

# AFRAID to TRADE

overcoming stock market fears *with* Corey Rosenbloom

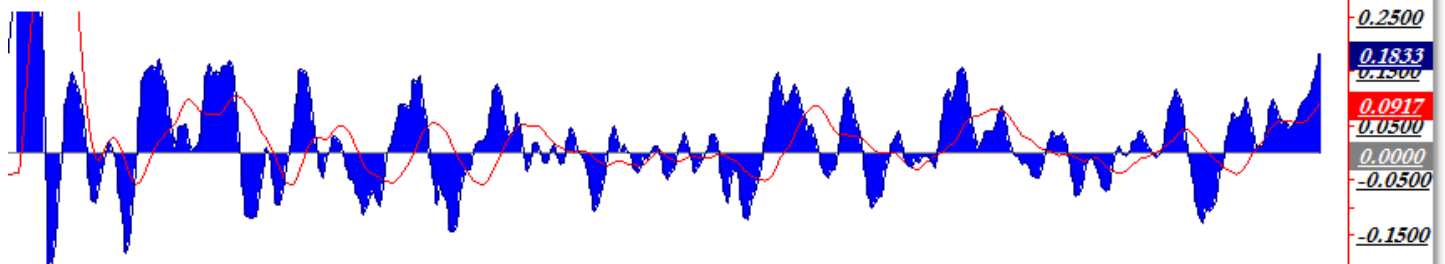
## Daily "Idealized Trades" Report

### S&P 500 ETF: SPY

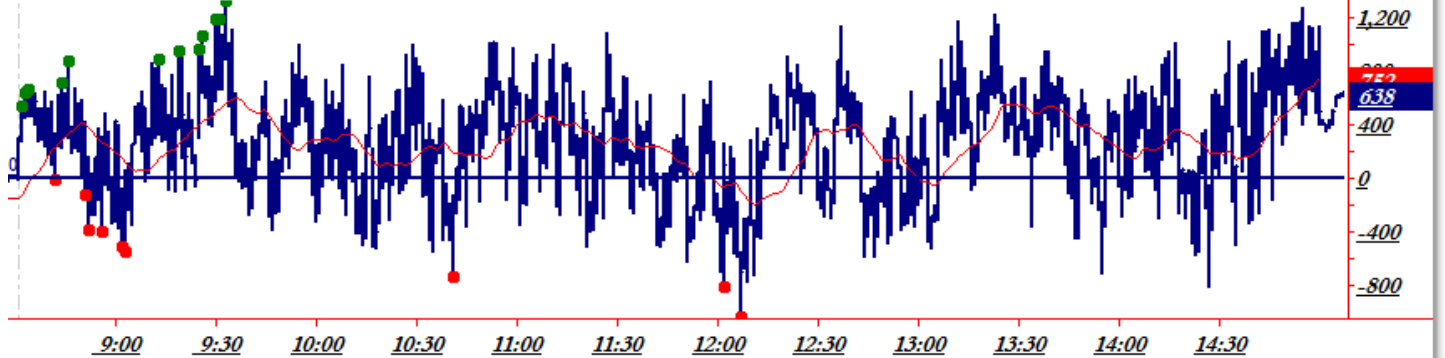
SPY - 5 min ARCX 05/27/10 L=110.70 3.53 3.29% O=109.19 Hi=110.80 Lo=108.78 C=110.71



SPY - 1 min ARCX 05/27/10 L=110.61 3.44 3.21% O=109.19 Hi=110.80 Lo=108.78 C=110.71



STICK - 1 min NYSE 05/27/10 L=638 618 3090.00% O=79 Hi=1325 Lo=-1031 C=638



Today can be characterized by "Popped Stops" and a creeper up-trend (Type III actually) all day long.

Here's the lessons from the potential trades!

