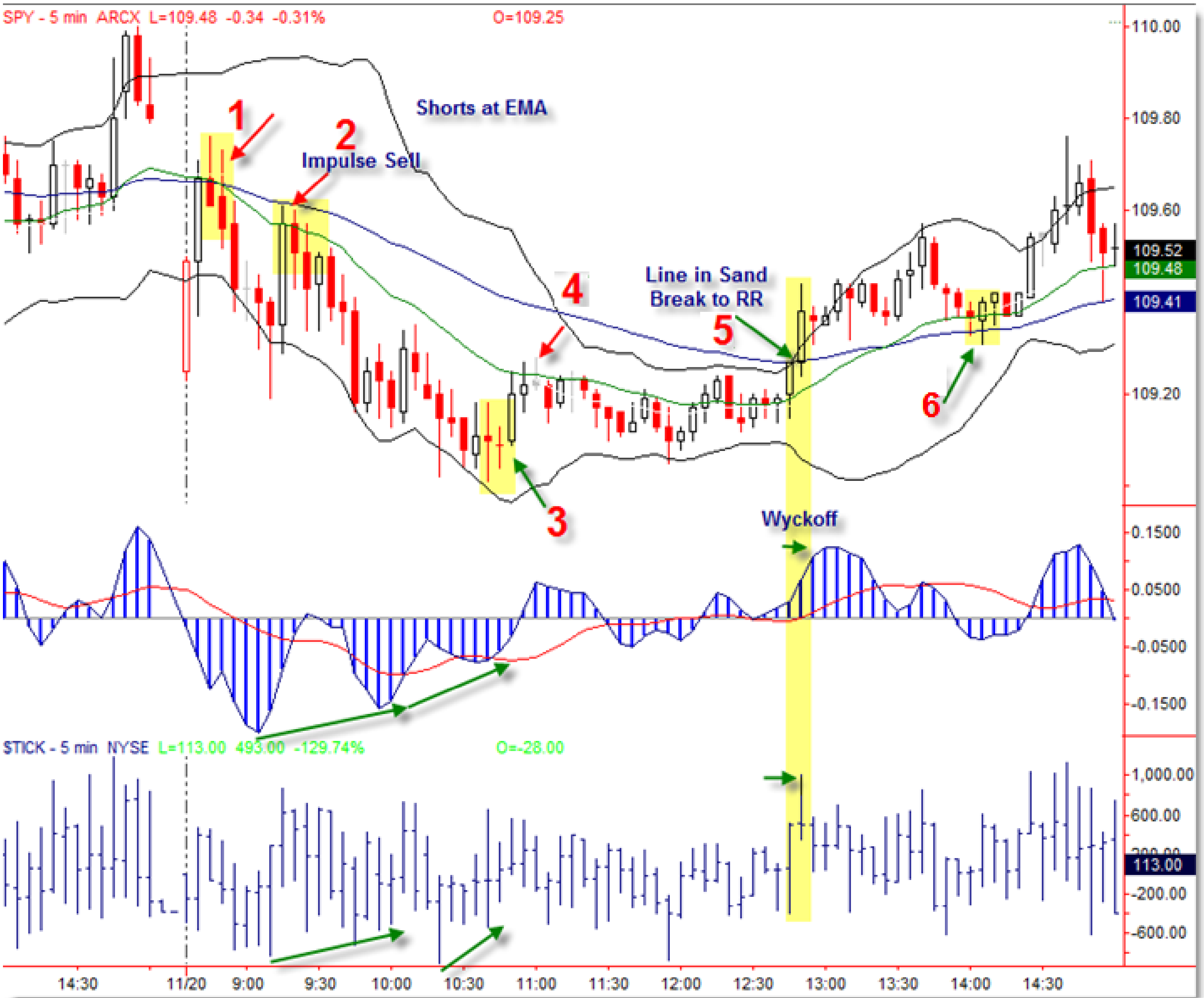
Plus, you're entering at the exact price that the type of day structure has reversed (we don't know it is going to reverse for sure at the absolute price lows, but we do know with confidence/odds/probabilities that the trend has greater odds of continuing higher at these turning points.

This was also a 'big target' trade without a specific target (often enter at a countervailing sell signal) with a stop under the EMAs.

6. IMPULSE BUY, HAMMER & DOJI AT CONFLUENCE EMA CROSSOVER

This was a great trade to play IN the direction of the new trend, and it was confirmed by two hammers at a confluence EMA support zone. Entry was at $109.40 with stop underneath the confluence EMAs and target for a new swing high or exit at close.

One could have also exited ideally is the gravestone (long leg) doji closed, spiking far outside the upper Bollinger Band.


SPY - 5 min ARCX L=109.48 -0.34 -0.31%
O=109.25
Shorts at EMA
1
2
Impulse Sell
3
4
Line in Sand
Break to RR
5
6
Wyckoff
$STICK - 5 min NYSE L=113.00 493.00 -129.74%
O=-28.00
14:30
11/20
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30
110.00
109.80
109.60
109.52
109.48
109.41
109.20
0.1500
0.0500
-0.0500
-0.1500
1,000.00
600.00
113.00
-200.00
-600.00

The 1-min chart showed multiple divergences that were confirmations of turning points on the 5-min chart… or tradable opportunities on this frame.

There were also evident trendline breaks to the upside (two examples) on the 1-min frame that helped determine structure and opportunities.

A chart showing two consecutive "Rounded Reversal" days – use as a reference for this concept.

Price still remains under the 20 EMA, which is bearish, so continue to watch the $109.50 level and then the $110.00 level for expected resistance.

Any move above this level would be a bullish signal that would likely trigger the “Popped Stops” opportunities as frustrated short-sellers stop-out.

Otherwise, remain biased short under $109.50.

In this case, price is forming (entering) a Cradle Sell Signal at the $109.80 level.

Remain bearish as long as price is under this structure, and be prepared to play "Popped Stops" on any break above $110.00.

Support/target could come in on any move to $108.25.

Watch for a possible bounce off the 20 EMA which is being tested at the 1,085 level.

Any move beneath this level would set up a target play for 1,065.

We have formed an internal divergence on the most recent swing high that formed two dojis… forecasting the recent pullback.

Have a great weekend!