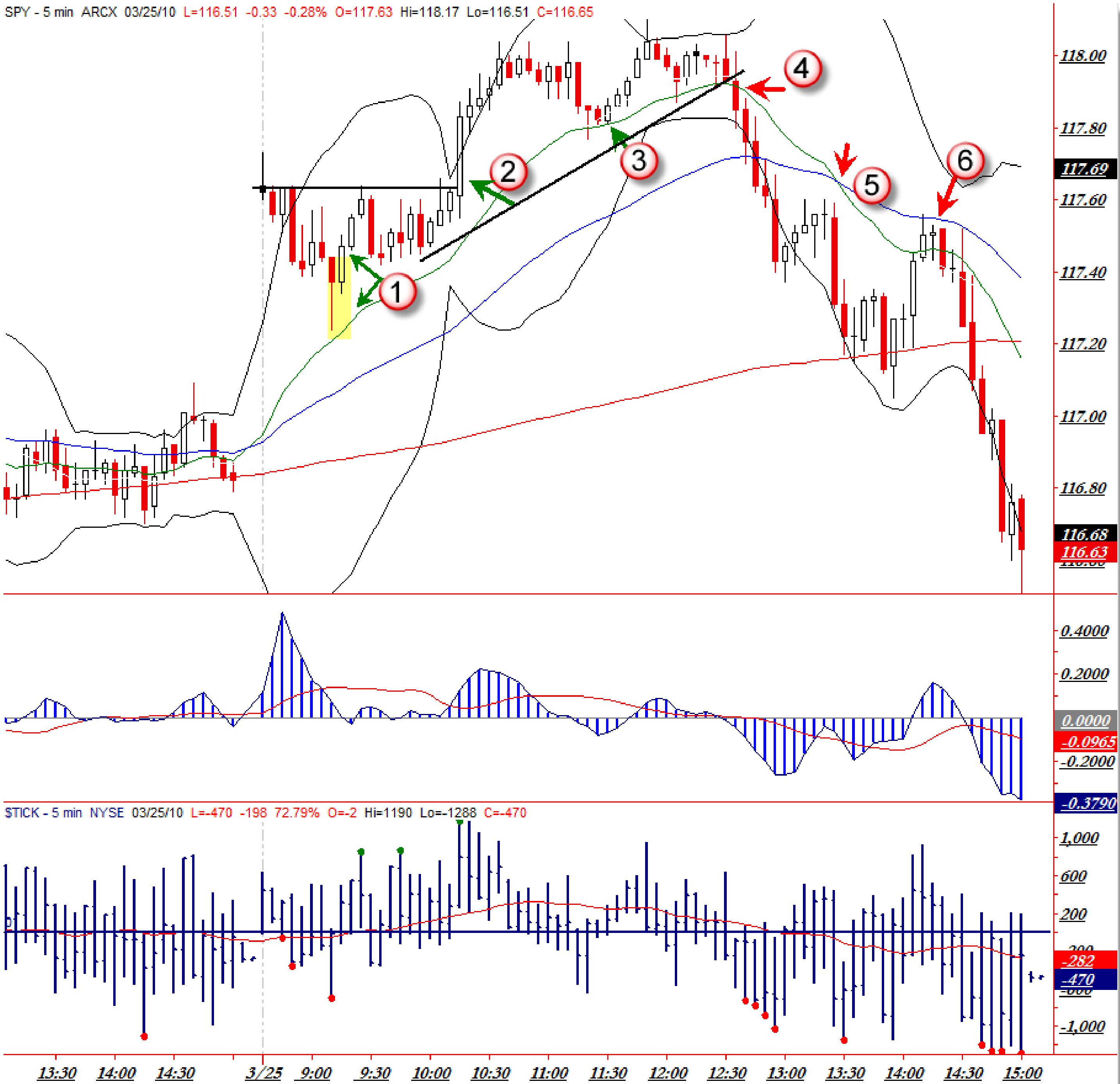
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 5 min ARCX 03/25/10 L=116.51 -0.33 -0.28% O=117.63 Hi=118.17 Lo=116.51 C=116.65
1
2
3
4
5
6
118.00
117.80
117.69
117.60
117.40
117.20
117.00
116.80
116.68
116.63
0.4000
0.2000
0.0000
-0.0965
-0.2000
-0.3790
$TICK - 5 min NYSE 03/25/10 L=-470 -198 72.79% O=-2 Hi=1190 Lo=-1288 C=-470
1,000
600
200
-282
-470
-1,000
13:30
14:00
14:30
3/25
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30
15:00

This is a day you'll probably want to keep in the forefront of your archive of reports, as it held a variety of excellent examples of "Ideal" trade set-ups, and you can use these examples as references for what these set-ups should resemble and how the outcome should play out. With that, let's get right to the lessons!

