

AFRAID to TRADE

overcoming stock market fears *with* Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY





If there ever was an example of why watching higher timeframes is absolutely essential for intraday traders, today is it, with the example being the opportunity to trade aggressively off the hammer candle (5-min) that formed as the S&P 500 tested 1,044 - the ABSOLUTE line in the sand. It rallied, and that also gave swing traders a chance to take any short profits and then flip long. The market rallied - as would be expected when bulls defend a critical line in the sand - all day.

1. 1,044 TEST, HAMMER

This was it! If we break under 1,040, then it's game over/lights out for the bulls, as we officially declare a new downtrend.

But that didn't happen. The alternate side to a break in a "Line in the Sand" number is the trade set-up that comes if we support off the level instead of break through it. You really didn't need to know anything else other than 1,044 (\$104.50) was THE key level between a bull market and a bear market, and that it was expected that bulls would at least make an attempt to support at that level.

So you could have gotten long at \$104.50 or as price broke the obvious bullish hammer candle high at \$104.91 with a stop under the intraday low of \$104.38 (yes, THAT wide of a stop). In theory (or in practice) you could have played for an unlimited target and held on all day. If you did that, then you were aggressive and profited \$2.80 in one intraday trade. That kind of thing can happen at KEY turning points in a market. We usually test a KEY level once every two months, and today was one of those, so as the saying goes "Make hay while the sun shines." As a trader, you HAVE to take advantage of very low risk, high reward set-ups... even if you got stopped out, you had to take the risk.

If you didn't hold on all day - most intraday traders don't - then you could have exited as price began to fall at 9:30 from the doji candles at the \$105.75 level.

2. TRENDLINE BREAK, DOJIS

The second trade was a quick trendline break at 10:00am that was preceded by two doji candles. The safe entry was as price broke above \$105.50 to play for the falling 20 EMA at \$105.80, which was realized 15-minutes later. The stop would be under the doji low at \$105.05 and official entry as price took out the high at \$105.35. Playing off the doji for a stop and a target gave you a 30 cent risk for a 50 cent reward which was achieved. You can't always get one to ones in volatile environments.

3. TRENDLINE BREAK (DOWN), 20 EMA BREAK, 50 ENA REVERSAL, UPPER BOLLINGER

This trade - short sale - had multiple entries depending on your aggression level. You could have entered as price tested the upper Bollinger and 50 EMA combo at \$106.30, or waited until price broke the rising trendline and 20 EMA and 'round number' support at \$106.00. Either way, the stop was best placed above \$106.40 and target was a move to lower levels - lower Bollinger - or any counter-buy signal... which occurred as two doji candles bounced off the lower Bollinger Band just before 12:30 at the \$105.50 area, giving a nice quick target... that you had to suffer through one big up bar to hold on to the target.

4. TRENDLINE BREAK, EMA BREAK, BOLLINGER SQUEEZE, POPPED STOPS

Like trade #3, there were multiple entries to this as well. Your first entry was as price took out the hammer/doji highs at the \$105.80 level at 1:00 CST, or you could have gotten long on a break above \$106 zone, which was the 50 EMA and break outside the "squeezed" Bollinger Bands. The final 'last chance' entry was as price took out the morning high from 11:00am at \$106.40. Either way, Bollinger Squeezes, breaks above the 50 EMA on an expected down trend day, and

“Popped Stops” play for big targets. If you realize and understand this, you could have held into the close. Otherwise, you might have sold on the doji candle at 2:00 at the \$106.80 level... only to see price take out that level soon after.



Using the Ideal Grid with a moderate aggression level, roughly \$3.40 was possible in today's trading session with the 4 trades listed.

The key was catching the “Popped Stops” and breakout at 1:30 for a very simple continuation breakout rally into the close.

