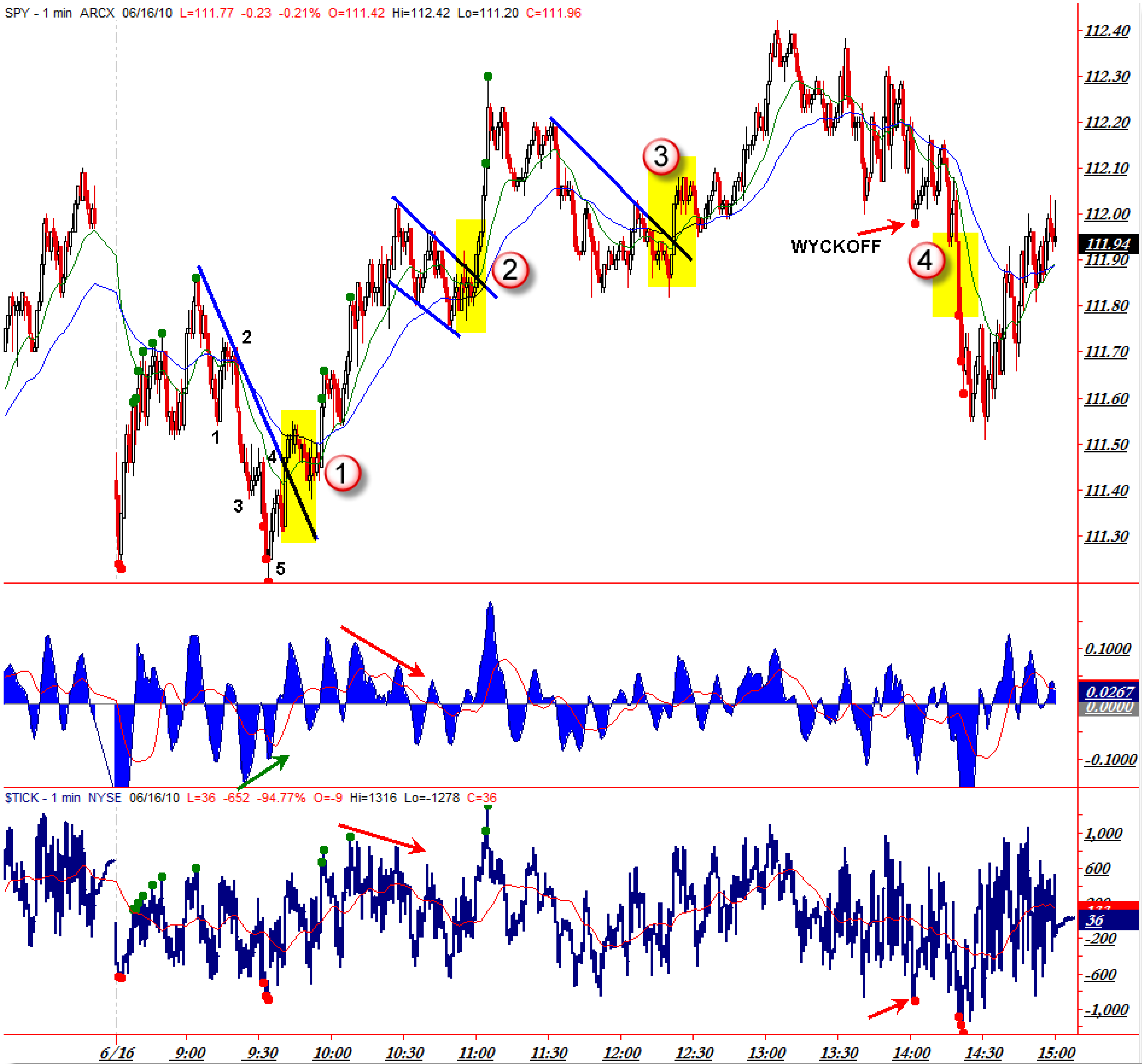
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 06/16/10 L=111.77 -0.23 -0.21% O=111.42 Hi=112.42 Lo=111.20 C=111.96
WYCKOFF
1
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$TICK - 1 min NYSE 06/16/10 L=36 -652 -94.77% O=-9 Hi=1316 Lo=-1278 C=36
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If you understand the "Popped Stops" concept - and I hope you do by now! - then today could have been a relatively easy day for you. The first three trades were almost identical, in that they were "Impulse Buy" and "Bull Flag" type set-ups that took advantage of price breaking above a declining trendline, or bouncing off a key moving average. The structure turned bearish today with a clean Wyckoff Sign of Weakness just prior to trade #4 - which let you know that odds favored lower prices ahead.

