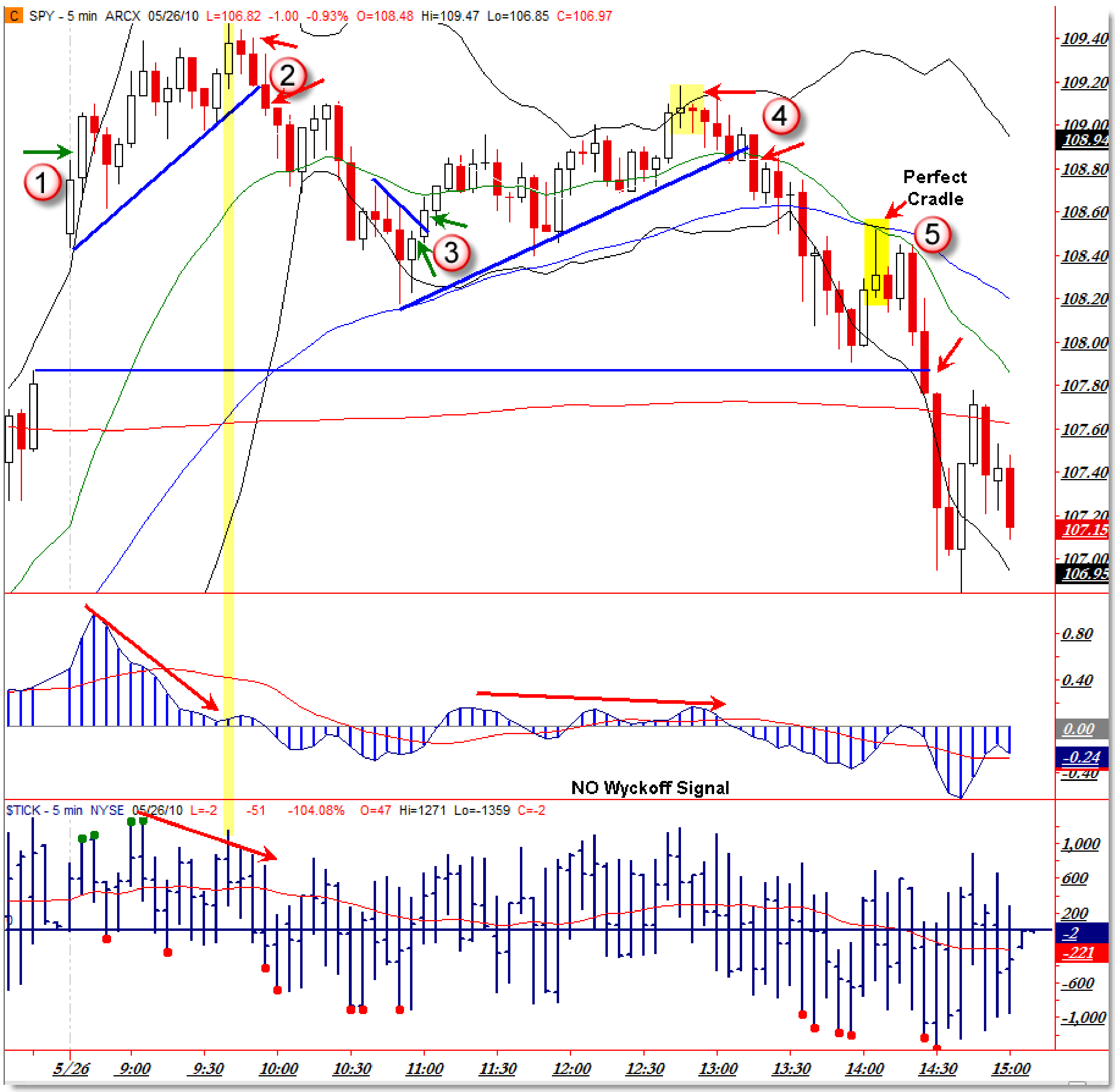
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY




SPY - 1 min ARCX 05/26/10 L=106.60 -1.22 -1.13% O=108.48 Hi=109.47 Lo=106.85 C=107.17
$TICK - 1 min NYSE 05/26/10 L=20 -29 -59.18% O=47 Hi=1271 Lo=-1359 C=20
5/26
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

We've got a lot to cover in today's report so let's get right to it!

1. ABOVE $108, BULLISH BIAS

I mentioned in last night's report that if the market broke above $108.00, it was a strong bullish signal that warranted bullish intraday trading. That's all this first trade was based on - "IF price above $108, THEN go long."

