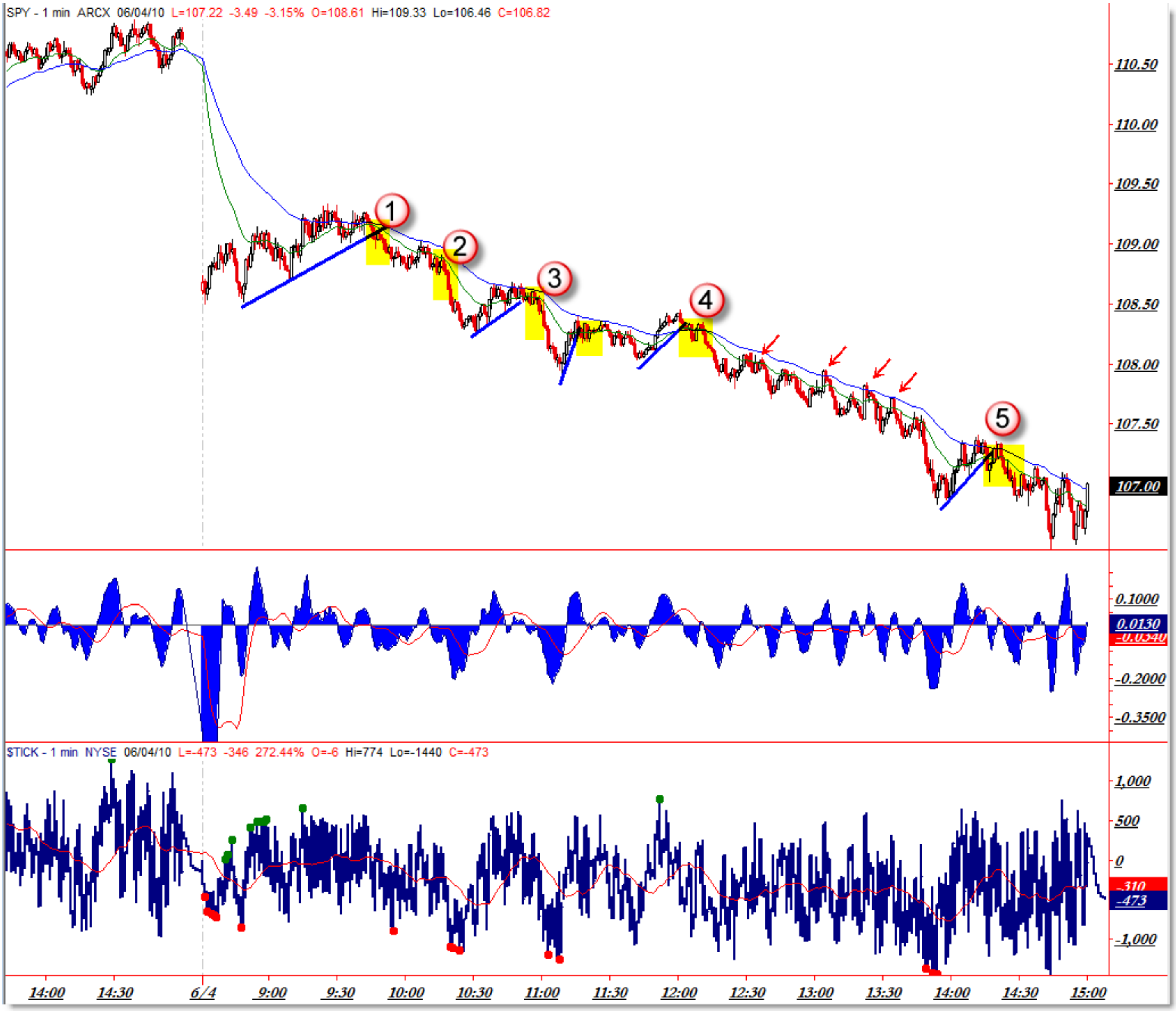
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 06/04/10 L=107.22 -3.49 -3.15% O=108.61 Hi=109.33 Lo=106.46 C=106.82
1
2
3
4
5
110.50
110.00
109.50
109.00
108.50
108.00
107.50
107.00
0.1000
0.0130
-0.0340
-0.2000
-0.3500
$TICK - 1 min NYSE 06/04/10 L=-473 -346 272.44% O=-6 Hi=774 Lo=-1440 C=-473
1,000
500
0
-310
-473
-1,000
14:00
14:30
6/4
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

