AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 06/17/10 L=112.17 0.21 0.19% O=112.28 Hi=112.33 Lo=111.05 C=112.16
$TICK - 1 min NYSE 06/17/10 L=270 234 650.00% O=5 Hi=1217 Lo=-1142 C=270
1
2
3
4
5
112.30
112.20
112.13
112.00
111.90
111.80
111.70
111.60
111.50
111.40
111.30
111.20
111.10
0.1500
0.1013
0.0463
0.0000
-0.0500
-0.1500
1,200
800
270
0
-400
-800
6/17
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

There's a couple of ways you could have interpreted today's activity - I did so the more 'complex' way, trying to look at the bigger picture and using Wyckoff Signals and divergences. That's how I'll write today's report and how it was likely traded in real-time with the information we had at the time. However, looking back, you could have interpreted the day as a simple "Range Day" and then ignored the moving averages and traded specifically off reversal candles at the upper or lower Bollinger Bands - notice the 11:00am, 12:00pm, and 1:15pm ... along with - to an extent - the 10:00am and 2:30pm "reversal candles" at Bollinger Band extremes. Just a thought, and a reminder that the "Type of Day Structure" helps guide which indicators we use and which we ignore. Doing so makes the day much easier... unfortunately that's not what I did today!

1. BEARISH BIAS, TRENDLINE/EMA BREAKS

The first trade took advantage of the downward bias (strong) that I mentioned in last night's report. As price quickly filled the gap, bounced up off the EMAs (slightly underneath), and then began to fall, breaking a mini-trendline at 9:00am and back under the 20/50 EMA confluence, you could have taken a short at the $111.85 level to play for a retest of $111.50 or even the 200 SMA at $111.20. This trade 'took off' (windfall profit) much quicker than expected, but then again, given all the bearish divergences and Elliott counts (shown yesterday), it's not surprising at all that the market fell so hard off the open - and you could have easily positioned in the direction of the down-move, exiting on the positive divergences and reversal candles after 9:30 CST.

2. DUAL DIVERGENCES, REVERSAL CANDLES, TRENDLINE BREAK

This was another relatively simple "scalp" trade that took advantage of multiple reversal candles (hammers/dojis), a trendline break (at $111.30/10:00am), and a "Rounded Reversal" as seen on the 1-min frame. You should have noticed the clear positive momentum and TICK divergences, especially on the 1-min frame, so this should have put you in a 'buy' mode to scalp a move back to the 20 or 50 EMA - both targets were hit. The stop would go under the $111.05 low or under $111 to be safe, with entry at the $111.30 level to target $111.50 (conservative) or $111.70 (aggressive). Price formed negative divergences and a spinning top candle at the upper Bollinger at 11:00am, which COULD have triggered a short-sale trade, but I would not have recommended shorting here due to the clean Wyckoff Sign of Strength that formed both off the 10:15am high and 10:40am high - it should have given you pause to short after a Wyckoff Signal.

Price chopped around until it formed a breakout above the $111.70 level - an ascending triangle - though you could have bought after the doji/hammer candle at the lower Bollinger at 11:50am.

3. ASCENDING TRIANGLE BREAK, HORIZONTAL TRENDLINE BREAK

This was another straightforward trade that triggered after price broke the three-time tested horizontal trendline at $111.70. This trade didn't give a great profit, as the day structure was a "Range Day," so it might have been a better play to wait to short the doji then bearish engulfing/shooting star candle at formed at 1:00pm, which was your clean exit if you were long the breakout ... that profited up to 20 cents. Not all trades are perfect!