A stop would be under the morning opening low at $108.50 and a target would be like a breakout - play as long as possible. The logical trade exit would be as price formed dual divergences into the 60m EMA and prior price swing target at the $109.50 level, and a spinning top formed as price broke a doji at the $109.25 level... triggering a short-sale trade (scalp).

2. PRIOR PRICE TARGET HIT, SPINNING TOP, TRENDLINE BREAK

The entry was as price took out the low of the spinning top at 9:45 at $109.25, with a stop above the then high at $109.45. The initial target - conservative - was a play back to the 20 EMA at the $108.60 level, which was hit as a bullish engulfing candle formed, triggering an exit at $108.80. If you were aggressive, then you could have played for a larger target to the 50 EMA which occurred at the $108.20 level - but again, that took anticipating a reversal off the prior price target from the last few days. If so, then the exit was at $108.40 on the bullish hammer candle... which also gave us our third trade.

3. BULLISH HAMMER, BOUNCE OFF 50 EMA, POSITIVE MOMENTUM DIVERGENCE, 5-WAVE FRACTAL

There were various reasons to buy here, including a crystal clear 5-wave Elliott fractal that ended on a positive momentum divergence that formed a hammer at the rising 50 EMA just above $108.00. A buy was aggressively AT the 50 EMA at $108.20 or above the hammer high at $108.40 to play for the upper Bollinger (or other sell signal). Once again, depending on your aggression level, you either exited conservatively at the doji break at 11:15 (shown) or as price formed a doji then spinning top candle at the upper Bollinger at 12:10.

4. TRENDLINE BREAK, DUAL DIVERGENCES

The next trade was more of a 'line in the sand' trade. We very easily could have kept going higher, but as you'll see in the Relative Volume Analysis chart (please pay extra attention today), volume was SCREAMING non-confirmation/divergences, so that certainly played a factor. Plus, the $109.20 area was an AB=CD Measured Move target (see later chart), and price then went on to break the 20 then 50 EMA... triggering an entry short at a variety of locations... including the spinning top/doji at the upper Bollinger at 12:30 at the $109.00 level, 20 EMA and trendline break at the $108.80 level, or 50 EMA break at the $108.60 level... or even the break of the prior price low at $108.20. All valid entries ... depending on your aggression level.

Again, depending on how you viewed the market - as a range day or as a full reversal - and depending on how bearish you are (due to the negative relative volume reading), you could have exited on the bounce back to the 20/50 EMA cross, making your exit on the bullish engulfing candle that bounced off $108.00 at the $108.20 level... or if you were truly aggressive and betting for a reversal, you could have held short through the rally and exited at the close. Big gambles can pay off.

5. CRADLE TRADE

I received a couple of emails on this one - and yes, that was one of the most beautiful, perfect Cradle trades we've seen intraday in a while - I hope you took it! The Cradle 'triggers' when price first breaks under the 50 EMA then remains there while the 20 EMA crosses under the 50 EMA... and price rallies EXACTLY into the convergence of the 20 and 50 EMA - what I call the "Cradle of Resistance." The trade is to short right then, right there, with a tight stop (in this case above $108.60) to play for a trend reversal and low-risk entry. To make matters easier, price formed a bearish shooting star candle that closed at the $108.20 level, then price rallied one MORE time up into the cradle to form a bearish engulfing candle, giving you TWO PERFECT chances to enter short. That's why reading these reports matter - you learn the concepts/set-ups and then execute with confidence into the trades when you see them form in real time. The exit for this trade was the bullish engulfing candle just before the close that ended at the $107.40 level.

Using the ideal grid structure, with moderate aggression (as shown), roughly $2.70 was possible in today's trading.

In addition to a perfect cradle trade, today gave us a perfect extended bear flag (short-sale entry at the $109.20 level) or more appropriately a "Measured Move" AB=CD pattern (NOT Elliott Wave notation). Think geometry - line AB is equal to line CD. That means one of two things - if you're shorting (remember the numerous entries from trade #4), then you have an inherent price projection target at the $107.90 level, which you could have exited your short-sale trade with a profit BEFORE the bullish engulfing formed, which allowed you to lock in 30 cents of profit as opposed to waiting for the candle to close.

These patterns are lots of fun once you learn them and appear in more places than you think. It's based on the concept of "Every Action Has an Equal and Opposite Reaction" in physics.