1. 20 EMA PULLBACK, POTENTIAL TREND DAY 'FAILED' GAP FILL, LOWER SHADOW

This was probably the most unremarkable trade of the day, but it was a standard "momentum" trade where we had a strong overnight gap and so - if we assess that the gap has low odds of filling - we want to be a potential buyer on the first pullback into EMA support. That happened at 9:15am CST as price formed a long lower shadow to the $117.20 level, at which point aggressive traders would be putting on a position with a stop under the 20 or 50 EMA ($117.20 or $117.10 respectively) to play for a new price high yet to come.

Conservative traders would put the position on when the high of the hammer/reversal candle was broken at $117.40 (I show two arrows) with the same parameters. I have this trade not being exited until price tested the $118.00 level, though very conservative traders would have likely exited quickly after the sell-bar at 9:35. This would have been a mistake, as price bounced off this level and did NOT fall under the 20 EMA (at which time you would have stopped out), so it paid to have a little 'guts' or patience for this set-up to play out.

In the event you missed buying the market at this time, you had a golden opportunity with the ascending triangle breakout of the $117.60 level.

2. ASCENDING TRIANGLE, HORIZONTAL RESISTANCE AT $117.60, POPPED STOPS

This was a very simple trade set-up, that capitalized on the "Popped Stops" phenomenon which attempts to buy the market on the break of a known resistance level, anticipating short-sellers to cover (buy) quickly which drives the market higher (and gives you a profitable trade).

In a sense, this was a slight Bollinger Band Squeeze play, but not quite an ideal 'squeeze' set-up by any means. Entry was as close to the $117.60 breakout as possible with a stop trailed under the 20 EMA starting at $117.50 with an exit at any doji/reversal candle at the upper Bollinger Band, particularly at 10:30. Due to the new intraday TICK high and trend day bias, you should NOT have shorted at this level, but waited to buy the first pullback. Remember - we tend to ignore the 3/10 Oscillator on suspected Trend Days (ignore divergences and look instead to the TICK).

3. TREND DAY BIAS PULLBACK, DOJI/HAMMER AT 20 EMA

This was another simple trade that took advantage of a long-lower shadow candle at the 20 EMA at the $117.80 level at 11:00am. Remember, on trend days, we typically want to buy all pullbacks unless we see negative TICK divergences, and expect price to continue to form higher highs. DO NOT SHORT (or fade) a suspected trend day where TICK is forming new intraday highs with price - that would be an extremely low probability set-up.

Price did get its higher high just above $118.00 in the next 5 bars, as a long upper shadow formed outside the upper Bollinger Band at the key resistance (round number) of $118.00, triggering a trade exit.

This time a negative TICK divergence DID form, so we would be less likely to buy the next pullback in price, but also not going to short-sale just because we have a TICK divergence. Also, price was above the 20 EMA, so it is best to wait to see what happens when price pulls back to the 20 EMA (5-min) to make a decision. In this case, price broke the 20 EMA along with a key rising trendline (see 1-min chart) as the negative TICK divergence was locked in place on the intraday high. For aggressive traders, your next entry was at the trendline break...

4. TRENDLINE BREAK, 20 EMA BREAK

Keep in mind, in hindsight, this looks like a great trade (and it was), but on most days, you'll do better to WAIT for price to break under the 50 EMA (not just the 20 EMA) before deciding to play for a rounded reversal.

Aggressive traders enter early with less confirmation while conservative traders often enter late (or just the right time for them) when they get confirmation.

You could have either shorted as price broke the trendline and 20 EMA at $117.90, or waited for price to break the 50 EMA at $117.70. For aggressive traders, the stop would be above $118.10 while conservative traders might choose to put it there, or drag it closer to the 20 EMA at $117.90 (tighter stop).

As you can see, price careened off a cliff, leaving you with a sudden 'windfall' profit that should have been taken as a hammer formed and price began to rally off the $117.40 low.

Notice that price formed a Wyckoff Sign of Weakness earlier, which clued you in that the odds had shifted AWAY from a trend day up and TOWARDS expecting a Rounded Reversal... and that's exactly what happened.

