AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 1 min ARCX 04/27/10 L=118.46 -2.89 -2.38% O=120.65 Hi=121.33 Lo=118.25 C=118.48
1
2
3
4
5
i
ii
iii
iv
v
121.50
121.00
120.50
120.00
119.50
119.00
118.48
0.1000
0.0297
-0.1184
-0.2000
-0.3000
-0.4000
$TICK - 1 min NYSE 04/27/10 L=-585 -857 -315.07% O=-2 Hi=1050 Lo=-1413 C=-585
800
400
0
-585
-800
-1,200
4/27
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

New traders learned perhaps the hard way today that "Markets do not go up forever, even if they've been up 8 weeks in a row." Remember back to the "Musical Chairs" discussion I had a few days ago - the music stopped today. How long the music stopped, and when will it pick up again - that now becomes the question.

The market fell as expected as I described in last night's report in regard to the upper trendline channel + massive volume, momentum, and internals divergences, but we never know how hard a market will fall (or even if it will - it's all still probability) to work off these divergence conditions - today, it fell hard. The resolution was harsh... but hopefully very profitable for you, the intraday trader.

1. GAP FADE

Keep in mind when looking back at the chart, we didn't have the big sell-off yet - we just had an opening gap down 70 cents which was outside the parameters of expecting a full gap fade, but price slowly began to make its way higher, breaking above the intraday high from the first 30 min at the $121.00 level, giving aggressive traders a chance for a potential fade (or at least partial fade) of the gap back to the $121.30 area. Conservative traders may have passed on this trade completely (due to the large gap) or taken a quick scalp profit as price began to form reversal candles at the 20 EMA. Price fell 10 cents shy of an official (full) gap (meaning the gap did NOT fade) and the nice doji candles at the 50 EMA gave a nice 'take profits' signal, while the break back under the 20 EMA and trendline gave a nice "sell short" signal.

2. TRENDLINE BREAK, IMPULSE SELL, BEAR FLAG

This was another one of those "Will the Bear Flag Work?" trades, so I will understand if you chose to skip on this trade. Keep in mind, the expectation from the higher timeframes - as I described last night - was for a move back down to the $120.00 level to test the rising trendline... and that almost happened right off the open.

An aggressive trader willing to take a tight stop may have entered as price formed a negative dual divergence at the $121.00 level (see 1-min) which was perhaps the best entry (tightest stop - above $121.10) but a conservative or moderate trader should have waited for price to break the dominant rising trendline or trend channel... which happened at 10:00am as price cracked back under $121.00.

If you treated this as a Bear Flag, then your price projection target was $120.00 exactly (which was also round number support AND the higher timeframe target). However, as price hit this level, it didn't stop at all - not even on the 1-min chart. This let you know that something else was going on - a powerful breakdown - so you perhaps should have continued holding short for as long as possible as price gathered steam (new TICK and Momentum lows all the way down) in a Positive Feedback Loop to the downside (this time, bulls were having the "Popped Stops" mode).

While you certainly could have exited this trade at any of the up-bars from 10:30 - 11:30 - I listed the "ideal" exit to be when price broke the trendline at the $119.25 level at 11:30am, though you certainly could have taken a better, more profitable exit on the test of $119.00.

The upward break of the trendline at 11:30, combined with the positive dual divergences (see 1-min) made this a buy trade to play for a move at least back to the 20 EMA (5-min) or even the 50 EMA, though price found resistance between these levels.

3. REVERSAL SCALP, TRENDLINE BREAK, POSITIVE DUAL DIVERGENCES

This was a trade best passed by new traders who should NOT be looking to call absolute tops and bottoms. This was an aggressive scalp or 'retracement' swing play. The best entry again was as price broke the trendline at 11:30 then crept higher to the 20 EMA, potentially having your exit at the $119.50 level, but if you held on aggressively to target the 50

EMA (which you could have done), you should have exited as price formed reversal candles and then broke back under the 20 EMA at 1:00... which also served as a sell-short trade #4.

4. BEAR FLAG, TRENDLINE BREAK, 20 EMA BREAK, IMPULSE SELL

Keep in mind this "Impulse Sell" and "Bear Flag" trade was a play off the impulse swing down from 10:00am to 11:30 with the time from 11:30 to 12:30 being the "Flag" or retracement component of a potential bear flag. So, when price broke under the rising trend channel that formed, this was your official 'sell short' entry into the bear flag trade at the $119.75 area at 1:00pm.

The stop was above the 50 EMA and round number resistance at $120.00 (wider targets often require wider stops). The target - officially - was the $117.50 level or an 'end-of-day' exit (or any counter-buy signal).

I would suggest that the logical exit was as numerous doji candles formed at the key $119.00 level at 2:00pm, which also bounced off the prior low and lower Bollinger Band. This was also an aggressive entry/buy signal for those willing to play another scalp retracement swing to the 20 EMA (which unfolded in 2 bars successfully - if you had quick reflexes!).

Otherwise, the final trade came on a breakdown under $119.00.

