AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 06/30/10 L=102.95 -1.26 -1.21% O=103.92 Hi=104.8 =102.88 C=103.22
You Were Warned:
Wyckoff Signs of Weakness HOURS
in advance of the breakdown
1
2
3
$TICK - 1 min NYSE 06/30/10 L=-320 310 -49.21% O=3 Hi=1180 Lo=-1385 C=-320
6/30
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

This is one of those day's you'll remember for a long time -not because of anything interesting intraday, but of the official break and close under 1,040. There are few points in time where you can point to a particular day - or specifically a hour within that day - where such an important development happened. Today, the stock market officially turned from an up-trend on life support (bull rally) to a new downtrend and bear market. I discuss this in much more detail at the end of the report - make no mistake: this was no ordinary day. This was a defining day.

1. TRENDLINE BREAK, BULLISH HAMMER/ENGULFING, DIVERGENCES

Keep in mind that we had a bullish bias going into today, so we were more likely to take bullish trades. The first set-up was a retest just above the lower Bollinger at the $104 level as bullish candles formed on a positive TICK and momentum divergence (1-min). You could have bought at the $104.20 level or on the official trendline break at $104.50. Either way, this trade carried you up to new intraday highs as expected... which were undercut with negative dual divergences and reversal candles at the upper Bollinger Band.

2. REVERSAL CANDLES, UPPER BOLLINGER, DUAL DIVERGENCES, TRENDLINE BREAK

This trade has been more common in the last few sessions, and it occurred again. You could also count out a 5-wave fractal on the 1-min chart. Price pushed up to the $104.80 level, formed upper shadows at the upper Bollinger, then broke a rising trendline. Given that we had a range day so far, it was logical to target the lower Bollinger Band, which is where you should have exited this trade at the $104.30 level.

There were a couple of trades based on the range day bias, namely reversal candles off the Bollinger Bands, but those were inefficient trades (lots of work for little profit).

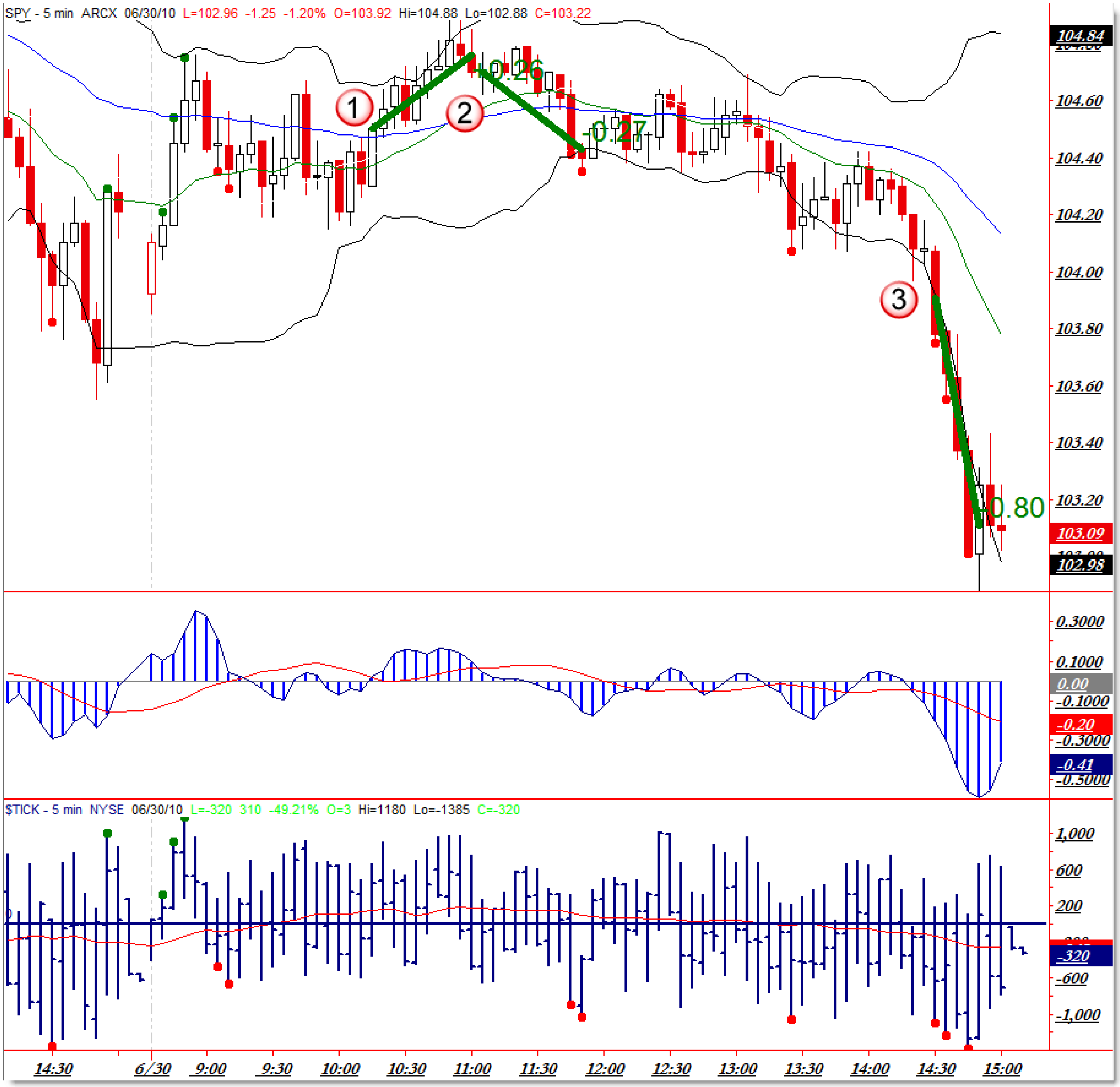
The big break came once we finally gave way through $104, which I stated was a decent probability today.

