AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 07/14/10 L=109.70 0.04 0.04% O=109.31 Hi=110.08 Lo=108.86 C=109.65
1
2
3
4
110.00
109.90
109.80
109.70
109.67
109.60
109.50
109.40
109.30
109.20
109.10
109.00
108.90
0.0940
0.0595
0.0000
-0.1000
-0.2000
$TICK - 1 min NYSE 07/14/10 L=207 -635 -75.42% O=-4 Hi=1342 Lo=-1313 C=207
1,000
600
207
-200
-600
-1,000
7/14
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

Let's get right down to trades, because I spent more time than usual on tonight's "Forecasting Tomorrow" section - please pay very close attention to the analysis and add your own thoughts accordingly.

1. POPPED STOPS

Given that INTC's earnings sent the futures soaring overnight, it was strange to see them fall ahead of the open - but that was due to lower than expected Retail Sales numbers. Anyway, the market gapped down roughly 40 cents, giving us high odds of a gap fill. You could have taken that gap fill trade, though I did not label it.

Instead, I highlight the "Popped Stops" play when the market broke a semi-Cradle sell (rally into bearish EMAs) which meant that odds favored higher prices yet to come - and the "popping" of those stops of those who shorted from the morning, pre-market, or cradle set-up. That's exactly what happened, giving you an entry on the break above $109.60 to play for a retest of yesterday's highs at the $110.00 level - also exactly what happened. The stop would be under the $109.30 swing low.

2. DOJI, TRENDLINE BREAK, DIVERGENCES, $110 TARGET

We hit the $110 price again, forming a retest of yesterday's high in what later became an official double-top pattern. At that time, we had a crystal clear negative (5 and 1min) momentum divergence, and a big doji candle (5-min) at the upper Bollinger, and the break of the trendline at $109.90 gave you your entry with a stop above $110.05/10. The conservative target was a scalp back to the rising 20 EMA, though price broke that after a gentle rally off that level, which you could have exited with a profit. More aggressive traders would have held on for an "ABC" correction - exactly what happened - and play for a retest and exit at the 50 EMA at $109.70.

3. BEAR FLAG, SUPPORT BREAK

Price bounced off the 50 EMA and lower Bollinger, but not by much. Price broke the $109.60 support, triggering an aggressive breakout entry signal - given the bearish divergences and double top pattern that just formed that added to the bearish probabilities. If you played this breakout (breakdown), then you placed a stop above $109.85 and targeted either the $109.30 prior price low or a full retest of the intraday low at the $109.00 level - all of this was an aggressive play which rewarded those who held on.

As price tested the $109 level and intraday low, a nice dual divergence formed, giving you a potential entry on the trendline break.

4. DUAL DIVERGENCE, $109, TRENDLINE BREAK

There really wasn't a nice reversal candle on the 5-min chart, but look closely at the 1-min structure to see the positive TICK divergence and trendline break at the $109.10 area, triggering a nice entry long to play for the 20 or 50 EMA at the $109.30 or $109.45 area respectively - both of which were hit. Though price went higher, it wasn't safe to continue holding long after the shooting star at the upper Bollinger at 3:30 if by chance you remained long in this trade.

Using the ideal grid above, roughly $1.20 was possible in today's session.

More movement, more opportunity, not as much randomness.

As we go further into Options Expiration week - as in Thursday and Friday - expect volume to increase along with volatility AND random moves as portfolios balance out their positions ahead of the expiration's close.

