AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report


SPY - 1 min ARCX 04/08/10 L=118.79 0.43 0.36% O=117.95 Hi=118.97 Lo=117.60 C=118.80
1
2
3
4
118.90
118.80
118.76
118.70
118.60
118.50
118.40
118.30
118.20
118.10
118.00
117.90
117.80
117.70
0.0600
0.0200
0.0000
-0.0240
-0.0600
-0.1000
$TICK - 1 min NYSE 04/08/10 L=481 -105 -17.92% O=-99 Hi=1004 Lo=-864 C=481
1,000
600
481
200
34
-200
-600
4/8
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

And the market is back to its old ways of busting up short-sellers and remaining in popped stops mode. While bears/short sellers continue to cry foul, the market continues to rally, busting yet again a morning bear flag set-up early in the session... and even overcoming negative dual divergences to continue its rally into oblivion.

To understand today's action, you have to understand supply and demand and how it affects expectations in the marketplace and traders in aggregate. It looked overwhelming that price would go for a deeper sell-off to many traders, and so they got short - some with large positions for a swing-trading perspective - during and after the morning gap sell-off... which happened to stop declining at the rising trendline amid other support levels there.

So you have a new influx of short-sellers thinking "Well, ok, THIS is the top. Here we go." and then buyers - either blatantly unaware of the sell-signal or not watching technicals at all... or worse, using technicals to 'trap' traders (a whole other story), continued to buy to push price above a key and popular sell-signal at the $118.20 level (described). Once that happened, the calculus shifted, leaving bulls buying, aggressive traders buying for Popped Stops (which I recommend doing in these reports - many traders do so), and shorts... who just got short a few hours prior - forced to cover as price broke to new intraday highs and then above yesterday's close.

Now, buyers/bulls were buying and shorts/bears were... well... buying too, creating a positive feedback loop, driving prices higher on the session. If you don't understand this concept, you really need to - markets aren't driven by patterns or indicators, but by supply and demand. Remember that once an expectation - that the market "HAS" to go down - is broken, it creates an 'equal and opposite reaction' (sometimes not so equal) in the OPPOSITE direction, giving you the intraday trader an opportunity.

If all that's confusing, just remember this sentence:

"When something SHOULD happen but does NOT happen, then it often leads to a LARGER THAN EXPECTED move in the OPPOSITE direction.

Today is best understood in that light.

1. GAP FADE, TRENDLINE BREAK, DIVERGENCES

The first trade of the session was a type of gap fade that waited for confirmation, though you certainly could have entered long on the break of the doji candle at the $117.75 level at 8:45/50 CST. The better entry - because keep in mind price could have continued the sell-off - was upon the trendline break (see 1-min chart) at the $117.80/85 level that was met with a new intraday TICK high and quick Wyckoff Sign of Strength (price was not yet making a new intraday high). It's not ideal to look for Wyckoff signals off the open (or into the close), but keep in mind that we had an obvious positive TICK divergence from yesterday's closing session to this morning's opening session.

Keep in mind too that price was testing the upper side of the rising trendline as shown on the 30 and 60 min charts later.

You could have exited either at the 20 EMA at the $118.00 level, but price blew right through it without giving a convincing sell candle, then supported on the average, and moved up to the 50 EMA and upper Bollinger at $118.20. You should have exited here and - due to a negative dual divergence - considered going short on a reversal candle and the breaking under that candle... which occurred at 10:00am.

2. RETRACEMENT SELL, 50 EMA, UPPER BOLLINGER, SPINNING TOP, NEGATIVE DUAL DIVERGENCE

Odds favored lower prices due to the confluence of bearish omens/signals at the 10:00am time, including the negative dual divergences (see 1-min chart), and the spinning top reversal candle that appeared at the convergence of the 50

EMA and upper Bollinger Band. An entry was at 10:15am at the $118.11 level with a stop above the spinning top at $118.20.

As you can see, this trade didn't work out as expected (or actually work out at all) which resulted in a pretty quick stop-loss anywhere from 5 to 10 cents depending on your entry and stop-loss placement.

Remember the earlier sentence... "When something SHOULD happen but doesn't, it often leads to a more powerful move in the OPPOSITE direction."

This is a great example of that concept, and of Popped Stops in general. If you don't understand this, you'll probably be part of the "popped stops" instead of the traders taking advantage of the shift in the supply/demand relationship.

3. POPPED STOPS

As soon as price busted upwards into the "Pocket" of stop-losses (yours included), you could have triggered an aggressive 'buy long' trade, or waited a few more minutes to see what price was doing. Price then formed new intraday TICK highs with new price highs, confirming the move as buyers jumped in while short-sellers - frustrated as could possibly be - took even more stop-losses and (perversely) drove the price higher.

Please refer to the comments I have provided at least a dozen times in prior reports:

"In the current market condition, you're either Long/Buying or Neutral/Sidelined/Out (if you can't bring yourself to buy). You shouldn't sell short for anything other than an intraday scalp unless you're willing to take the risk of a tight stop-out."