Pay very close attention - there were TWO Wyckoff Signs of Strength - at 12:00 and 1:30 CST - that forecast the turn to the bearish side and odds favoring lower prices ahead. Make no mistake- while Wyckoff signals are not perfect, they often alert you to future moves in the market better than virtually any other indicator that exists. If you don't understand this principle, look closely at today's TICK chart as it related to the price, and the new TICK lows on the session BEFORE price made new lows. That was your signal that ... how do I say this nicely... all hell was about to break loose.

3. BREAK UNDER THE OFFICIAL LINE IN THE SAND AT $104

The more times a significant line is tested, the more likely it is to BREAK rather than hold. If the level is going to hold, then price needs to touch it, rally off of it, and not look back. The more times the market comes back to a major line in the sand, perversely, the MORE likely it is to fail.

And it certainly failed today. You should have shorted immediately as you saw your chart tick $103.90, $103.80, $103.70 because that was forecast DAYS and WEEKS in advance - on any break, EXPECT a sharp downside "popped stops" range breakout move. You won't be able to have a level this strong in quite some time, or a trade this easy, unless we break back above $104 any time soon. This is one of those trades better suited for the professionals with experience, rather than newer traders learning the ropes. Still, this is a classic breakout set-up that is easy to anticipate, but difficult to enter unless you've done it a few times before and understand that markets are driven by supply/demand and not magic indicators. Once $104 broke, all the bulls who had tight stops were forced to sell and all the bears - hopefully some of you! - rushed in to short. The break in supply/demand FORCED price to the downside, giving you - if positioned - EASY money. Ok - not so easy, because it's difficult to short a market making new lows, but once you get past this hang-up, you'll find it to be much easier and very rewarding.



