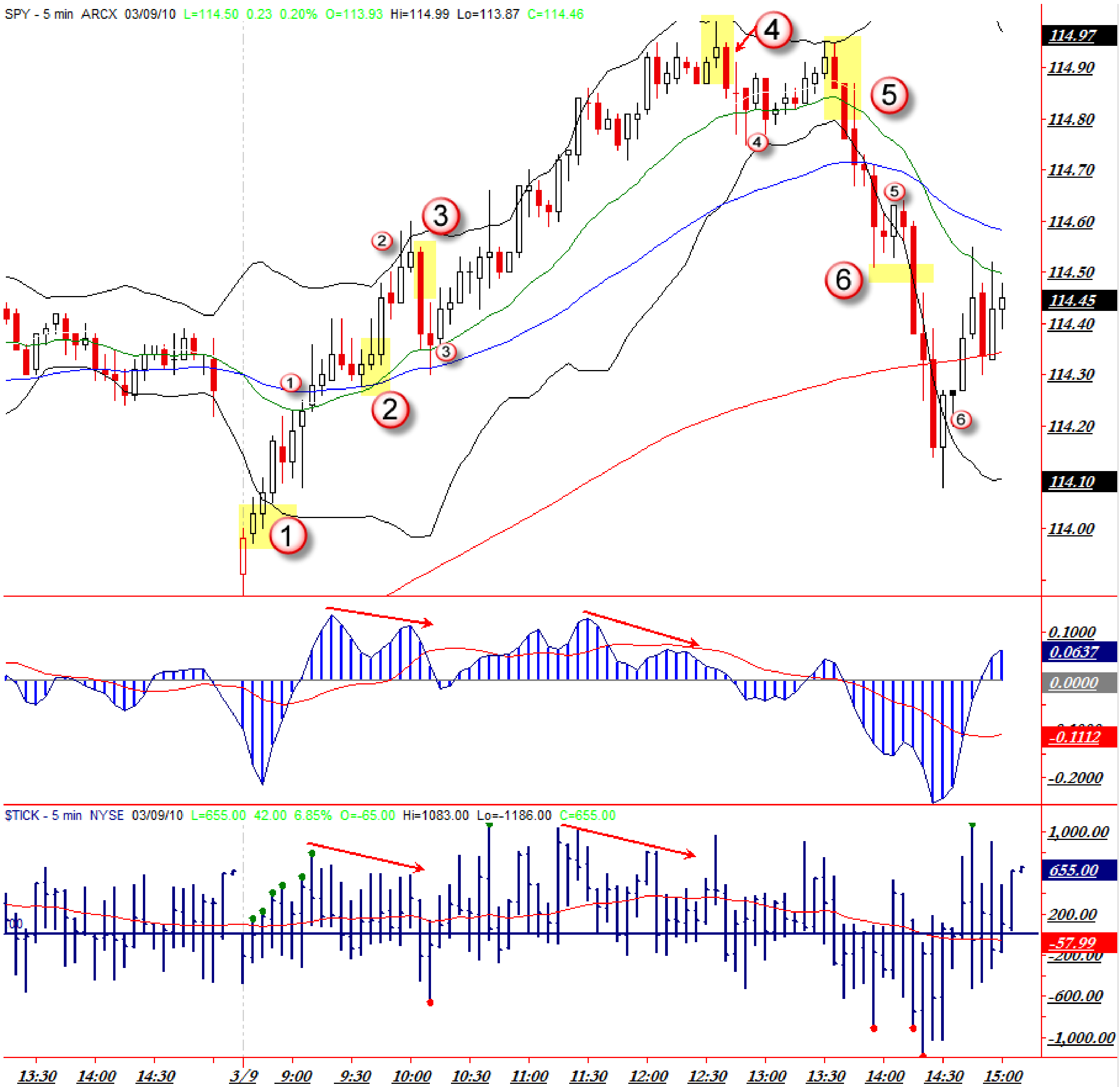
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 5 min ARCX 03/09/10 L=114.50 0.23 0.20% O=113.93 Hi=114.99 Lo=113.87 C=114.46
$TICK - 5 min NYSE 03/09/10 L=655.00 42.00 6.85% O=-65.00 Hi=1083.00 Lo=-1186.00 C=655.00
1
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After yesterday's lack of opportunities, today's abundance of opportunities was a welcome gift from the market! Be sure to study today's action closely for additional insights you can use - let's get right down to the action!