As expected, and as I highlighted last night, if the Jobs Report comes in better or worse than expected, we could expect a trend day - and that's exactly what occurred, which gave us perhaps the perfect example of a pure, Type III Trend Day (gaps down, falls all day, NEVER rallies above the 50 EMA and rarely above the 20 EMA). That's why it's vitally important to pay attention to major economic releases - namely "Fed Days" and "Jobs Report" days as the top intraday movers when something unexpected happens - it's your greatest chance to anticipate a Trend Day in advance... and thus make the most profit from the movement.

Instead of labeling every single trade as usual, I'll make the blanket statement and then describe a few tips for Trend Days, though you can go back into the archive on all labeled Type III trend days for additional information, tips, and examples.

ALL trades set-up exactly the same, particularly after #3 at which point it was abundantly clear that we were in a trend day down. ALL trades were retracement/pullback trades that triggered a short sale in the context of the larger downtrend when price retraced to the falling 20 EMA and/or formed a reversal candle and broke a 'flag-like' rising trendline. You would put a stop-loss just beyond the falling 20 EMA, and scalp aggressively (larger position size than normal) to hold short until price reached the lower Bollinger Band and/or formed a clean reversal/buy candle.

UNDER NO CIRCUMSTANCES do you try to buy on a Type III (or even Type II - weaker) trend day down. While you certainly can try to play mean reversion long (buying) to play a move back to the 20 EMA, those trades require precision that most traders get boggled down with. Just stand aside during a rally phase and prepare to get short again at the falling 20 EMA, particularly as a candle forms. You're better psychologically/emotionally playing short the whole day and taking little breaks when price is rallying in a corrective move back to the 20 EMA... unless you know exactly what you are doing and manage the risk. It's SO much easier to short-sale on a Type III Trend Day down than it is to play perfectly, and risk stressing out and missing a big move down.

I can't stress enough that you should NOT be actively trying to find a bottom (buying) on a Type III Trend Day down. That's how you ruin your day or week... or month (or worse).

On a trend day down, monitor the following:

TICK (it needs to steadily be making lower TICK lows)

Price in relation to the 20 EMA (5-min) needs to remain UNDER the 20 EMA, and you can short-sell retracements there.

Trendlines - can be helpful in assessing structure, but can confuse you if price nips just outside them (which happened at noon) and then returns back inside them).

Things you should NOT monitor on a trend day down:

Bollinger Bands - they don't really matter except for taking off positions, as price has a tendency to "Ride the Bollingers" (see 12:30 - 2:00). DO NOT use the Bollingers as buy signal.

Stochastics, RSI, or any type of overbought/oversold oscillator, as they'll likely stay "locked" in a permanent Oversold (which is a buy signal) position. Those who use them as such stand to lose massively if they keep buying.

3/10 Oscillator/Rate of Change, momentum oscillators FAIL on trend days because the impulse is part of a larger timeframe impulse, and so you'll likely continue to see positive divergences THAT MEAN NOTHING on a trend day down, just like you would see meaningless (dangerous) overbought signals from the RSI/Stochastic.

Those are the main things to know. SHORT ALL PULLBACKS, and don't be afraid to be aggressive. A few years ago, I learned that being aggressive on a trend day can have you make your monetary trading goals for the month... in a single day. We're not here to make $500 per day every single day of the year. We're traders, and so we have to take advantage of opportunities when they present themselves, which means your monthly profile may be comprised of days that are plus or minus $300 or $500 or $800 (or whatever position size you use) but then we have two or so days where our gains are $3,000, $5,000, or $10,000 - again depending on your position/account size. Main idea - a VERY small minority of days will comprise a majority of your profits for the month... that is, if you're trading like a professional/full-time. This is NOT a salaried job.

