AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 1 min ARCX 04/15/10 L=121.26 0.07 0.06% O=120.99 Hi=121.53 Lo=120.95 C=121.19
121.50
121.45
121.40
121.35
121.31
121.25
121.20
121.15
121.10
121.05
121.00
1
2
3
4
0.0800
0.0290
0.0067
-0.0400
-0.0800
$TICK - 1 min NYSE 04/15/10 L=-168 -656 -134.43% O=-2 Hi=765 Lo=-854 C=-168
600
200
8
-168
-600
4/15
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 was widely expected, we hit a new recovery high today above yesterday's high, popping more stops and sending more bears to run for cover (buying to exit their positions), but today's high was met on lower internals and the day structure formed a double top. Tomorrow - Options Expiration - should be very interesting ... either with MORE popped stops on a break above 1,212 or a slight decline/down retracement that forms here. Be prepared and unbiased.

1. GAP FADE, 20 EMA

The market gapped slightly lower this morning - roughly 25 cents - which was a nice buying opportunity. Price formed lower shadow doji candles at the rising 20 EMA (5-min), leaving any break above the dojis as a buy signal. Price formed a 'rinse and wash' spike down below the 20 and bounced solidly off $121.00 (psychological support) but that should NOT have taken you out if you got long earlier - your stop should at least be beyond the intraday low (under $121.00) and usually 10 cents or so under the 20 EMA (if not the 50 EMA at $120.90). If your stop was too close, then you were 'rinsed and washed' which is a common yet frustrating occurrence.

You could have exited as price tested the upper Bollinger and yesterday's close at the $121.20 level (particularly as upper shadows and a shooting star formed), but ultimately that was an exit signal and not a sell-short signal. You also could have kept holding long as an aggressive move to see if we entered new price highs, fueling the Positive Feedback (read last night's report carefully) as price blew to new highs. If you exited, then you should have gotten right back in.

2. POPPED STOPS

This trade needs little explanation as I've been saying for weeks now that any pop above resistance that breaks to a new high is almost always met with a "Popped Stops" rally which you should trade. If you didn't feel comfortable buying (if you skipped on the gap fade or exited) exactly at a new high (not recommended unless aggressive), then you should have bought once price broke solidly with a bullish candle at the $121.30 level at 9:45 as the TICK made new highs.

Your exit was when price broke the trendline as well as the spinning top candle at $121.50 - this was NOT a short-sell signal unless you are an aggressive trader, and if so, then you could have shorted a move back down to the 20 EMA ($121.30) or 50 EMA (very aggressive at $121.10) due to the trendline break, five-wave fractal, and negative Dual divergence (see 1-min). I don't recommend shorting on what very well could have been another Type III Trend Day up (though two Type III Trend Days in a row is very rare... but it does happen).

The next trade was to buy as price broke the descending trendline and formed dojis/bullish engulfing hammers after 11:00am.