That statement and advice continues to ring true, as today's action showed. For whatever reason - and I'm not here to debate those reasons - price continues to rise and it's better to bet WITH the bulls than to bet AGAINST them for the time being. This won't always be the case or course, but for now, it is.

You should have held your buy position as long as possible, though there were various places to exit all the way up, depending on your risk tolerance level. The final trade was a buy back to support trade.

4. CONFLUENCE SUPORT AT 20 AND 200 MOVING AVERAGES, BULLISH ENGULFING

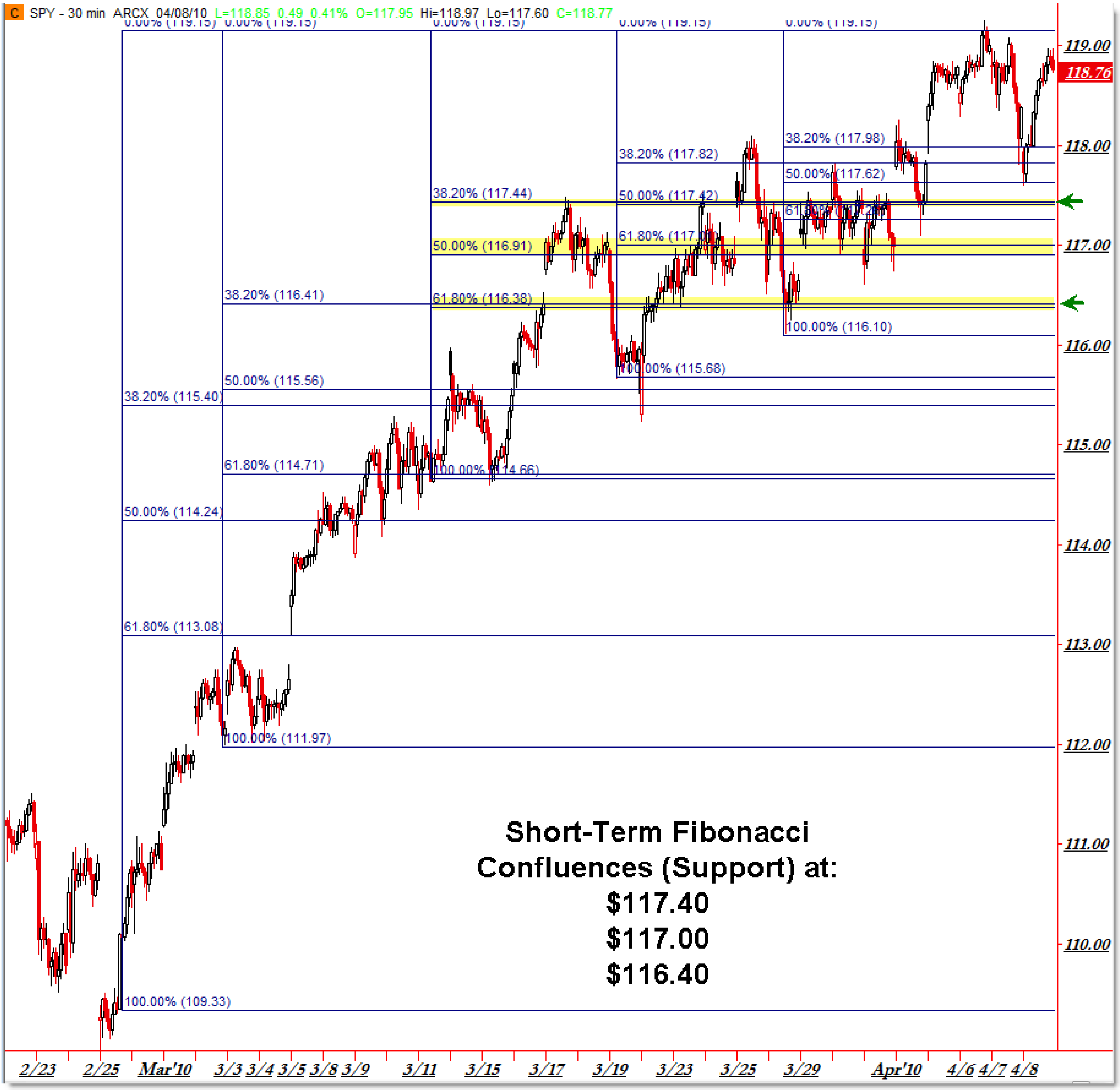
There really wasn't much to this trade, other than buying the pullback to the 20 EMA at 1:30 which happened to correspond with the 200 SMA on the 5-min chart. There really wasn't even a nice bullish reversal candle, but the 1:20 breakout candle was a good buy at the $118.75 level if you weren't long already from the pullback into the $118.65 support.

Yes - I know - the market continued to rally despite negative TICK and momentum divergences (though not Breadth or VOLD divergences). Such is the reality we trade in currently - the market will rally at any cost and despite any caution or sell-signal to the contrary.

