AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 05/19/10 L=111.50 -0.90 -0.80% O=111.77 Hi=112.77 Lo=110.36 C=111.76
1
2
3
4
$TICK - 1 min NYSE 05/19/10 L=-201 343 -63.05% O=-3 Hi=1174 Lo=-1524 C=-201
5/19
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

Yet again, this was another day you could have thrown everything off the chart and traded using trendlines, namely shorting all the way down until we broke the declining trendline (see 1-min chart) and then holding long for the remainder of the session. Trading doesn't have to be complicated - sometimes the simplest methods work the best.

1. TREND CHANNEL SHORT, BEARISH ENGULFING

As I highlighted in yesterday's report, keep trading short while we remain in the channel. That was true for your first and second trade set-ups, which gave simple entries as price retraced both to the upper trendline channel (from yesterday) and also the 20 or 50 EMA. The first set-up gave a bearish engulfing candle, so the best entry was as the low of the candle was taken out - also under the 20 EMA - at the $112.40 area with a stop over the engulfing high at $112.70. This trade worked out better than expected, holding short until the strong bullish candle took out the 9:15 candle low and after a bounce off of $110.00... which you actually could have used as an exit instead of waiting for a possible bounce... that took off suddenly. Given the new TICK, Price, and momentum low, this was NOT a good idea to go long here, but price did rally to the 20 EMA again... giving you a much better short-sale for trade #2.

2. TREND CHANNEL TRADE, BEARISH ENGULFING, IMPULSE SALE

This trade had the exact same parameters of Trade #1, though the entry was as price took out the $111.40 candle low OR even better (more aggressive), at the 20 EMA at the $111.80 level which allowed for a tighter stop. Either way, the stop was placed above and/or trailed above the 20 EMA and a good exit was after the bullish candle then dragonfly bullish doji and positive momentum divergence at 10:30 at $111.00, or again as price tested $110.00.

3. DUAL DIVERGENCE, TARGET HIT, BOUNCE OFF SUPPORT, REVERSAL CANDLES, FINGER

This trade was tricky, and actually had three entries for you. The first entry was very aggressive, as we were NOT yet over a trendline (break), but it was as price took out the high of the dragonfly doji at $111.00... that actually became a mean shooting star candle (you can't know that in advance) which sent price down for a new low that actually was a Finger Trade... which should have given you more confidence that we were going to have a big reversal off that level. Finger Trades are often precursors to trend reversals. Remember, a finger occurs after a CONFIRMED trade set-up usually after a dual or obvious divergence or trendline break, where you think "ok, price has reversed. Here we go" but price makes one more thrust or spike down, most likely taking out your stop (and that of many others). For whatever reason, AFTER many 'weak hands' have been "rinsed and washed" (stopped out), THEN and ONLY then does the market actually reverse, which leaves those traders - who had exactly the right idea - stopped out at the low. It can cause them to be very frustrated and chase the market higher as it does reverse as expected, which is often why markets rally so nicely after a mean finger trade has occurred.

Anyway, price did shortly after the finger officially break the trendline (entry) then broke above the 20 EMA (third entry). The play was for a trend reversal (which we got) or for swing traders to put on a nice position here with a stop under the $110.50 level (1,100 in SP500 index). However, a good intraday exit was the doji candles at the upper Bollingers at noon.

4. THREE PUSH, DUAL DIVERGENCES

This was an interesting set-up. Trend reversals are never guaranteed, and so you have to watch the price structure as it develops. We did get a $1.00 bounce in price, but as we did, we formed a three-push pattern (reversal) which was met with an obvious negative momentum and TICK divergence... and price broke the rising trendline and 20/50 EMA confluence at the $111.80 level, triggering an entry if you weren't short from the divergence at the $112.00 level with a stop above $112.20.

Price didn't 'reverse the reversal' and actually began to rally above your entry, which caused a scratch trade or a small profit at best.

The final trade could have been off the doji at the lower Bollinger at 2:30... if you trade prior to the close.

