AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 5 min ARCX 03/23/10 L=117.43 0.84 0.72% O=116.76 Hi=117.51 Lo=116.38 C=117.43
1
2
3
4
5
117.50
117.42
117.30
117.20
117.10
117.00
116.90
116.80
116.75
116.70
116.60
116.50
0.1500
0.1101
0.0487
0.0000
-0.0500
-0.1500
$TICK - 5 min NYSE 03/23/10 L=490 -135 -21.60% O=-1 Hi=1345 Lo=-860 C=490
1,000
600
490
200
-200
-600
13:30
14:00
14:30
3/23
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30

If you still are unaware of the "Popped Stops" play (trade) and how it works, take extra time to study today's session as one of the best references of this concept and how it works. I've been stating clearly at the end of each day's report that your options are "Get Long" or "Stay Out" and not to take a short-sale for anything other than a quick intraday scalp (and even those aren't worth much profit). That continues to be the case, and knowing that/applying it would have led to some nice profits on today's session.

I also mentioned to trade long above $117.00, and that's exactly where the "Popped Stops" play manifested as traders jumped in long while shorts rushed to cover. Learn this concept from today's session.

1. LOWER SHADOW, SPINNING TOP, 50 EMA, LOWER BOLLINGER

This trade took advantage of the "Buy Bias," given that price in a rising but flattening mode, tested the confluence of the lower Bollinger and 50 EMA at the $116.55 level, forming a long lower shadow and then a spinning top/doji. Entry for aggressive traders was as price rose back above the 50 EMA at the $116.00 level, but for conservative traders, when price took out the 20 EMA and prior candle high at $116.60 with a stop under $116.50 to play for either a new swing high or most likely a retest of the upper Bollinger and prior high at $116.80 - both of which were hit. If you held on beyond the Bollinger, a negative TICK divergence (relative to yesterday) formed as an (almost) bearish engulfing candle and upper shadow wick formed at the key resistance level of $117.00 - signaling your exit and - for some traders - a flip and reverse.

2. UPPER BOLLINGER, REVERSAL CANDLE, NEGATIVE TICK DIVERGENCE, RANGE

This was a slightly aggressive/advanced trade, given that this could be the start of a breakout move, but when comparing the current high TICK with the price range of yesterday's close, we had an equal if not slightly lower TICK while price was higher, serving as a light non-confirmation while price formed a reversal candle (and wick) at the $117.00 upper resistance level (also at the upper Bollinger). A stop was placed beyond $117.00 and a "Popped Stops" bias adopted (take a tight stop then flip/reverse if above $117.00) while entry was as close to $117.00 as possible to play for a move back to the 20 or 50 EMA (conservative) or for a full retrace (in range mode expectations) to the prior low or lower Bollinger Band near $116.50. As observed, once price broke the 20 EMA, price careened to the lower Bollinger, forming new TICK, Momentum, and (intraday) price lows.

As a bullish candle formed, this was your exit, and VERY aggressive traders could have traded long at $116.50 to play for a retest of the 20/50 EMA combo at $116.65... but it was a hard-fought 15 cents. It was better to see how price reacted to the retracement into resistance which - by now - you all should be very cynical about a downside resolution.

I need to count how many times this exact pattern has failed in the morning (at least a dozen) so even though doji candles at a confluence EMA after a new TICK, Price, and Momentum low is a wonderful trade set-up (called the Impulse Sell or Bear Flag), those who are 'in the know' (or at least able to read market character) suspected that this trade set-up might once again fail (I can't even remember the last time this particular set-up 'worked' for a nice, full profit).

As such, the trade failed, and we were off to test the recent swing high at $117.00. Cynical yet experienced traders actually could have played the "Popped Stops" once price cleanly broke above $116.70 to play for a target of $117.00, but I try to keep the text/trades of these reports on the level of newer to intermediate level traders, so doing so would have been an advanced move (but profitable).

3. UPPER SHADOWS, DIVERGENCES, UPPER BOLLINGER

This was similar to the morning trade, only we had clean negative momentum and TICK divergences as price tested $117.00 again, setting up a short-sell trade (particularly with the upper shadow candles). A bearish engulfing formed and then a doji candle, wherein aggressive traders would short above $117.00 and conservative traders would short under the doji at $116.85 to play for a move back down - in Range Day fashion - to the lower Bollinger Band/prior swing low at $116.50.

