AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 07/08/10 L=107.24 1.13 1.07% O=107.00 Hi=107.28 Lo=105.91 C=107.23
1
2
3
107.20
107.15
107.10
107.00
106.90
106.80
106.70
106.60
106.50
106.40
106.30
106.20
106.10
106.00
0.1047
0.0232
-0.1000
$TICK - 1 min NYSE 07/08/10 L=838 -64 -7.10% O=4 Hi=1364 Lo=-1112 C=838
1,200
838
431
0
-400
-800
7/8
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

According to the Range Alternation Principle, range contraction follows range expansion and vice versa. Yesterday's sharp Type III range expansion trend day gave way to today's frustrating range day trading session. This is why it is so important to segment your days in terms of "Day Structure" and trade accordingly, being more aggressive during trend days (efficient) and less aggressive during range days (inefficient). I often see traders trade very frequently on Range Days and wind up with very little profit for their effort - there's no point in that. We take what opportunities the market gives us, and during range days - especially consolidation phases that come after sharp trend days - opportunities are much less available than during normal or trend days. That is why there were fewer ideal trades today, and numerous traps that some traders fell victim to.

1. TRENDLINE BREAK, $107 RESISTANCE, SPINNING TOP CANDLE

I mentioned in last night's report that we expected the SPY to trade up to the $107 to $108 level, with $107 being the initial boundary price. That's exactly what happened today - price gapped up to our expected target and immediately fell lower, locking it as short-term resistance. You could have shorted the push up to $107, but that was very risky. The safer trade was to short as price broke the rising trendline and spinning top candle low on the SECOND retest into the $107 level at 9:30am. The stop was above $107, entry near $106.80, and minimum target the 20 EMA at the $106.60 level, though a more appropriate target might have been a gap fill ... which occurred later. At 10:00am, price tested the lower Bollinger Band at $102.30, formed a bullish hammer candle, and broke the high of the candle and the trendline - this was your exit, though price did ultimately hit the gap fade target.

2. TRENDLINE BREAK, POSITIVE MOMENTUM DIVERGENCE, ELLIOTT FRACTAL

While you could have gotten long on the test of the $106 level, it was safer to wait for a trendline break at 11:30am at the $106.40 level. Notice the 5-wave Elliott fractal that moved us to the $106 low from the morning's high. Unfortunately, this did not create the sudden burst higher as expected, and price retraced once more to the rising 50 EMA, though your stop should have been located under the 50 EMA so you should have been safe unless you used a tight stop under the 20 EMA - tight stops degrade edge.

A good exit for this trade was the retest of the upper Bollinger Band, but especially the Evening Star / spinning top doji candle that closed fully outside the upper Bollinger at 12:15pm. This occurred at the $106.60 level - and notice the new TICK high that formed a Wyckoff Sign of Strength at this time, leading you to believe we could have a rounded reversal structure forming. Unfortunately, price gave a bear trap - just as the doji breakout was a bull trap. These things can happen on range days and frustrate all kinds of traders.

Price turned immediately lower to form new TICK lows, which negated the Wyckoff Sign of Strength ... but not so fast! The afternoon session led to a highly unexpected and improbable bullish breakout that led - predictably once it broke above the $106.60 swing high - to a round of Popped Stops into the close. If you traded during the 12:00 to 2:30 period, you almost certainly were stopped out and frustrated - such is the inefficiency of range days and the sometimes random price swings - called "Backing and Filling" that occur as price consolidates or "works off" yesterday's range expansion.

3. POPPED STOPS

It was fine if you did not take this trade, but as soon as price broke the noon swing high at $106.70, it triggered the classic Popped Stops play to target either $107 or the morning high - and price fell just shy of testing the morning high into the close. Popped Stops takes advantage of a Positive Feedback loop where bears cover (buy) and bulls buy breakouts - and are aggressive trades that do not have clean entries, stops, or targets - and may be best avoided by new traders.