3. TRENDLINE BREAK, POSITIVE DUAL DIVERGENCE, DOJI/ENGULFING, 20 EMA BREAK

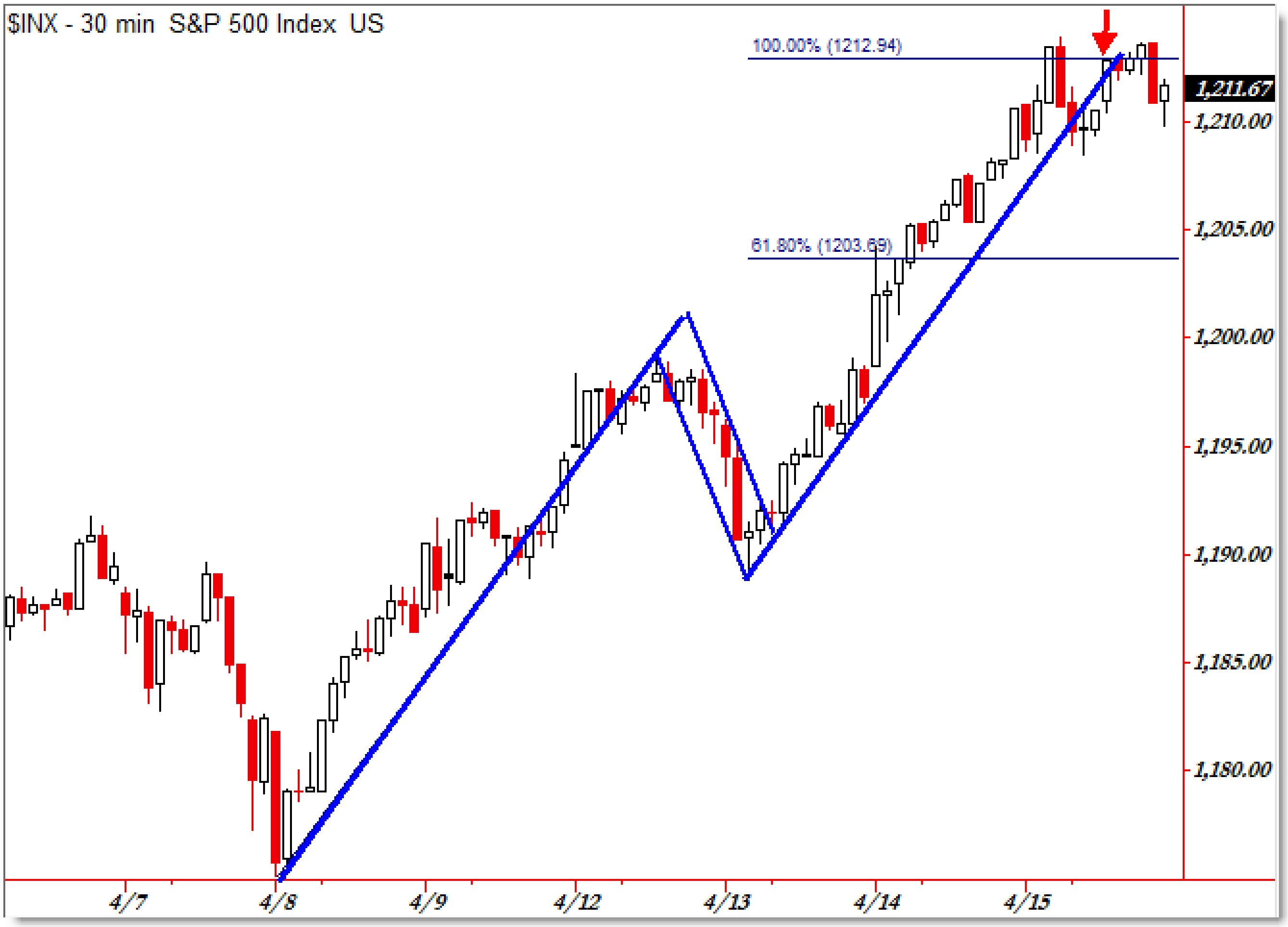
There was a lot of evidence suggesting that we could get a rally higher, and it just depends on when you bought. An aggressive trader bought as price tested the morning low (double bottom) at the $121.00 level - best entry. A conservative trader waited until price broke back above the 20 EMA at noon at $121.15 - safe entry. Either way, you should have looked to trade long if your plan allows trading during lunch. The target was a run to the intraday high or any other counter-sell signal.

You probably should have exited as the trendline was broken and price formed doji/reversal candles at 12:30 (as shown in the efficiency grid), and it probably wasn't worth it to continue holding on to see if we got a full retest of $121.50... though we did. The 2:00 spinning top and divergence play was not a sell-short signal except again for aggressive traders willing to risk a stop-out above $121.50... though when we broke under the 50 EMA, that was for all traders (willing to short in this manic bullish environment).

4. TRENDLINE BREAK, DIVERGENCE, BOLLINGER BREAK, 50 EMA BREAK

What triggered a safe entry was the harsh break under $121.30's 50 period EMA at 2:15. Until then, we could easily have bounced off the lower Bollinger and 50 EMA so it was not a safe short until then. Once we did, it was a safe short, though you should have exited as price broke back above $121.20 into the close. You really need to notice the pattern - most short-sell trades are NOT working well, and the 'safe' ones that wait for all sorts of confirmation usually result in very small profits. Keep this in mind.

In the chart below, we see that roughly 75 cents was possible using a 'moderate' aggression level today.



A quick chart showing that today we hit a 100% Fibonacci Price Projection, otherwise known as a Bull Flag Target (or "Measured Move"). That's traditionally a sell signal by itself, but when combined with the decline in internals and momentum (see 30 and 60 min chart), it's a classic sell signal.

A sell signal, yes, but this is not a normal environment. Under normal odds, we would almost certainly turn lower from here (and we might), but this rally is not normal and we appear to remain a violent "Positive Feedback Loop" to the upside UNTIL proven otherwise with breaks under trendlines (not happened yet).

So, if we do bust through 1,212 (the resistance target), then continue trading long for more Popped Stops.

The Popped Stops/Positive Feedback Loop needs bears to short it, and then needs the bulls to buy to drive price up to where the new short-sellers have placed their stops to keep the rally going.

Don't be a bear and get your stop popped. Be an intraday trader and trade long/buy breakouts when the bears are getting their stops popped out of the market, fueling what seems to be an eternal flame building price to the upside.