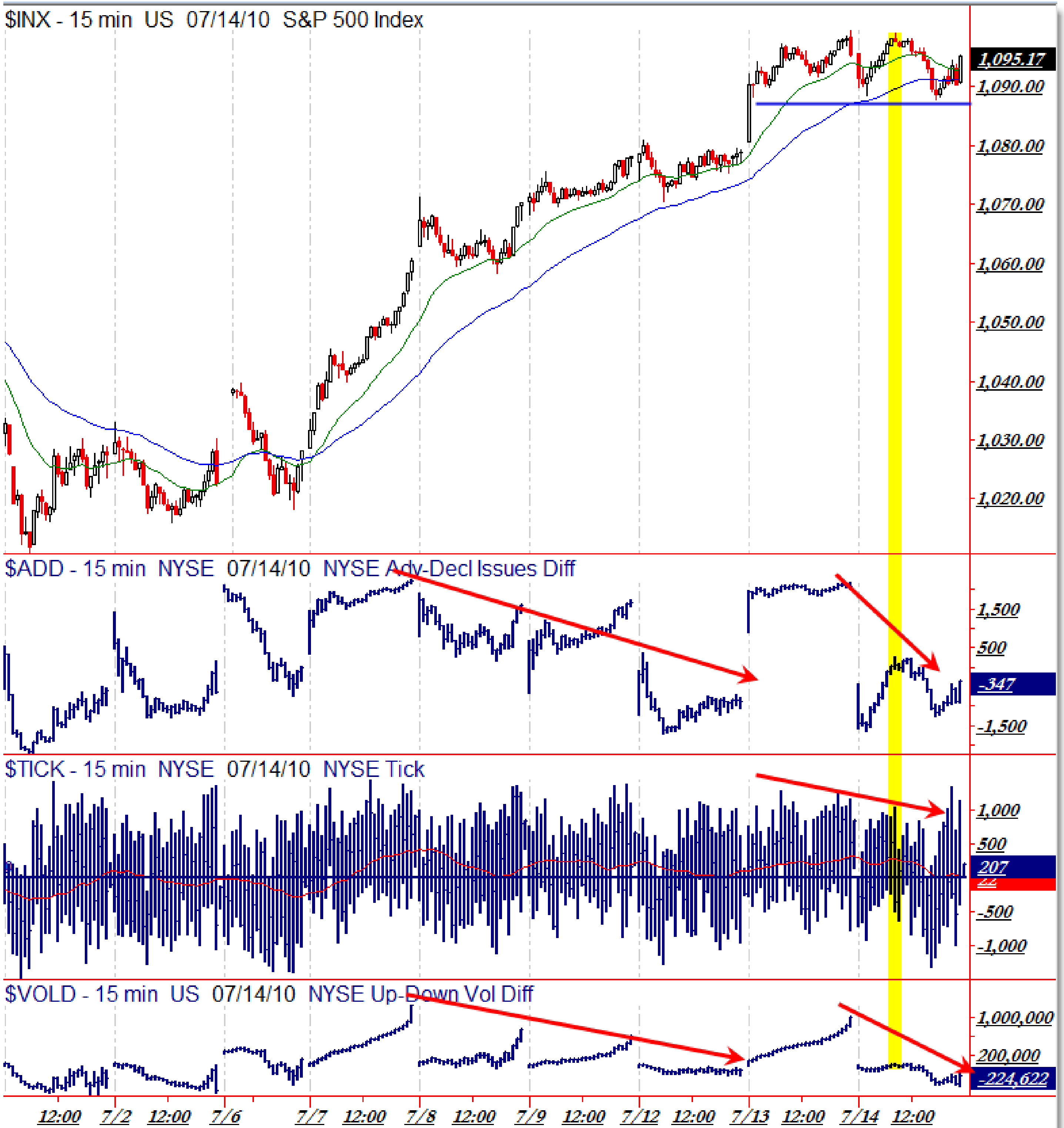
SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	CST	15-min VOLUME	RANGE
(817,795)	13,010,157	8:45	13,827,952	0.50
(3,121,282)	7,481,790	9:00	10,603,072	0.50
(4,495,744)	7,577,502	9:15	12,073,246	0.41
(893,158)	6,960,416	9:30	7,853,574	0.31
(2,640,650)	5,661,573	9:45	8,302,223	0.32
(1,943,629)	5,578,863	10:00	7,522,492	0.31
(1,582,283)	5,936,142	10:15	7,518,425	0.33
(1,180,904)	5,078,937	10:30	6,259,841	0.25
(3,094,245)	3,137,267	10:45	6,231,512	0.25
(440,990)	4,954,783	11:00	5,395,773	0.25
(98,309)	4,510,410	11:15	4,608,719	0.34
(1,939,094)	1,829,471	11:30	3,768,565	0.26
(2,750,686)	1,656,334	11:45	4,407,020	0.27
(1,540,775)	3,158,024	12:00	4,698,799	0.27
(1,262,173)	2,799,026	12:15	4,061,199	0.30
(2,832,027)	1,803,272	12:30	4,635,299	0.32
(1,853,410)	2,170,943	12:45	4,024,353	0.34
1,735,918	6,560,267	1:00	4,824,349	0.31
4,491,508	10,271,759	1:15	5,780,251	0.32
3,335,228	9,710,266	1:30	6,375,038	0.32
840,300	6,275,523	1:45	5,435,224	0.31
(773,618)	4,912,574	2:00	5,686,192	0.39
(1,384,862)	5,150,018	2:15	6,534,880	0.43
(300,958)	7,685,366	2:30	7,986,324	0.49
(2,912,649)	8,161,776	2:45	11,074,425	
(3,171,155)	18,938,255	3:00	22,109,410	
(1,177,978.52)	**6,191,181.31**	**Ave.**	**7,369,159.83**	**0.34**

Notice the change/update: I finally converted the times in the Excel spreadsheet to CENTRAL STANDARD TIME (Chicago time) so that you can compare the volume readings to the TradeStation charts above easier.