### 1. POPPED STOPS, BULL FLAG, BULLISH ABOVE \$109.

Continuing the logic from yesterday's report and the day before, IF we're above \$109 THEN we're bullish (intraday). Taking that into account, you could have gotten long when we gapped and remained above \$109. A more appropriate entry was when we broke the declining trendline at the \$109.20 area at 9:15am with a bullish breakout candle, placing a stop just under \$109 and playing for a 'breakout' target. This was also a simple Popped Stops play because a lot of traders thought we would be heading lower today due to yesterday's late-day sell-off (which got some swing traders short). Any short-term trader who shorted yesterday had to cover on this morning's open, so that allowed for a "Popped Stops" play for intraday traders.

The best exit was when a large bearish sell candle formed to take out a semi-large spinning top candle low at the \$109.80 level, or to exit once we touched the \$110.00 level which was an upside potential target.

### 2. RANGE TRADING CANNEL AND MOVING AVERAGE BUYS

We developed a tight trading range, as seen by the rectangle trendlines drawn above. This meant that the best trades were entered with a reversal candle bouncing off the lower support line (given that we were still in an uptrend as seen via the moving averages). There were actually two such trades, with a spinning top bounce off the 20 EMA and lower trendline at 10:45am at \$109.40 and then a bullish candle off support of the confluence of the lower trendline, lower Bollinger Band, and 50 EMA at 12:25 at the \$109.55 level. Both trades had a tight stop under the candle low and a small target of the upper trendline - both of which were hit. The next trade was a breakout expectation from that range... and more popped stops.

### 3. POPPED STOPS, RANGE (RECTANGLE) BREAKOUT

This was a relatively simple trade that was easy to mismanage if you weren't careful or were too risk averse (had your stop too close). Price broke out from the rectangle at 12:45 but did NOT break above to a new price high above \$110.00 (nor did it form a new TICK high). You could have gotten long there, but it would have resulted in a possible whipsaw if your stop was not under the rising 20 EMA at the \$109.65 level, though if you entered and held on, you were treated to an eventual breakout.

The ideal entry was as price broke ABOVE \$110.00 to a new intraday high at 1:15... but even that Popped Stops trade did not last long. Price did not generate the positive feedback loop (buyers buying the breakout and sellers/bears buying to cover their short-positions at the breakout). We had a spinning top candle form at \$110.20 then price took out that candle, triggering an official exit for a smaller than expected target. Unless you were a really aggressive trader, you either gained a small profit, scratched for breakeven, or endured a small loss on this trade.

### 4. POPPED STOPS

Nothing more to this trade than an end-of-day "Popped Stops" breakout play that took us to yet another intraday high... but strangely enough not a new TICK high. Given that this trade set-up 20 minutes into the close, it's perfectly fine to skip these sort of trades into the close because of the degree of random noise that happens when funds/portfolios balance their positions, and price can move erratically as it does off the open.



Using a moderate aggression level, roughly \$1.50 to \$1.80 was possible as shown.

## SPY - SP500 ETF

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(1,671,335.80)	21,732,623	9:45	23,403,958.80	0.67
(2,355,536.60)	14,161,695	10:00	16,517,231.60	0.67
(3,125,831.20)	13,203,480	10:15	16,329,311.20	0.62
(322,813.36)	13,179,494	10:30	13,502,307.36	0.58
1,417,708.72	14,222,166	10:45	12,804,457.28	0.49
(3,106,518.44)	7,993,558	11:00	11,100,076.44	0.49
(2,046,879.04)	8,785,598	11:15	10,832,477.04	0.61
(2,430,437.56)	9,851,425	11:30	12,281,862.56	0.59
(2,447,893.28)	7,605,163	11:45	10,053,056.28	0.45
(3,798,827.64)	5,204,773	12:00	9,003,600.64	0.44
(3,658,761.48)	5,035,097	12:15	8,693,858.48	0.57
(916,186.88)	6,733,613	12:30	7,649,799.88	0.45
(2,077,970.40)	4,059,858	12:45	6,137,828.40	0.35
(2,049,892.48)	4,338,861	1:00	6,388,753.48	0.40
(197,286.92)	7,294,219	1:15	7,491,505.92	0.44
(2,158,585.44)	5,354,168	1:30	7,512,753.44	0.48
(1,082,125.16)	5,922,297	1:45	7,004,422.16	0.40
(666,406.00)	5,967,237	2:00	6,633,643.00	0.34
(690,157.32)	7,221,044	2:15	7,911,201.32	0.48
(1,416,812.44)	7,577,639	2:30	8,994,451.44	0.45
(5,913,829.04)	4,946,557	2:45	10,860,386.04	0.64
(4,715,176.92)	6,261,911	3:00	10,977,087.92	0.78
(4,119,243.76)	7,504,330	3:15	11,623,573.76	0.58
(2,089,085.36)	10,026,864	3:30	12,115,949.36	0.57
(3,347,469.00)	11,012,151	3:45	14,359,620.00	0.59
4,050,448.96	29,818,091	4:00	25,767,642.04	0.71
(1,959,111.69)	9,423,612.00	Ave.	11,382,723.69	0.53