Assuming you shorted sometime after the break under $104, then roughly $1.30 was possible today. If not, only 50 cents was.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
888,096.80	14,704,372	9:45	13,816,275.20	0.50
1,217,494.20	13,468,255	10:00	12,250,760.80	0.50
(2,836,797.40)	10,870,932	10:15	13,707,729.40	0.38
(1,129,998.50)	8,377,625	10:30	9,507,623.50	0.36
157,631.60	9,282,657	10:45	9,125,025.40	0.36
1,226,341.00	9,814,895	11:00	8,588,554.00	0.28
(69,342.30)	6,785,471	11:15	6,854,813.30	0.26
183,902.60	6,175,877	11:30	5,991,974.40	0.26
(270,700.00)	5,134,758	11:45	5,405,458.00	0.25
731,351.80	5,983,927	12:00	5,252,575.20	0.30
(25,992.30)	5,003,886	12:15	5,029,878.30	0.26
(1,621,781.10)	2,833,308	12:30	4,455,089.10	0.27
591,838.90	4,304,621	12:45	3,712,782.10	0.28
478,854.90	4,047,934	1:00	3,569,079.10	0.25
(1,622,026.10)	2,575,579	1:15	4,197,605.10	0.33
(1,153,929.30)	2,868,852	1:30	4,022,781.30	0.31
(667,375.80)	4,551,278	1:45	5,218,653.80	0.30
(1,330,057.50)	3,378,257	2:00	4,708,314.50	0.31
2,886,222.10	8,532,616	2:15	5,646,393.90	0.37
3,267,647.40	9,589,428	2:30	6,321,780.60	0.35
187,071.80	7,250,740	2:45	7,063,668.20	0.38
(1,692,042.00)	6,243,560	3:00	7,935,602.00	0.50
(3,752,966.90)	5,033,065	3:15	8,786,031.90	0.57
(528,351.40)	11,116,048	3:30	11,644,399.40	0.48
10,575,184.80	23,225,455	3:45	12,650,270.20	
12,691,109.00	37,280,444	4:00	24,589,335.00	
706,976.40	8,785,916.92	Ave.	8,078,940.53	0.35

Interestingly enough, volume was light today. That's puzzling unless you understand that the day's session was a range day officially - consolidation - until the final hour when the break occurred. Then it makes sense.

The last 30 min outperformed the 10-day average volume by 10 and 12 million shares, in a hideous bearish confirmation of the down move... signifying odds favor (from a volume standpoint) lower prices yet to come.

I added extra commentary to today's higher timeframes.

There's not much to say here - we got the close under $104 that we were expecting/anticipating/on guard for and we got the harsh intraday sell-off - which gave intraday traders a golden opportunity - that was likely with a clean break under $104.

There is no further chart support until we test $100.

Above $104 = Bull Market. Beneath $104 = Bear Market.

I can get more complicated than that, but that's all you need to know.

The next likely price we'll see is $100.

If on the other hand bulls step in and push the price back above $104, you need to be ready to play a potentially strong Popped Stops rally intraday, but if not, be equally ready to play a harsh sell-off to the $100 level.