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
10,572,713.28	33,084,784	9:45	22,512,070.72	0.66
5,857,946.16	22,118,281	10:00	16,260,334.84	0.66
7,494,244.52	23,323,280	10:15	15,829,035.48	0.59
1,210,358.56	14,394,073	10:30	13,183,714.44	0.57
(2,175,329.08)	10,670,040	10:45	12,845,369.08	0.49
(1,012,741.56)	10,000,937	11:00	11,013,678.56	0.46
1,696,158.84	12,314,784	11:15	10,618,625.16	0.58
(1,229,592.92)	10,861,192	11:30	12,090,784.92	0.57
(2,875,099.92)	7,137,069	11:45	10,012,168.92	0.45
(882,239.68)	7,850,664	12:00	8,732,903.68	0.42
4,231,587.84	12,857,552	12:15	8,625,964.16	0.55
1,540,354.48	9,041,831	12:30	7,501,476.52	0.43
976,031.64	7,220,043	12:45	6,244,011.36	0.35
(1,418,315.44)	4,825,827	1:00	6,244,142.44	0.38
(378,605.84)	7,310,601	1:15	7,689,206.84	0.47
(3,278,308.48)	4,407,230	1:30	7,685,538.48	0.47
366,375.56	7,223,786	1:45	6,857,410.44	0.37
(299,518.68)	6,282,202	2:00	6,581,720.68	0.34
100,111.84	7,880,898	2:15	7,780,786.16	0.46
(20,850.20)	8,919,239	2:30	8,940,089.20	0.41
1,163,051.20	11,825,228	2:45	10,662,176.80	0.59
5,201,549.04	15,938,541	3:00	10,736,991.96	0.76
3,646,284.56	14,975,116	3:15	11,328,831.44	0.56
6,079,034.20	17,461,414	3:30	11,382,379.80	0.49
5,368,076.44	18,936,691	3:45	13,568,614.56	0.56
3,987,286.36	28,573,347	4:00	24,586,060.64	0.58
1,766,175.49	12,901,332.69	Ave.	11,135,157.20	0.51

Yesterday, I showed how the Relative Volume Chart almost screamed that we would see a sharp downside move today (due to the massive divergence on the upward rally that turned into a rounded reversal yesterday). That's exactly what happened and we hit our \$105 target off the open.

The OPPOSITE signal is being sent now by the volume chart - that of Bullish CONFIRMATION into the close for the massive end-of-day rally, which should carry us forward with a rally over the next few days so be open and able to trade that possibility.



Today, we hit the \$105.00 target officially, and bulls - aware of the importance of this level - began buying aggressively as short-sellers - swing traders included - began to buy-back shares to cover with a nice profit.

If we see a continuation move above \$108.00, then continue trading long as we could see a rally to \$112, \$115, or even \$117 - see the accompanying charts.



We appear to have completed a small (fractal) 5-wave move down into the \$105.00 target I've been saying was the key target for swing traders to play for. That was absolutely correct analysis, and today we hit \$105 and so far have bounced solidly off of it, so swing traders (short from the \$117 level) should have exited as we began to rise this morning from the target, if you were still holding short. At such a critical market juncture, swing traders can also start to get long with a tight stop under \$105.00 as we rallied off that level. We could see a move back to \$110, then \$115 as upside resistance targets. A move above \$115 starts to change the dynamic more to the bulls, though if we see a move that takes us back under \$105, take a stop-loss then flip/reverse short as the dominant expectation.

Intraday traders will do well to heed these levels as well. Odds are high ... very high... for a bounce to continue.

But as my favorite saying goes, IF a bounce does not materialize off the \$105 level, then short aggressively because we can expect to see a massive positive feedback loop (bears short selling, bulls selling to stop-out) under \$105.00.

