AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 1 min ARCX 04/20/10
$TICK - 1 min NYSE 04/20/10 L=501 231 85.56% O=1 Hi=1002 Lo=-741 C=501
1
2
3
1
2
3
4
5
120.90
120.87
120.80
120.70
120.60
120.50
120.40
120.30
120.20
0.1200
0.0800
0.0400
-0.0123
-0.0400
-0.0800
1,000
600
501
336
200
-200
-600
0
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

As I mentioned, if the S&P 500 broke back above 1,200, we would likely see a continuation to the upside via more "Popped Stops." That's exactly what happened - you really need to understand the "Popped Stops" concept if you don't already. And if you understand it, you need to put it to work! Go back and review the recent archives with "Popped Stops" descriptions in the reports.

1. DOJI, 20 EMA, BULLISH ENGULFING/HAMMER

After a nice gap up, price formed dojis and bearish candles that sent price back down to test the rising 20 EMA - you certainly could have put on a short-sale here, though the best entry would have been at least 15 minutes (3 bars) into the trading day, and that candle was a spinning top followed by a doji followed by a bullish bar. You still could have shorted to target the rising 20 EMA (at $120.20), but due to the dojis at the $120.40 level right when you would be putting on a trade, I considered this a more aggressive rather than moderate trade.

The better trade was the doji and bullish engulfing hammer that formed at 9:30am off the rising 20 EMA at the $120.20 level, with an aggressive (early) entry at the $120.20 EMA level, or preferably as price took out the high of the doji (forming the bullish engulfing) at $120.30. The minimum target was a retest of the morning (open) high at the $120.60 level, which was hit without incident. The doji then spinning top that formed at 10:15am were exit (but NOT sell short) signals... though as you see, price only found temporary resistance here before breaking out in true "Popped Stops" mode.

2. ASCENDING TRIANGLE, POPPED STOPS

Price formed an ascending (usually bullish) triangle pattern with a horizontal trendline boundary at the $120.60 level, which was prior price resistance, and then broke to the upside at 11:00am, triggering your entry at $120.65/70 to play both the price/pattern breakout AND classic "Popped Stops." The bears had located a 'pocket' of stops above this resistance level and they were betting price was going to top and head lower. So, when price broke to the upside instead of back down, they were forced to buy to cover while new bulls/buyers - hopefully some of you! - put on new buy positions to capitalize on the potential breakout to new intraday highs.

Price rallied and your goal in "Popped Stops" is to hold the trade as long as possible (don't be spooked out by a single doji). The logical exit came as price formed a spinning top, upper shadow, then doji at 11:15am then broke the low of the doji on a negative momentum and TICK divergence (see 1-min chart).

If you are an aggressive trader, you could have scalped a potential swing back down to test the rising 20 EMA, but only if you are aggressive - conservative traders should not look to call tops during what could have been a Type III trend day to the upside.

3. DOJI, UPPER BOLLINGER, DUAL DIVERGENCE

Remember, this trade was ONLY for aggressive/risk-seeking traders who are willing to risk a tight stop-out (above the high at $120.00) to play for a very small target (the rising 20 EMA at the $120.70 level). Entry was as price took out the low of the doji at the $120.85 level (meaning a 15 cent stop-loss for a 15 cent target). Price hit the target, formed a spinning top, and consolidated... really into the close of the session.

The only other potential set-up was the inverted hammer candle that formed off the rising 20 EMA at $120.70 at 2:30... which also would have profited only 15 cents.

With all the excitement of the morning, this day fizzled out into the close... though after Apple's (AAPL) earnings were positive, the market surged in the moments since, which likely will set the stage for tomorrow (bullish).

Using a moderate aggression level, roughly 60 cents was possible (assuming you did not short the gap - as an aggressive trader would).

With price in yet another “Positive Feedback Loop” and in “Open Air” (no EMA or obvious short-term trendline resistance), odds are that we’ll rally back to test the $121.50 level... or even break above it.

I mentioned this in today’s blog post comparing the recent intraday action to the daily chart’s February low:

http://blog.afraidtotrade.com/did-we-just-repeat-a-price-pattern-from-the-february-low/

There’s a negative volume and momentum divergence... but that has not stopped the market from its perpetual rally.

Price is now at the upper edge of the rising trendline, and the trendline will continue rising so it will intersect $121.50 tomorrow as price (likely) test the prior high. Watch closely to see if internals form negative divergences tomorrow, at which case you should be a very guarded/cautious bull.

Otherwise, the dominant chart expectation is for a continuation rally to test (or perhaps exceed) the prior $121.50 high and challenge the important weekly resistance at $122.50.

As I highlighted, the bounce off the rising 20 day EMA was just another in a seemingly infinite series of buy signals and thwarted sell-short signals. Price peaked last week at 1,212, so it would be very logical to expect this mini-rally in the context of a much larger rally to test - or perhaps break above - this level. Be prepared for this.

Trade long on any break above 1,212 to target eventually 1,228. Be sure you understand the logic of "Popped Stops" and why it is probably the #1 strategy that is making money for intraday traders now. Bearish biases and opinions - such as "The market HAS to go down" are costing traders thousands of dollars.