What does the Relative Volume indicator tell us? The market did NOT confirm the morning rally (after the gap down), and when the market peaked at 11:00am, volume was still lower in the SPY than the 10 day average.

The market paused and then began to sell-off sharply from 12:30 to 1:30 CST - and notice that volume OUTPERFORMED the 10-day average. That is a CONFIRMATION of the lower prices and a bearish indication. During the rally higher into the close, volume was lower than the 10-day average - a NON-CONFIRMATION of the Rally.

The signal is the same - Volume is NOT confirming this rally, which officially classifies the whole rally STILL as a “Bear Market Rally” and suggests the price could turn lower at any point in time.



SP500 breadth suffered another massive market internal divergence today, though technically we formed a Double Top price pattern in the intraday charts. What's most striking is that - with the exception of Breadth that missed making a new low by about 60 stocks - TICK and VOLD made new lows NOT seen since the July 6th bottom - look closely. That is a **Wyckoff Sign of Weakness** (in the purest sense) and suggests lower prices - reversal - are yet to come... but the signal to short has STILL NOT been given yet - that would occur on the break under 1,090, preferably under 1,080 or the congestion at 1,075. If we're under 1,070, then odds are overwhelming that we see a test of 1,020.

NASDAQ-Specific Breadth - notice the Breadth is now NASDAQ Breadth ($ADQD), Tick is NASDAQ TICK ($TIKQ) and Volume Difference of Breadth is NASDAQ $VOLDQD.

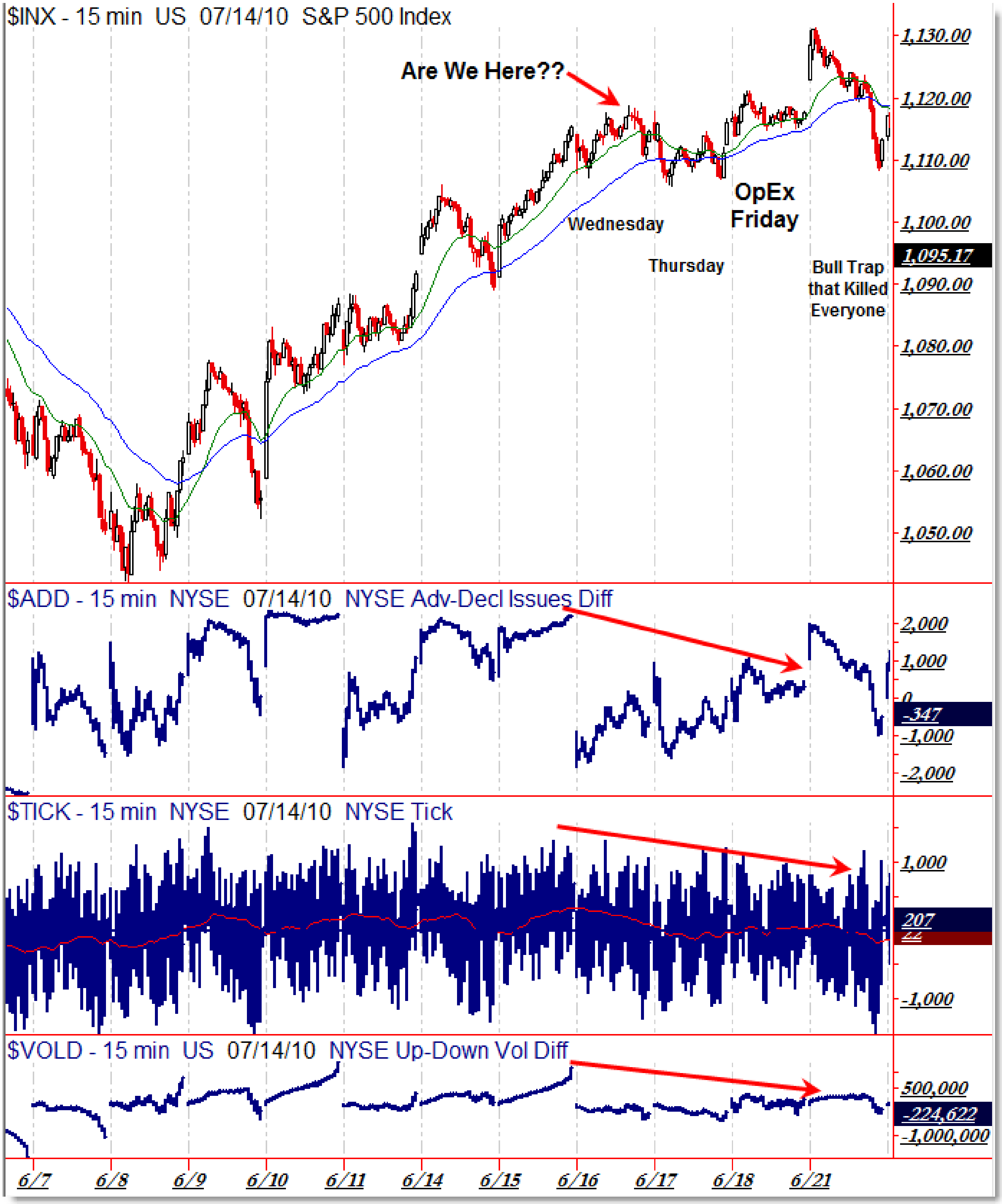
The negative internals divergences are crystal clear, and perhaps most evident in the NASDAQ. Unlike the Dow and S&P 500, the NASDAQ made a very clear new recovery high today at 2,260, while the Dow and S&P 500 formed Double Tops.

