AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

# Daily "Idealized Trades" Report


SPY - 5 min ARCX 02/24/10
1
2
3
Stop
111.00
110.90
110.81
110.70
110.60
110.50
110.44
110.40
110.30
110.20
110.10
110.00
109.90
109.80
0.4000
0.2000
0.09
0.01
-0.2000
$TICK - 5 min NYSE 02/24/10
1,000.00
600.00
457.00
200.00
56.65
-200.00
-600.00
14:30
2/24
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30

Today was a lot more difficult than I expected, both in form, structure, and execution. Such is the nature of potential trend days that devolve into Rounded Reversals... but fail to complete a full rounded reversal! This happened yesterday, but in the opposite direction.

It would have been helpful to have yesterday's structure and outcome in the back of your mind, but even then, the trading day was still difficult. Let's learn all we can from today's lessons!

1. DUAL DIVERGENCES, BEARISH ENGULFING, DOJI, UPPER BOLLINGER (5-min)

This was a trade that was telegraphed in advance, given that price formed a distinct 1-min momentum divergence and TICK divergence (look closely) as a doji and then bearish engulfing (almost evening star) formed on the 5-min chart at the upper Bollinger Band, triggering execution/entry as soon as price broke the low of the doji at $110.57, or if you waited for the bearish engulfing candle to form (for extra confirmation), then you were to enter on a break of that candle's low at $110.50. The stop would be placed above the intraday high - at least 10 cents - at the $110.70 level.

The initial target was a play back to the rising 20 EMA at the $110.20 level or 50 EMA at $110.10 - both of which were hit. The bullish hammer candle that formed at 9:15am CST was your exit signal, and also potential 'buy long' signal if price could break the high of the candle - it didn't, so a long trade here was not executed - price fell sharply after the hammer formed, which helps us understand why it's often important to wait for price to break above or below a candle high or low before executing - it can save us sometimes (though not always) from a bad trade.

The gap-fade trade also was likely not taken for the same reason - price formed a spinning top at the upper Bollinger (5-min) but did not break under the low of the spinning top candle, thus not triggering a 'safe' entry. If you tried to fill this gap using an aggressive tactic, it resulted in a quick stop-loss as price surged off the open prior to forming the doji candle as mentioned above.

I really didn't see a reason to enter long as price tested the $110.00 level, though the 1-min chart did form positive divergences as shown. Price was under the key 5-min moving averages in a bearish posture, so no long trade was called for, though price did rally sharply perhaps in a 'popped stops' movement that happened too quickly and - from what I was seeing - was not telegraphed in advance to give a clean entry.

We did observe clean dual TICK and momentum divergences on the final swing up on the 1-min chart (look closely), which could have triggered an aggressive entry to play for perhaps a Wave 4 decline, but - looking at the 5-min chart - the large impulse looked like some sort of 3rd wave fractal (third of third - review this concept in prior reports) which meant that we could expect a "Wave 4" pullback to lead to a tradeable opportunity to play for a final 5th wave impulse higher, particularly if price found support at the key moving averages - it did, forming a symmetrical triangle, and the break above this triangle triggered a 'breakout' trade.

**2. TRIANGLE BREAKOUT, WAVE 4 PULLBACK INTO 20 EMA SUPPORT, BULLISH POWER CANDLE**

This was one of those "Well, that didn't work out as expected" trades, as the breakout took traders for a ride. The execution (aggressive) was as price tested the 20 EMA in an "Impulse Buy" style set-up at $110.60, while conservative traders - more appropriately - waited for a break above the triangle trendlines at the $110.70 level. I've had email conversations with members who like to wait for price to form a full candle, or close at least two candles outside a pattern and that's ok, but this trade really took you for a ride!

Price broke the triangle, formed a power-candle that closed at $110.80, then broke the high of the candle, triggering a safe entry. The stop - on any triangle breakout trade - would be placed under the lower trendline (which also happened to be the 20 EMA and 200 SMA) at the $110.60 level (20 cents away), and any tighter stop would have been unacceptable (meaning we could see a pullback to test the apex or breakout of the triangle... which is exactly what we saw happen. This is a case for the "Wide Stops" traders who get the "big picture" right (price is breaking out of a triangle into an expected 5th wave rally after a new momentum, price, and TICK high). If you try to manage your trade too closely, you would have gotten stopped out on the 'finger' trade throw-back that formed a long lower shadow at $110.60 at 12:05pm - ugh - no fun.

