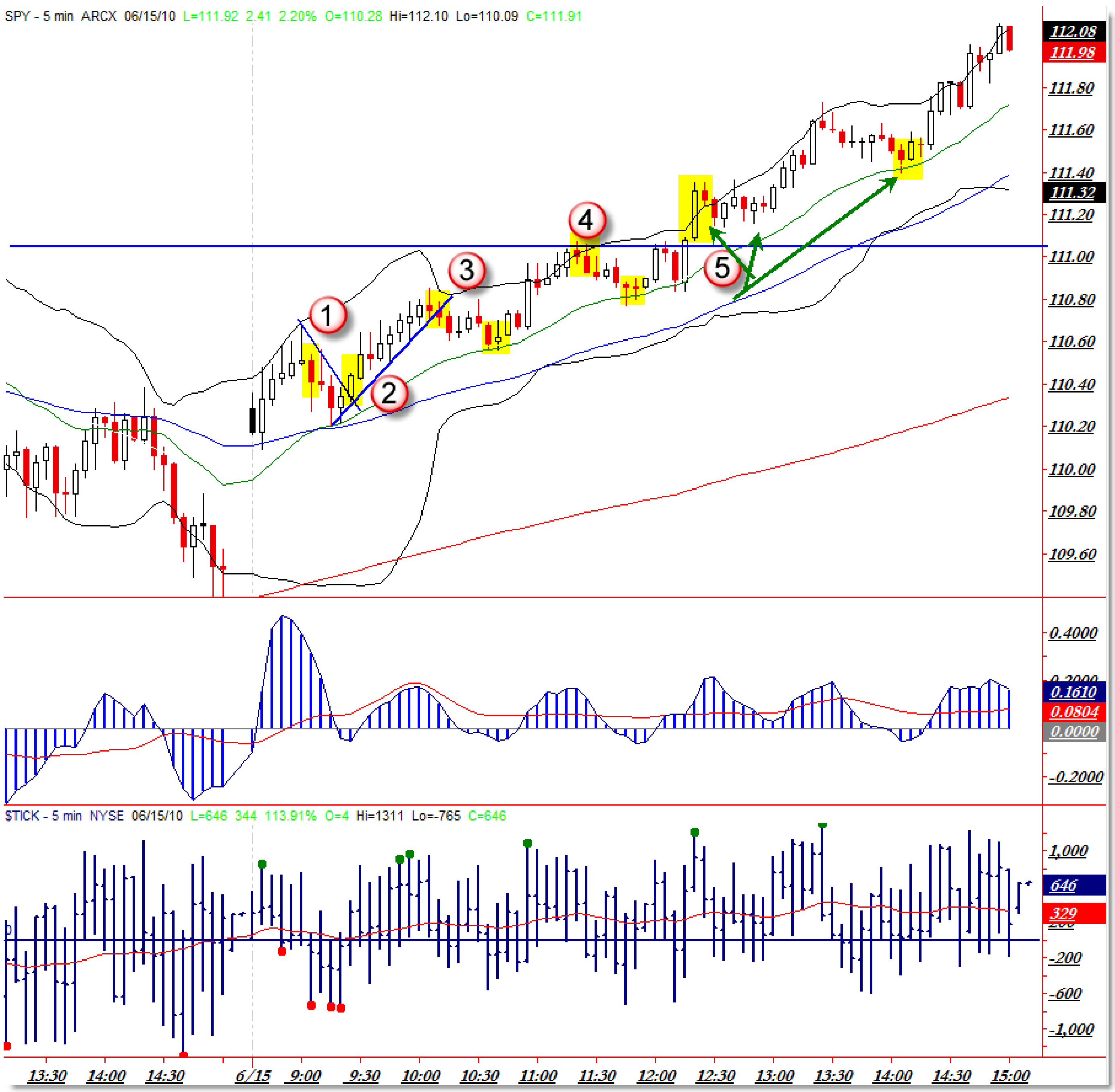
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY




SPY - 1 min ARCX 06/15/10 L=111.88 2.37 2.17% O=110.28 Hi=112.10 Lo=110.09 C=111.91
1
2
3
4
5
111.98
111.80
111.60
111.40
111.20
111.00
110.80
110.60
110.40
110.20
0.1500
0.0500
0.0194
-0.0300
$TICK - 1 min NYSE 06/15/10 L=688 386 127.81% O=4 Hi=1311 Lo=-765 C=688
1,000
688
498
200
-200
-600
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

I suspect you fell into one of two camps of traders in today's intraday action. The first group was convinced $111 and 1,100 would hold, so you shorted or stayed short on each trade into that level and maintained a bearish bias. That's the stance I show in the first part of the report and that was the correct stance to take at the time, as it did lead to some quick profitable scalps.

