AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 1 min ARCX 04/30/10 L=119.03 -1.83 -1.51% O=120.88 Hi=121.01 Lo=118.78 C=119.04
1
2
3
4
121.00
120.80
120.60
120.40
120.20
120.00
119.80
119.60
119.40
119.20
119.00
118.83
0.2000
0.1000
-0.0179
-0.0993
-0.2000
$TICK - 1 min NYSE 04/30/10 L=-322 -549 -241.85% O=22 Hi=915 Lo=-1233 C=-322
600
200
-200
-322
-600
-1,000
4/30
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

True to the "Trading Range" form we are in currently, the market topped at the open and began a descent from a rounded reversal pattern that formed from yesterday's chart. We're still in the range, and on the way down today, we had plenty of excellent trading opportunities that made for quick, easy profits.

1. HAMMER, BOLLINGER, 200 SMA, $120.00 SUPPORT, 5-wave FRACTAL

In the context of the larger structure, this was a retracement play off support that happened to contain a 5-wave Fractal (1-min) and hammer off the 200 SMA (5-min). The entry was as price broke back above $120.00 and the 9:15 hammer candle with the target being the 20 or 50 EMA at the $120.40 level and a stop under the then low of $119.80. The trade actually unfolded in an 'abc' three-wave fashion up to the EMAs, triggering your perfect entry.

Price then began to form reversal candles, failing to close above the 50 EMA, so you could have chosen to get short here (think back to how many similar bear flags have failed), but I would have recommended getting short later at 11:20 when price broke the support line at the $120.25 level after failing to rise above the EMAs. Any firm move above the EMAs would have been a buy trade for 'popped stops,' but any break under support would have been a short-sell confirmed entry. That's what happened.

2. SUPPORT BREAK, REVERSAL CANDLES, CONFLUENCE EMA RESISTANCE

The best entry was as price firmly broke the horizontal support at $120.20 at 11:15am to play for a minimum retest of the morning low and 200 SMA at the $119.80 level, though aggressive traders could have seen the powerful sell candle that 'sliced' through the 200 SMA and decided to hold on for an unexpected range breakout trade to the downside, exiting only when divergences formed or some other compelling buy signal.

You could have exited at 11:45 with the doji candles at the lower Bollinger, but if you decided to hold on (or re-short on a break under the $119.60 support), the best exit was shortly after at noon when price formed hammer/doji candles and bullish candles off a positive dual divergence (including the 5-min chart). For aggressive traders, this set-up a similar retracement 'scalp' similar to trade #1.

3. RETRACEMENT SCALP, DUAL DIVERGENCES, REVERSAL CANDLES, TRENDLINE BREAK

The best entry long was as price took out the doji candle after noon at $119.40, or broke the rising trendline (see 1-min chart) at the $119.50 area AFTER the dual positive momentum and TICK divergence formed, giving you a target of the 20 EMA at the $119.70 level with a stop under the $119.20 low. These quick scalp trades require better execution and confidence skills than most new traders have developed, so these are best taken by experienced traders.

Price formed a doji just above the 20 EMA at 12:30 then broke back under the 20 EMA, triggering your exit and a 'flip and reverse' short if you so desired. I actually labeled the next entry under the trendline break at 1:30, though either location offered a profitable and edge-based trade.

4. TRENDLINE BREAK, DOWNTREND CONTEXT

This trade actually was better executed on the break of the dojis just above the 20 EMA at 1:20pm at the $119.70 level, though you may have waited for extra confirmation from price breaking the rising trendline as seen on the 1-min chart. This offers me a chance to show a good example of aggressive vs conservative tactics again. An aggressive trader - not concerned with taking small stop losses - would have entered on the doji breaks or as price hit resistance at the $119.80 level. A conservative trader would wait for trendline breaks that came later at $119.60. Either way, this trade fell very quickly to form a hammer and a doji at the rising Bollinger Band at 1:40, and price took out the high of the doji, signaling your safe exit. Price then gave a second sell-short signal (I didn't label it as an official trade because it was so near the close) on the retracement to the 20 EMA as more doji reversal candles formed at the $119.45 level at 2:30.

