AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

# Daily "Idealized Trades" Report

## S&P 500 ETF: SPY


SPY - 1 min ARCX 05/28/10 L=109.00 -1.76 -1.59% O=110.64 Hi=110.72 Lo=108.85 C=109.37
$TICK - 1 min NYSE 05/28/10 L=-138 -776 -121.63% O=-41 Hi=1341 Lo=-1281

Today's trading was marked by two stellar drops - two $1.00 SPY moves in mere minutes.  With so much to cover, I'll shorten the commentary on each trade and focus on the main points to learn from each set-up.  Do pay special attention to understanding the trades - there were amazing set-ups that occurred today that serve as near-perfect educational examples.

## 1.  DOJI/SPINNING TOP, TICK DIVERGENCE, TRENDLINE BREAK, UPPER BOLLINGER

Price bounced off the 50 EMA up to the upper Bollinger, forming three upper shadow candles (spinning top then doji) then breaking the trendline at the $110.50 level.  Short there with a stop above the high at $110.60 to target either the 20 EMA (conservative or 50 EMA at $110.00 for confluence support - which was hit and exceeded.  A final signal to exit was given as price formed a spinning top off the lower Bollinger and then broke above that high which occurred just under $110.00.  Given the new TICK and momentum and price low, this was probably not a great spot to get long - notice the doji that formed under the confluence of the 20 and 50 EMA as price found resistance and hit a new low... giving a second trade due to the divergences.

## 2.  SPINNING TOP/DOJI, BOTTOM BOLLINGER, DUAL POSITIVE DIVERGENCE, TRENDLINE BREAK, 5-WAVE FRACTAL

This was one of those "You can't pass this up" set-ups so pay close attention.  Two reversal candles, lower Bollinger, Positive TICK and Momentum divergence= irresistible buy.  Small stop under doji low of $109.40, entry after doji high taken out at $109.65, play for the 20/50 EMA or a confirmed sell-signal, which I would say occurred as price formed a spinning top sell candle at $110.20 then broke under that candle... but you could have held on for a pure sell signal, which came in the form of a negative DUAL divergence shortly after... trade #3.

## 3,  NEGATIVE DUAL DIVERGENCE, SPINNING TOP, UPPER BOLLINGER BAND, TRENDLINE BREAK

This was one of those windfall profits, as the trade set-up like normal - negative dual divergence, upper Bollinger then price broke the rising trendline and the 20/50 EMA confluence and the round number support at $110.00 giving you a few chances to enter short and place a stop above $110.30.. and then price COLLAPSED.  Sometimes surprise news works in your favor!  You could have exited at the 200 SMA at the $106.30 level, or after price broke the high of the strange candle at 11:45.  I wouldn't recommend getting long after such in impulse down, but you certainly could have tried a scalp back to the 20 EMA here which worked.

This is the Elliott Fractal Third of Third concept.  When you see a MASSIVE sell-off, the next step is to look backwards and see "Can I count a 1 and 2 wave prior to the potential 3rd wave sell-off?"  If so, then the solid down bar is probably part of a third wave, which means you THEN can expect a 4th wave retracement to come and then you can position short in ADVANCE of the 5th wave, as price rallies into a resistance area like the 20 EMA... or trade #4.

## 4.  ELLIOTT 4TH WAVE INTO 20 EMA WITH DOJI/TRENDLINE BREAK AND IMPULSE SELL

This was a classic "Impulse Sell" trade - short-selling the rally after a new price, TICK, and momentum low as the price rallies into the 20 EMA and forms a reversal candle - in this case, a doji.  Price broke the doji low and trendline at the $109.60 level at 12:30, triggering your official entry if you weren't already short from the 20 EMA at $109.70.  The target was a (minimum) retest of the prior low ($109) or a new low yet to come... both of which were hit.  You should have exited either AT $109.00 or when price formed a dragonfly doji back to $109.15... and then you could have put on trade #5 for a 'snap-back' rally.

