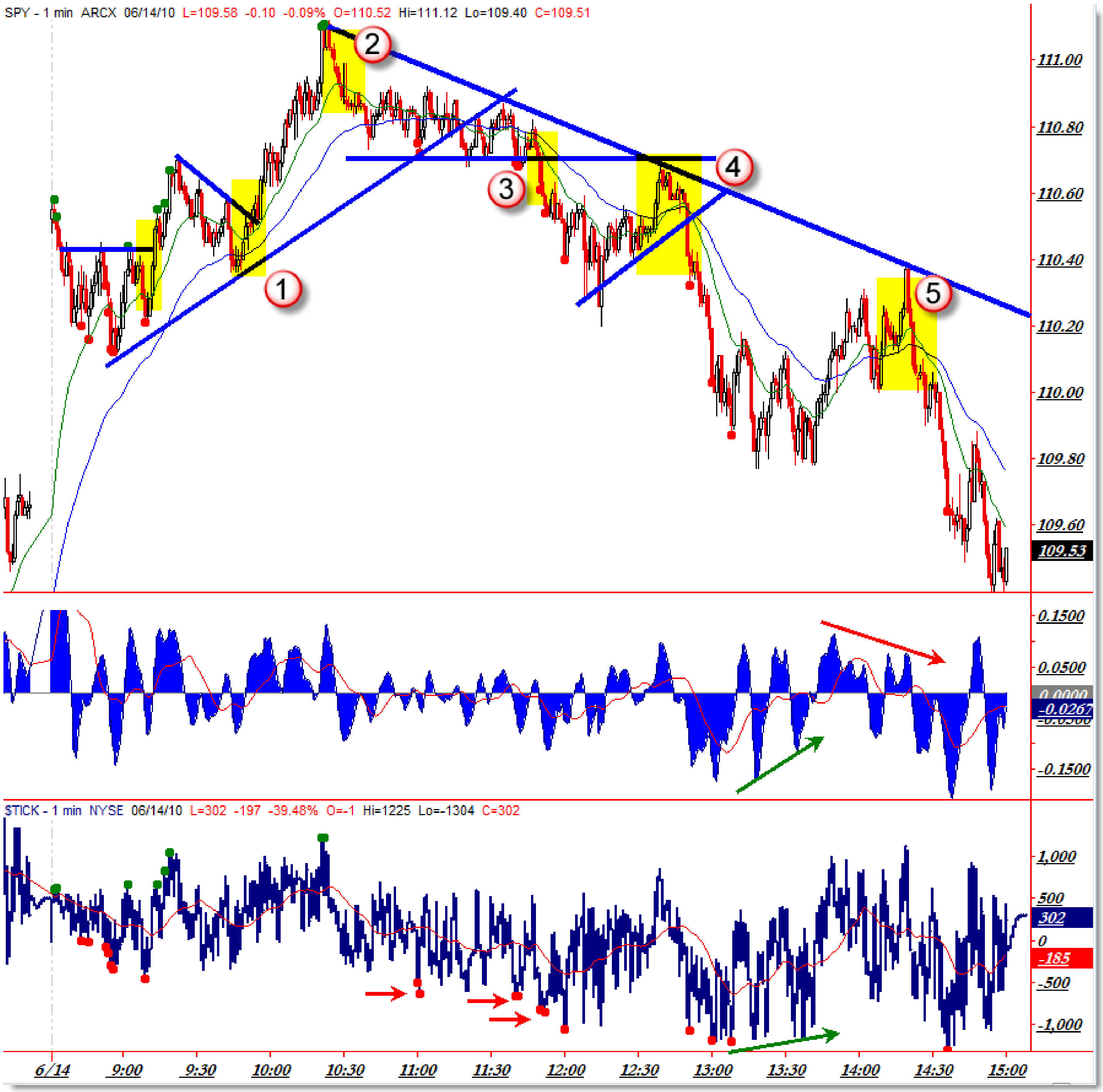
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 06/14/10 L=109.58 -0.10 -0.09% O=110.52 Hi=111.12 Lo=109.40 C=109.51
1
2
3
4
5
111.00
110.80
110.60
110.40
110.20
110.00
109.80
109.60
109.53
0.1500
0.0500
0.0000
-0.0267
-0.1500
$TICK - 1 min NYSE 06/14/10 L=302 -197 -39.48% O=-1 Hi=1225 Lo=-1304 C=302
1,000
500
302
0
-185
-500
-1,000
6/14
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

Today marks an extraordinary important turning point in the market - either we continue in this trading range (in which case we'll see 1,040 again) or we breakout... and the odds shifted strongly to the bears by the end of the session as the trading range between 1,040 and 1,110 continues. Having a good understanding of the overhead expected resistance at 1,110 / 1,100 would have given you a distinct edge over those who did not see that higher timeframe level - it also offered a great low-risk swing trade position to target the lower support line... but we'll discuss that later.