If the signal from the Relative Volume chart is correct, then today's rally was a 'false' rally that was NOT confirmed by volume. It leads us to believe that the rally is part of a CORRECTION phase up instead of believing that this is an impulse... meaning that we expect new lows yet to come instead of a full reversal... but that's basing a lot on a single bit of data.

Only during two 15-min periods in the SPY did today's volume outpace the respective time volume of the past 25 days (average). That means that volume did NOT confirm today's rally which hints that we could see a downswing ahead.

## QQQQ - NASDAQ ETF

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(1,681,012.80)	9,543,184	9:45	11,224,196.80	0.34
(1,381,401.16)	6,361,704	10:00	7,743,105.16	0.34
(789,359.40)	6,824,094	10:15	7,613,453.40	0.25
(1,749,292.32)	4,767,918	10:30	6,517,210.32	0.28
230,199.12	6,329,770	10:45	6,099,570.88	0.24
(618,746.96)	4,434,793	11:00	5,053,539.96	0.21
(1,807,674.08)	3,163,067	11:15	4,970,741.08	0.21
(334,609.60)	4,557,118	11:30	4,891,727.60	0.22
(1,185,681.08)	3,179,672	11:45	4,365,353.08	0.20
(2,142,575.88)	1,770,194	12:00	3,912,769.88	0.18
(961,713.04)	2,606,831	12:15	3,568,544.04	0.18
655,142.64	4,154,711	12:30	3,499,568.36	0.18
(859,765.32)	2,189,690	12:45	3,049,455.32	0.14
757,148.28	3,691,240	1:00	2,934,091.72	0.17
34,290.64	2,891,458	1:15	2,857,167.36	0.17
(163,802.16)	2,623,016	1:30	2,786,818.16	0.17
(758,042.44)	2,578,758	1:45	3,336,800.44	0.18
(1,020,925.28)	2,089,696	2:00	3,110,621.28	0.14
(766,333.84)	2,650,592	2:15	3,416,925.84	0.18
(1,981,411.28)	1,995,638	2:30	3,977,049.28	0.17
(2,668,365.36)	2,106,909	2:45	4,775,274.36	0.28
(2,596,037.28)	1,952,568	3:00	4,548,605.28	0.41
(2,559,498.12)	1,646,345	3:15	4,205,843.12	0.32
(2,644,307.50)	2,737,263	3:30	5,381,570.50	0.25
(2,884,509.46)	3,065,693	3:45	5,950,202.46	0.25
(2,197,361.85)	8,080,103	4:00	10,277,464.85	0.31
(1,233,678.67)	3,768,924.04	Ave.	5,002,602.71	0.23

I've received a few emails about how to create these charts. I can't send the Excel file because you won't be able to use it as I do - I'm using a program called TraderXL that connects to my TD Ameritrade account which downloads data at the click of a button into Excel. From the data downloaded, I've created the chart above using the "AverageIF" formula to average all volume readings from the respective time period of the last 15 days. The color comes from the "conditional formatting" tool. Today's volume is pulled from the current intraday 15-min data from TD Ameritrade and then I simply use a subtraction function to arrive at whether today's volume was more or less than the respective timeframe average volume. Range refers to the "high minus low" for the respective timeframe (instead of volume).