## 5. DRAGONFLY DOJI, FULL ELLIOTT 5-WAVE FRACTAL, POSITIVE MOMENTUM DIVERGENCE, TRENDLINE BREAK

After a full 5-wave impulse, we expect a three-wave corrective phase to occur (ABC) which is what happened. Thus, you can buy in anticipation of that occurring, particularly if you get confirming signals like the dragonfly doji, bounce off lower Bollinger, and break of trendline (along with positive momentum divergence).

There are a lot of lessons in this trade as well. You could have exited after the spinning top candle before 2:00 at $110.00 that poked outside the upper Bollinger. As a point of reference, you could have bought back in on the retracement back to the 20/50 EMA confluence - cradle - at 2:15 - though I didn't label this specifically as a trade. That was the "B" wave pullback.

The final "C" wave took us to new highs on a crystal clear negative TICK and Momentum divergence... Trade #6.

## 6. DUAL DIVERGENCES, ABC TERMINAL WAVE, UPPER BOLLINGER, TRENDLINE BREAK

Like trade #3... in fact, almost EXACTLY like trade #3, we had a push to new (swing) highs on a clear negative TICK and momentum divergence... at the upper Bollinger. Price then broke under the candle lows and the rising trendline, signaling your entry at the $110.20 level... and just as unexpectedly, price collapsed into the close, giving you a windfall profit. The stop was above the swing high at $110.40.

What a day!!


It was actually a good day for quick trading profits, that required quick reflexes.

Using the ideal grid, roughly $3.70 was possible in today's sessions if you were quick enough to position before the mid-day crash and before the mid-day rally. Otherwise, smaller profits were possible.


Today's lesson is on the absolutely crystal clear, text-book version of the Elliott Wave fractals that occurred on the way down (and up).

I believe that the most important thing for you to do with Elliott Wave real time is to find the Third of Third (EXTREMELY clear today) and then that means to expect a 4th wave rally then get ready to short the peak of the 4th wave to play for a 5th wave NEW LOW yet to come, and then once we get that new low, look to see if we have any major divergences (we did) and then look for the Fifth of FIFTH, or final fractal wave of a down move, as if that's correct, then we should be seeing a trend change (short-term) into a three-wave corrective phase... ABC... which is exactly what happened.

| SO FAR TODAY | | | 25 DAY AVERAGE | |
|---|---|---|---|---|
| DIFFERENCE | 15-min VOLUME | EST | 15-min VOLUME | RANGE |
| (5,841,906.84) | 17,725,131 | 9:45 | 23,567,037.84 | 0.69 |
| (4,775,270.12) | 11,843,761 | 10:00 | 16,619,031.12 | 0.69 |
| (5,948,552.92) | 10,115,077 | 10:15 | 16,063,629.92 | 0.61 |
| (5,813,000.64) | 7,725,791 | 10:30 | 13,538,791.64 | 0.59 |
| (4,586,252.04) | 8,200,820 | 10:45 | 12,787,072.04 | 0.50 |
| (72,493.20) | 11,235,964 | 11:00 | 11,308,457.20 | 0.49 |
| (2,348,961.60) | 8,564,597 | 11:15 | 10,913,558.60 | 0.61 |
| (3,880,922.60) | 8,519,444 | 11:30 | 12,400,366.60 | 0.60 |
| (3,153,454.76) | 6,903,909 | 11:45 | 10,057,363.76 | 0.46 |
| (3,814,166.12) | 5,286,697 | 12:00 | 9,100,863.12 | 0.45 |
| (4,614,553.76) | 4,061,462 | 12:15 | 8,676,015.76 | 0.57 |
| (4,519,488.16) | 3,160,987 | 12:30 | 7,680,475.16 | 0.47 |
| 16,405,535.64 | 23,401,255 | 12:45 | 6,995,719.36 | 0.36 |
| 11,295,104.72 | 18,283,105 | 1:00 | 6,988,000.28 | 0.39 |
| (640,645.52) | 6,992,615 | 1:15 | 7,633,260.52 | 0.45 |
| (3,182,991.24) | 4,353,310 | 1:30 | 7,536,301.24 | 0.49 |
| (3,443,115.04) | 3,603,008 | 1:45 | 7,046,123.04 | 0.40 |
| (779,914.56) | 5,960,570 | 2:00 | 6,740,484.56 | 0.34 |
| 1,681,429.40 | 9,872,906 | 2:15 | 8,191,476.60 | 0.49 |
| (4,343,288.84) | 4,721,142 | 2:30 | 9,064,430.84 | 0.45 |
| (6,124,549.20) | 4,817,610 | 2:45 | 10,942,159.20 | 0.64 |
| 709,829.60 | 11,888,334 | 3:00 | 11,178,504.40 | 0.78 |
| (6,684,219.00) | 4,972,950 | 3:15 | 11,657,169.00 | 0.58 |
| (2,525,882.84) | 9,782,901 | 3:30 | 12,308,783.84 | 0.56 |
| (5,650,098.56) | 8,838,479 | 3:45 | 14,488,577.56 | 0.60 |
| 2,856,918.16 | 29,114,672 | 4:00 | 26,257,753.84 | 0.73 |
| | | | | |
| **(1,915,188.85)** | **9,613,326.81** | **Ave.** | **11,528,515.66** | **0.54** |

