AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 1 min ARCX 04/01/10
1
2
3
118.20
118.10
118.00
117.90
117.81
117.70
117.60
117.50
117.40
117.30
117.20
0.0763
0.0425
0.0000
-0.0400
-0.0800
$TICK - 1 min NYSE 04/01/10
0
800
692
375
0
-400
-800
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

The theme of the week continued - choppy and low volume. These conditions lead to few set-ups, and the ones that occur are often less profitable and sometimes more 'random noise' than expected. Alas, not every day can be perfect, but we can often know in advance when conditions might be difficult (like holiday/low volume situations).

1. DOJIS, UPPER SHADOWS, DUAL DIVERGENCES

This morning's 80 cent SPY gap had a small chance of filling, so we should not have been biased to a full gap fade this morning, and especially not attempted one after the first 15 minutes showed price strength (going the opposite direction as expected). However, that doesn't mean that price will rise forever, or that aggressive 'counter-trend scalp' opportunities won't develop. In fact, aggressive traders can short-sale divergences and dojis while price is overextended to play for a retest of the 20 EMA. Keep in mind this is an aggressive move, given the breakout, but certainly a set-up. Look to the 1-min chart to see the negative dual divergences that made this trade 'less' aggressive than had they not developed.

Also, price rallied to prior price resistance from the March 25th high and also "round number" resistance at $118.00. The long upper shadows and shooting star candle at 9:00am gave aggressive traders a short-sale entry once price fell back under $118.00 to play for a retracement scalp to the 20 EMA at the $117.75 level, with a stop above the high of $118.25. This trade unfolded nicely, with only a quick 'flag' rally that took 20 minutes to complete before price fell back to the 20 EMA, signaling your exit.

Keep in mind that we had a new TICK high (strange) at the 9:45am candle, so this was a Wyckoff Sign of Strength that clued us in that odds favored higher prices yet to come, leading to the second trade (or first trade of the day if you chose not to short-sell the pullback).

2. WYCKOFF, HAMMER/DOJI, 20 EMA, LOWER BOLLINGER, POSITIVE DUAL DIVERGENCE (1-MIN)

With a large gap and a pullback to the 20 EMA (especially on the positive 1-min dual divergence that developed), odds favored higher highs yet to come - or at a minimum, a retest of the prior high or the $118.00 level.

Price retraced back to the 20 EMA and lower Bollinger, forming a doji and hammer candle, and the break above the 10:15am CST candle at $117.87 triggered an official long (if not long off the earlier doji at the 20 EMA). The stop was under the 50 EMA at the $117.60 level to play for a retest of $118.00 (very conservative), $118.20 (moderate/conservative) or beyond to a new high.

As you can see, price failed to retest the morning high as expected, forming negative dual divergences (1-min), dojis, and a bearish engulfing candle just shy of the upper Bollinger Band at 10:45, signaling an exit for most traders for a small profit at best (unless you exited at the $118.00 resistance level... even then, the profit was not large).

Price then hit the 'lunchtime consolidation' mode, forming a tight range contraction period (draw trendlines) as well as a Bollinger Band Squeeze. The next set-up (trade) would always be the breakout candle from the trendlines and Bollinger Bands for a Range Expansion play.

3. BOLLINGER SQUEEZE, TRENDLINE/CONSOLIDATION BREAKOUT

This was a classic set-up that takes advantage of the "Range Alternation" principle as well as a break under the 50 EMA (the 'line in the sand' on trend days), lower Bollinger, and hand-drawn trendline at the $117.75 level.

You enter short as close to the breakout as possible to play for as large of a target as possible. A logical conservative exit was the test of the 200 SMA and doji/spinning top candle at the $117.40 level, though an aggressive trader would have continued holding short, trailing a stop-loss above the 20 EMA. As it was, a second trade - not labeled - set-up very quickly into the (past) crossover of the EMAs at the $117.60 retracement, but it happened too quickly and did not form a convincing reversal candle for a separate trade. The final trade exit was the long lower shadow hammer candle at 1:30pm, particularly exiting on the bullish candle that followed it. Due to the 'random' nature of price moves into the close on a holiday weekend, it was probably best to avoid trading long or short, though a 'buy program' rally into the close materialized ahead of tomorrow morning's Jobs Report.

Counting trade #1 roughly as a 'scratch,' then 70 cents was possible in today's trading action using a moderate aggression level.


@ESM10 - 5 min CME 04/01/10
Hi=0.00 Lo=0.00
1
2
3
1,177.00
1,176.00
1,175.00
1,174.41
1,174.00
1,173.75
1,173.00
1,172.00
1,171.00
1,170.00
1,169.00
1,168.00
1,167.00
1,166.61
5.00
3.00
1.38
0.00
-1.00
$TICK - 5 min NYSE 04/01/10 L=692 1133 -256.92% O=4 Hi=1004 Lo=-1043 C=692
800
692
400
137
0
-400
-800
Apr'10 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

Under classic technical analysis, this picture is a strong "last chance" buy signal, as price has broken out of a known consolidation pattern (I mentioned it the last two evenings) triangle and then returned to 'test' the breakout point (upper trendline) as price formed two doji candles and a very powerful buy candle into the close, hinting that odds favor a continuation breakout move to the upside.

But it's all down to the Jobs Report tomorrow morning - a disappointing report will send the market lower while a better than expected report will send it higher in breakout and popped stops mode.

Pay close attention to the report, any reaction, and derive expectations for Monday morning for that.

We still see the most bullish/powerful trend move possible as evidenced by higher highs, higher lows, and a bullish moving average orientation.

I can't say it enough times, though I will continue: You're either long this market or out of it. Any short-sales should be done for intraday scalps ONLY, unless you are a very aggressive trader knowingly fighting a prevailing and powerful trend (trying to call a top).

A short-sale bias would develop should price move under $116.50 then under $116.00, but until then, look for higher prices in continuation mode until PROVEN otherwise.

Trade aggressively long above $118.25 for popped stops, especially for intraday trades.

We're still in bullish 'creeper' mode, placing the bias still "Long/Buy" or "Out/Neutral" as has been the case for quite some time now. We're grossly overextended and showing negative volume and momentum divergences, but those don't seem to matter in the current non-stop rally mode. If you cannot bring yourself to buy this overextended trend/momentum move, at least do not short it unless price is under 1,160 unless you are a aggressive trader willing to take a tight stop-loss on any move above 1,180, then flip and reverse long for popped stops.

It all comes down to how the market reacts to Friday morning's "Jobs Report," so any sort of prediction right now is less important to how the market reacts... unfortunately the stock market will be closed Friday when the Jobs Report is released at 8:30am EST, but the bond market will be open so check any reaction there, or how the media/pundits are interpreting the report. It will dictate what to expect when returning Monday morning.

Barring any unforeseen downside action or majorly negative news/price decline, the next logical resistance target for the market - on the weekly frame - is 1,225, which is the 200 week SMA and the 61.8% Fibonacci Retracement (not drawn).

While the market is solidly above a 'hidden' resistance level at 1,175, there is an 'open air' pocket (no resistance... except for the 'round number' 1,200) between the market and the 1,225 confluence resistance overhead target.