For those wanting to replicate this, the formula I use is:

=AVERAGEIF(\$B\$3:\$B\$2945,"10:00:00",\$G\$3:\$G\$2945)

Where the "B" column is the time, and the G column is the volume. It 'averages volume if' data time equals 10:00:00.

## DIA - Dow Jones ETF

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(265,542.50)	1,544,645	9:45	1,810,187.50	0.56
(151,897.31)	1,075,071	10:00	1,226,968.31	0.56
(261,086.00)	1,039,985	10:15	1,301,071.00	0.44
(64,115.62)	972,080	10:30	1,036,195.62	0.46
180,629.15	1,281,505	10:45	1,100,875.85	0.39
(244,716.92)	574,575	11:00	819,291.92	0.33
(187,840.15)	611,389	11:15	799,229.15	0.38
(23,349.54)	913,911	11:30	937,260.54	0.42
(84,905.08)	607,525	11:45	692,430.08	0.36
(15,980.15)	622,050	12:00	638,030.15	0.42
(120,295.50)	506,891	12:15	627,186.50	0.34
(48,965.15)	549,341	12:30	598,306.15	0.34
(159,688.27)	279,588	12:45	439,276.27	0.27
(124,242.69)	390,236	1:00	514,478.69	0.31
121,591.12	662,527	1:15	540,935.88	0.33
(85,103.58)	444,360	1:30	529,463.58	0.31
(105,379.08)	376,633	1:45	482,012.08	0.39
78,112.27	537,742	2:00	459,629.73	0.25
(34,535.50)	540,593	2:15	575,128.50	0.36
(167,611.58)	499,344	2:30	666,955.58	0.33
(456,479.58)	326,728	2:45	783,207.58	0.50
(299,195.62)	434,227	3:00	733,422.62	0.70
(354,316.08)	380,760	3:15	735,076.08	0.46
(648,715.48)	448,194	3:30	1,096,909.48	0.47
(610,822.89)	690,729	3:45	1,301,551.89	0.45
(997,225.37)	1,671,813	4:00	2,669,038.37	0.51
(197,372.20)	691,632.38	Ave.	889,004.58	0.41

The alternate method is to type in respective 15-min volume using the numbers shown in each evening's report to see if we are higher or lower than the average period.





So far, it feels like we're in an "ABC" corrective phase that could take us up to \$112.00... or perhaps \$115.00 at the most.

I say corrective phase because as we rally, volume is declining and so is momentum. Plus, the "A" wave took a three-wave form as did the "B" wave.

So while it's likely to see a move back to \$112.00 to retrace part of the prior sell-off, it would be better to monitor what happens at \$112.00 than to trade long aggressively... but intraday traders should always be nimble.





We see the 5-wave down-phase that occurred through May and the - so far - three-wave 'correction' to the upside that is currently unfolding. Notice the negative volume and momentum divergences.

If we get above \$112.00, then the next major resistance level is \$115.00.

The market looks like it wants to run to \$112.00, so be open to trade that if it happens intraday and prepared to short there if we start to see intraday sell-divergences or signals.



We're sitting exactly at the 200 day SMA - a key line on the chart to watch closely. There's LOTS of overhead resistance both from moving averages (20 at 1,120 and 50 at 1,140) and prior price levels (1,150 and 1,170).

It's possible we're forming a 5-wave impulse to the downside, which places us currently in WAVE 4 which is a three-wave up phase just like that of Wave 2 that was the 5-day rally after the May 6 crash... which gave way to a WAVE 3 that we just ended at the test of 1,040.

So far, that seems to be the dominant view UNLESS we rise above 1,120 which would tilt more bullish and set the next target at 1,150.