1. GAP FADE

We started the day off with a 40 cent overnight gap which had odds of filling (see the Gap Research Report for subscribers), and the price breaking the first 5-min and then 10-min candle bar high (depending on your aggression level) was your signal to enter long and attempt to trade a gap fill to the prior $114.25 level, with a stop under the $114.00 level or preferably under the opening low of $113.87.

There often isn't much to describe in regards to a gap fade trade - you are playing the odds for a fill and often exit as soon as price completes the gap fully, or comes within a few points of filling the gap, or exit on any sort of reversal candle/signal prior to the gap filling. There was also a target of the confluence of the 20 and 50 EMAs (5-min) at the $114.30 area, which made for a nice trade exit.

2. CRADLE TRADE

On the 5-min chart, price had formed a new intraday price, TICK, and momentum high, so the best play was to wait to buy the first pullback into support, which happened to be the "Cradle" crossover of the 20 and 50 EMA (5-min). Luckily, price formed a nice spinning top/doji candle at 9:45 CST, and the trigger for entry was as soon as price broke above the high of that candle at $114.35 with a stop under the EMA confluence at the $114.28 level to hold long until a counter-sell signal formed. The exit was - at least for aggressive traders - a flip and reverse due to negative divergences at the upper Bollinger Band, along with two upper shadow candles at the $114.50 level (quick scalp).

3. UPPER BOLLINGER, DUAL DIVERGENCES, UPPER SHADOWS

To underscore the point that it is difficult to trade against the trend (to try to short when price is above rising 20 and 50 EMAs and in a confirmed uptrend as seen on higher timeframes and even the 5-min chart), this trade required perfect execution and perfect exit - it unfolded in a single bar.

With the shadows at the upper Bollinger Bands, along with a negative TICK and momentum divergence, the best entry was either as price formed the second upper shadow outside the upper Bollinger ($114.60) for aggressive traders, or perhaps more appropriately as price took out the shooting star low at $114.50 - to trigger a retracement trade to the 20 or 50 EMA at the $114.30 level... or to hold short past that level should price break under these averages. The stop was above the intraday high at $114.60, making this an 'accuracy edge' trade that required precision.

The best exit came as price began to inflect off the 50 EMA, forming a hammer-style candle at 10:15, exiting at the $114.40 level.

POPPED STOPS

I didn't label this officially as an ideal trade, but I did want to highlight it for reference, particularly to the experienced/aggressive traders among you. I've been saying that divergences favored a retracement down, but that there's a blatant upward bias to the current market, so any upward move is tradable long from a 'scalp' or "Popped Stops" perspective... but these often don't give nice, clean entries. It's pretty much "You buy at new highs or you miss your chance" and many new traders - especially from emails I receive from some of you - just can't bring themselves to buy new highs without a nice trade set-up. That's perfectly fine, and why I'm not listing it as a 'perfect' trade. It was an aggressive but profitable trade. I've also been saying that the logical upside target - due to "Open Air" - has been

$115.00 (which was hit today, as the high was $114.99), so that could have guided your thinking, as price has remained in "open air" to challenge the next resistance level - $115.00. This would have played out in your intraday trading.

The next "ideal" set-up came as a multi-swing negative divergence, shooting star at the upper Bollinger Band formed at 12:30.

4. MULTI-SWING DUAL DIVERGENCE, SHOOTING STAR, UPPER BOLLINGER

Due to the counter-trend position, this trade also was rather aggressive, as it was fighting a dominant trend (that was forming divergences). Conservative traders don't need to try to call intraday tops and bottoms, and do best to take trades only in the direction of the trend, or once price has broken under trendlines/moving averages before shorting to play a reversal (or vice versa).

Entry happened as soon as price broke the 1-min trendline and the 5-min shooting star candle at $114.90 with a stop above $115.00 (not too far above there, because any solid move above $115.00 would have triggered a Popped Stops rally trade). The initial target was a retracement back to the 20 or 50 EMA at the $114.80 or $114.70 level.