1. BULL FLAG, POPPED STOPS

There's been a series of "Popped Stops" plays during rallies after morning gaps, particularly after pullbacks. Think of the logic - those who are short are trapped and don't quite know what to do - do they hold on or do they go ahead and cover? When they start to see price retrace - and they're still short - they breathe a sigh of relief, but as price picks up, heads higher, and breaks a trendline, they panic and most of them will buy to cover quickly, driving price up in a little burst of positive feedback, wherein you the intraday trader get long to buy a breakout and those who are short buy to cover - giving you a chance to profit. That's the logic of that and most upwards retracement set-ups.

There were two entries - at the first trendline break at the $110.30 level at 9:30am CST (the charts have returned to CST/Chicago time) and the second - identical set-up - at $110.50 level at 10:15am CST. In both cases, you would put a conservative stop under the respective swing low or more aggressively under the rising 20 EMA - and target a new price high or - in the case of the 10:00am set-up - a bull flag target to the $110.00 area, which also was our upper resistance "Make or Break" area you should have been keenly aware of. You should have exited on the doji or other candle at the $110.00 area, including the (almost) bearish engulfing, which gave you set-up 2.

2. "ABC" BULL FLAG TARGET, BEARISH ENGULFING, $111.00, UPPER BOLLINGER

This trade doesn't have to be any more complicated than "We moved into the upper known resistance level at $111, so I got short on any divergence, trendline break, or reversal candle break at that level" - all of which occurred. An aggressive trader would short exactly at $111 without confirmation, though a more conservative trader would enter ONLY after a trendline break, candle break, or break under a candle low - again all of which happened at different levels.

If you are a swing trader, this was your "Take big profits" exit (if you got long off the good trade off the $104.50 level) and "flip/reverse short" in anticipation of the trading range continuing - which it looks like it will do. You would place a swing trading stop beyond $111.30 (or some other level beyond a potential "bull trap") and hold on until we reach the $105 level again... to play the "Range Game" again.

For a day trader, you would have exited (safely) at the 20 EMA at $110.70, or more appropriately, at the 50 EMA at the $110.40 level. Though I wouldn't recommend it, you could have gotten long on the break of the doji high at 12:30pm... but that would have lasted 20 cents at the most before a sharp breakdown... your next trade.

3. TRENDLINE BREAK/HIT, 20 EMA BREAK, SPINNING TOP

This was a great set-up, especially if you use trendlines (I had a lot of conversations with traders in Los Angeles - some members - who talk about how important simple trendlines are to them - and I fully agree, as I've been showing each evening in the reports). Notice the trendline confluence I drew on the charts above. This trade also had multiple entries depending on your aggression level - exactly AT the trendline test if aggressive, or under the horizontal trendline break or under the 'flag' trendline break at the $110.80 level. Either way, the stop was above $111.00 and target was $110 or beyond... including a complete fill of the morning gap (which occurred). Notice how trades 2 and 3's targets overlap - again depending on your aggression level. You could have held trade 2 short and 'withstood' the pullback that triggered trade 3 - it's all about your aggression level.

4. BEAR FLAG, TRENDLINE TEST, 50 EMA BREAK

Trade 4 was similar to 2 and 3, in that we broke a trendline (this time rising) which also triggered a potential bear flag set-up (which worked) with an entry on a break of the rising trendline at $110.40. The alternate - aggressive - entry was a retest of the upper trendline at $110.60 - and in both cases, the target was the retest of $110 or full gap fade... or even beyond.

By the way, notice the obvious Wyckoff Signs of Weakness - new intraday TICK lows when price was NOT making a new intraday low - that began at 11:00am and continued for an hour until noon - all of which underscored the point that a reversal was likely, which gave rise to short-sale trades #2, #3, and #4. I even posted an intraday update on the declining breadth/internals that occurred at today's high:

http://blog.afraidtotrade.com/view-of-spx-market-internals-june-14-at-highs/

It would have been a good idea to exit on the dojis that formed at the $110 per share target level, given that positive divergences formed in TICK and momentum. You also could have scalped long to play up to the 20 EMA, but that didn't get much traction and was risky in the context of a deteriorating market. The final trade was also simple.

5. BEAR FLAG, SHOOTING STAR, TRENDLINE TEST, EMA CONFLUENCE, UPPER BOLLINGER

Take your pick of reasons why you should have shorted this! An aggressive trader would short on a test of the established trendline at the $110.40 area, while a conservative trader would wait for a break under the rising trendline - bear flag - at the $110.20 or even - to be super-safe - the $110 level.

You could have held this trade for as long as possible into the close, or exited on the doji/hammer candles just prior to the close.

Today's Idealized Grid shows a potential profit of $1.50 depending on your aggression level.

