AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 07/19/10 L=106.43 -0.23 -0.22% O=107.05 Hi=107.63 Lo=106.22 C=107.29
1
2
3
4
5
107.60
107.40
107.32
107.20
107.00
106.80
106.60
106.40
0.2000
0.1000
0.0733
0.0340
0.0000
-0.1000
$TICK - 1 min NYSE 07/19/10 L=644 1165 -223.61% O=11 Hi=1199 Lo=-1156 C=644
800
644
400
311
0
-400
-800
7/19
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

As an intraday trader, it's important to understand how the "Range Alternation" Principle affects intraday expectations - specifically, after a big Type III Range Day, odds favor a consolidation day the next day, unless some big shift is occurring on the daily chart, such as was the case during the heart of the bear market in September/October 2008. So, today's Range Day trading session was entirely expected after Friday's Type III sell-off day. The market has to "digest" the prior losses in a range - Type III Trend Days are rare - two Type III Trend days in a row are even more rare. That should have been a leading thought when you began trading today - especially since the market closed the moderate-sized gap within the first hour.

1. FADE TRADE, GAP FADE, TRENDLINE BREAK, UPPER BOLLINGER, SPINNING TOP

Price pushed up into the higher Bollinger Band, formed a spinning top then bearish engulfing candle then broke the rising trendline which also corresponded with a 50 period EMA break at the $107.20 price, triggering your short-sale to play for a minimum retest of Friday's close at $106.60. Price ultimately fell to the lower Bollinger Band in a 5-wave downward sequence, though the best exit was on the trendline break and candle break off the swing low.

2. TRENDLINE BREAK, 5-WAVE FRACTAL, SPINNING TOP, BULLISH ENGULFING, DUAL DIVERGENCE (1-MIN)

Look closely to see the 5-wave structure that ended with a clear positive TICK and momentum divergence just above the lower Bollinger Band at the $106.30 level - as a spinning top then bullish Engulfing candle formed. The official entry - and exit from the prior short-trade if you still held aggressively short - was the break above the spinning top high at $106.40 or engulfing high at $106.50 which also broke the declining trendline. Enter at the $106.40 or 50 level, place a stop under the intraday swing low from the positive divergences, and then play for a retest of the upper Bollinger or 50 period EMA - both of which were hit, though I would suggest exiting as a bearish engulfing candle formed at the failure for bulls to push through the 50 EMA at $106.90 just shy of the $107.00 'round number' resistance price.

Look closely to see a Wyckoff Sign of Strength on the 10:00am candle under the 20 EMA - this should have prevented you - or at least made you think twice - about shorting at the 50 EMA, and should have left you sidelined to see what happened here. As it was, a trading range developed, and your next trade was a breakout entry from that range at 11:30am.

3. RANGE BREAKOUT, WYCKOFF SIGN OF STRENGTH

The Wyckoff Sign of Strength argued that higher prices were likely yet to come, and we actually got a second Wyckoff (new TICK high) at 11:00am on the second swing into the 50 EMA. This clued you in to expect a potential bullish resolution to the range, which developed boundaries at $106.90 and $106.60. The price break above the $107.00 level, 50 period EMA, and horizontal trendline all at $106.90 was your high probability, low risk (stop under $106.80 or $106.60 depending on your risk tolerance) entry to play for a bullish price break.

Unfortunately, the price break did not surge into a major Popped Stops positive feedback loop, but price formed an evening star pattern, and bearish doji candle outside the upper Bollinger Band at $107.20 - then broke a rising trendline at $107.00 - this is where good trade management came in to lock in a smaller than expected profit, and protect a profit from becoming a loss, though you should have exited with a scratch or loss as price broke under the 20/50 EMA confluence at $106.90.

4. BOLLINGER DOJI FADE

I show trade #4 occurring either at 12:00 noon, shorting the doji at the upper Bollinger, or at 1:00pm, buying the break above the doji high off the lower Bollinger - the logic is the same. On a range day, ignore moving averages and look to the Bollinger Bands - particularly when reversal candles form at the extremes - for trade entries, placing your stop beyond the candle spike and targeting a play to the opposing Bollinger Band. There isn't much to discuss from these classic, no frills set-ups.

5. TRIANGLE BREAK, RANGE BREAK, POPPED STOPS

I posted on the blog about the symmetrical triangle forming in price, in conjunction with the positive divergences in market internals to argue for a potential upside break yet to come - which triggered just before 2:00 CST on a break above the noon high of $107.20 - intraday bears had their stops above $107.20 (or should have) so any upside break into that "pocket" of stops was expected to trigger a potential breakout move - which happened. You could have entered on the break of $107.20 and played for a breakout play, or targeted the morning high of $107.40 which was hit and exceeded. The best exit was as price formed dual negative TICK/momentum divergences and broke the rising trendline along with a spinning top candle low (at the upper Bollinger) at $107.50. For all the work, range days are still inefficient as your targets are smaller than what you can expect on normal or trend days.