Price then rallied 40 cents almost immediately after the "finger" (that's expected) to hit the target and form a reversal candle at the $111.00 'round number' key resistance level, triggering your safe entry... and aggressive short-sale.

**3. LONG UPPER SHADOW, DOJI AT UPPER BOLLINGER BAND, BEARISH ENGULFING, DESCENDING TRIANGLE (1-MIN)**

This trade was aggressive, because we had not traced out a 5-wave fractal structure (at least not in my assessment) that ended on a nice internal 5th wave divergence... though you could clearly count 5-waves looking back to the lows of yesterday, counting the morning rally as the 3rd wave.

This final high DID end on a negative TICK and momentum divergence, so that helped tip the odds. Still, I felt like execution was safer if watching the 1-min chart and noticing the break of support that happened at $110.70. If you were aggressive, then you entered short as soon as the low of the 5-min doji was broken at $110.92. Your stop was above $111.00 to play for a move lower that could include a full Rounded Reversal (that was my bias at the time).

We saw bearish action and then a new TICK low on the session at 1:30pm - a Wyckoff Sign of Weakness. Aggressive traders should have held on for a full trend reversal (short) into the close.

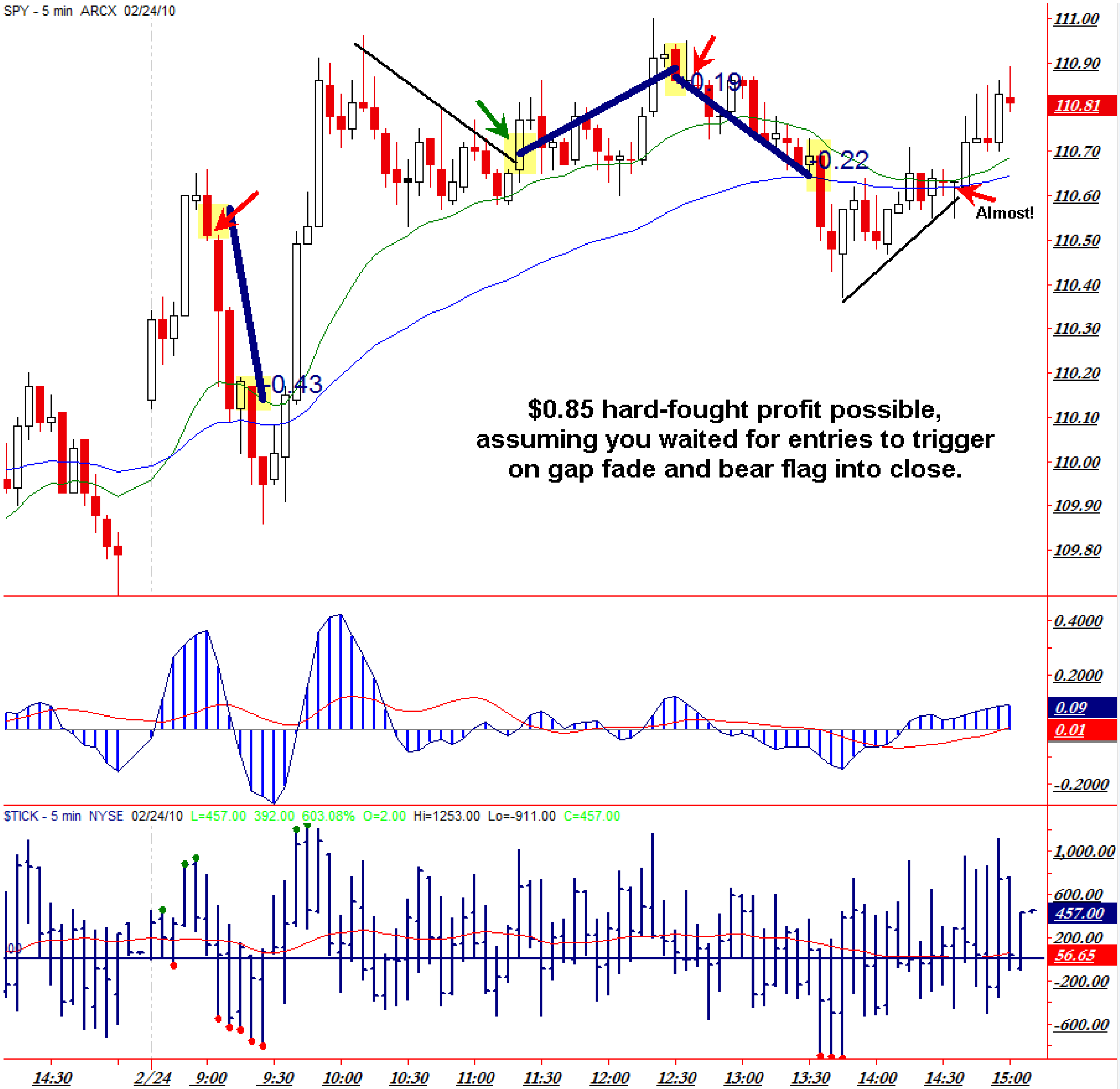
Unfortunately, price - like yesterday - continued its upward 'trend day' style bias, rallying higher into the close and busting through the 20 and 50 EMA - a classic aggressive sell signal - at 3:30pm. Like other trades today that saved our skin, price did not break the low of the long-leg dojis at $110.50, nor did it break the lower trendline of what was probably going to be a bear flag on the 1-min chart. The break of the doji low or the trendline would have been a great sell-short signal, given the rounded reversal and Wyckoff Weakness signal... but it was not meant to be apparently.