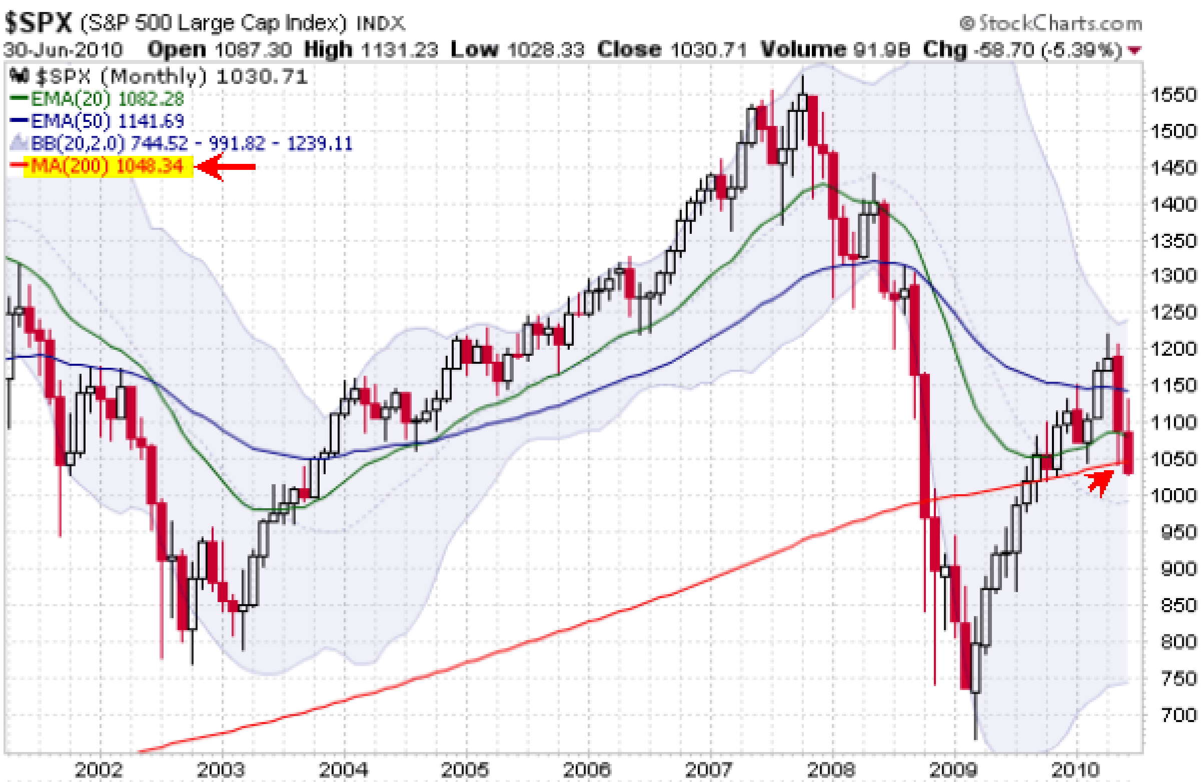
Why am I officially declaring today a New Bear Market? I objectively follow charts objectively using classic principles of technical analysis - free (as much as possible) from bias. If you are making a case, you would note that price is under the 20, 50, and 200 moving averages, that these averages are now in the most bearish orientation possible, that we have moved over 10% from the highs, volume was low on the rallies and high on the sell-offs, that price has formed a quantifiable series of lower lows and lower highs, and has taken out a long-standing 'final' support zone at 1,040. You have no choice but to declare this market in a downtrend and returning officially to a bear market. There is no other way to interpret this market objectively - the bulls lost the LAST and FINAL line of defense - or argument - that we were still in a bull trend.

What do you do? If you're aggressive, you're already short. If you prefer to wait for two closes under 1,040, then you'll need to wait for that to occur before positioning. If you're an intraday trader then it really doesn't matter at all - but that you'll be more likely to short intraday than buy, but you'll trade long and short as opportunity arises. While we don't know if we will continue the downtrend that officially confirmed today, we do know that the odds have overwhelmingly shifted - along with the risk - to the downside, so long-term investors might consider altering their portfolios and mutual fund holdings today - and that's exactly why this level is so important - if anything from a 'self-fulfilling' prophecy standpoint.

The probabilities took a major bearish shift today, and odds are extremely high that we will see 875 in the months to come. Odds - as they stand right now - are extremely low that we will see 1,110 or 1,220 anytime soon, if not for years. That's what a turn and break under 1,040 means - and the 'powers that be' knew that which is why they tried anything they could to hold the market above the abyss. Today, they failed.

If we rise back above 1,040, then the probabilities shift. But unless that happens, then we could be seeing the beginning of a massive stock market sell-off/dislocation. I'll be discussing this more in the weekly report - for intraday and short-term traders - know that today was a game changer that so many people were fearing... and expecting (if bears). Bears will be piling in short now while bulls will be liquidating positions - and that is exactly why we watch key price levels as 'lines in the sand.'

While we're under 1,040, everything has changed.



We closed under the 200 month moving average today - and this chart is now permanent, given that today is the last day of the month. Notice how price bounced successfully off the 200 month SMA four times before this month.

We could get a similar bounce here... but if we don't get a bounce immediately... then you need to look at what happened when the last time we tested a key line of support at the 1,250 level.

As long as we're under 1,040 - as seen above - we ARE in a new bear market.