During today's range day, roughly $1.50 was possible, though through many small-target trades.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	CST	15-min VOLUME	RANGE
(3,544,460)	9,991,363	8:45	13,535,823	0.54
(2,706,702)	8,795,382	9:00	11,502,084	0.54
(2,124,367)	11,034,188	9:15	13,158,555	0.44
849,658	9,670,183	9:30	8,820,525	0.34
(502,762)	7,855,097	9:45	8,357,859	0.32
(819,942)	6,846,155	10:00	7,666,097	0.30
(539,351)	6,397,301	10:15	6,936,652	0.30
(1,263,256)	4,888,613	10:30	6,151,869	0.27
(1,135,749)	4,544,296	10:45	5,680,045	0.26
(2,488,772)	2,587,026	11:00	5,075,798	0.28
(341,658)	4,488,735	11:15	4,830,393	0.28
(980,641)	3,184,432	11:30	4,165,073	0.27
(875,092)	2,970,954	11:45	3,846,046	0.27
192,139	4,253,818	12:00	4,061,679	0.27
(2,309,046)	1,815,907	12:15	4,124,953	0.31
(1,053,677)	3,376,472	12:30	4,430,149	0.30
(2,210,660)	2,409,339	12:45	4,619,999	0.32
(2,557,781)	2,125,162	1:00	4,682,943	0.29
(2,138,858)	3,244,416	1:15	5,383,274	0.36
(2,530,838)	3,450,800	1:30	5,981,638	0.32
(2,170,145)	3,969,320	1:45	6,139,465	0.37
1,163,989	8,035,914	2:00	6,871,925	0.44
923,359	8,973,234	2:15	8,049,875	0.48
(2,856,459)	7,219,227	2:30	10,075,686	0.47
(2,163,581)	9,647,707	2:45	11,811,288	
(5,956,844)	17,227,552	3:00	23,184,396	
(1,543,903.70)	**6,115,484.35**	**Ave.**	**7,659,388.04**	**0.35**

For those of you who follow the Relative SPY Volume analysis charts - I believe them to be very helpful personally - you'll realize that the signals and 'hints' from this analysis have been not only consistent, but accurate in interpretation.

We rallied higher today, but did so on lower relative volume in almost all 15-min time periods to end the day down 1.5 million shares from the 10-day average. I cannot underscore how bearish that signal is - Price UP, volume (relative) DOWN = bearish non-confirmation.

The signal is that we should continue to expect lower prices - from a price/volume standpoint.

Carrying forward that thought, look closely to see volume FALLING as price rallies and RISING as price falls - this is your classic, Dow Theory style 'bear market' expectation where "volume leads price," such that rising volume in a particular price direction is a CONFIRMATION of that direction while falling volume in a particular direction is a NON-CONFIRMATION of that price move.

Still, we bounced off the $106.50 level (200 SMA and the area between the 38.2% and 50% Fibonacci retracement, so watch that as support, BUT we failed to overcome the upper Bollinger Band and the 50 period EMA here - so we can expect $107.50 to hold as potential support, and if not there, then $108.00. Be prepared to short a move under $107, and especially ANY move under $106 which would break to a new swing low and argue for further continuation of the likely downward phase (swing) in price that has begun.

In short-term Elliott Wave notation, it is possible that we just ended (or are close to ending) fractal wave 2 up into confluence resistance at the $108 level - notice that ALL EMAs rest between $107 and $108 on the 60-min chart. That's not to say that bulls cannot break above $108, but that it will do so firmly against the odds as the charts reveal.

If buyers cannot push above $108, then expect further downside price action, and if sellers push under $106, then that will officially confirm the down-leg in place that should eventually take us lower to the $101 level again.

As expected - and almost like clock-work - price failed to overcome the massive confluence resistance at the 1,100/1,110 level, and now we are in a new impulse swing leg lower that began Friday. Price resisted against the 20 day EMA at 1,075 (today's high was 1,074.70) so look for that to continue to be resistance. Any move under 1,060 greatly increases the odds for a continuation move - similar perhaps to the move from June to the July low - down to target 1,010 or even lower. The arrow is the likely path as suggested by the probabilities as they exist right now, though ANY move above 1,100 eliminates these odds and argues for a Popped Stops play - as many bears/short sellers will be busted out of their short positions on an unexpected move above 1,100. Barring that, expect a return to 1,010.