The other group had a bias, or even was neutral (bearish), but had the capacity and emotional stability to "flip/reverse," as they knew that 1,100 was only a LEVEL, and not an absolute, and that any push beyond 1,110 ($111) was likely to lead to a "Popped Stops" play - that's what I've been telling you to anticipate on any move above $111. Though the odds of a break were low, the odds were there.

The two camps diverged after the breakout - today was either a very simple, profitable day as you traded popped stops into the close after the breakout... or you stayed neutral if your risk-tolerance/level doesn't allow for playing popped stops (it is an aggressive, not a conservative play), ... or worse, you shorted every single new high that occurred after a break above $111.

We can't know the future -that's why we're traders and not crystal ball forecasters - we assess probabilities of likely moves, and how we will react to them the night before, then compare new data as it comes in (price and volume) throughout the trading session to see if our analysis was correct, and if so, we profit from when price moves along with our analysis. If price moves opposite of our analysis, we either sit on the sidelines patiently, or we "flip/reverse" and play the "unexpected" outcome of the "IF/THEN" probability analysis.

Such as: "I expect the market to stay under $111 so I'll take bearish set-ups, BUT if by chance we break above $111, then I'll cover my short positions then play Popped Stops for however long that play lasts."

Your understanding of this principle was likely the determinant between a good day, great day, or horrible day.

But don't worry - that's the reason I write these report s - we learn from our mistakes, observe/study repeated patterns and price structures, and seek to get better bit by bit each and every day. Today was one of those great chances to learn about Popped Stops and Probabilities.

I write a larger section later in the report, so read it also.

1. UPPER SHADOWS, UPPER BOLLINGER, SHOOTING STAR, TRENDLINE BREAK, TICK Divergences

I'll move quicker to discuss today's trades and focus on the key points so this report isn't too much text. The key here was seeing the upper shadows (5-min) and bearish candles along with the negative TICK divergence (1-min) and trendline break for your trigger short at $110.60 to play for a return to the 20 EMA at $110.25 or lower. A stop went above $110.80, and this trade was a success, with price testing then forming lower shadow candles off the 20/50 EMA.

2. CRADLE TRADE

Price formed two lower shadow candles exactly at the "Cradle" Crossover, or the cross of the 20 and 50 EMA (bullish) at 9:15 CST - this was your entry as close to the crossover at the $110.25 level as possible, or on a break of a candle high that bounced off the level, namely at $110.40. The Cradle technically does not have an upside target, as it is a type of potential early Trend Reversal trade, so you could have targeted a move back to the overhead resistance at $111... or exited at 10:00am on the doji and trendline breaks there... which gave the third trade of the day.

3. DIVERGENCES, DOJI, UPPER BOLLINGER

Look closely at the 1-min chart to see the dual negative TICK and Momentum divergences along with the doji candles near the upper Bollingers on the 5-min chart just shy of the key $111 level. An aggressive trader would short as close to the key resistance at $111 as possible, while a conservative trader would wait for the doji low to be taken out at the $110.80 level - either way the stop was above $111. The small target is for a retest of the 20 or 50 EMA, which occurred, and price began to rise off the 20 EMA, triggering your profitable exit.

Because price was so close to the overhead $111 resistance level, it was not a great idea to get long here, but a buy trade would have worked. This again is where bias comes in - we expect $111 to hold as resistance, so that suggests we should be prepared to look for sell trades while we're under that level, BUT flip immediately long to the buy-side bias on any firm break above $111.

4. KEY RESISTANCE AT $111, DOJI, UPPER BOLLINGER, DUAL DIVERGENCE

This trade was almost identical to trade 3, except price actually hit the $111 level firmly and formed a doji at the upper Bollinger on a clean negative TICK and momentum divergence (1-min). Like trade 3, we targeted a move back to the 20 or 50 EMA, though an aggressive trader could have held on to play for a larger target... but would have been stopped out for a loss.