Speaking of more places than you would think, the “BC” line segment from $108.20 to $109.20 had ITS OWN little AB=CD pattern... and then within the middle BC portion of the smaller measured move, we had ANOTHER smaller Measured Move.

Today was an EXCELLENT example of the concept of “Fractal Markets,” where the same AB=CD pattern forms a small pattern in an intermediate pattern which is part of a larger identical pattern.

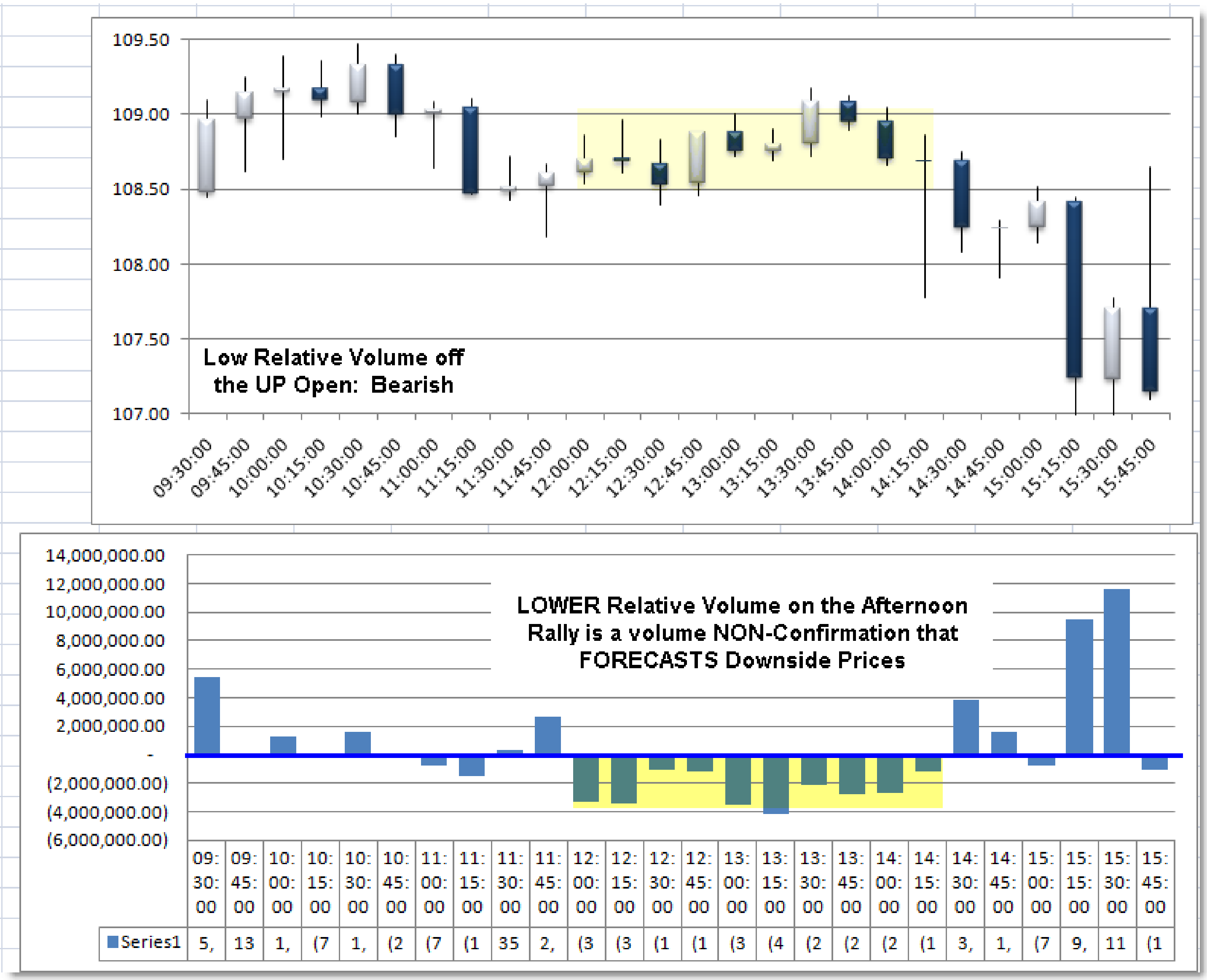
There are traders who do nothing but look for these patterns and trade them... but my suggestion is to put them in context with the indicators/methods you already use, and look for the added benefit of inherent PRICE TARGETS that these patterns give you. It’s just like trading flags.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
5,393,330.92	28,641,609	9:45	23,248,278.08	0.67
132,700.84	16,657,650	10:00	16,524,949.16	0.67
1,251,598.92	17,520,395	10:15	16,268,796.08	0.61
(75,667.20)	13,350,739	10:30	13,426,406.20	0.59
1,584,659.36	14,601,002	10:45	13,016,342.64	0.50
(208,985.40)	11,005,433	11:00	11,214,418.40	0.48
(725,738.68)	9,961,590	11:15	10,687,328.68	0.60
(1,459,834.64)	10,697,492	11:30	12,157,326.64	0.58
356,097.88	10,437,349	11:45	10,081,251.12	0.45
2,660,628.32	11,671,722	12:00	9,011,093.68	0.44
(3,370,402.72)	5,313,820	12:15	8,684,222.72	0.57
(3,445,253.08)	4,093,691	12:30	7,538,944.08	0.44
(1,097,148.36)	5,022,620	12:45	6,119,768.36	0.35
(1,219,668.60)	5,093,902	1:00	6,313,570.60	0.39
(3,584,325.84)	4,102,483	1:15	7,686,808.84	0.48
(4,132,509.96)	3,532,653	1:30	7,665,162.96	0.48
(2,185,803.52)	4,751,792	1:45	6,937,595.52	0.38
(2,813,120.12)	3,814,503	2:00	6,627,623.12	0.34
(2,706,356.36)	5,088,698	2:15	7,795,054.36	0.47
(1,173,944.84)	7,712,111	2:30	8,886,055.84	0.41
3,802,915.28	14,692,466	2:45	10,889,550.72	0.62
1,545,097.20	12,510,876	3:00	10,965,778.80	0.77
(778,487.24)	10,722,965	3:15	11,501,452.24	0.58
9,472,112.36	21,462,805	3:30	11,990,692.64	0.52
11,612,653.20	25,837,452	3:45	14,224,798.80	0.57
(1,046,319.64)	24,056,756	4:00	25,103,075.64	0.65
299,547.23	**11,629,022.08**	**Ave.**	**11,329,474.84**	**0.52**