As you see from the outcome, and the risk of shorting a trending market, this trade was only good for a scalp ONLY, and an exit was triggered as bullish candles formed off the 20 EMA at the $114.80 level... though swing traders (using intraday charts to time entries) might have held short to play a potential multi-day down-swing that formed at the $115.00 level.

I have this trade as being a scalp, and then a separate trade triggering shortly after.

5. SECOND TRENDLINE BREAK, 20 EMA BREAK, BEAR FLAG

This trade was very similar to the prior trade in tactics, in that a reversal candle (tweezer top - two upper shadows) formed at the upper Bollinger Band (5-min) just under the key $115.00 level, and execution triggered as price broke under the candle low of $114.90 (stop again above $115.00). Again, we were to play "Popped Stops" on any break above $115.00... but that didn't happen today.

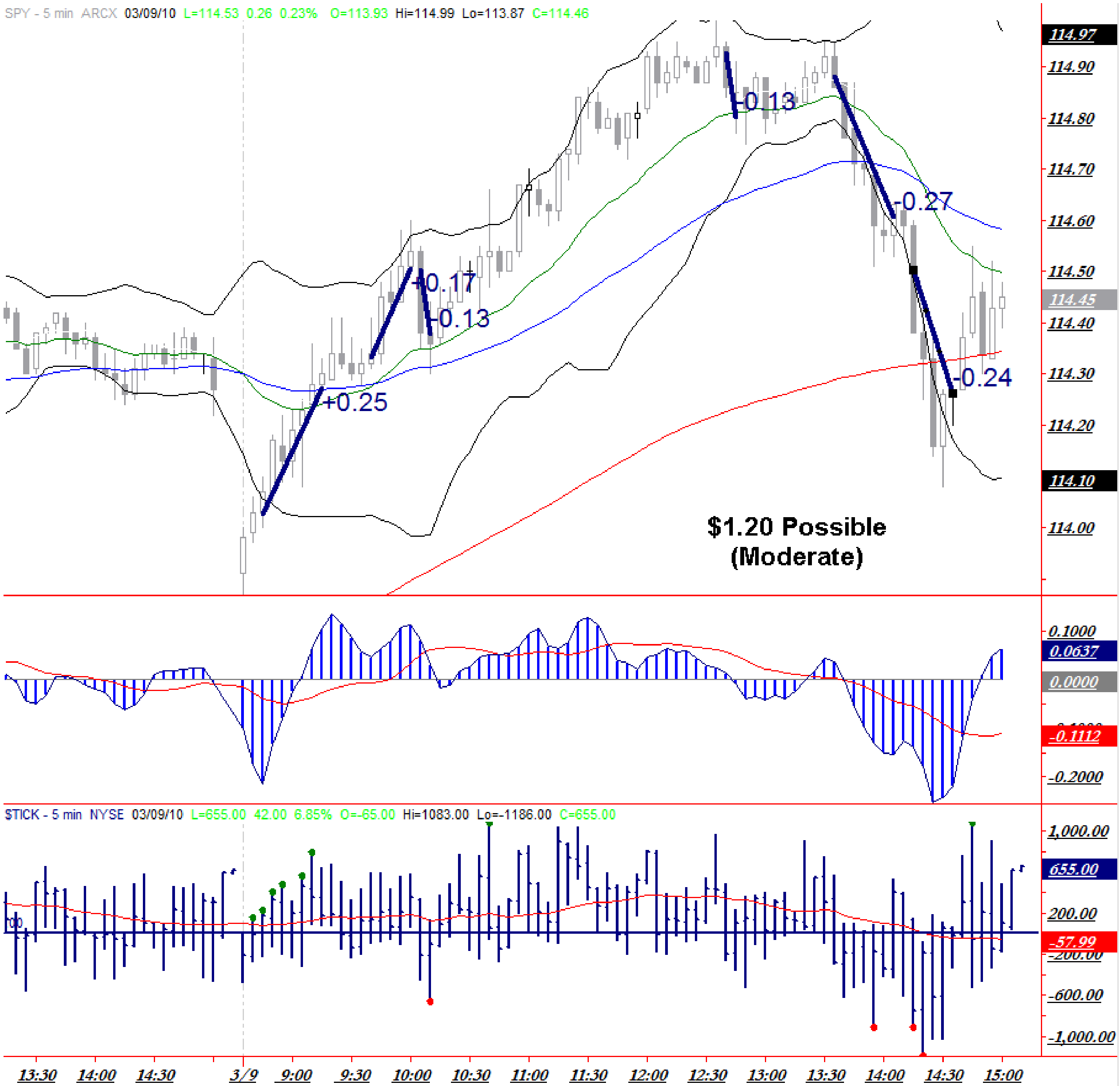
The market began selling off hard, meaning you could have held for a larger target, and you did not have to take the exit that I suggested here, but I have labeled an exit as price formed a doji then bullish engulfing candle at the 5-min lower Bollinger Band at 2:00 CST at the $114.60 level. I do have a re-entry on a break under this support level for the final trade.

