AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 07/02/10 L=101.99 -0.77 -0.75% O=103.11 Hi=103.42 Lo=101.62 C=102.20
103.40
103.20
103.00
102.80
102.60
102.40
102.24
102.00
101.80
1
2
3
4
0.2000
0.1000
0.0000
-0.0546
-0.1000
-0.2000
-0.2753
$TICK - 1 min NYSE 07/02/10 L=-129 -26 25.24% O=1 Hi=1372 Lo=-1271 C=-129
1,000
600
172
-129
-600
-1,000
7/2
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

Today was a Friday before a 3-day holiday, so volume was light but trading wasn't very abnormal. There were actually very good opportunities for those who stuck around to trade them.

1. DESCENDING TRIANGLE BREAK

Price was within the confines of a short-term trading range into yesterday's close, and had support about the $102.40 level. The morning action resulted in a nice declining trendline to form a clean descending triangle patter, and sellers broke the support at $102.40 to trigger a breakout trade entry with stop above $102.60. The price projection target was for a down move of about 90 cents, which actually was achieved later at the absolute low of the session. I would have recommended exiting on the bounce off the $102 level, and then re-shorting the retracement set-up to the 20 EMA.

2. "ABC" RETRACEMENT TO 20 EMA WITH DOJI

This was a classic impulse sell/retracement set-up, and you could have called it a 4th wave rally into EMA resistance. Price formed a doji at the $102.20 area, and the break under the doji low or rising trendline shortly after was your entry under $102.20 if you did not aggressively short at the doji high at $102.35. Either way, you placed a stop above $102.40 to target a new swing low, and once that low arrived, the market telegraphed in no uncertain terms that a reversal up was likely - giving you perhaps the best trade of the session - though not for the faint of heart.

3. BULLISH ENGULFING, LOWER BOLLINGER, POSITIVE DUAL MULTI-TIME FRAME DIVERGENCE, TRENDLINE BREAK, 5-WAVE FRACTAL, ETC

I'm sure you could have found more to set-up a trade there but that's certainly enough! You often only need at least two factors to put on a trade. We had a clean 5-wave fractal move down from the opening, probably the most crystal clear positive TICK and momentum divergence on the absolute low, a bullish engulfing candle at the lower Bollinger Band, and a break above the 20 EMA and declining trendline. I hope you took this trade if you traded today!

The logical exit if you played it safe was the doji candle that hit the upper Bollinger and 50 EMA at $102.20, but if you are more aggressive/confident in the structure, you could have held on for an "ABC" rally up or at least a potential break above the 50 EMA to play for a reversal instead of a simple retracement. Either way, the final trade was clear as well.

4. 50 EMA BREAK, POPPED STOPS

Not much to this one - because of the bearish sentiment out there, any positive action intraday is likely to lead to the scared bears (weak hands) rushing for the exits. The price break above the 50 EMA at $102.20 then break above two swing highs at $102.30 gave you an entry to play popped stops. If you didn't exit on the reversal candle at $102.50 (remember - despite how weird it feels - it often pays off to hold on longer during clear popped stops plays), then you certainly should have exited just before the close on the shooting star reversal candle - if not, the last 5 minutes were killer! This is what happens in the final 30 min of a session - particularly a Friday before a 3-day weekend - rampant and sometimes random volatility!

Notice also the Wyckoff Sign of Strength that occurred at 1:00 CST, hinting odds favoring a reversal.

Using the ideal grid - roughly $1.35 was possible in today's session - though certainly more if you played more aggressively.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
52,407.70	14,248,623	9:45	14,196,215.30	0.55
(628,118.30)	12,249,922	10:00	12,878,040.30	0.55
(2,674,882.60)	12,332,611	10:15	15,007,493.60	0.47
(3,307,902.00)	6,289,525	10:30	9,597,427.00	0.40
(3,727,731.40)	6,506,680	10:45	10,234,411.40	0.35
(4,058,062.50)	5,177,848	11:00	9,235,910.50	0.34
(1,488,555.60)	6,158,606	11:15	7,647,161.60	0.33
(1,144,845.20)	5,980,351	11:30	7,125,196.20	0.31
2,761,547.60	9,277,896	11:45	6,516,348.40	0.28
49,853.70	5,752,623	12:00	5,702,769.30	0.28
(987,467.40)	4,388,051	12:15	5,375,518.40	0.32
(24,982.20)	4,424,410	12:30	4,449,392.20	0.29
(2,387,803.30)	2,452,617	12:45	4,840,420.30	0.32
(1,366,281.80)	3,127,551	1:00	4,493,832.80	0.29
2,781,213.00	7,392,209	1:15	4,610,996.00	0.38
(450,381.70)	3,977,385	1:30	4,427,766.70	0.31
(1,816,545.80)	3,981,237	1:45	5,797,782.80	0.32
(944,951.00)	3,802,551	2:00	4,747,502.00	0.32
(2,322,232.60)	3,357,448	2:15	5,679,680.60	0.42
(3,623,108.50)	3,187,345	2:30	6,810,453.50	0.38
(3,740,945.90)	3,837,045	2:45	7,577,990.90	0.41
(5,291,445.00)	3,354,016	3:00	8,645,461.00	0.51
(3,844,417.00)	5,341,130	3:15	9,185,547.00	0.59
(6,410,120.20)	5,306,279	3:30	11,716,399.20	0.58
(5,496,161.20)	7,438,862	3:45	12,935,023.20	
(6,017,843.00)	18,820,241	4:00	24,838,084.00	
(2,158,067.78)	**6,467,810.08**	**Ave.**	**8,625,877.85**	**0.39**