The remainder of the report focuses on trade #5 which can simply be defined as "Popped Stops."

5. POPPED STOPS

Don't try to overcomplicate this. I explain this set-up and logic in more detail in the middle of the report.

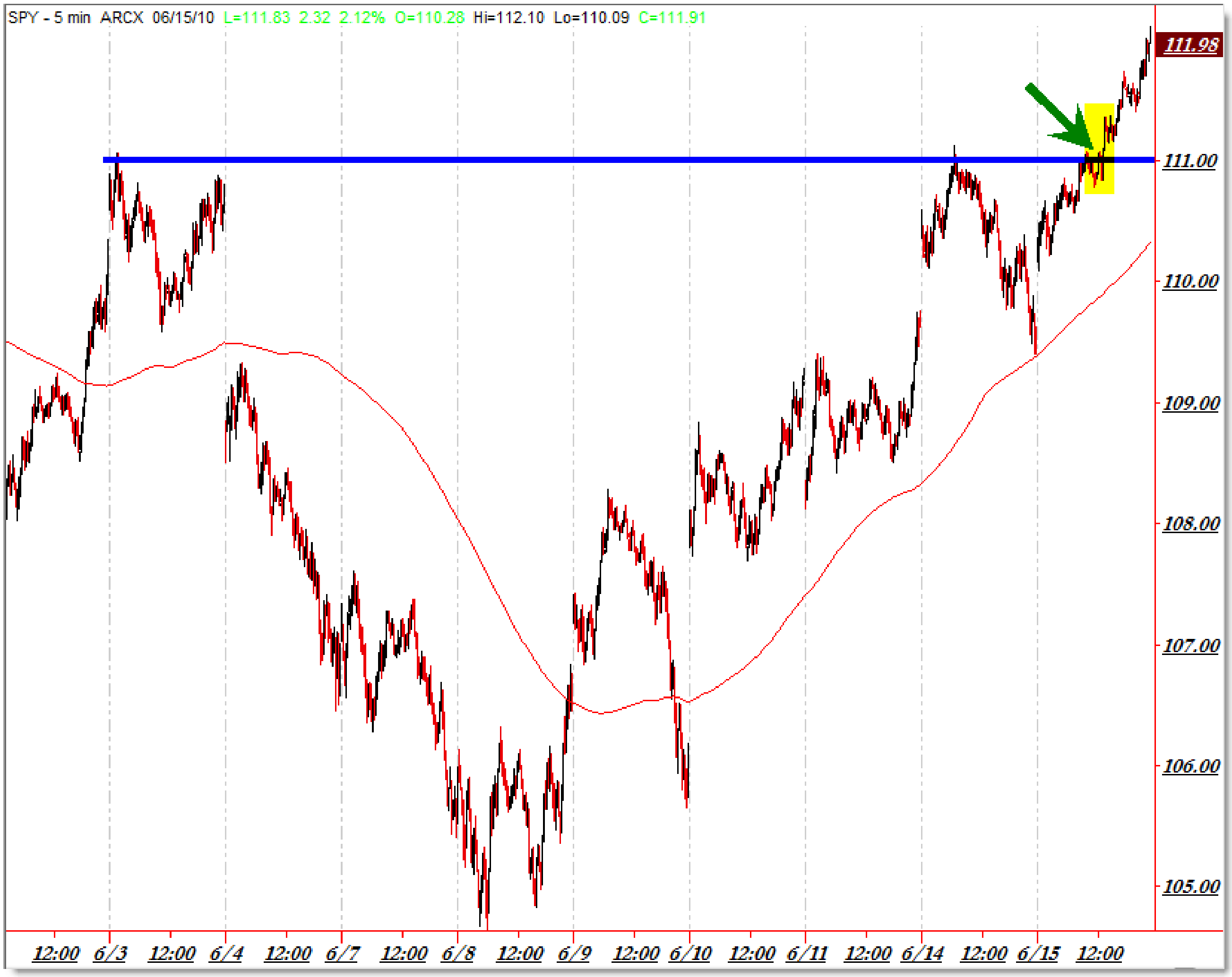
Because $111 and 1,100 were such an important resistance level to all traders, any break above this level was likely to create a short-term positive feedback loop where nervous/conservative bears cover (buy) and aggressive bulls - wanting to be first to buy a breakout - get long. This sends the market higher with bears in pain and bulls anxiously awaiting the exact spot to get long. This is probably one of the best examples of Popped Stops to learn the concept.