6. SUPPORT BREAK, ROUNDED REVERSAL SELL

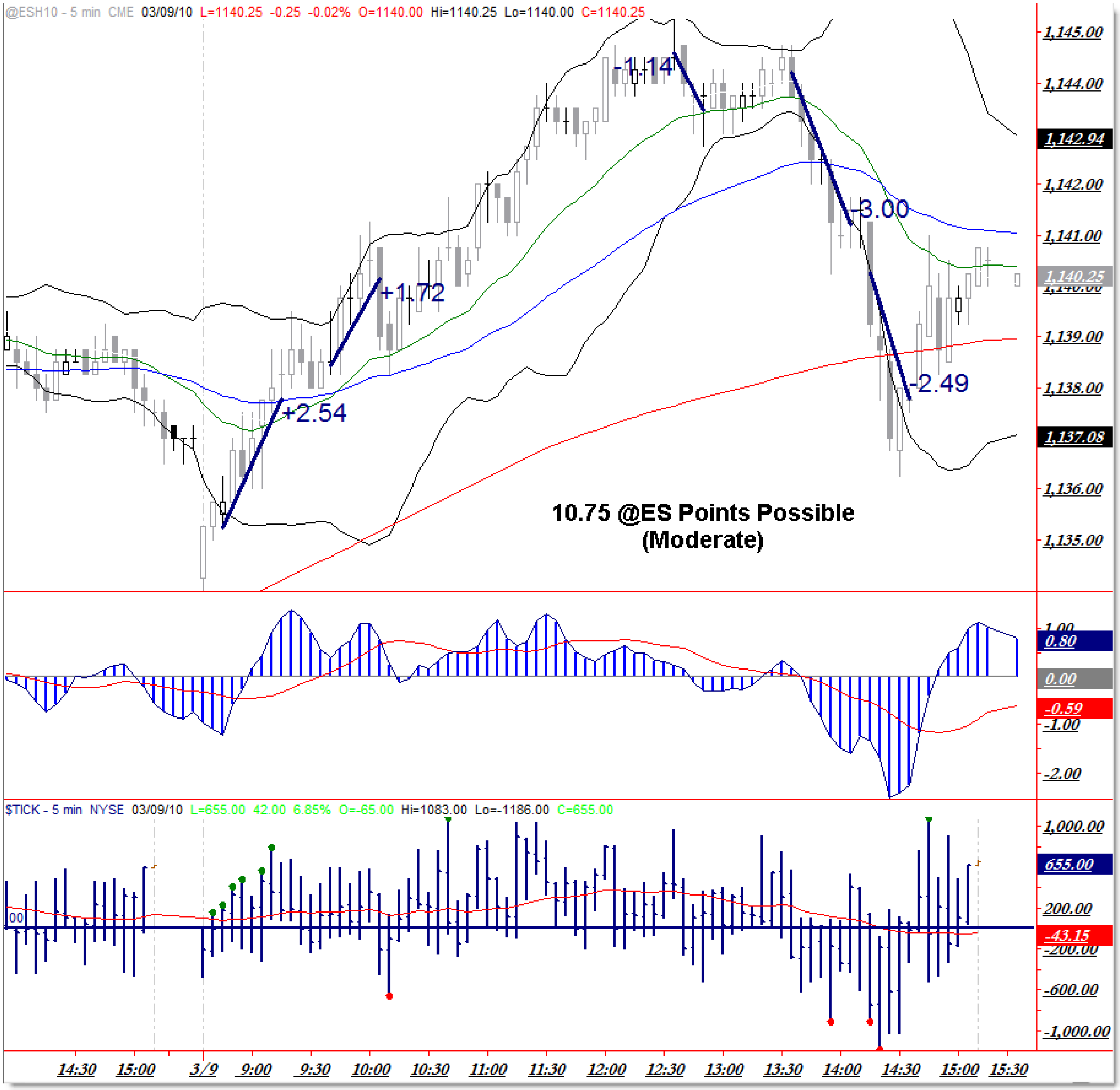
This trade is best seen on the 1-min chart, as price sliced under the trendline and prior support at $114.50 (also against the 20 EMA 1-min) with an execution entry at $114.50 and stop above the $114.70 level to play for a 'rounded reversal' or unlimited target (exit at the next buy signal).