Unfortunately, this trade also failed, like its impulse sell cousin that just triggered at 10:00am and got you out with a scratch or a very small profit at best as price bounced off the 20 EMA and then began to rally higher. Price formed a second upper shadow and dojis at 12:15am, which could have given a second trade if you were so inclined.

4. UPPER SHADOWS, TICK DIVERGENCE, $117.00 RESISTANCE, DOJIS

Without describing this trade in detail, it used the same logic as the prior trade, with entry again at $117.00 (but ready for a "flip and reverse" with a tight stop above $117.00) or under the long-legged doji at $116.90 for entry for conservative traders. This trade actually did get its lower Bollinger Band target, but it was only worth around 15 cents (1 or 2 @ES points at best).

You could have traded long off the lower Bollinger at $116.70 to play for a move back to $117.00, but that was too narrow a target for many traders (except those comfortable with 'scalping' small profits), so I did not list that specifically as an ideal trade. However... the next trade certainly was.

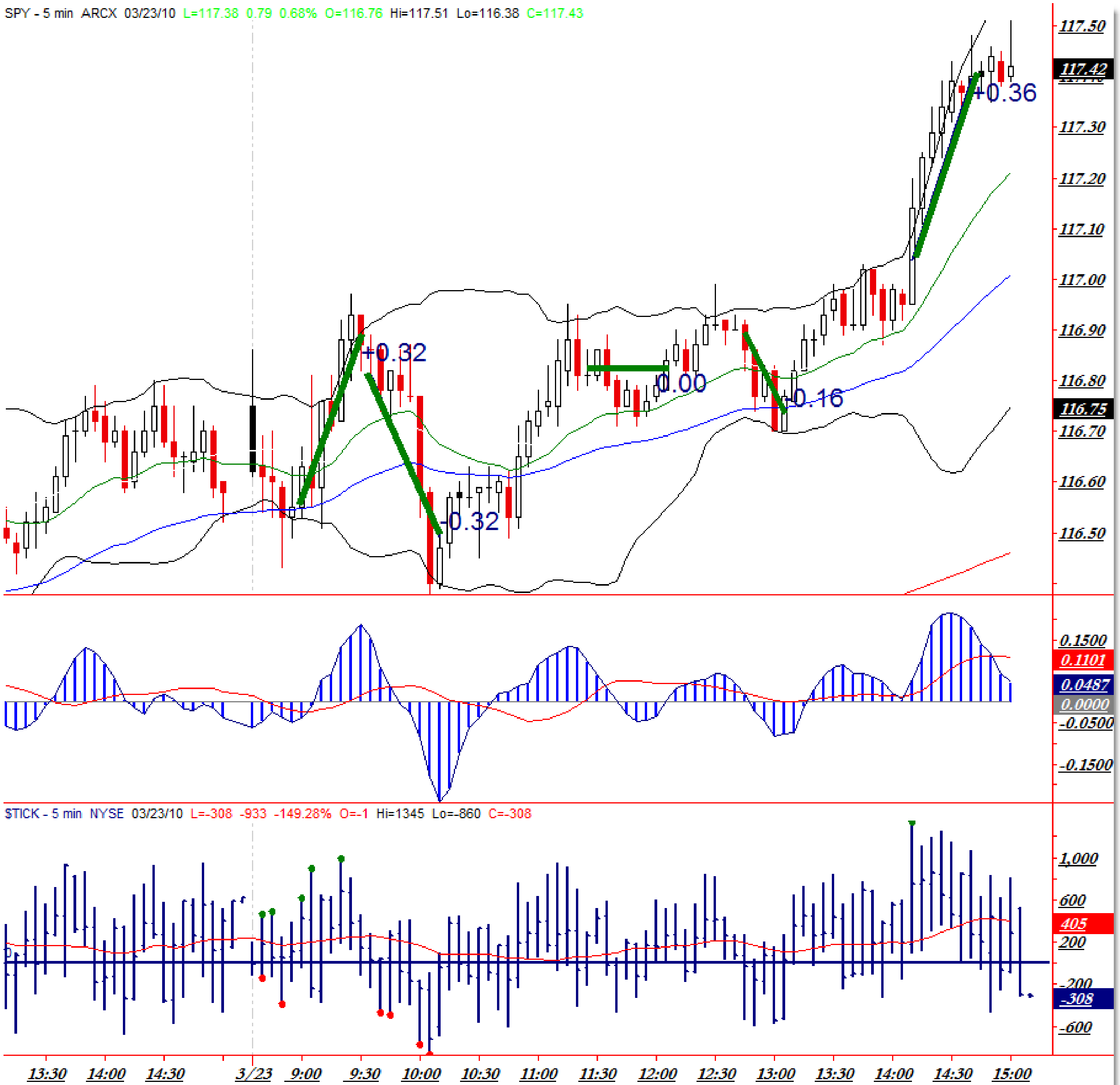
5. POPPED STOPS, ASCENDING TRIANGLE BREAKOUT

I described this briefly in the end-section of last night's report, commenting "Trade Long Above $117.00" which happened to be a key resistance level tested three times today prior to the break. Resistance is resistance until it breaks, and when it breaks, you can bet that those who are short are going to have to rush to cover their positions (buying) while advanced/experienced traders - like yourselves - are buying the breakout, playing the "Popped Stops" and pushing the market higher.

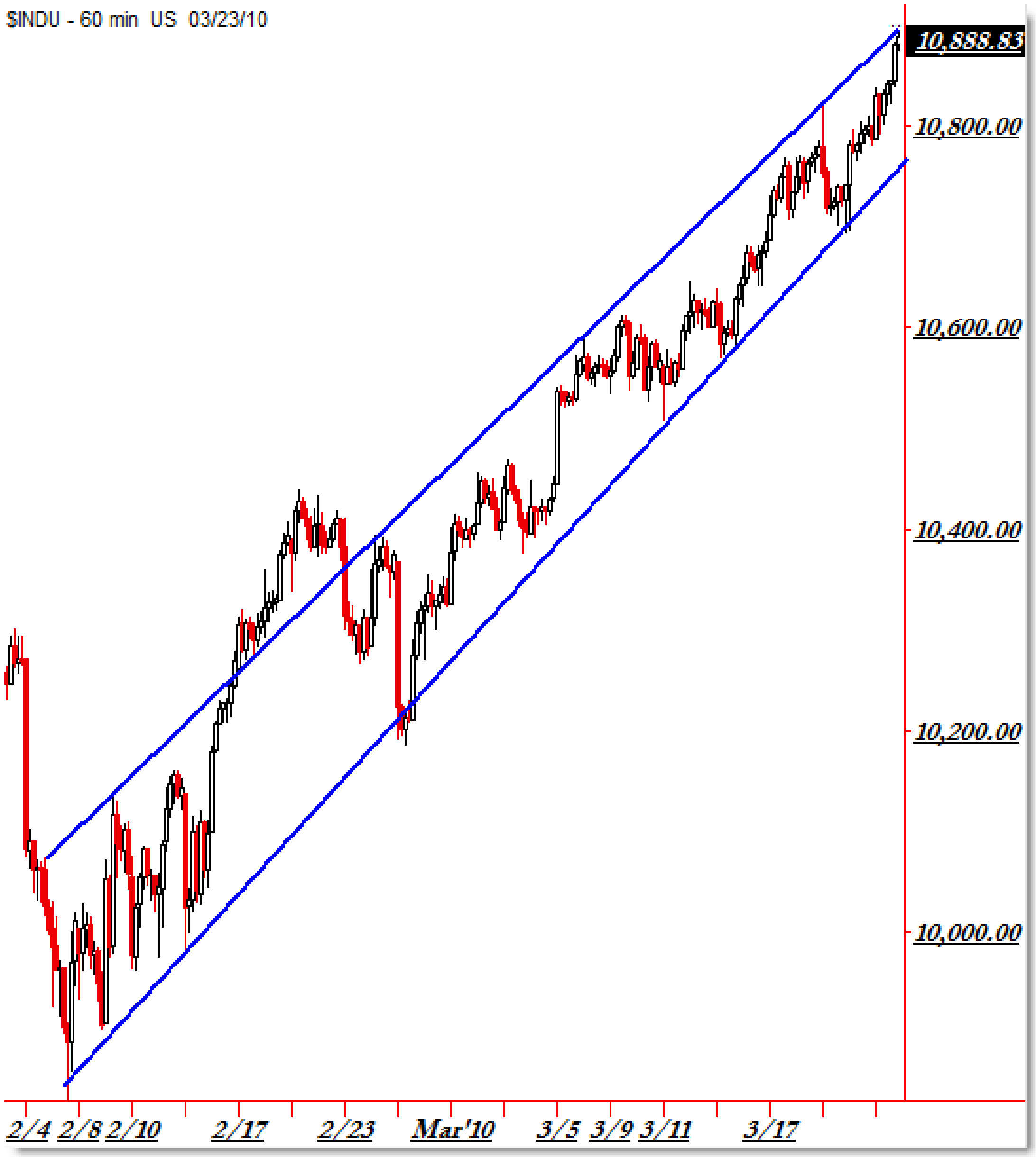
There's really no way to explain these better than "Popped Stops" which I describe many times in these reports (that's the point of the reports - to teach you practical/profitable trading concepts/set-ups using real-time/daily examples so that you can recognize and then profit from these set-ups when they occur each day in real time).