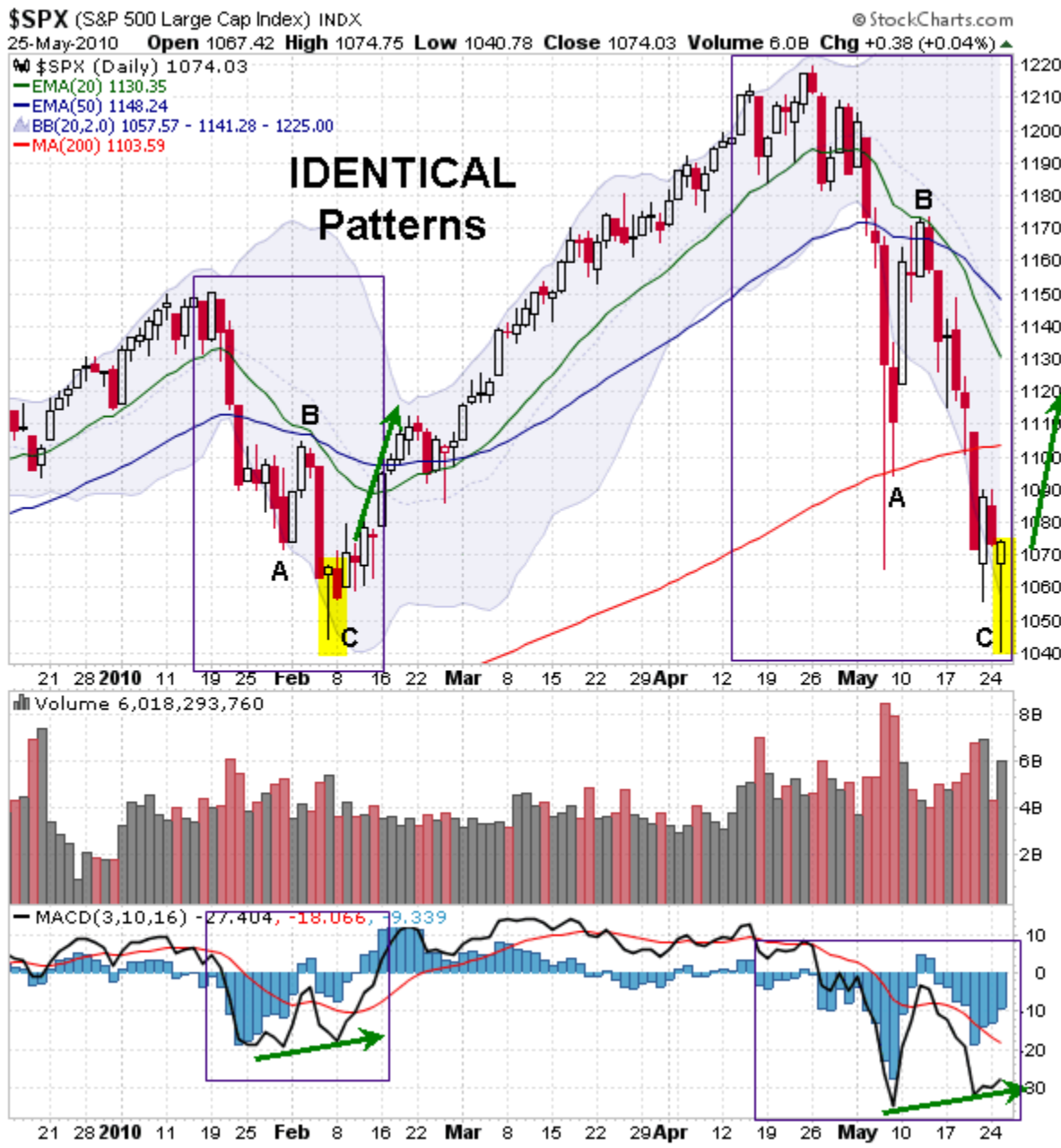


An updated Gann Squares/Andrews Pitchfork Chart shows we bounced solidly - with a hammer - off the Gann Number of 1,044, which was also the February 2010 low... that pierced just under the final rising Andrews Pitchfork Trendline.

Main idea - we can certainly see a bounce coming in the days/weeks ahead to rally from this absolutely critical level - bulls appear willing to buy and do whatever it takes to hold 1,050 as support.

However, if for some reason price breaks again and closes under 1,040, then it's game over for the bulls. It will officially define the start of a new bear market and will change this from an 'abc' three-wave retracement (like January/February) to a 1,2,3 with a 4 up then a 5th wave down expected in Elliott Structure.

Just know that 1,044 is an ABSOLUTELY essential level that will divide a continued bull and a new bear market.



Do you believe that history repeats itself? You're at a disadvantage if you don't. It does.

The structure (form, shape, pattern) from the January to February three-wave decline is (almost) identical to the April to May decline... and we repeated the bullish hammer candle that formed the BOTTOM in February off the key 1,050 level (actually dipping just under it). Today, we formed a hammer that dipped beneath the key 1,044 level to form another almost identical hammer.

IF history continues to repeat, then we will be seeing a rally up that could take us to see 1,150 or 1,170... or dare I say... up to new highs.

However, ALL OF THAT CHANGES if we get a move under 1,040 again. In that case, I would suggest shorting because we could see another waterfall move down, as any close under 1,040 officially turns the trend to a downtrend, while if we hold here, we just balanced on the literal edge of a cliff... as far as the market can go before falling.