This buy signal occurred as price formed a dual positive divergence and formed a powerful bullish candle off the $114.10 lows, triggering exit when the 1-min trendline was broken at the $114.25 level.

Due to the downward momentum, I would not suggest trading the rally/retracement that formed off this level, particularly into the close, though that was one more trade - along with popped stops earlier - that aggressive traders could have taken and profited nicely.



Using a moderate aggression level and not taking the "Popped Stops" trade at 11:00am would have allowed for up to six 'ideal' trades, netting roughly $1.20 in potential profits.



Showing an @ES futures chart. The conversion is that roughly 10 cents in the SPY equals 1 @ES point (which trades in 0.25 tick increments).

Today was an interesting reversal, where volume surged during the afternoon sell-off (that's bearish) and we formed a lengthy negative momentum divergence (also in 60min). This would be the picture of what happens right before a sell-off, so you might be wanting to put on a swing trade to take advantage of a sell-off should it occur here to target $112 at a minimum. This would trigger with a move under $114.00. Otherwise, BECAUSE of the obvious bearishness/sell signals/non-confirmations on the chart, be prepared to trade more "Popped Stops" if buyers can push price above $115.00. There would be a LOT of stop-losses from the bears above $115.00 that would be ripe to be triggered, so take an unbiased approach and prepare to buy long aggressively on a break above $115.00, but your dominant opinion should be that odds favor a sell-off that would be triggered with a firm break under $114.00.

Comments are the same from the 30min chart.

Notice the bearish volume 'spike' at the end of today and the lengthy negative divergence that has formed.

A break under $114.00 breaks the 20 EMA and targets $113.00 for a quick scalp, and any break under $112.00 targets the $109.00 level.

Still, do not bias yourself to believing that price HAS to go down... because if you do, you'll be missing out on a great opportunity to play vicious "Popped Stops" and a breakout - should it occur - above $115.00.

I'm showing this chart to highlight the prior "Popped Stops" (some would call 'manufactured') rallies, which averaged around 75/80 points. We've now traveled 85 points (from the 1,060 level) and have formed a doji (yesterday) and a spinning top/shooting star (today) at the confluence resistance of 1,150 and the upper Bollinger Band. A lot of people are going to short any downside move here - you should too - but in the event that buyers can manufacture price to rally above 1,150, it will trigger another massive short-squeeze that you need to be prepared to trade if that happens - it will be a golden opportunity for intraday traders. A lot of traders - including Elliott Wave purists - are betting that price does not break above 1,150, but if it does, all traders (who at least are conservative and honor stop-losses) will be forced to stop-out, and that momentum will be combined with new buyers who are buying a price breakout to new recovery highs... leading to a potential 'double whammy' to create a massive short-squeeze rally that you should trade if it happens. Unless the short-squeeze scenario occurs, odds strongly favor a move back down to retest 1,100/1,100 as the next likely swing. Remember - as a trader, you make money by trading probabilities - not by perfect market forecasting. That's why having "IF/THEN" scenarios planned is essential.