1. TRENDLINE BREAK

There's a couple of other things that happened here - like a doji candle at 9:30 at the lower Bollinger and big bullish bar directly after - that hinted at an upward move, but the official trigger to get long was a break above the declining trendline from the morning swing and a break back above the falling 20 EMA at 10:15am at the $111.50 level. Your stop was under the 50 EMA or $111.35 price and target was a new swing high, or (conservatively) a retest of the morning high at $111.85. You also could have targeted and exited your trade at the key $112 level - as reversal candles formed.

2. BULL FLAG, 20 EMA, TRENDLINE BREAK

This trade was almost identical to trade #1, except that we had a clean parallel channel trendline that made up a nice bull flag, and price pulled exactly in to support on the rising 20 EMA - an aggressive entry. The conservative entry was a break above the trendline at the $111.90 area, or a clean break above $112 just to be safe. It was probably best to exit the trade as the spinning top then (almost) bearish engulfing candle formed at the $112.20 level... but due to the new TICK high, this was not a short-sale position (though it did make it back to the 20 EMA).

3. TRENDLINE BREAK, 50 EMA BOUNCE

I hate to keep the descriptions short, but these were really standard/classic "buy the retracements in the context of an uptrend, particularly when price breaks a declining trendline" trade. No need to get fancy - they're easy and profitable. Unless you bought on the pullback to the 50 EMA, your entry was on a break of the trendline and re-taking of price above $112 to play for a retest of the prior high or just beyond... and the "Evening Star" or doji candle at $112.40 at the upper Bollinger - on a negative TICK and momentum divergence - was your perfect exit and aggressive "flip and reverse" short... though the more appropriate trade for most people would be the breaking under the 50 EMA and $112 level in the hour before the close.

4. LOWER TRENDLINE (RISING) BREAK, 50 EMA BREAK, MOVE DOWN FROM DUAL DIVERGENCE

If you didn't short the second we broke back under the 50 EMA and $112 level - which converged with a rising trendline from the noon lows - then you probably were too scared by the fast/rapid moving price breakdown. This is how the market works - in an environment of "fluff," meaning price is rising but internals, momentum, and volume are going down, we are open (exposed) to the potential for SWIFT, sudden down-moves in price. To the extent that the divergence is 'stretched,' so can we expect the resolution or down-move of the 'fluff' to take price much lower. In this case, the sharp down move occurred when price broke under the 50 EMA, $112 level, and mini-trendline. The exit was as price began to bounce up off $111.50, namely the spinning top/inverse hammer candle 30min prior to market close. I would not suggest trying to trade long the move into the close, though if you are very aggressive and are aware of the risk, you could do so - but most traders should have probably passed on trying to get long here and just taken any open short-sale profits.

Using the ideal grid, roughly $1.20/$1.30 was possible in the set-ups labeled.

It took an understanding as I described in yesterday's report (and many times) in terms of "Popped Stops" - the "Character" of the market - to understand why odds favored bullish set-ups from an INTRADAY perspective... but not yet a swing trading perspective.