Using the ideal trades and a moderate aggression level, roughly \$2.42 was possible trading today's session, with the first three trades working well and the 4th trade resulting in a scratch or small loss.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
3,443,939.60	22,236,180	9:45	18,792,240.40	0.54
5,792,817.64	19,892,531	10:00	14,099,713.36	0.54
9,467,971.88	23,160,502	10:15	13,692,530.12	0.49
19,887,602.44	31,362,841	10:30	11,475,238.56	0.47
4,659,471.08	17,197,784	10:45	12,538,312.92	0.46
2,554,607.20	13,454,659	11:00	10,900,051.80	0.40
(370,306.40)	9,871,822	11:15	10,242,128.40	0.46
2,117,595.96	14,032,705	11:30	11,915,109.04	0.50
1,975,391.40	11,503,695	11:45	9,528,303.60	0.39
8,413,027.76	17,254,292	12:00	8,841,264.24	0.40
1,755,725.28	10,253,433	12:15	8,497,707.72	0.54
5,000,890.80	12,033,168	12:30	7,032,277.20	0.38
2,149,668.52	8,133,970	12:45	5,984,301.48	0.33
1,949,637.56	7,693,671	1:00	5,744,033.44	0.29
3,609,369.32	10,639,942	1:15	7,030,572.68	0.39
2,923,158.76	9,799,748	1:30	6,876,589.24	0.47
1,182,593.64	7,069,291	1:45	5,886,697.36	0.31
3,660,537.12	9,605,292	2:00	5,944,754.88	0.30
1,556,094.16	8,838,940	2:15	7,282,845.84	0.41
(1,104,767.64)	7,259,374	2:30	8,364,141.64	0.38
(204,313.00)	9,568,878	2:45	9,773,191.00	0.54
(574,973.36)	8,770,668	3:00	9,345,641.36	0.71
(344,098.52)	9,974,672	3:15	10,318,770.52	0.50
1,319,188.12	11,231,650	3:30	9,912,461.88	0.43
4,475,992.16	16,650,069	3:45	12,174,076.84	0.49
5,331,610.32	26,156,195	4:00	20,824,584.68	0.45
3,485,708.92	**13,601,768.15**	**Ave.**	**10,116,059.24**	**0.45**

As we continue to have above average volume, the parameters for the 25-day average (15-min SPY volume) continue to increase. This is your new reference grid which you can use to track if we're above, below, or in-line with the average volume for each 15-min period.

Very helpful for confirming trend days (above ave) or range days (beneath average).

In addition to the positive momentum divergence, we also had a clean positive TICK and VOLD divergence as price bounced off the 1,100 target level. That's another reason to expect a bounce - we see internal divergences (except in Breadth) at the 1,100 target.

A break under 1,100 now would violate all this, and could lead to a swift sell-off, but the expectation is for a bounce.

The main news of today was that we hit our target of 1,100 exactly and bounced very sharply off of it, giving swing traders their official full-profit exit as we tested a key support/target level on positive divergences (and a doji on the 30min chart). Swing traders should be out with a profit from the $117.00 level on an amazing trade. Aggressive traders even could have gotten long right as we began our rally from $110.00 on the positive divergences to play for a bounce.

That's what we expect to happen - a bounce off key support. Where to? We could see $115.00 again easily.

HOWEVER, if we do NOT bounce as expected, then it is a crystal clear signal that something else is going on, and that the balance has shifted to the bears and the picture is reversed... remember when every day it seemed like we were having popped stops that thwarted the bears, and the bulls just kept breaking resistance levels/sell signals? If we're under 1,100 ($110.50 SPY), then that may indeed be the case but this time in favor of sellers. So, this level will be important to watch.

The 60min chart explains again why we targeted $111.00 and now expect a bounce. We have yet to close under $111 in the hourly chart, so any close under there would be devastating for bulls. We also have a positive momentum divergence as shown. The moving averages above could provide resistance, but if history is a guide, we should be expecting a slightly larger bounce than $1.00 from the low. Be prepared to trade an upward bounce, but also remember that it is an aggressive move to trade long after such a large down-move. Still, there's further reason to expect a larger than normal bounce here.

It's that the daily chart shows the major confluence, which I highlighted for you many times in the reports, at the 1,100 level from both "Round Number" support and the rising 200 day SMA at 1,102 currently. Today formed a little hammer (bullish) candle off this confluence support target, so we could see a move back to the 1,150 key level as we bounce around between 1,100 and 1,150. The confluence EMAs at the 1,160 level would be very difficult to overcome, and would be a bullish game changer if we're above that level, but for now, it's probably best to expect a bounce move that targets 1,150. Swing traders should have taken profits immediately at the 1,100 level, particularly as the positive TICK and momentum divergence formed - what a great trade from 1,170 to 1,100!