Trade less on range days or consolidation days. Even the opportunities shown above weren't that profitable, and these are the some of the highest probability set-ups with the benefit of hindsight. As such, roughly 80 cents was possible in today's choppy range-bound action.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
3,368,708.30	17,436,180	9:45	14,067,471.70	0.54
(1,417,054.70)	11,400,454	10:00	12,817,508.70	0.54
(3,927,316.40)	10,919,367	10:15	14,846,683.40	0.49
(3,046,741.80)	6,469,678	10:30	9,516,419.80	0.40
(3,602,446.80)	6,300,832	10:45	9,903,278.80	0.35
(2,667,348.50)	6,898,929	11:00	9,566,277.50	0.36
1,118,555.10	9,758,852	11:15	8,640,296.90	0.34
(1,937,847.30)	5,852,913	11:30	7,790,760.30	0.29
(2,455,794.10)	4,355,622	11:45	6,811,416.10	0.28
551,017.10	6,331,234	12:00	5,780,216.90	0.30
(269,024.70)	5,310,795	12:15	5,579,819.70	0.35
(1,405,824.50)	3,501,414	12:30	4,907,238.50	0.31
(2,449,652.70)	2,532,866	12:45	4,982,518.70	0.34
(576,382.70)	4,518,982	1:00	5,095,364.70	0.32
(1,968,322.00)	2,709,167	1:15	4,677,489.00	0.34
87,074.20	5,553,666	1:30	5,466,591.80	0.33
(3,030,985.80)	2,594,784	1:45	5,625,769.80	0.35
(2,087,607.50)	3,065,977	2:00	5,153,584.50	0.30
(1,855,421.10)	3,935,586	2:15	5,791,007.10	0.36
1,516,116.50	7,632,369	2:30	6,116,252.50	0.36
(1,497,286.80)	4,619,536	2:45	6,116,822.80	0.37
(2,592,827.10)	4,103,814	3:00	6,696,641.10	0.48
(1,125,780.00)	6,553,569	3:15	7,679,349.00	0.47
(4,113,664.40)	6,644,295	3:30	10,757,959.40	0.58
(697,696.90)	12,388,970	3:45	13,086,666.90	
(5,767,990.50)	20,518,084	4:00	26,286,074.50	
(1,609,674.81)	6,996,459.04	Ave.	8,606,133.85	0.38

I have to be objective in the signals from the relative volume grid above, and the main signal is that volume was lower relative to the respective time period almost all day long. Given today's structure and bullish close, this is a NON-confirmation of the rally in price and suggests that volume is NOT confirming the swing higher in prices.

That means that this is a bearish non-confirmation which suggests that this rally is part of a bear market upswing which will end at some point soon.

I mentioned yesterday that we can expect a push up to the $107/$108 area, and so far we got that push off the open and into the close - so we tested the underside of the expected short-term target. Further upside action tomorrow - and a push still above $107 - easily raises the target to $108. Notice the negative volume divergence, though the 3/10 Oscillator confirmed this morning's gap, which suggests that higher prices are likely yet to come in a continuation of the 5th fractal wave as drawn.

Price closed today EXACTLY at the 50% Fibonacci retracement at $107.16, so we need to keep that in mind.

Any push above the 50% retracement raises the probability that we'll see a retest of the 61.8% level at $108.60, which forms a confluence with prior price highs and raises a more sophisticated target to that level - $108.60 (instead of just saying "$108").

Momentum also made a new high here, so the suggestion it gives is that higher prices **still** are yet to come.

The daily chart gives us the ultimate picture of what's likely to happen.

We see that the 38.2% Fibonacci retracement is at 1,090, which soon will intersect with the falling 50 day EMA at this level, giving us our first MAJOR hurdle for buyers to overcome - and for a potential target to play for intraday.

In the event that buyers push this retracement swing beyond the aforementioned targets, then a second VERY powerful resistance cluster exists back at 1,110 which is the 50% retracement, 200 day SMA (now flat), and prior price highs.

The two upside targets become simply 1,090 then 1,110 - either of which can stop this rally if we see negative divergences on the intraday charts. For now, it looks like odds favor a test at least of the 1,080 and even perhaps 1,090 level.

A move above 1,130 will place us within a broadening formation.