Today saw lower relative volume readings in ALL periods except for five... and these were BIG deals. They all occurred during sharp (almost crash-style) sell-bars, which tends to confirm the higher bearish/downside bias ... high volumes on sell-offs.

Keep in mind a major caveat - today is the Friday before the Memorial Day holiday, so we expect lower volume in general as traders 'take off' for a four-day weekend with their families, resulting in lower volume. Don't read too terribly much into today's volume, except to note the 16 and 11 million share differential spike during the mid-day "crash" (news on Spain).


Perhaps we won't get a move back to $112.00, and that the "C" wave up (yesterday's close) is all the bulls/buyers could muster.

If we see a break and solid downside action under $109, then be prepared to short it aggressively and swing traders can look for a move back to $105... or perhaps even lower. Momentum and volume are hinting at a downside resolution.

Remember though - this is pre-holiday week, and thus expect to see lower volume... but don't necessarily expect to see declining momentum.

A break above $111 disconfirms the divergences (temporarily) and targets $112 then if above $112, to $115.


Same picture and thoughts - IF under $109, then target $105 (or lower). IF above $111, then target $112 then $115.

This still feels - to me at least - to be a three-wave corrective phase against a larger impulsive downtrend and Elliott Wave impulse down as seen on the daily chart.


The market is toying between making this an "abc" correction like occurred in February, and then off to new highs... or a 1,2,3,4,5 Elliott Wave impulse (which seems more likely, given the internals/volume, momentum data). If the 1,2,3,4,5 count is correct, and that we just ended Wave 4 (the 'abc' I drew last night), then we can look for the next swing to be a down one to 1,040 or lower.

If however we break above 1,100, then that increases the odds that we're looking only at an ABC three-wave retracement, which would imply that the low of 1,040 will hold for some time to come, and thus will target 1,050 then 1,220 if above 1,150... right now, that seems slightly less likely but still possible.

What happens between 1,100 and 1,050 is key to the future, so be prepared to position accordingly.


The weekly chart gives bulls a bit of hope - in the form of a bullish long-shadow doji candle bouncing off the last line of support. Again, if we're above 1,100 early next week, we could see a rally back to the 1,140/1,150 area, and if we get above 1,150, then we would be officially convinced this sell-off was a retracement in the context of a broader bull market.

However. If buyers cannot hold support at 1,050 in the next few weeks, then we officially enter a new bear market and set downside targets of 850 (June low) and if under that, then back to 660 (March low).