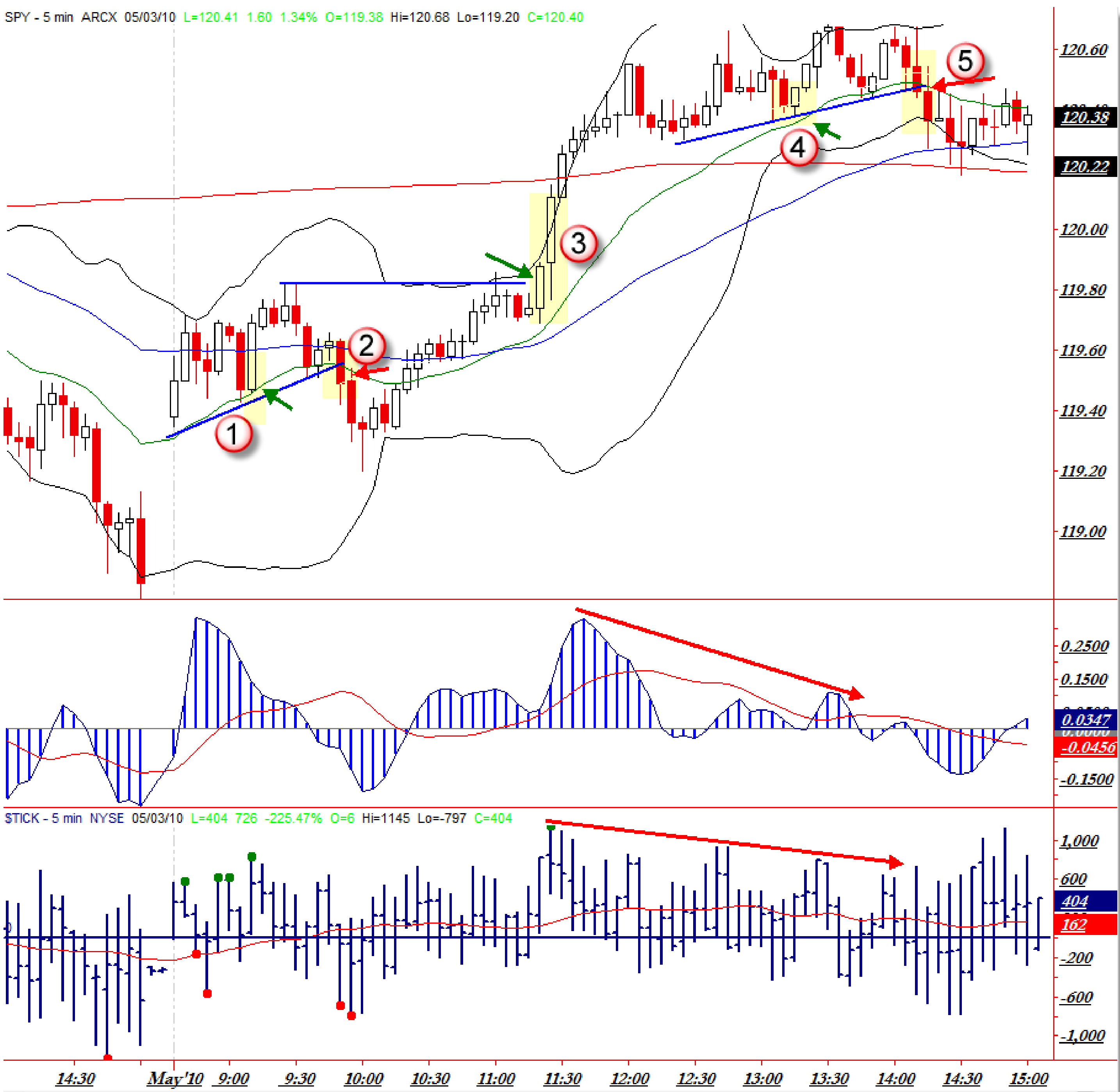
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report




SPY - 1 min ARCX 05/03/10 L=120.41 1.60 1.34% O=119.38 Hi=120.68 Lo=119.20 C=120.40
1
2
3
4
5
120.60
120.38
120.20
120.00
119.80
119.60
119.40
119.20
119.00
0.1500
0.0500
-0.0050
-0.0500
-0.1500
$TICK - 1 min NYSE 05/03/10 L=706 1028 -319.25% O=6 Hi=1145 Lo=-797 C=706
1,000
706
297
-200
-600
-1,000
May'10
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

True to our expectations, the market bounced higher off the dominant lower support trendline that comprises the recent trading range we have entered. That should have given a bullish bias to play out for the rest of the day, but it really wasn't until the 11:30am "Popped Stops" and breakout play that we felt safe getting long... but after that, the market cooperated strongly. Always have a bias or levels to watch before trading each day - that's what I focus on during the last part of the reports. Learn the trades/basics and get familiar with the trades in the first half then develop a bias for the next day in the second part of the report.