If you are keeping your own relative volume charts, then you know why today's relative volume chart was SO important. The signal was CRYSTAL clear. You can keep these charts by hand if you write down the average 15-min volume (which I update each day) and then write in by hand (or type in by hand into Excel) what the respective 15-min volume reading is. Then, subtract the current volume from the 25-day volume to arrive at the "difference," which is what matters.

Why does it matter? On the gap up, we had higher average volume that soon gave way to LOWER average volume, and then as price continued to rally into the afternoon, we had successively LOWER relative volume, which meant that the market was being pushed up on lower volume, or that volume was sending a warning signal of NON-CONFIRMATION (just like a negative momentum/TICK divergence).

Price then cracked, began to move lower, and relative volume levels began to soar... CONFIRMING the bearish down move. The next chart shows what I mean:



This takes the 15-min bar - in candles - and then underlays the DIFFERENCE in today's volume and 25-day relative volume for each 15-min in the SPY.

Notice the lengthy pocket of NEGATIVE values from noon to 2:00 EST while price rallied.

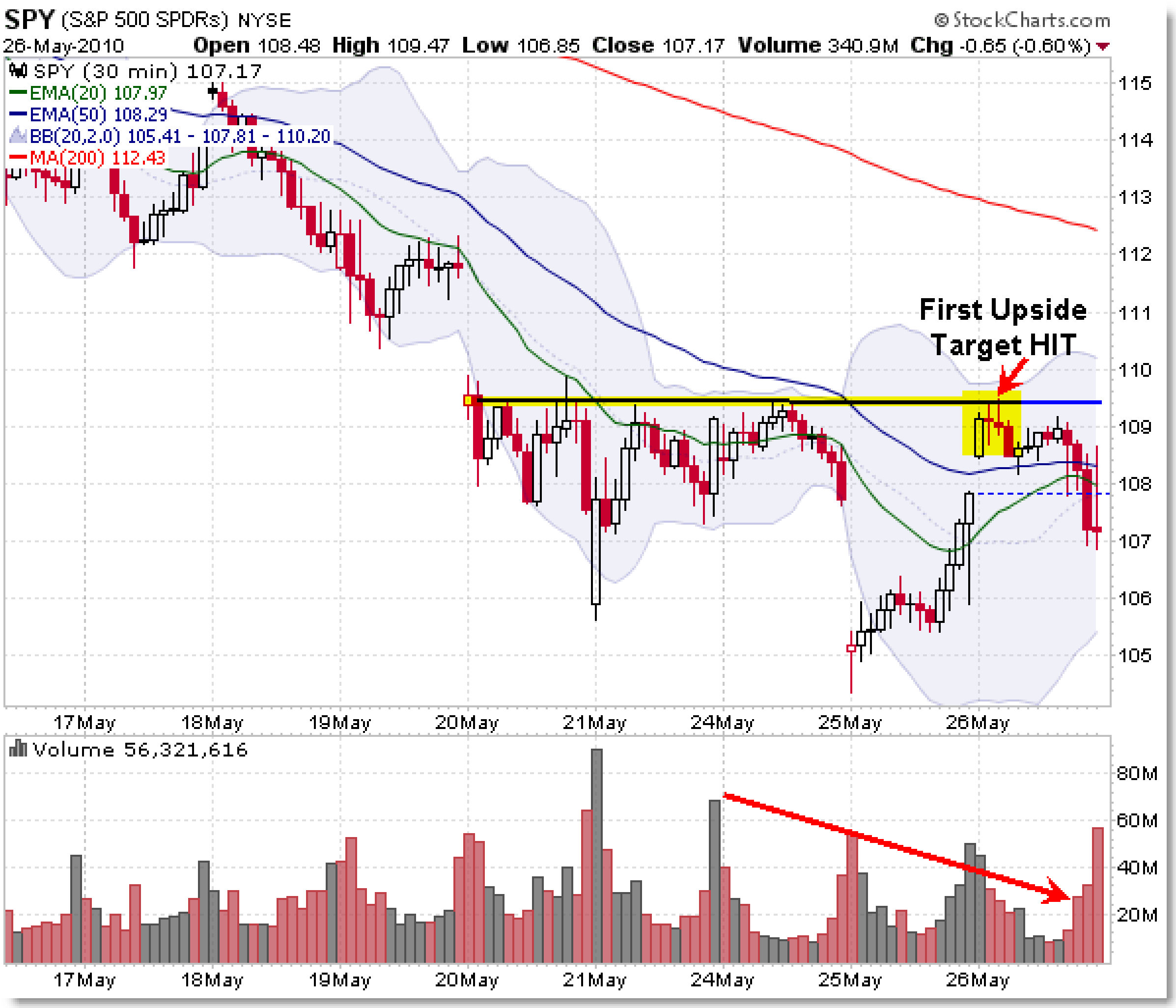
Let me state it simply: Price UP, Volume (relative) DOWN = NON-Confirmation which forecasts lower prices yet to come.

And they certainly did - giving you an opportunity to short AGGRESSIVELY once we started to break support levels mentioned in Trade #3.

People on TV kept asking "What in the world happened to make the market fall into the close?"

If you understand this chart and how important volume is to confirm an up move, then you understand perfectly why we sold off... but more importantly, you hopefully made money from seeing it happen in real time.

If not, this pattern WILL repeat in the future.