Depending on your aggressive level, you could have held this trade into the close, resulting in a scratch, but a better exit was as the two doji/spinning top candles formed at the upper Bollinger at the $118.90 level at 2:00pm, making this a less-than-stellar trade.

Using the ideal trades discussed above, roughly 80 to 85 cents was possible with 3 winning trades and 1 losing trade. That's roughly 6.5 to 8 points in the @ES futures.

Today's price structure had a nice Elliott Wave progression to it, down to the smallest fractal level. I call these "Elliott's Fractals" and the fact that price completed one of these into the close gives a bias for the market to sell-off tomorrow, particularly if we start to see a move under $118.60 for a trigger to expect downside action.



Looking at a Fibonacci Retracement Confluence Grid (very short-term), we see retracement confluences at $117.40, $117.00 even, and $116.40 as potential support points for price going forward.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
4,302,445	14,099,083	9:45	9,796,638	$ 0.26
2,300,522	9,267,964	10:00	6,967,442	$ 0.29
588,973	7,621,438	10:15	7,032,465	$ 0.25
723,846	6,136,496	10:30	5,412,650	$ 0.24
315,655	5,561,212	10:45	5,245,557	$ 0.20
(1,607,669)	2,948,334	11:00	4,556,003	$ 0.22
(1,340,103)	3,564,686	11:15	4,904,789	$ 0.20
(980,193)	3,620,950	11:30	4,601,143	$ 0.18
(370,058)	3,381,964	11:45	3,752,022	$ 0.14
3,369,701	6,047,244	12:00	2,677,543	$ 0.15
1,893,518	4,836,143	12:15	2,942,625	$ 0.19
2,059,399	5,200,700	12:30	3,141,301	$ 0.14
(141,913)	2,887,011	12:45	3,028,924	$ 0.14
1,210,949	3,669,780	1:00	2,458,831	$ 0.15
2,752,751	5,766,272	1:15	3,013,521	$ 0.19
889,964	3,431,858	1:30	2,541,894	$ 0.16
1,782,617	4,560,179	1:45	2,777,562	$ 0.19
589,580	3,800,971	2:00	3,211,391	$ 0.20
(1,616,884)	2,072,054	2:15	3,688,938	$ 0.17
(554,549)	3,169,783	2:30	3,724,332	$ 0.24
(1,151,881)	3,054,538	2:45	4,206,419	$ 0.21
(34,741)	4,157,657	3:00	4,192,398	$ 0.18
(1,029,950)	3,191,183	3:15	4,221,133	$ 0.20
(1,102,736)	3,278,370	3:00	4,381,106	$ 0.20
(585,148)	4,994,200	3:45	5,579,348	$ 0.24
1,040,663	11,452,414	4:00	10,411,751	$ 0.31

Volume (SPY) ran a few million shares above average on this morning's sell-off/gap down and then ran above average during the afternoon rally but then dipped back under average into the closing period.

Market Stats:

The day ended with 246 S&P 500 stocks 'advancing' for the day and 248 stocks 'declining.' That's 50% or neutral.

However, when looking at Up/Down volume of the S&P 500, 69.11% of the volume came from ADVANCING stocks on the session, which is in the bullish camp.

The figures on the NYSE Index were 1,565 stocks advancing with 1,515 declining while 62.22% of volume came 'flowing' into advancers.

The market found resistance today at the key $119.00 area, which now holds a horizontal resistance line and has been tested at least three times, with one 'trap' breakout into the close of April 6th. The area maintains resistance, however if broken, and if buyers lift price beyond $119.25, then trade aggressively long for more "popped stops" of the short-sellers.

Otherwise, we could see price pullback tomorrow from $119.00 back to at least $118.00 as the expected play, though any move under $117.50 could be met with additional selling so prepare to short under $117.50 and trade long over $119.25 while maintaining a bearish to neutral bias while price is under $119.00.

The 60min chart shows the short/intermediate term trendline ending at the $117.50 area near today's swing low which successfully bounced off the rising trendline - that's why you should continue to watch trendlines in your trading, particularly with regard to what the higher timeframe structure is showing.

Try not to overcomplicate the chart and don't let bias infiltrate - continue trading long for 'popped stops' and trend continuation above $119.25. Remain neutral to bearish (expecting a retracement down at least to $118.00) in here, and prepare to short for a potential breakdown if under $117.50 (preferably under $117.00).

Depending on how you draw trendlines, the S&P 500 bounced solidly off the long-term trendline as drawn above, and the shorter term trendline as shown on the 30 and 60 min charts. We still see a negative volume and momentum divergence, but these have not stopped buyers from buying and short-sellers from covering - both of which are driving the market higher (amid cries of manipulation).

Should price break under the lower trendline and then break under 1,170 (the rising 20 day EMA), then we would expect a pullback at least to the 1,145 level, but UNTIL that occurs, the bias remains for higher prices despite the overbought conditions and negative divergences that have permeated the better part of this rally. Remember the saying "Only Price Pays."