AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 5 min ARCX 03/18/10 L=117.07 -0.03 -0.03% O=117.11 Hi=117.27 Lo=116.57 C=117.07
1
2
3
4
117.40
117.30
117.20
117.12
117.03
117.00
116.90
116.80
116.70
0.1500
0.1000
0.0687
0.0235
0.0000
-0.0500
-0.1000
-0.1500
$TICK - 5 min NYSE 03/18/10 L=24 -230 -90.55% O=1 Hi=1039 Lo=-939 C=24
1,200
800
400
24
-400
-800
12:00
12:30
13:00
13:30
14:00
14:30
3/18
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30

After spending the last few days in "Popped Stops" or "trend" mode, the market took today to pause or consolidate ahead of tomorrow's Options Expiration Day - which I mentioned last night as having a higher degree of noise or randomness in the intraday charts.

Today's range day left for few 'ideal' opportunities, and as I've referenced many times before, the best trades on Range Days come from reversal candles and divergences (if they exist) at the 5-min Bollinger Band.

1. DOJI + SPINNING TOP AT 5-MIN BOLLINGER BAND (1-MIN POSITIVE MOMENTUM DIVERGENCE)

Price did very little to set-up a trade in the first hour, but the best opportunity came from the long-legged doji + spinning top at the lower Bollinger Band at 9:30 (see divergence on 1-min chart) with an entry at the $116.90 level to play for the upper Bollinger at $117.20. Price did not meet the upper Bollinger, but formed a shooting star and then doji candle, signaling exit as well as a 'flip and reverse' at $117.15/10 at 10:15am CST.

2. SHOOTING STAR, DOJI, BOLLINGER BAND, 5-WAVE FRACTAL, DAILY PIVOT

I don't often reference the daily pivots, and pivot points should only be regarded when they form a confluence/convergence with a moving average, prior price level, or Bollinger Band, as was the case here with the daily Pivot at $117.10. Even then, price burst slightly above it before turning lower.

Price formed a 5-wave fractal (see special chart later) into a negative 3/10 oscillator momentum divergence, along with a trendline break at 10:30 to trigger entry at the $117.05 level to play once gain for the lower Bollinger or prior price support level at $116.80 or $116.70 (from yesterday).

The stop was above $117.20, and as you can see, price fell quickly to the target, forming a bullish candle at 10:45 that appeared to form a bounce off support, but price never broke above the high of this candle to trigger an entry, so it was an exit signal.

Price then collapsed to a new intraday low suddenly, though it did so on a clean 5-wave fractal (see Elliott chart) into a lengthy Momentum and then TICK divergence (one of the cleanest divergences I can remember). At this time - just after 11:30am - price formed a spinning top candle off the 200 period SMA, and then price formed a bullish engulfing candle.

3. 5-WAVE FRACTAL, DUAL DIVERGENCE, 5-WAVE FRACTAL, 200 SMA

This was perhaps the best trade of the day, given the severity of the positive TICK and momentum divergence - look closely at the 1-min chart to see the massive divergence as price spiked to a sudden new low on the session, formed a spinning top candle, and then a bullish engulfing.

Entry was triggered either as price broke the high of the spinning top at $116.68 or broke back above the bullish engulfing candle... or broke back above the daily S1 pivot at $116.71, with a stop under the intraday low at $116.57. The target again was a rally back to the upper Bollinger Band at $116.90, and when price formed a shooting star candle there, that was your exit.

This was the 'line in the sand' that would have determined whether the day structure would continue to the downside, forming a potential down trend day to break out of the morning consolidation, or if price would remain at these levels and bump back into the range from the morning. Remember, on Range Days, we do NOT look at moving averages for support or resistance because they give false signals - moving averages are useless in a range environment. Price did continue its range, forming a sudden Wyckoff Sign of Strength at 1:30 CST which led to the next trade set-up.

4. WYCKOFF SIGN OF STRENGTH, DOJI, BULLISH ENGULFING

Notice the spike outside the Bollinger Band - and then immediate price rejection (on a negative momentum divergence) at 1:30. This formed a new TICK high on the session while price was NOT forming a new intraday high, giving us a nice Wyckoff Sign of Strength. In this situation, we want to buy the first pullback because the signal forecasts higher price highs yet to come (after a pullback)... which occurred (even by a few pennies).