4. TRENDLINE TEST, EMA CONFLUENCE, DOJI BREAK, WYCKOFF STRENGTH

The new price high at the $112 level at 1:00pm formed another Wyckoff Sign of Strength, which means it's usually a good idea to BUY the next pullback to expect a higher price high yet to come (which actually did come... later). A good spot to get long is off a moving average confluence or trendline - both of which aligned at the $111.70 level (which also was prior support) as a doji formed then the next candle took out the high (111.80) of that doji, triggering entry with a stop under the EMA confluence or the 200 SMA at the $111.60 level. And... the trade failed - crash and burn. This is a good reminder why moving averages DO NOT WORK on Range Days, and if you did not take into account the structure of the day - Range Day - then it led to a loss. This is why different traders get different results - some look only at the immediate pattern while others look at the bigger picture. Usually those who incorporate the bigger picture - including "Type of Day Structure" do better. I did want to highlight this as an educational experience. Price plunged through the stop... but did NOT form a Wyckoff Sign of Weakness... and did form slight positive dual divergences before the end-of-day rally... doing so was very difficult psychologically unless you got long on the break back above $111.70. This is also a key reason why some traders completely avoid trading in the Thursday and Friday of options expiration - you get random, frustrating moves like this that erode edge. Options Expirations are cause for caution.

Today's trading activity shows 3 successful and 1 failed (quite miserably, actually!) trade (4).

Under this scenario, roughly 90 cents was possible - mostly from shorting the sell-off from the morning open. The remainder was relatively difficult range-bound trading.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUMI	EST	15-min VOLUME	RANGE
(10,492,150.57)	12,723,311	9:45	23,215,461.57	0.62
(7,289,430.57)	9,372,669	10:00	16,662,099.57	0.62
1,079,592.67	17,199,256	10:15	16,119,663.33	0.50
(643,887.29)	12,653,906	10:30	13,297,793.29	0.51
(876,817.81)	10,524,297	10:45	11,401,114.81	0.58
(2,145,702.05)	7,401,545	11:00	9,547,247.05	0.53
(1,411,693.86)	8,739,413	11:15	10,151,106.86	0.43
(4,555,363.23)	5,184,237	11:30	9,739,600.23	0.38
(2,238,119.55)	6,147,645	11:45	8,385,764.55	0.43
345,574.23	8,393,514	12:00	8,047,939.77	0.37
(3,718,953.91)	4,623,893	12:15	8,342,846.91	0.35
(1,309,859.27)	4,984,268	12:30	6,294,127.27	0.41
(2,974,490.50)	3,025,252	12:45	5,999,742.50	0.41
(3,178,210.77)	2,972,760	1:00	6,150,970.77	0.40
(2,056,537.64)	4,717,008	1:15	6,773,545.64	0.40
(2,082,274.05)	4,349,429	1:30	6,431,703.05	0.36
(4,019,970.14)	2,664,864	1:45	6,684,834.14	0.46
(1,971,677.36)	4,947,831	2:00	6,919,508.36	0.44
(1,479,275.14)	6,283,625	2:15	7,762,900.14	0.44
(4,211,566.45)	3,605,429	2:30	7,816,995.45	0.46
(2,570,565.43)	6,237,994	2:45	8,808,559.43	0.48
(4,184,213.29)	6,351,886	3:00	10,536,099.29	0.67
(2,836,761.19)	8,022,569	3:15	10,859,330.19	0.58
(4,116,080.19)	9,421,357	3:30	13,537,437.19	0.86
(1,409,392.67)	13,846,195	3:45	15,255,587.67	
(2,359,351.10)	26,296,262	4:00	28,655,613.10	
(2,796,429.89)	**8,103,477.50**	**Ave.**	**10,899,907.39**	**0.49**

This is becoming repetitive - volume was down in the SPY across all 15-min periods except two. Volume was down an average of almost 3 million shares per time period. This does NOT a bullish picture make, and it continues to hint that odds favor a down move the longer we have bullish/up days on volume readings like this.