**The main take-away I gained from today was**

Wait for confirmation if uncertain (that means triggering when price breaks reversal candles)

Trend Day structures can persist despite massive divergences and bearish signals - that makes two days in a row that a trend day "beat" a rounded reversal formation.

Feel free to email me as always to share other insights you learned from today! What a day!




I'm always assuming a moderate aggression level, which doesn't seek to enter on highs or lows, but after candle breaks from signals, as labeled from start to finish of the trade.

Assuming otherwise, this might have been a losing day if you skipped the morning short-sale and took the gap fade, or the bear flag into the close. It's rare when the "Idealized Trades" summaries will produce a specific losing day, but today was certainly possible using the ideal structures as perceived in real time.

SPY - 5 min ARCX 02/24/10
2
1
111.00
110.81
110.00
109.00
108.00
107.00
This is the Preferred Elliott 'fractal' Count as long as we're under $111.00. Would be called into question if we rally above $111.00 tomorrow.
A Break Under $110.50 could trigger a "third wave" bear flag type move down.
$ADD - 5 min NYSE 02/24/10
1,306.00
500.00
-500.00
-1,500.00
$TICK - 5 min NYSE 02/24/10
1,200.00
800.00
457.00
56.65
-400.00
-800.00
$VOLD - 5 min US 02/24/10
800,000
537,960
200,000
-400,000
12:00 2/16 12:00 2/17 12:00 2/18 12:00 2/19 12:00 2/22 12:00 2/23 12:00 2/24 12:00


I mentioned in last night's report how it would be logical to expect a rally today, and that's what we got. Now that it has materialized, watching the $111.00 level will be key to the future - I'd suggest playing bullishly above (popped stops), neutral/bearish under, and very aggressively short if under $109.50.

Other timeframes tell the story better, though the 30min chart shows the potential 'bear flag' and triangle that has formed with a key downside trendline at $110.50 - that if broken, could lead to a swift move down... or a swift move up if $111.00 is broken as swing trading short-sellers are forced yet again out of their positions, increasing their frustration.


There's a key long-term trendline that finishes at the $110.00 level, but we're still keeping our eye on $109.50, which is yesterday's price lows. There would be fresh 'short sale' orders resting under that, and no known support until the $106.50 area if not lower, so we could see a positive feedback loop (selling) to the downside should we see lower prices in the next few days.

Otherwise, we could see a swift move up to $111.50 again if bears bail out (short squeeze) so be prepared as an intelligent intraday trader to play either resolution... though clearly an upside move would be more 'shocking' or surprising than a downside move for most traders.


Today rallied off the 20 day EMA at the 1,095 level - that's why it's important at least to keep higher timeframe levels in focus as you trade intraday charts. The 1,090 level is key, as is 1,110 for clues to the next likely move.

An unbiased view shows us that the pathway above is clear for a retest of 1,150 if buyers plow through 1,110 so be prepared for that, but also we see a clean downside path below if sellers break EMA support and the prior low at 1,090.

This is a great time to be an intraday trader, and frustrating tonight to be a swing trader.

Thank you to all who attended today's Momentum Divergences Webinar. I will have the slides up in the next few days (Research Section) for you all.