For a signal, WAIT for the index to break cleanly a rising trendline and under 2,240 or 2,220 to be safe. While a reversal is certainly not guaranteed - they can hold the market up - the risk of being long increases the further it stretches.

Unfortunately, we find ourselves again in another situation where "they" appear to be holding up the market despite negative divergences. I mentioned that last week, all was going along naturally, but further upside movement would be unusual. We are now in the "unusual" and that means risk for both bulls and bears is higher across the board, whether they know it or not. Times like this tend to unwind very disastrously for both sides - bulls and especially new traders who enthusiastically buy just because the market has been rising for 10 days in a row (they don't realize prices can go down 10 days in a row after going up 10 days in a row) get burned in the selloff, BUT bears also get burned by shorting when they should be shorting, but then stopping out soon after as the bulls "Pop the stops" of the bears (drive the price higher into the pocket of stop-losses, causing the market to spike higher BECAUSE of the bears). This is an extremely common situation and it happened all throughout 2009, March/April 2010, and recently into June's OpEx rally (go back and look how that set-up and unfolded). There's no magic to this - the market is overextended, negative divergences undercut the price, the index is moving into massive overhead resistance, but if "they" keep driving the market higher along with eager (dumb) buyers who buy because someone on TV said the economy is recovering (yes, people do react to what the TV people say), then the market will continue higher despite these professional warning signals (divergences).

The best thing to do is take the price action day-by-day, using day trading/very short-term strategies to limit risk and maximize opportunity, particularly playing the short-squeezes to the upside (popped stops when price jumps to a new high - in this case, above $110) and remove all swing trading positions unless you are a seasoned professional who is ok taking a stop if the market breaks higher above $111, $112, and $113 which could happen.

I don't need to keep repeating the technical structure is weak - negative volume divergences, multi-timeframe negative momentum divergences, and negative market internal divergences. I'm sounding the alarm bells now - and advocating you study the period last June when the structure was almost identical... in fact, I'll post those charts now.



Look VERY closely. The rally from mid-July has almost the EXACT SAME STRUCTURE as the one we're seeing now. Despite the fact that it looked like the market peaked where I labeled the "Are We Here?" text (June 16/17), the market in fact was pushed higher (manipulated?) and then as if that wasn't enough, gave a "Finger" to traders/Bull trap to further frustrate them/pop out stops... and then the market fell to 1,010 with (almost) 10 days in a row. There were some people who bought at the 1,130 level and sold at the 1,010 level. This is the reality of the market - there are smart things to do and dumb things to do. While a market can keep going higher despite all sorts of warning signs, non-confirmations, negative divergences, etc, it is a VERY dumb thing to do to buy that market because it could collapse at ANY point in time. This happened through March/April 2010 then collapsed to new lows, and then on a smaller frame, happened from June - as we see here - and then collapsed 120 points in 10 days. You NEVER know when a market will put in a final top, but you DO know beyond a shadow of a doubt that the risk is high right here to be long... but due to the way the market works ("Rally at Any Cost"), it's also risky to be short. The opportunity - and how to play this - comes from the confirmed downside break of support - in June it was 1,110 and now it is 1,090 - that lets everyone know that a downward move is upon us, bulls take profits, and bears step in to short, creating a vicious positive feedback loop of falling prices to the downside.

No change - the 1,100 level holds as expected 'token' resistance, and on any rally higher in the next few days, 1,110 holds as quadruple confluence resistance (Gann at 1,110, Fibonacci at 1,115, 200d SMA at 1,112, and prior price high at 1,110). **BE EXTREMELY CAREFUL!** These overextended markets are no jokes.