The next page reflects the 10-day SPY 15-min volume average... which paints a similar picture.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
(5,492,847.33)	12,723,311	9:45	18,216,158.33	0.52
(5,100,171.44)	9,372,669	10:00	14,472,840.44	0.52
2,870,194.56	17,199,256	10:15	14,329,061.44	0.41
2,047,216.22	12,653,906	10:30	10,606,689.78	0.40
1,441,071.78	10,524,297	10:45	9,083,225.22	0.42
(785,614.00)	7,401,545	11:00	8,187,159.00	0.44
(910,341.11)	8,739,413	11:15	9,649,754.11	0.36
(2,245,949.70)	5,184,237	11:30	7,430,186.70	0.31
(1,394,774.70)	6,147,645	11:45	7,542,419.70	0.33
1,594,169.90	8,393,514	12:00	6,799,344.10	0.30
(2,419,685.00)	4,623,893	12:15	7,043,578.00	0.34
221,290.00	4,984,268	12:30	4,762,978.00	0.32
(1,109,247.20)	3,025,252	12:45	4,134,499.20	0.32
(1,042,956.30)	2,972,760	1:00	4,015,716.30	0.30
(571,360.50)	4,717,008	1:15	5,288,368.50	0.35
(844,959.20)	4,349,429	1:30	5,194,388.20	0.34
(2,248,136.10)	2,664,864	1:45	4,913,000.10	0.37
(837,545.50)	4,947,831	2:00	5,785,376.50	0.42
(570,130.00)	6,283,625	2:15	6,853,755.00	0.39
(3,251,396.90)	3,605,429	2:30	6,856,825.90	0.42
(598,463.00)	6,237,994	2:45	6,836,457.00	0.37
(2,769,993.30)	6,351,886	3:00	9,121,879.30	0.68
(1,186,227.50)	8,022,569	3:15	9,208,796.50	0.55
(3,259,563.40)	9,421,357	3:30	12,680,920.40	0.69
(919,008.90)	13,846,195	3:45	14,765,203.90	
1,043,863.50	26,296,262	4:00	25,252,398.50	
(1,090,021.74)	8,103,477.50	Ave.	9,193,499.24	0.41

It's the same picture, only volume averages 1 million shares lower per 15-min period of the last 10 days (averaging 15-min periods).

Still a non-confirmation, but we see price running higher in the morning (during the sell-off) and into the close.

With the exception of the late-day 'surprise' surge, we're still in a similar picture as we were yesterday - price up but forming distinct lower peaks in momentum and volume... and Options Expiration Friday tomorrow. Look to short a break under $111, as it will take us back inside the trading range, likely trigger an official Bull Trap (pop-out the stops of those who got long above $111), and send us much lower in a resolution of the current negative breadth, momentum, and volume divergences.

However, "they" can keep playing market games and holding the market up, so it's not wise to fight "them." Remember late 2009. The best trades came from popped stops as the market made higher highs on negative divergences... though the May crash was the swift resolution of holding the market up on such massive divergences. It can happen again if we keep popping to new highs on lower and lower volume, momentum, and breadth. Be safe - this is not the time to be a gunslinger unless you're trading in a risk-controlled, open-minded method on intraday charts.

Generally, strong price breakouts are accompanied by a spike (surge) in volume, momentum, and breadth. This 'weak' breakout has none of those. That doesn't mean price can't keep going up and that you shouldn't trade popped stops plays, but it means that under normal circumstances, this market is very vulnerable to a sudden sell-off to 'work off' the multiple divergences that undercut (fail to confirm) the recent price highs.

A move under $110.50 is the final support zone as seen on the 60-min chart, and will officially confirm the move above $111 as a vicious bull trap that "they" held up prior to expiration.

Simply stated: 1,120 is THE Upper Line in the Sand between bulls and bears / buyers and sellers (just like 1,040 is THE Lower Line in the Sand). A break above 1,120 targets 1,150, 1,170 then 1,220 as it will 'bust out' a great deal of stops from the short-selling bears, causing bulls (one would think) to rush to buy the breakout. Otherwise, the bears are dominant under 1,120, and when you combine the negative internal, volume, and momentum divergences with TWO doji candles forming at this key level - which happens to be the upper Bollinger Band and 50 day EMA - then this makes this a MAJOR turning point in the market that we are all watching, no matter what method we're using.

Long bias - particularly intraday - on a clean break above 1,120 - otherwise, maintain a short-sale bias at the "Line in the Sand" level of 1,120. It sure feels like this market is being 'held up,' and if that's the case, we need only look back to April/May 2010 to see the aftermath of a market 'held up' on lower volume, momentum, and internals - it's not bullish. Be safe if you trade tomorrow's Options Expiration day.