If you are a conservative trader, you might consider passing on the trade, as it is uncomfortable to buy a new high on the day, but it works as long as the feedback loop continues. In fact, it works so well that you can get very quick profits with minimal effort and analysis - all you have to know is that $111 was a key dividing level between bull and bear and have the conviction to buy (or stop-out) above that level and hold for as long as possible - giving you up to a 90 cent profit into the close.

The morning session - despite the trendiness of it - was choppy, yielding small profits, but the big trade was the afternoon "Popped Stops" breakout that gave up to 90 cents. Otherwise, roughly 40 to 50 cents was possible.

Why did we not just buy all pullbacks to the 20 EMA? In hindsight, that's the obvious thing we should have done, but in real time, we had the overhead key resistance at $111 that everyone was watching, PLUS we had negative TICK and momentum divergences on the #3 and #4 intraday highs.

The fact that buyers - whoever they were - were able to overcome that meant that the afternoon popped stops play breakout was likely to be strong.



I hope by now you have my favorite phrase memorized, as it came into play strongly today:

"If something SHOULD happen but does NOT happen, then it often leads to a larger than expected move in the OPPOSITE direction."

You can't view trading as taking positions with a 100% chance of success. You have to think of everything in terms of odds, probabilities, edge, and what the different groups of traders are thinking (meaning, watch key/obvious turning points and lines in the sand). In this case, we had an 85% (not exact, but "high probability") chance of the market turning down at the $111 level, so we should have positioned accordingly - most market participants did. However, when the market did NOT go down and busted a high-probability, obvious play (set-up), then it led to a panic move of short-covering from those nervous traders who use very tight stops - hence the "Popped Stops" play. Aggressive buyers/bulls stepped in to buy today on a break above $111, which created a positive feedback loop.

That's part of the reason I keep bringing that sentence to your attention - you will likely get stopped out of your intraday or swing trading position, but don't get mad or upset - think of it as paying up for information, which means that BECAUSE the trade just failed, thousands of other traders thought the same thing you did, took the same position you did, and are now in the same boat. Either they take a quick stop-loss... or they hold on. If you stop-out early, flip and reverse, you can take advantage of the "pain" of those who panic-sell when price surges higher and higher, giving your account a profit and their account a mounting loss until the throw in the towel and cover... driving the market higher in the OPPOSITE direction than expected. You truly need to understand this concept to be a trader - it's not about being right, but it's about assessing the odds, taking high-probability plays, stopping out when a high probability play fails, and then considering whether or not to jump back in with a "flip/reverse" popped stops position (ONLY when a MAJOR level or obvious trade has failed).

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUMI	EST	15-min VOLUME	RANGE
(9,022,657.19)	13,829,733	9:45	22,852,390.19	0.61
(7,241,845.38)	9,137,695	10:00	16,379,540.38	0.61
(6,099,477.38)	9,452,383	10:15	15,551,860.38	0.51
(6,414,812.90)	6,698,516	10:30	13,113,328.90	0.50
(4,499,275.14)	6,845,202	10:45	11,344,477.14	0.58
(2,337,965.19)	6,829,668	11:00	9,167,633.19	0.54
(2,987,838.43)	6,930,856	11:15	9,918,694.43	0.45
(6,080,192.82)	3,576,348	11:30	9,656,540.82	0.42
(3,958,193.27)	4,550,525	11:45	8,508,718.27	0.45
(4,123,014.77)	4,081,955	12:00	8,204,969.77	0.38
(4,492,564.36)	4,085,106	12:15	8,577,670.36	0.35
(2,140,482.41)	4,090,970	12:30	6,231,452.41	0.41
(2,629,046.95)	3,446,139	12:45	6,075,185.95	0.40
(2,879,852.82)	3,327,147	1:00	6,206,999.82	0.41
(727,998.68)	5,742,161	1:15	6,470,159.68	0.41
1,689,014.52	8,267,097	1:30	6,578,082.48	0.36
(3,406,061.57)	3,487,804	1:45	6,893,865.57	0.48
(4,115,403.57)	3,047,763	2:00	7,163,166.57	0.45
(1,765,370.19)	5,958,220	2:15	7,723,590.19	0.46
(910,466.24)	7,122,623	2:30	8,033,089.24	0.47
(4,067,088.52)	5,085,078	2:45	9,152,166.52	0.49
(4,543,744.57)	5,825,924	3:00	10,369,668.57	0.67
(5,554,881.57)	5,336,733	3:15	10,891,614.57	0.58
(5,163,795.29)	8,021,320	3:30	13,185,115.29	0.87
(3,441,825.48)	11,294,840	3:45	14,736,665.48	
(3,015,777.43)	24,517,094	4:00	27,532,871.43	
(3,843,485.29)	**6,945,726.92**	**Ave.**	**10,789,212.22**	**0.49**