For the efficiency grids, I always assume a "moderate" aggression level, meaning we wait for confirmation before entering a trade instead of trying to enter at the absolute high or low. If you are an aggressive trader, you need to adjust your grid to reflect that, which means in most cases, you have a chance for a larger price target on almost every trade.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUMI	EST	15-min VOLUME	RANGE
(11,485,322.67)	12,336,987	9:45	23,822,309.67	0.62
(8,356,670.62)	8,331,672	10:00	16,688,342.62	0.62
(8,449,366.29)	7,277,822	10:15	15,727,188.29	0.53
(6,448,852.90)	6,699,340	10:30	13,148,192.90	0.51
(6,828,068.57)	4,928,177	10:45	11,756,245.57	0.58
(4,455,553.95)	5,378,584	11:00	9,834,137.95	0.55
(3,286,418.67)	6,943,086	11:15	10,229,504.67	0.46
(1,281,974.27)	8,621,732	11:30	9,903,706.27	0.43
(3,339,671.09)	5,182,714	11:45	8,522,385.09	0.44
(4,907,159.18)	3,384,349	12:00	8,291,508.18	0.38
(5,194,281.68)	3,234,013	12:15	8,428,294.68	0.34
(3,167,230.91)	3,026,726	12:30	6,193,956.91	0.41
(3,047,586.50)	3,110,741	12:45	6,158,327.50	0.42
(1,835,191.55)	4,269,003	1:00	6,104,194.55	0.46
3,349,427.59	10,331,296	1:15	6,981,868.41	0.43
(2,045,185.90)	4,942,124	1:30	6,987,309.90	0.39
(4,132,306.71)	2,917,117	1:45	7,049,423.71	0.48
(1,974,738.86)	5,392,542	2:00	7,367,280.86	0.46
2,890,547.48	10,668,357	2:15	7,777,809.52	0.47
(378,160.71)	7,711,685	2:30	8,089,845.71	0.45
(4,107,387.71)	5,107,385	2:45	9,214,772.71	0.50
(5,661,125.33)	4,450,273	3:00	10,111,398.33	0.63
(5,676,649.95)	4,972,073	3:15	10,648,722.95	0.56
(5,724,284.29)	6,919,372	3:30	12,643,656.29	0.87
(1,435,017.48)	13,027,271	3:45	14,462,288.48	2.54
(9,192,098.48)	18,494,662	4:00	27,686,760.48	2.02
(4,083,474.20)	**6,833,042.42**	**Ave.**	**10,916,516.62**	**0.64**

The Relative Volume grid is back! I've been having difficulties with the data in Excel, but hopefully I fixed the issues.

The new 25-day average is just under 11 million shares, and you can compare 15-min volume to the average.

In another strongly bearish turn/twist, ALL timeframes (save 2) were lower... by LARGE margins on today's push to the $111 level.

According to this, we're likely to head lower over the next few days due to the negative volume non-confirmation.

Speaking of volume, here is an absolute chart - using TradeStation - of the negative volume divergence during the recent market rally.

Under classic technical analysis and interpretations of price and volume, this is a MASSIVE non-confirmation and blatant short-sell signal.

Look for a break under $109 - the rising trendline and round number - to confirm that odds strongly favor a retest of $105.

We would say the market rallied last week "on thin air" (no volume supporting it). This is a typical pattern that precedes a swift down-move so be aware of that possibility should it occur.

I always advocate keeping it as simple as possible - get long (and take stops) on a break above $111.00 to play Popped Stops, expect a move back down to $105 otherwise, particularly if we get confirmation with a break (or gap down) under $109 and $108.50 - at which time there will be no further support to stop the market from an expected retest of $105.

Don't try to predict - just be aware of these two pathways - popped stops above $111 - and a target of $105 while we're under $111.

For swing traders, you should have gotten short today at the retest of $111 - you should have been prepared in advance and expected this, and shorted - with a stop above $111.30 (or $111.50 depending on your aggression level) to target $106 or $105. The 50 EMA rests near $109, so any break under $109 triggers a "confirmation" or "conservative" entry and increases the odds that we'll see $105.

Keep in mind, we are in a trading range. The longer we stay in this range, the more bullish - yes bullish - it is (bulls are absorbing supply/sell orders to keep the market up in the face of such negativity), but the moment we crack under $104.50, I would suggest that all bullish bets across the board are off.

This is it - again. And we'll keep playing this game until we're above 1,110 or under 1,040 - so don't get tired of it yet.

We formed a shooting star sell signal with a 'failed' test of 1,110, which reflects the convergence of two prior price highs, the 38.2% Fibonacci retracement, and the 200 day SMA. That is like the Great Wall of China of resistance.

If the wall breaks - or price breaks above 1,110 - we're likely to see a move to 1,150 so don't let that shock you.

However, in the absence of a break above 1,110, we highly expect the market to move back to 1,040 and potentially break it this time... or if not, to fall down to 1,040 and bounce right back up to 1,110... after all, we are in a trading range.