I mentioned that we expected higher prices yet to come in a retracement up that targeted first the prior price highs at the $109.50 level, then $112, then $115. If the market can ONLY retrace to the $109.50 FIRST/initial target, then folks the market is in TROUBLE.

Still, it looks like that's all we got so far as price hit the prior price high target, formed two dojis, and then fell from there.

Short bias under $107 to target $105 again... and if we break under $104.00, then it's game over for the bulls.

Price fell just shy of testing the underside of the 50 EMA in the 60min chart, but did hit the prior price high from the 20th - 24th which was only the FIRST upside target. We're neutral from $107 to $110, bullish for a target to $112 then $115 above $110, neutral to bearish from $105 to $107, and ultra-super bearish under $105 to set a new target for $85.

There's no need to overcomplicate this.

The expectation is that we get a rally to target 1,100. We fell 10 points shy of that confluence resistance target today, forming a shooting star candle. We're like we were on May 17th's doji - right in the middle of a lower support zone of 1,040 and an upper resistance zone of 1,100. We stand currently at 1,067. Neutral here, but bullish to target 1,150 if above 1,100, and if sellers push us under 1,040, then it is literally lights out for the bulls. It will confirm a downtrend and we'll likely see major liquidation as many bulls throw in the towel and realize that bad times are likely ahead. It's like flipping a switch - if under 1,040, then the lights go out for the bulls. While we're still above, the lights are still on.

If we're under 1,040, then we target 850... and a LOT of people know that so I expect it to happen, if anything for a self-fulfilling prophecy now that so many people follow technical analysis.

Think about it - would you want to be a bull under 1,040? Neither would a lot of people.