No surprise - the Friday before a 3-day weekend has low volume!

Thus, it's almost pointless to interpret the graph above.

We could easily see a bounce begin from here - we see the first higher swing low at the $101.50 area and a positive momentum divergence on all intraday frames - hinting for a reversal up.

Look to the bullish side above $103 and especially above $103.50.

Look for the bullish move to accelerate if we rise above $104 - yes we can still rise above $104 and still remain in a bear/down trend. To get back in an uptrend officially, we'll have to cross back above the EMAs on the daily chart and form a series of higher highs/higher lows. There are intermediate rallies in the context of a primary downtrend.

Short term, look to target the underside of $104 on any break above $103.

For those of you who are new traders and don't understand the concept of multi-swing negative divergences and prices that keep rising "no matter what" (I'm prone to call it manipulation, but it's really just bulls pushing price higher despite massive non-confirmations), save this chart and put it on your wall. Price was supported artificially to peak at $113, but once the bullish force stopped supporting price, the price collapsed. Yes - a move from $113 to $101 is a collapse in market terms. It was forecast well-in advance due to the gross non-confirmations (negative divergences) in breadth, TICK, internals, momentum, and volume on the $113 peak.

That aside - as mentioned earlier, we had a downside target of the $100 area and it was hit - now price is bouncing off that support zone. We don't think it will be THE bottom, but as short term traders, we take action day by day, and if the market is going to bounce here, we want to trade it as far as the bounce will go. The bounce will be confirmed with a break above $103 but it's likely to hit resistance at $104... if above $104, we could see a vicious bear trap (popped stops) take us back to $108, but that would be the lower probability scenario given the data we have now - may change though

The "IF/THEN" statement was "IF under 1,040, THEN target 1,000" but 1,000 was just an arbitrary number. In truth, the number should have been more precise to the 1,010 target, which was two Fibonacci confluences (as shown on the blog) and the Gann Squares number target of 1,012 (which we targeted when 1,044 was broken). We are likely to get a bounce from the triple confluence at 1,010, so that will be our expected play for now.

However, to be objective, any move next week under 1,010 then under 1,000 will almost certainly be met with a positive feedback loop (more selling as bears short and bulls panic sell) that will take us viciously down lower.

I know the thinking is "Well, we've been down 8 of the last 9 days, so we HAVE to bounce next week."

Wrong. ODDS FAVOR a bounce next week, but as the time period of September/October 2009 told us, the market DOES NOT have to bounce after a harsh sell-off. It's ok to expect a bounce and trade one if it occurs - it probably will - but DO NOT continue holding stubbornly long anticipating a bounce if price ticks under 1,010 then 1,000 - you'll regret it.

This is why I continue to call 1,040 the "Line in the Sand" between bulls and bears.

Under 1,040, there is nothing - save 1,010/1,000 - to support price in the birth of a new downtrend. It implies that the move higher from March 2009 peaked at 1,220 (logically) and we are now beginning a new bear phase.

Don't get too carried away by futuristic price projections if you're an intraday trader, but just realize that - from a bigger picture - this is as close to absolute confirmation that a new bear market has begun as you can get. We're not guaranteed to plunge from here - it could be a big bear trap like July 2009 - but objectively/unbiased analysis from a price purism perspective shows this to be the official start of a new bear market - and that remains the expectation as long as we remain under the 1,050 level. Only a move back above 1,150 - 100 points higher - will call the new bear market expectation in doubt .