5. BREAKDOWN

This was just a simple 'trend continuity play" which took advantage of a break under a known/key support level intraday at $119.00. Entry was as close to $119.00 as possible with an exit at or just before the close - there were no 5-min up bars to stand in the way of the 'waterfall' into the close.

Taking all trades as labeled with a moderate aggression level, then roughly $3.00 (30 @ES points) was available today.

Today underscores the point where one or two trading days can make your monetary/point goals for the month, so you have to be alert and aware when trading these days with many opportunities/set-ups/movement. Big days like this have a tendency to follow little days like yesterday, which I labeled as having only 30 cents of potential profit. Trading is not like a job where you get paid the same amount every day - some days you lose money, most days you make small gains, and some days you get big money... but you have to be prepared and ready when opportunity presents or else all you'll have is small gains and small losses... with no big wins.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
3,415,933	13,559,081	9:45	10,143,148	$ 0.29
4,599,652	12,459,180	10:00	7,859,528	$ 0.29
3,136,941	10,541,387	10:15	7,404,446	$ 0.29
175,296	6,335,307	10:30	6,160,011	$ 0.26
953,312	8,004,444	10:45	7,051,132	$ 0.22
7,323,747	12,558,323	11:00	5,234,576	$ 0.23
5,733,514	10,773,231	11:15	5,039,717	$ 0.22
20,706,353	25,862,523	11:30	5,156,170	$ 0.18
22,623,838	26,888,297	11:45	4,264,459	$ 0.17
12,612,507	16,276,745	12:00	3,664,238	$ 0.17
10,987,894	14,581,030	12:15	3,593,136	$ 0.19
6,994,083	10,282,909	12:30	3,288,826	$ 0.16
2,270,966	5,445,719	12:45	3,174,753	$ 0.15
1,662,191	4,540,265	1:00	2,878,074	$ 0.19
3,685,443	7,343,455	1:15	3,658,012	$ 0.26
7,880,350	10,859,473	1:30	2,979,123	$ 0.16
3,758,315	6,563,023	1:45	2,804,708	$ 0.21
472,166	3,846,974	2:00	3,374,808	$ 0.22
5,455,739	9,142,509	2:15	3,686,770	$ 0.20
2,330,214	6,033,729	2:30	3,703,515	$ 0.21
4,809,304	8,664,211	2:45	3,854,907	$ 0.21
6,379,880	10,384,992	3:00	4,005,112	$ 0.20
5,457,672	9,999,139	3:15	4,541,467	$ 0.22
5,469,373	9,855,221	3:00	4,385,848	$ 0.22
10,730,959	16,298,477	3:45	5,567,518	$ 0.23
28,161,437	38,595,653	4:00	10,434,216	$ 0.30
7,222,580	12,142,127	Ave.	4,919,547	$ 0.22

Not surprisingly, the 15-min SPY relative volume comparison chart showed average volume higher in every single 15-min period today. Average volume was 7.2 million shares higher than the 25 day average.

Charts like this are helpful for you because they confirm or show you when odds are higher for a trend day - as in - when today's volume is quite higher early on than the relative volume.

Notice the significant surge in volume from 11:30 EST to 12:15 EST - tell-tell signs of a monster trend day, setting the stage for the rest of the trading session. Price also had a surge of relative volume into the sell-off of the close.

Go back and read last night's report and how I described the negative volume, momentum, and internals divergences - when combined with price at the upper trend channel - as leading to a greater than normal probability for a down day today. That was exactly the case and underscores the point that markets do fall faster/harder than they rise.

That being said, we've officially closed under the dominant trendline (see 60min) and broke under the lows of April 19th. All of which is very bearish - volume surged and momentum made new lows. Odds favor - over time - lower prices yet to come.

However, stick to your intraday charts as tomorrow is a "Fed Day" and whatever the board says can send the market up or down violently in either direction.

The market is a short-sale in potential break-out mode after a very lengthy (some would say 'impossible') uptrend from the February low. The market is still a short under $118.00, but we could very realistically see a retracement bounce higher tomorrow, particularly if the Federal Reserve has bullish comments on the economy or restates that they plan to keep interest rates low for an 'extended period of time.'

In the recent past - take time to go back to your charting programs to watch prior Fed Day intraday activity - there's a clear pattern - Fed days have been bullish, starting with an upside opening gap into an afternoon consolidation before the announcement at 2:15 EST/1:15 CST. The market has surged higher immediately after the announcement, fallen very sharply after that, then rallied up to make new highs after that.

For reference, March 16 was our last Fed day, and it followed the expected script:

This chart is copied from my March 16 report (read the archive for full description).

As a 'technical purist,' we would state that that once the 20 EMA is broken, then the next logical target is the rising 50 EMA at the 1,170 level. That is the dominant logic unless the Fed surprises with something very bullish tomorrow, or this is just another in a long line of vicious bear traps.

Under normal circumstances, it would be a 'no brainer' to short the market down to 1,170 if not lower... but the current environment is littered with the bones of bears so add a bit more discretion/caution to your charts than normal.

Key support - the determinant between bull and bear - exists at 1,150 so this is still classified as an expected retracement swing unless we break under 1,150... in which we would probably classify it as something else... but we're not there yet.