1. 20 EMA PULLBACK, BULLISH BIAS

This really wasn't a fantastic trade, but it did take advantage of the "bullish bias" expected from price bouncing off the lower range as described in Friday's report. It's usually safer to wait for the market to give you a clean entry into your first trade, but you can usually know if you want to be a buyer or seller for your first trade, and at what levels to do so. If the market does not behave as expected, no harm, no foul, no position. If it does, then take advantage with safe executions.

The 20 EMA was a safe execution point to put a tight stop under $119.40 if the level did not hold. It also pulled back to a trendline and 50 EMA on the 1-min chart.

Unfortunately, price did not take off higher as expected, and we formed reversal candles and negative dual divergences (1-min) on the highs into $119.80, triggering our profitable exit when price broke the 1-min trendline or the low of the shooting star candles at the $119.70 level.

2. TRENDLINE AND EMA BREAK, DUAL DIVERGENCES

With price forming reversal candles and dual divergences, that set us on high alert to monitor price closely for any potential entry short. That trade came when price broke the trendline and 20 EMA at $119.60 at 9:45am.

Unfortunately, this short-sale trade did not last long, as price formed a clean hammer candle just off the lower Bollinger Band at 10:00, so it was best to take profits at the $119.35 level as price broke the high of this hammer candle. If you are an aggressive trader, you could have taken a buy/long trade there, but because price was so close to the 20 and 50 EMA, the logical target was too small for most traders (given the stop under the intraday hammer low of $119.20).

Once price broke back above the EMAs, you should have been neutral with a slightly bullish bias because the higher timeframe charts suggested an upward swing, and price had just thwarted a logical short-sell bear signal... one could even say triggered yet another bear trap on a failure to fill the morning gap. As such, the brilliant and simple (yet aggressive) "Popped Stops" play triggered once we broke to a new intraday high above the horizontal resistance level (actually ascending triangle) at $11:30am.

3. POPPED STOPS, ASCENDING TRIANGLE

Remember one of my favorite quotes (hopefully it's yours now too!):

When the market SHOULD do something (go down) but does not (breaks resistance), then it often leads to a LARGER THAN EXPECTED move in the opposite direction (popped stops to the upside).

That's exactly what happened here, triggering your entry as soon as you felt like the positive feedback loop and popped stops triggered, which was around the break to a new intraday (and TICK) high at 11:30 at $119.85. Remember, in popped stops, we do not have a logical price target - our goal is to hold on as long as possible.

Despite the doji/reversal candles forming at the upper Bollinger Band at 11:45, price still continued higher, rallying one more time to a spike high of $120.55 at noon as a bearish engulfing candle formed. This was your exit as price came down from that candle if you had not exited already.

Refer to prior reports that discuss the "Third of Third" Elliott Wave concept (if you use that method), which clearly placed the impulse move up that just happened as a likely "third of third" wave... or the heart of an Elliott Wave fractal. This meant we should expect some sort of 4th-wave pullback (usually an "ABC") and then be prepared to buy the move into support to play for a likely 5th wave (new price high) yet to come. That was trade #4.

4. "Third of Third," HAMMER, 20 EMA, TREND

Perhaps the better entry was the numerous doji candles at 12:15, but price made one more pullback (ending the 'c' wave) and tested the 20 EMA with a sharp hammer candle at 1:00 at the $120.40 level. This was a buy to play for a new price high yet to come... only the new price high was not as high as expected.

We did immediately get a new high but we did so on a massive negative TICK and momentum divergence (see 5 or 1 min charts), which led you to be very skeptical, and should have triggered an exit after the spinning top candle's low was taken out at $120.60.

The divergences, plus the complete 5-wave fractal, should have put you on alert for a potential short-sale trade to play for a potential rounded reversal or trend reversal... but again only if you are an aggressive trader do you bet against a prevailing trend.

5. TRENDLINE BREAK, LENGTHY DUAL DIVERGENCE, 20 EMA BREAK

This trade was entered short at the $120.50 level as price broke both the rising 20 EMA (5-min) and trendline (1-min) AFTER a lengthy negative dual TICK and momentum divergence.

The logical exit for the trade was as price bounced off the confluence of the lower Bollinger, 50 EMA, and 200 SMA as seen on the 5-min chart as a long-legged doji candle formed. An aggressive trader might have remained short to see if sellers could push through this support level, but the market rallied into the close, supporting a market that had decent odds of reversing (and once again frustrating short-sellers for the moment).