Perhaps this grid above underscores the main reason most professional traders are doubting or are confused regarding today's breakout. I spoke with a few colleagues into the close and the overarching complaint was "where's the volume?!" Generally, lower relative and absolute volume readings on key breakouts serve as NON-confirmations and hint at a FALSE breakout (or in this case, a bull trap), as it is common to expect volume to pick-up, spike, or rise on a breakout from a key level.

Instead, on today's official Type 3 (most powerful) trend day, we had volume running millions of shares behind the 25-day (and even 20 or 10 day) average in the SPY. This does not a healthy breakout make - using classic technical analysis. Anyway - it gives us pause and tells us to watch this breakout like a hawk if we're trading it long, because at the slightest hint of a down-move, the upward break could collapse and send price right back down under $111 in a vicious bull trap.

Unless that happens, we have price rising 'artificially' on low volume.

Most swing traders who shorted from yesterday should have stopped out into the close today on a clean break of $111.00, then $111.30, then $111.50, then up to $112.00. Only the most aggressive swing traders - who shorted near the $111 level yesterday - should be holding short, and only then to focus on risk/reward (a stop of $1 or $2 at $112 or $113 to play for a target of $105 - a $6 move from entry - is acceptable from a risk-reward standpoint).

That being said, I'm hesitant to suggest you rush out and buy this market, when the 'classic' internal and volume indicators are all heading lower while price is heading higher. Sometimes it's safest to stand on the sideline and stick closely to your intraday trades - there was actually nothing wrong with trading popped stops above $111 -and that was the expected and very successful play.

Continue to trade long - no matter how weird it feels - if we rise back above $112 but be ready to jump back short on any sign that this was a 'trap' and price returns back under $111.

The 60min chart is a great representation of the larger picture and the current trading range in which we reside(d).

If you are a price purist, you will be long this breakout. However, this breakout is showing signs of artificial movement, which is evidenced by the choppy price nature and obviously declining volume, momentum, and breadth. That means we're not seeing evidence of bullish enthusiasm to keep supporting prices higher and higher - that's not to say that prices can't keep going higher and higher, but that it will probably be the BEARS covering their shorts that drive the market higher instead of bulls rushing enthusiastically into the market to buy... that is, unless we get better than expected economic numbers from the PPI, Housing Starts, and Industrial Production tomorrow (http://www.bloomberg.com/markets/ecalendar/index.html).

Remember this is a Quadruple Witching Week (intraday futures traders should be using the September contracts - symbol "U" - now... as in @ESU10. June contracts expire officially Friday.

While this is certainly NOT the picture of bullish strength (notice the distinct negative volume divergence - it's similar in Breadth and Internals), it is what it is, and markets are driven by supply and demand and NOT indicators or price levels that *should* be resistance.

A break above 1,120 officially confirms that the next upside target will likely be 1,150 - that's the general market consensus and "IF/THEN" play: "IF above 1,110, THEN target 1,150." You should not be surprised if this happens, though it will surprise a LOT of the market participants.

Otherwise, if we can't get above 1,120, then this is a vicious bull trap and as a result of the repositioning (and drawing in new bulls), we're likely to see a SHARP sell-off back to 1,040 if we get back under 1,110 and 1,090.