Price pulled back to the lower Bollinger Band and formed a doji/spinning top candle (long-leg) and then formed a nice Bullish Engulfing candle that triggered entry when price broke the high of the engulfing candle at $116.91. Aggressive traders would have entered long as soon as price tested the lower Bollinger at the $116.80 level - highlighting the difference between conservative and aggressive trading entry tactics.

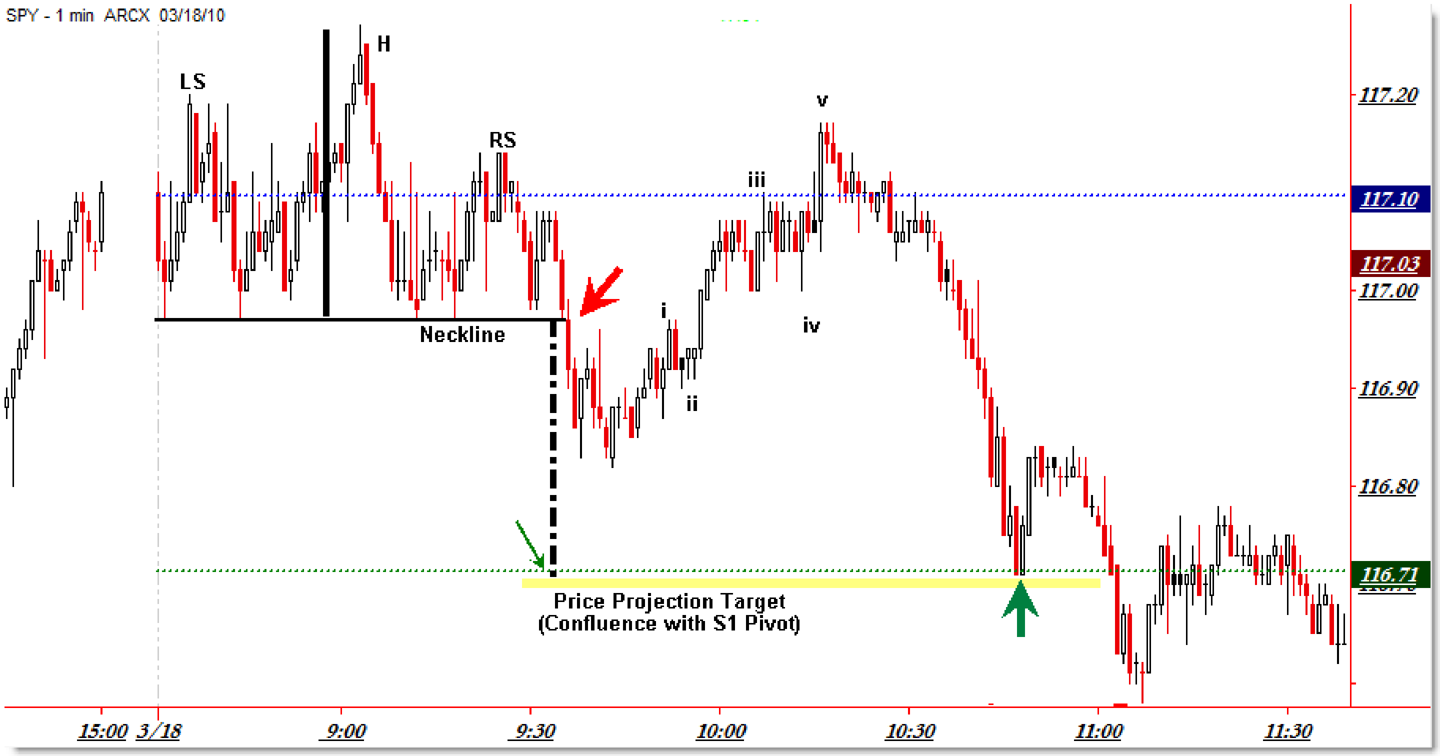
The trade targeted a move back to the upper Bollinger, OR a new price high on the session (forecast by the Wyckoff Signal), both of which occurred at either the $117.10 level, or with an exit at the close.

The opportunities that exist on range days are often 'scalping' or 'fading' tactics that offer relatively small targets.

As such, I label roughly 73 cents as being possible from an 'ideal' trading standpoint.

Two examples of the "Elliott's Fractals" concept (new TICK/Momentum extreme on the 3rd wave and TICK/Momentum divergence on 5th wave).

This concept appears almost every day so take time to learn it, whether you are an Elliott Wave person or not - think of it just as you would a bull or bear flag... or head and shoulders. It's just a five wave pattern where reversals often occur at the end of the 5th wave, especially when you see an impulse form the third wave (which means a price extreme is yet to come).