I wouldn't be doing my job if I did not warn of the potential for a turn down here at $121.50 (though I still think the overhead resistance target is $122.50). We're seeing a negative volume and momentum divergence on the 30 and 60 min chart (along with negative breadth as I showed in a blog post today). All of this is occurring at a price pattern (Bull Flag) projection target at $121.50, so be prepared to trade short under $121.00.

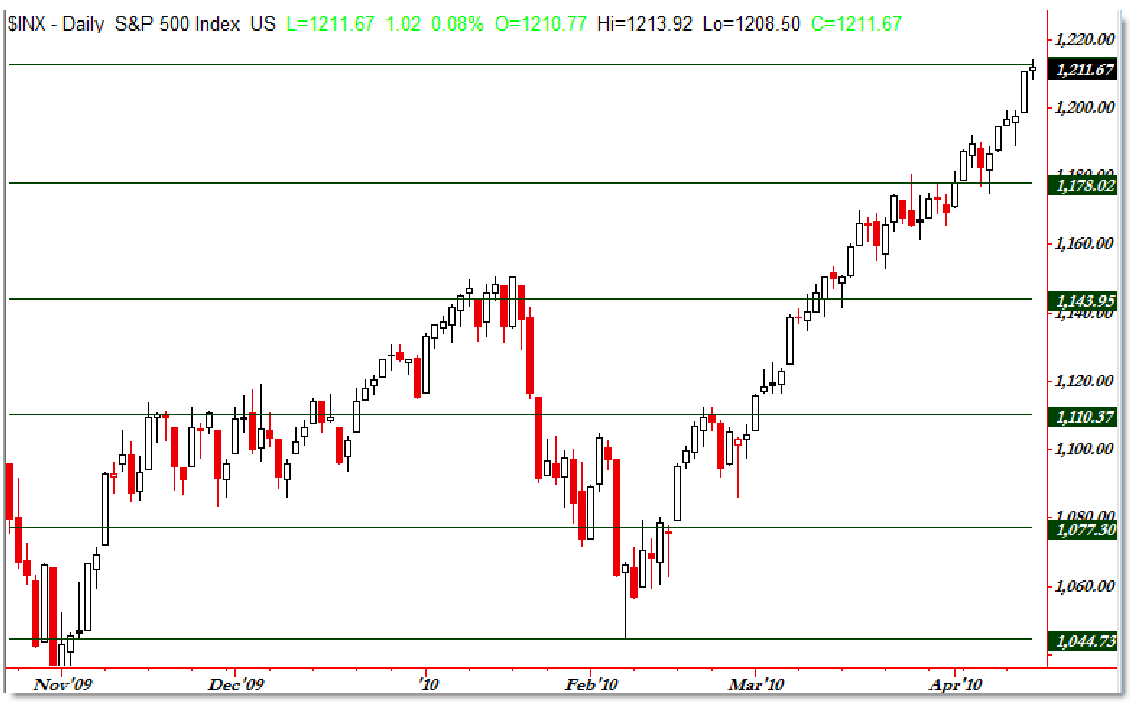
However, in the event bulls keep popping stops and driving the price higher, then continue playing long/buying pullbacks and especially long above $121.50 for more popped stops. As long as bears keep shorting, there will be stops for the bulls to pop. Again, do not be a bear.

The last time we saw a similar negative volume and momentum divergence, we got a 2-day pullback from $119.50 to $117.50. And that was it. We're not talking "end of the world/end of the rally," but just warning that price is at the upper trendline and showing negative divergences. Be very careful and stick to your intraday charts to trade any break down to $120.50 (INTRADAY) as seems likely... but on the same token, any move to new highs above $121.50 or $121.75 should be traded long in 'breakout' popped stops mode.

A chart showing the rise in angular momentum and trendlines.

Usually, steep rises in angular momentum are not sustainable, so watch for a break of the trendline and a break under $121.00 to yank price back down to $119.00/$119.50.

When a trendline is broken, however, price is not required to fall - instead, it can 'correct' by going sideways to then touch the trendline as the trendline rises with time while price stays flat.



While this Gann chart is more 'interesting' than predictive in most senses, we hit a Gann Squares target and paused there today at 1,212.

Usually price pauses at these targets (look back at recent history) then tests a lower line then heads higher. The lower line in 1,178 and the line above 1,212 is 1,248.

In a nice bullish confirmation (for once), volume has surged the last two days, but keep in mind that Friday is Options Expiration so we would expect higher volume as a result of that, but it doesn't hurt that price has been in positive feedback breakout mode (bulls buying; bears buying to cover) which has resulted in higher volume.

Keep watching the trendlines and do not let yourself utter the words "price is so overextended, it just HAS to go down."

It does not.

You're long (buyer) or out (sidelined) - still. Remember that 1,225 is a critical resistance level and the next logical target (but price does not have to go straight up to it either).