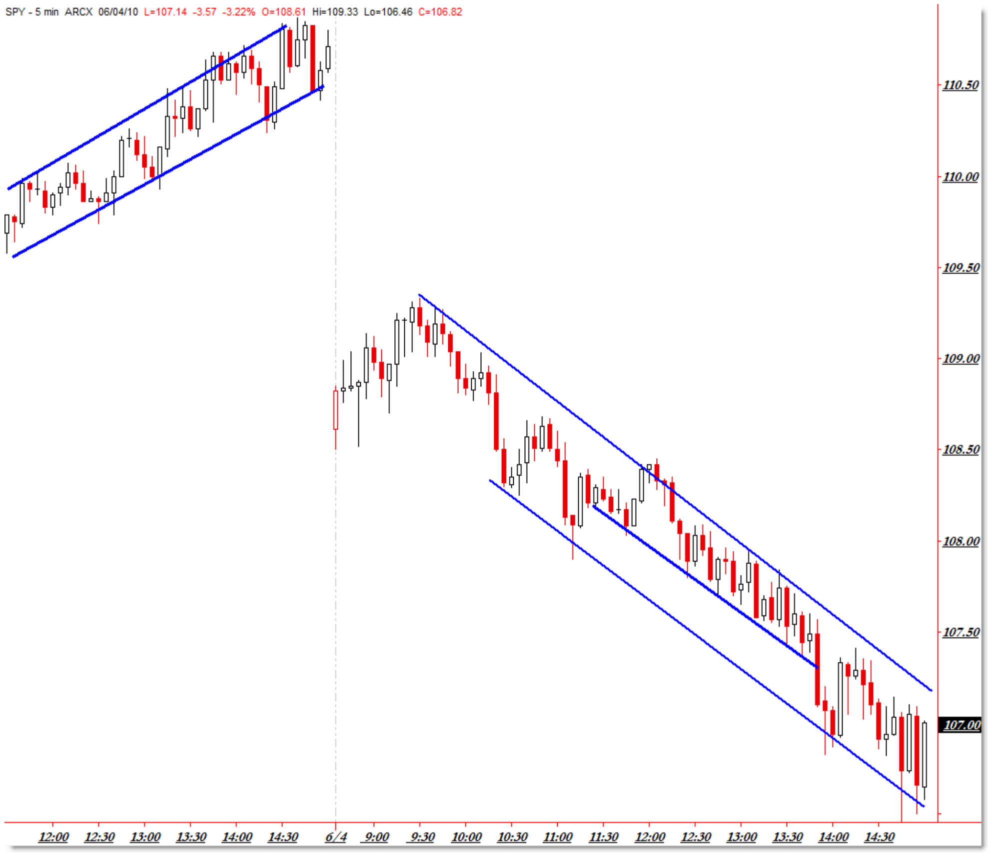
Once you experience/trade enough of them, and understand this concept, you'll realize that Trend Days are the most profitable type of day, as they allow simple set-ups (entries/exits/stops) and also allow you to use a larger size than normal days. If you try to outguess or outsmart the market (meaning "Oh, I just can't get short, the market's already gone down too much" or "Oh, the market has gone down so much, that I'll get long and buy in at the bottom"), then you will lose not only a golden opportunity, but you may very well lose a LOT of money if you continue buying on a trend day down. As many examples of trend days that I have shown you in these reports, the 1 thing you should NOT do is buy when price and TICK continue to make new lows. DON'T EVEN CONSIDER IT.

Refer back to the momentum principle: "If price and momentum (or TICK/internals) form a new low simultaneously, then odds favor a new price low yet to come after an immediate retracement." Trend days take advantage of that major price principle, but also the "Trend Continuity" principle.