A quick example of a short-term "Head and Shoulders" trade that was successful.

A small H&S Pattern formed - 1-min chart - in the first hour, triggering a short-sale entry as price broke the neckline at $117.00 with a stop above the intraday high above $117.25 to play for a "measured move" of the distance from the head to the neckline (solid horizontal line) when this line is subtracted from the breakout point at the neckline... which gave a target just under $116.71 which happened to correspond with the daily S1 pivot.

This trade had to endure a slight rally (I also labeled the 5-wave mini-fractal) to reach the target, but the trade was successful and serves as a great example of a classic Head and Shoulders Pattern that met (and actually exceeded) its target.

A quick look at the 5-min chart (for reference/different perspective) shows that buyers were unable to push price above yesterday's close at $117.10. That's short-term bearish until proven otherwise.

Also, it would appear that an ascending triangle is forming, with the overhead resistance being $117.10. Watch for a break above that level tomorrow to target a move back to the $117.50 highs... or a break under the lower trendline and then beneath today's low of $116.60 to argue for further downside.

A quick glance shows us that we appear to be in a slightly weaker chart position than yesterday, but we're still officially above the 30min 20 EMA (after another mean bear trap... of which you should always be suspicious!) which argues for higher prices unless we see sellers take price under the 50 EMA and under the $116.50 prior price lows.

UNTIL THEN, you should NOT short this market for anything other than a scalp unless you are a very aggressive trader willing to 'call a top' and trade counter-trend... something that has been met with relentless stop-losses and there's nothing yet to say that the relentless stop-loss pattern - popped stops - and opportunities to profit from them - will end.

Stay simple - long/bull bias above $117.00. Neutral from $116.50 - $117.00. Short/bear bias under $116.50.

Today's pullback took price to the rising 20 EMA on the 60min chart, and the hammer/doji there was a buy signal.

The technical structure remains the same, in that odds continue to favor higher prices yet to come in the mode I've been highlighting and saying would likely occur if the S&P 500 broke 1,150. It did, and we're seeing exactly the "Popped Stops" rally that was forecast.

That mode will continue until proven otherwise, and betting against bulls here has led to a multitude of stop-losses.

DO NOT SHORT (for anything more than an intraday scalp) unless price breaks under $116.50. Do not try to be a hero and fight this trend by calling a top.

I mentioned earlier that "technical structure" looks weaker earlier - when compared to yesterday - and the daily chart highlights that point with a doji at the upper Bollinger Band. As seen from March 8 and then March 12th - both of which had identical dojis at the upper Bollinger Band - the bulls are completely ignoring bearish sell signals. In fact, one major factor driving this market higher is the stop-losses of the bears/short-sellers who are forced to capitulate (buy to cover) at new highs.

This pattern will continue until proven otherwise, so stick to your intraday charts and remain in the same bias I've been highlighting in this "Popped Stops" environment:

Go Long or Stay Out/Sideline.

Remember that tomorrow is Options Expiration (some traders take the whole day off/refuse to trade), so I would suggest not over-leveraging any positions tomorrow - we tend to see more 'randomness' and failed patterns then.

A 'bonus chart'

This is showing a full 100% "MEASURED MOVE" of the prior impulse terminating at the current level (1,166 to be exact) which suggests that we could see a potential reversal if the market respects "Pattern Symmetry" or "Swing Symmetry."

You know how dangerous calling tops has been in this market, but I wanted to highlight - at least for those of you that study patterns - that the market has met its AB=CD "Measured Move" target yesterday and today, so it would be expected for a "pattern symmetry" top to form here... but given the unyielding bullishness in the market, we could see this as one of the multitudes of patterns that have 'failed' as the market has rallied higher.

This is at least something to keep in the back of your mind.

Really, really, really aggressive traders can short here, with a tight stop, knowing that it could very well be hit tomorrow, but this would be a decent place for a potential reversal to form... but most traders should WAIT for a down day or a break under 1,140 to get short due to the strength of this market. Remember, aggressive traders try to short as close as possible to a potential resistance level or target (knowing that price could continue right on through it) while conservative traders WAIT for confirmation (bearish candle break, trendline break, etc) before getting short.

As a result, aggressive traders tend to have lower 'accuracy' rates but make more money, while conservative traders tend to have higher accuracy rates while - as a whole - making less money (you pay up for confirmation... but fewer of your trades fail).