Notice the great Wyckoff Sign of Weakness that formed at 2:00 (14:00) CST that forecast (hinted at) a downward move yet to come - it's a clean new intraday TICK low when price is NOT making a new low. I, along with many of you, love those signals.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUMI	EST	15-min VOLUME	RANGE
(8,005,115.19)	14,847,275	9:45	22,852,390.19	0.61
(6,010,287.38)	10,369,253	10:00	16,379,540.38	0.61
(6,513,715.38)	9,038,145	10:15	15,551,860.38	0.51
(5,517,291.90)	7,596,037	10:30	13,113,328.90	0.50
(4,143,401.14)	7,201,076	10:45	11,344,477.14	0.58
(4,724,459.19)	4,443,174	11:00	9,167,633.19	0.54
(2,206,062.43)	7,712,632	11:15	9,918,694.43	0.45
(2,886,822.82)	6,769,718	11:30	9,656,540.82	0.42
(1,942,281.27)	6,566,437	11:45	8,508,718.27	0.45
(4,056,940.77)	4,148,029	12:00	8,204,969.77	0.38
795,026.64	9,372,697	12:15	8,577,670.36	0.35
(2,018,169.41)	4,213,283	12:30	6,231,452.41	0.41
(1,295,349.95)	4,779,836	12:45	6,075,185.95	0.40
(3,026,063.82)	3,180,936	1:00	6,206,999.82	0.41
(3,919,616.68)	2,550,543	1:15	6,470,159.68	0.41
(3,114,301.48)	3,463,781	1:30	6,578,082.48	0.36
(4,959,817.57)	1,934,048	1:45	6,893,865.57	0.48
(3,410,897.57)	3,752,269	2:00	7,163,166.57	0.45
(1,708,364.19)	6,015,226	2:15	7,723,590.19	0.46
(4,739,414.24)	3,293,675	2:30	8,033,089.24	0.47
(3,856,052.52)	5,296,114	2:45	9,152,166.52	0.49
(3,736,195.57)	6,633,473	3:00	10,369,668.57	0.67
(5,603,612.57)	5,288,002	3:15	10,891,614.57	0.58
(733,065.29)	12,452,050	3:30	13,185,115.29	0.87
(4,243,582.48)	10,493,083	3:45	14,736,665.48	
(12,408,071.43)	15,124,800	4:00	27,532,871.43	
(3,999,381.75)	6,789,830.46	Ave.	10,789,212.22	0.49

Yet again, and unsurprisingly, we see massive lower volume across ALL time periods in the SPY 15-min graph (save one).

This underscores the point - using classic technical analysis on price and volume - that we should be VERY cautious if long and should be expecting a down-move yet to come - possibly a very sharp down move.

Volume is running 4 million shares lower than the 25-day average, and you can see that on the intraday charts ahead. It's a classic warning sign and non-confirmation of the higher prices - so be careful.

From a fractal perspective, it looks like we're completing a terminal 5th wave that is ending on a distinct (obvious) negative volume, breadth, internals, and momentum divergence - that is VERY bearish, but needs confirmation in the form of a price break under $111 and $110.50 - otherwise "they" can keep jamming the market higher and popping out more bearish positions in a vicious/hideous short-squeeze (it's helpful to think of it in those terms).

The negative divergences undercut the highs and suggest a downward move is the more likely - or at least safer assumption - for the future path in price.

Otherwise, we are at the 20 EMA then 50 EMA for potential support bounces, but I would prefer to remain scalping only for popped stops intraday, neutral here, aggressively short (with a tight stop above $112.50), and then conservatively short on a break under $110.50 or $110.00 (or even $111 if that is enough evidence for you).

Until proven otherwise, the potential short-term Elliott Wave count places us in the latter stages of a "C" wave to end a "Flat" correction (called a rectangle) that began on May 25th. The "ABC" three-wave correction is fractalized into smaller waves as labeled. If this count is correct, it calls for a sharp downward move yet to come.

Elliott forecasting aside, if we see a move above $112, keep playing long for popped stops - simple as that.

However, if we start to see a move down tomorrow and Friday, short pullbacks and breakdowns, particularly under $111 and $110.

The negative volume and momentum divergences undercut (fail to confirm) the recent highs and hint that we could see a sharp downward move if the upward force that is holding the market up relents.

Keeping with the Elliott Wave theme, here is the potential wave count for the bigger picture. It implies that we are ending a 4th wave that is a 'flat,' or slightly expanded flat (c wave went higher than a). Here's the important thing to know: If we go above 1,120, then we officially REJECT this count and re-label the move down as an "ABC" (1=A, 2=B, 3=C) which places us into a new impulse wave up to target 1,220. This is the turning point between those bearish (shown above) and bullish (alternate) counts.

Beyond that, the 50 day EMA rests at 1,120 which also will be a turning point. That's how you use Elliott - in conjunction with other methods. IF price breaks above 1,120, it will switch the wave count bullish and switch the structure bullish, as price will break above the 50d EMA (similar to that of February).

OTHERWISE, if resistance does hold here - notice the doji reversal candle at the 50 EMA - THEN we will target 1,040 again... and lower as an expected 5th wave impulse down unfolds that would likely stop at 1,000. The end of this week is key to know whether to target 1,150, 1,170, then 1,220 (if we're above 1,120) or keep targeting 1,040 (if not).