AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 5 min ARCX 04/05/10 L=118.73 0.93 O=118.25 Hi=118.84 Lo=117.92 C=118.76
1
2
3
118.78
118.70
118.59
118.50
118.40
118.30
118.20
118.10
118.00
117.90
117.80
117.70
0.3000
0.2000
0.1000
0.0573
-0.0022
$TICK - 5 min NYSE 04/05/10 L=945 253 36.56% O=-2 Hi=1035 Lo=-645 C=945
945
800
400
124
0
-400
4/5
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

Today didn't give much in the way of trading opportunities - in fact, the only (best) way to make money today was to recognize the buy set-up (triangle breakout and test of apex) I mentioned in Thursday's report and then combine that with the positive Jobs Report number and the morning positive housing data and then get long as soon as possible in the morning session, particularly on a break above the intraday morning gap high of $118.30. Then, you were to hold (long) as long as possible until the divergences and reversal candles 'kicked in'. That was essentially your trading day - the remainder of the day offered very choppy conditions in which (likely) only experienced/aggressive traders willing to buy/sell at Bollinger or Trendline extremes made money. That description sums up the day nicely.

1. POPPED STOPS, BREAKOUT TRADE

As mentioned before and on today's blog post, we had a continuation from the triangle pattern that formed on the 30 and 60 min frame (mentioned on Thursday's report), giving the day a bullish bias. Combine that technical pattern with two bullish economic reports - the Jobs Report on Friday morning (holiday) and then the expansion in the Housing number this morning - and you have a recipe for a strong bullish (long) buy trade that needed to be held aggressively as long as possible.

This also shows why you look at economic reports in conjunction with gaps, and also wait 10 to 15 minutes before putting on a gap fade - gaps have a lower tendency to fill if there's a dominant economic report early in the morning or if price has not made a major attempt to fill the gap by the 3rd or 4th (5-min) bar.

So, price broke above the intraday morning gap high at $118.32 on the fourth candle, triggering an entry (yes, ignoring the upper Bollinger Band - remember, in breakout mode, price will 'ride' the Bollinger Band... similar to the Bollinger Band Squeeze play).

Where should your exit have been? Remember in breakout mode, it often pays to hold as long as possible, exiting only when a clear reversal sell signal is given... and no, single dojis do NOT count as clear sell signals.

Either way, you should have noticed the glaring negative TICK divergence (the then intraday TICK high of 865 formed around 8:40am CST) while price continued higher. Finally, two doji candles formed and then a bearish engulfing candle formed at 10:00am on a massively lengthy negative TICK divergence, signaling your exit. That was roughly a 50 cent or 5 @ES point trade.

I have the next trade as a "flip and reverse," but as you see, trying to fight this trend even for a scalp was futile.

2. 'FLIP AND REVERSE,' DUAL DIVERGENCE, DOJI + BEARISH ENGULFING

Let's just say that under 'normal' circumstances, we would expect nice little divergences after an extended move to produce a retracement to the 20 EMA at least (a minimum). While that actually happened, price corrected through TIME instead of PRICE (which happens in the most powerful trends). Thus, the trade - if you chose to take it - resulted in a scratch or a small profit at best. Entry was as price took out the doji low or bearish engulfing low at the 10:00am time at the $118.73 level (ignore the spikes in TradeStation - those are bad data bars). The stop was above the intraday high near the $118.85/90 level to play for a test of the 20 EMA at the $118.60 level... which actually continued to rise until price officially 'tested' it (touched it) at noon - two full hours later at $118.70. Yes, it was possible to profit from this trade, but to be fair, I labeled it a scratch for efficiency/reference purposes. It would have been just as well to skip this trade, which is what most conservative traders should have done.

3. SUPPORT BOUNCE, TRENDLINE BREAK, HAMMER

I labeled this a trade but not in the efficiency grid. We had a Wyckoff Sign of Weakness (new intraday TICK low) at 12:15, hinting that price could be shifting downward into a Rounded Reversal, and we would look to put on a short-sale if (AND ONLY IF) price broke under the rising 50 EMA at the $118.55 level. It didn't, but instead, price formed a hammer candle off the confluence of the 50 EMA and lower Bollinger Band. The trade triggered either at this level $118.60 or above the hammer high at $118.70 - either way playing for a retest of the upper Bollinger and Trendline (rectangle pattern) at the $118.80 level. In theory, and in practice I suppose, you could have shorted the hanging man/spinning top at the upper Trendline and Bollinger at the $118.80 level at 2:00pm to play for a 20 cent move back to the lower Bollinger, but with targets so small, sometimes it pays to just take the afternoon off instead off!


@ESM10 - 1 min CME 04/05/10 L=1183.25 9 .81% O=1178.75 Hi=1183.75 Lo=1174.50 C=1183.00
1
2
3
1,183.25
1,183.00
1,182.00
1,181.00
1,180.00
1,179.00
1,178.00
1,177.00
1,176.00
1,175.00
1.50
1.00
0.50
0.08
-0.50
-1.00
$TICK - 1 min NYSE 04/05/10 L=945 253 36.56% O=-2 Hi=1035 Lo=-645 C=945
945
800
604
400
0
-400
8:30
9:00
9:30
10:00
10:30
11:00
11:30
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14:30
15:00

The Jobs Report was ... technically not better than expected... but bullish enough, in that the economy added 162,000 jobs. That shows signs of an economic recovery, and remember that the stock market is a leading indicator of the economy - that could help explain a large portion of the recent rally, in that the market was anticipating an economic recovery before the data showed improvement. Pending home sales numbers were up 8% today - very bullish... but that's a whole other story.

Continue trading long above $118.50 and the $118.00 level for confluence support at $118.00. Take a neutral bias should price fall under $118.00, and a bearish bias if under $116.75.

Odds are that price will continue the rally, so look for intraday buy set-ups for your bias unless proven otherwise with a breakdown of shorter timeframe moving averages, new indicator and internal lows, and strong selling bars. Unless those materialize, continue expecting higher prices no matter how difficult it might be to believe that.

Price continued the breakout as expected and as I highlighted (Thursday's report) was a good possibility. We did indeed have a buy signal (bounce off apex of triangle and 20/50 EMAs) and today gave us the bullish continuation of that buy signal structure.

What now? The triangle has a target near the $119.00 level, so we could easily see a move to that level (1,190 on SP500). That's just 25 cents away.

We're still in 'creeper' breakout trend mode to the upside, so you're best scalping long or staying out... as today's activity and reports showed.

Volume diverged from last week - I would have expected volume to rise after the prior choppy holiday week.

For perhaps the 10th day in a row, I'll repeat the same mantra I've been saying in these reports:

"You're either long/buy or out/neutral. You are NOT short this market (for anything other than an intraday scalp)."

If you can't bring yourself to buy this market, that's fine. But just do not short it **because** it's overextended - keep in mind that the market is being driven higher in part by short-sellers/bears who are forced to cover. I call this "Popped Stops" and that phenomenon continues. While price is above 1,175, the next short-term target is 1,200 (round number resistance), and beyond that, it's confluence weekly resistance at 1,225.

All this despite negative volume, breadth, and momentum divergences - all of which bulls/buyers seem to be ignoring completely.