5. CRADLE SELL, BEAR FLAG

And this is always one of my favorite trades - keep in mind though that this pattern has had a tendency to fail when it sets up in the morning session.

The EMAs crossed bearishly at 1:15 CST just as price rallied in 'bear flag' form to test just under this level while forming a doji at 1:15 when the EMAs crossed. Look to the 1-min chart to see your trigger short as price broke under the lower trendline at the $117.50 price area, with a stop over the EMA 'cradle' at $117.65 and a theoretically unlimited downside target (this plays for a short-term trend reversal, and is the spot of maximum probability and lowest risk of a successful reversal, if one is to occur).

This trade behaved beautifully, giving you an exit target at the 200 SMA at $117.20 for an exit, but again due to the new TICK and momentum (and price) lows, it was NOT an ideal trade to put on a long here to try to play for the 20 EMA (it was certainly possible and profitable, but the easier trades come IN the direction of a prevailing trend), as the final trade set-up of the day shows us.

6. DOWNTREND RETRACEMENT, IMPULSE SELL, DOJIS, 20 EMA

This trade was similar to the prior trade, only the EMAs had already crossed bearishly and we would expect either the 20 or 50 EMA to hold as resistance, given that the downtrend continued. If not, we would just be stopped out and sidelined. The doji at the $117.50 level under the 50 EMA provided your best trade entry, as did the lower trendline break on the 1-min chart at $117.40 - both of which placed a stop above the 50 EMA above $117.60 to target a swing to new lows.

Once again, price careened to new intraday lows in an impulse sell-off move that now challenges the support of the higher timeframes. This trade was held until the close, or until the bullish candle just prior to the close.

This was a very profitable day in terms of following 'day structure' (Rounded Reversal) and opportunities (without traps or rinses/washes).

As such, roughly $2.20 was possible using these six profitable trades - or 20 @ES points.

1: 51c	4: 40c
2: 26c	5: 27c
3: 15c	6: 61c

Price sliced sharply under a short-term trendline today, along with the $117.00 support level. Further downside pressure, especially with a break under the trendline I've drawn at $116.50, would likely lead to a move back to $115.25 if not $114.25... but we're NOT there yet (we could be by the open tomorrow, but for now, price rests at a key support level in the context of an uptrend).

Watch the 60-min chart for better insights.

Despite today's selling pressure, price rests at the confluence of the rising 50 EMA ($116.52) and the lower Bollinger Band ($116.30). Keep in mind, the prior times this has happened, price bounced off these levels (March 15 and March 19) after forming little bear traps... both times creating a sharp rally higher.

So it would not be impossible for price to bounce off this level as well.

However, should price break under this level and then crack under $116.00, we could easily see a move back down to $114.50. Keep in mind that this is still - as of this evening - a pervasive and relentless uptrend, so any short (for anything other than an intraday trade) would be an aggressive counter-trend trade (which is ok if you are willing to assume the risk of fighting a trend). If so, place a stop above $117.00 and trade long above that level, and especially if we break to new highs above $118.00 (more popped stops from those aggressive counter-trend traders).

At the risk of being a cynic, today's candle is almost identical to that of March 19th's candle at the 1,170 level, yet buyers ignored this signal (or were able to overcome the selling pressure that occurred there) to push the index to new highs. That is an example of the extreme difficulty swing traders are having right now. Swing traders have tried to short this rally when classic/normal sell signals have formed... yet perversely, the market continued rising and the stop-losses of the swing traders in part helped push the market higher (short squeezes). So, take the current 'classic and obvious' sell signal (a shooting star candle just under the upper Bollinger Band on a negative divergence with an increase in volume) with a grain of salt, as today's selling action DID NOT break the rising trendline.

However, should price fall under 1,160, it would be safe to expect a move back down to test the support at 1,150 at a minimum.

A 'zoom' on the bearish engulfing candle today.

Price gapped up above yesterday's high and then fell to close under yesterday's low, 'engulfing' the entire day. That is traditionally a very bearish reversal candle, particularly when it forms in an overextended rally at the upper Bollinger Band on a negative momentum divergence - that's one of the best sell signals there is.

Keep in mind that **this exact same pattern** formed on March 19th, yet price **kept going higher**. For whatever reason, the bullish 'force' is able to overrule sellers and continue to 'pop' their stops (create short-squeezes) so it's probably best still to WAIT for a break under $115.00 to consider swing trading short unless you are an aggressive trader and willing to take the risk of a stop-out above $118.00 (and then 'flip and reverse'). Until then, stick with your intraday frames.