Using the five trades and a moderate aggression level, roughly $1.30 (13 @ES points) was possible during today's "Type II" Trend Day session.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
936,106	11,625,722	9:45	10,689,616	$ 0.30
(1,331,069)	6,907,676	10:00	8,238,745	$ 0.30
1,117,571	8,878,105	10:15	7,760,534	$ 0.29
(336,410)	5,884,063	10:30	6,220,473	$ 0.27
(1,570,267)	5,729,253	10:45	7,299,520	$ 0.25
2,308,656	8,212,389	11:00	5,903,733	$ 0.26
(1,057,658)	4,025,025	11:15	5,082,683	$ 0.28
(3,221,626)	3,082,089	11:30	6,303,715	$ 0.22
(2,649,146)	2,896,817	11:45	5,545,963	$ 0.19
1,204,327	5,476,952	12:00	4,272,625	$ 0.20
(1,703,473)	2,259,626	12:15	3,963,099	$ 0.22
4,788,831	8,646,995	12:30	3,858,164	$ 0.17
4,494,751	7,870,063	12:45	3,375,312	$ 0.16
5,128,150	8,225,532	1:00	3,097,382	$ 0.19
1,863,374	5,366,385	1:15	3,503,011	$ 0.26
554,059	3,687,403	1:30	3,133,345	$ 0.17
3,515,712	6,341,000	1:45	2,825,288	$ 0.18
185,155	3,081,602	2:00	2,896,447	$ 0.26
(722,223)	3,060,692	2:15	3,782,915	$ 0.20
1,351,372	5,268,525	2:30	3,917,153	$ 0.23
308,452	4,574,686	2:45	4,266,234	$ 0.21
(516,809)	3,869,751	3:00	4,386,560	$ 0.21
2,852,857	7,583,763	3:15	4,730,906	$ 0.23
5,178,377	9,916,118	3:00	4,737,741	$ 0.25
2,225,194	8,146,834	3:45	5,921,640	$ 0.26
1,963,445	13,421,109	4:00	11,457,664	$ 0.30
1,033,373	6,309,161	Ave.	5,275,787	$ 0.23

Average/relative volume ran higher during most times today, with the exception of the morning session. After the breakout from 12:30 EST / 11:30 CST, volume ran higher in all 15-min time periods but two, leaving today 1 million shares above the average SPY volume of the last 25 trading days (confirming the bullish move)

Friday was a good Elliott Wave counting day (method) and so was today.

Review prior reports for discussions on the "Third of Third" concept and how it can help you sort out the rest of the day, creating opportunities on pullbacks.

Basically, when you see such a sharp impulse move (highlighted) and you can look backwards in the day and find a potential wave 1 and 2, then you immediately must suspect that we're in the heart (or midpoint) of a 3rd wave fractal, which means a 4th wave pullback is yet to come that you can buy (into support) to play for an expected 5th wave to unfold. That was trade #4, and trade #5 was an expectation that the 5th wave had completed, and that we're now moving into an "ABC" corrective phase.

The best way to interpret the next likely swing in price is to assume that we are in a compressing trading range that is now compressing even further, forming a symmetrical triangle.

If that is the case (it seems so) then we would expect the next day to take us down to the $119.50 level, giving you a short-sell bias if we break under $120.00 tomorrow morning.

Don't overcomplicate this - play with a triangle bias unless we break above $120.75 (trade long for a breakout, especially if buyers push beyond $121.00 - play to $122.00) or under $119.50 (play short to target $118.75 then $118.20), and short aggressively under $118.00.

This is the best way to interpret the current environment - simple trendlines.

There is a larger 'rectangle' range that has formed sloppily (not clean boundaries) from $121.25 as resistance and $118.75 as support. The short-term (last few days) pattern has formed a tighter symmetrical triangle compression pattern that looks like it has a couple more days to remain within the boundaries of the range. If so, tomorrow's trading opportunities may be very limited.

Otherwise, be prepared to play a breakout beyond the short (purple) or longer term (blue) trendlines.

The market remains trapped in a trading range between 1,215 and 1,180 as seen above, similar to what we saw from November/December 2009.

Notice that it is very tempting to call this a market top, but notice also the same negative momentum and volume divergence that comprised the late 2009 rectangle led to an upside breakout and rally 45 points higher. Be neutral while price is in a trading range and prepare to play the breakout of the range, which usually begins with popped stops in the direction that price breaks.

For now, those levels remain 1,180 as lower support and 1,215/1,220 as bearish resistance.