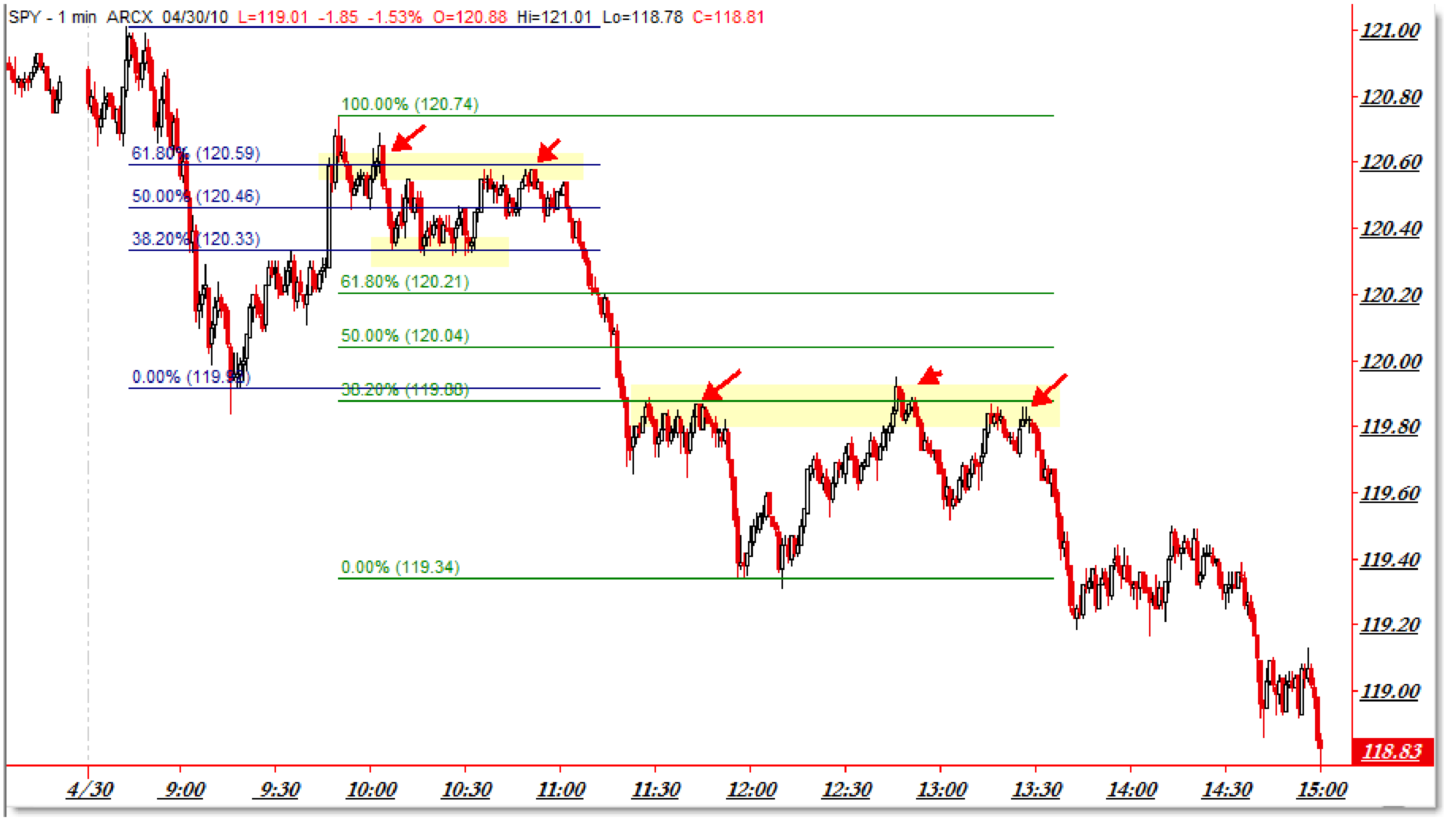
It can be risky to play classic set-ups into the close, particularly on a Friday (before the weekend) as funds rebalance/hedge at that time, which throws off some of the classic plays that work better during the course of the day. Ultimately, it's up to you to determine whether or not you take set-ups into the close. In this case, it would have worked beautifully, but that's not always the outcome.

Roughly $1.50 (15 @ES Points) was possible in today's session with the four trades listed - using a moderate aggression level (more is always possible if you take a more aggressive approach).

Thanks to member who pointed out that today had a remarkable Elliott Wave structure today - complete with the divisions in sub-waves. We used to have a lot of days like this last year, but it's been a while that I can remember such a perfect example of the Elliott Wave principle playing out so nicely throughout the day.

Knowledge of Elliott Wave is not required to trade intraday, but it's a method that can be helpful to those who use it... just not to those who use it exclusively (ignoring everything else and trying to count waves all day).

Watch for new TICK/Momentum lows on third waves then divergences (to play reversals) on potential 5th waves.



Today also had nice Fibonacci Retracement grids as drawn from the impulse swings.

The afternoon session found key resistance three times at the 38.2% retracement at $120.00 as drawn.

Like Elliott, Fibonacci can be a guide for finding confluence trade set-ups with the methods you already use (that I describe in the reports), but should not be used in isolation.

The best way to visualize the current environment is in the trading range boundaries above.

That means that expected key support - and a potential bounce Monday - is $118.50, and swing traders along with intraday traders can take part - if both are willing to take a tight stop if price breaks under $118.25 then $118.00, at which time we would consider playing a potential "Breakout." Watch market internals for confirmation instead of just getting short just because price is under $118.00 - watch for additional bear traps.

For reference, another pattern - more bearish than the trading range - could be forming, which is the Head and Shoulders as I've drawn. The neckline rests at the $118.50 level, so watch closely for any break. The downside target would be $117.00 if this pattern becomes dominant.

Otherwise, we would expect the trading range between $118.50 and $121.00/$121.50 to continue until broken, so if we do get a bounce Monday, we would know that the trading range was the dominant trading structure.

Are we making a repeat play of the November/December trading range? It looks that way so far, only the range is wider than back then (and days are more volatile - November was so hard to trade through).

Under normal charting, we would be calling for an imminent pullback/retracement in price, but this is not a normal environment. There have been plenty of bear traps that have kept price rallying - for now, we have key support at 1,180, so if we're under 1,180, we're likely to hit 1,170 shortly after, and if under 1,170, then we'll almost certainly hit 1,150... and then it will be up to bulls to defend 1,150. While we're still above 1,150, you'll have to define any downside action as a 'retracement against a powerful uptrend' instead of an 'imminent reversal top' for now.

Speaking of "imminent reversal top," I wouldn't be doing my job if I did not at least raise the possibility that we could be looking at least at a short-term top given that price has retraced to our target area of the 1,220 zone, which houses the 200 week SMA and the 61.8% Fibonacci retracement of the entire Bear market (1,228). We fell 2.5% this week, and the next level of support on the Weekly chart (higher timeframe) is the 1,150 area, so keep that in mind as a swing trader.

We look very likely to test 1,150 in the week(s) ahead, but do keep in mind all the prior bearish sell signals that have been busted by the buyers along the way... in other words, don't swing trade your whole portfolio short just yet while we're above 1,150.