Your entry was as soon as price clearly broke above $117.00/$117.05 to hold on as long as possible while the "Positive Feedback" loop (bulls buying ; bears buying to cover) occurred... which lasted until doji candles formed toward the close at the $117.45 level.

Take advantage of these opportunities - do not let them pass you by. It's one of the main strategies that is working very well, and I receive 'thank you' emails every once in a while from members who thank me for stressing these "popped stops" lessons.



Including one scratch (trade 3), it was possible to profit $1.16 (roughly 10/11 @ES Points) from today's "range bound into Popped Stops" structure.



Dow Jones 60-min

Dominant Trendlines.

Expect to see trend continuity unless the lower Trendline is broken.

These things happen - remember that the Dow lost 1,000 points in a single day in October 2008. It has now risen 1,000 in just over one month... and will keep rising as long as these dominant trendlines are in tact.

Sometimes it's best to pull down all the indicators so that you can assess the 'character' of price... which is most clear in the chart above.

Although I feel like a broken record in saying so, you have two options:

Long/Buy
Out/Sidelined

Notice how "short" is not an option (for swing traders... and even intraday traders).

There's no need to overcomplicate this, and I know some traders are having a great deal of difficulty trading this non-stop rally. Remember, "it is what it is" and price is currently, and has been, in "Positive Feedback" mode since the break above 1,150 and even before that (the 2010 bottom was in February).

All along the way, there have been a few bear traps and what sell signals that formed were instantly 'busted' and led to more 'popped stops,' which is the reality of the market - bullish domination. That continues until proven otherwise.

Picking up the prior thoughts, we see a bullish ascending triangle with a bullish upside (confirmed) breakout today. This could lead to a further surge to $118.50 and beyond.

We remain in "Popped Stops Open Air" mode, and that is dominant unless we see a move under $116.50 but moreso under $115.50. Until then, do not try to call a top - you'll likely contribute to the popped stops that are occurring.

This is a long/buy bias market until proven otherwise with a break under the 50 EMA (currently $116.00).

The next two charts reflect the "pure price" and trendline moves as a "reality check" in the market.

Price is, and continues to become more overextended... but price is not required to fall because it is overextended. As long as price remains in the trendlines as drawn above, it will keep rising and becoming more overextended and popping out more and more short-sellers/bears along the way, whose stop-losses continue to fuel the 'impossible' rally.

No major change - we're still in "Open Air" mode and had a two-day pullback after the doji candle of last week (is that all?). Price came back and retested the breakout zone of 1,150 yesterday (a buy signal) and now we're back to new recovery highs in a bull mode.

There's some 'hidden' resistance at 1,175, but if bulls can clear beyond that, the next confluence resistance level is 1,225... and again, if you cannot bring yourself to buy in this overextended condition, realize that if price climbs above 1,175, the next stopping point (target) could be 1,225 ... adjust accordingly.