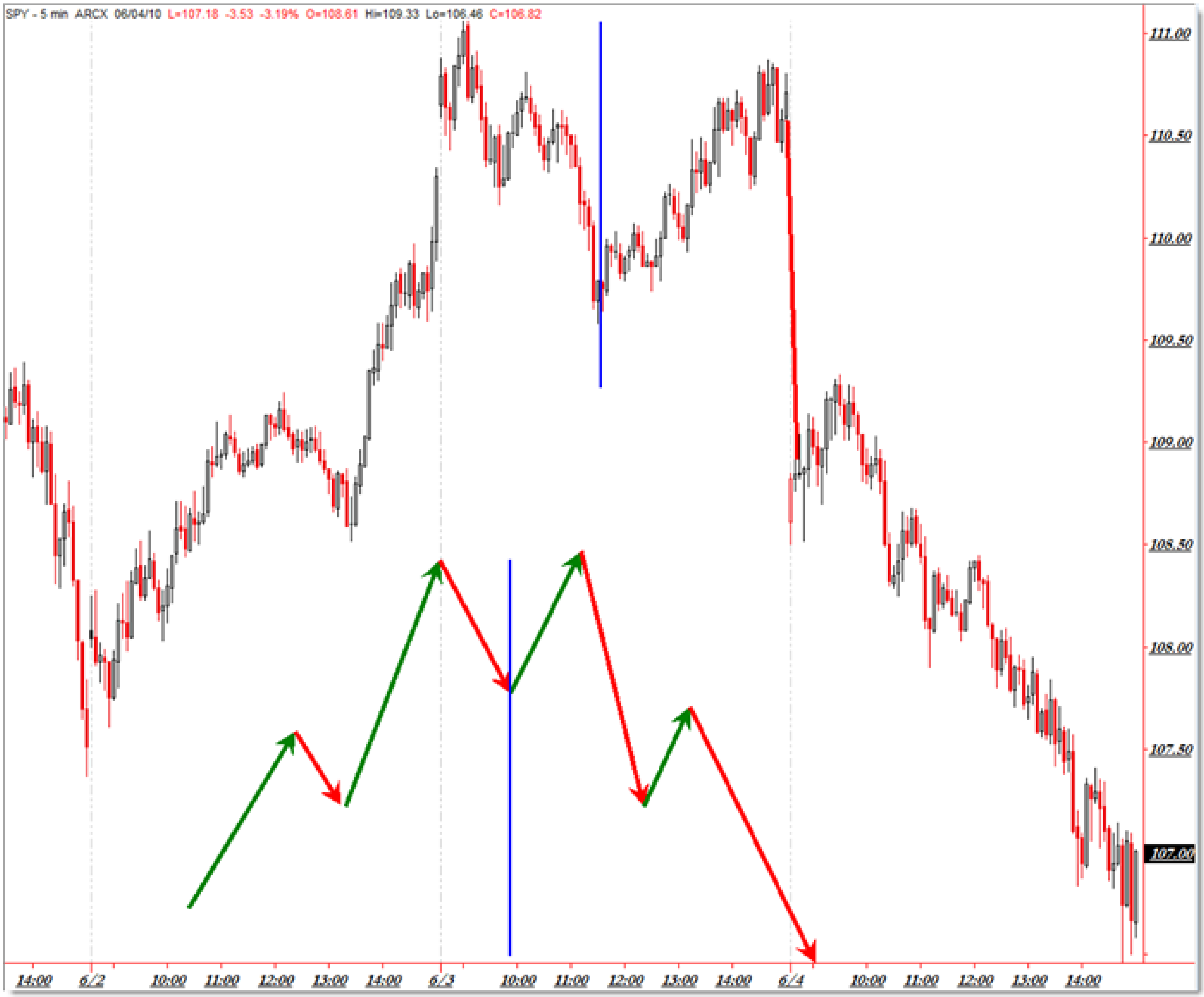
Without being crude/rude, and with experience, you'll certainly agree, that "those who fight these two principles - as in buying to find a bottom on a strong down trend day - fight overwhelming odds and thus bring the losses on themselves... and it's not the market that gives them the loss."

If you feel that you didn't trade today as well as you should have - that's ok. Every day is a learning experience. There will be other days like this - they're rare, which means we need to take advantage when the opportunity presents - but they do repeat and you will have other opportunities.

If you used the "Core Trade" method (meaning you anticipated - as I told you was the likely case with a Jobs Report surprise - a trend day, you could have gotten short on the first pullback/sell signal and HELD SHORT all day long), then you could have picked up $2.10 in one intraday trade (20 @ES points). If you did that and THEN scalped the pullbacks as labeled, then you could have traded up $2.60 + the original $2.10 for $4.70 in SPY profit, or roughly 45 @ES points.



Sometimes it's helpful to pull everything off the chart and look ONLY at price ... doing so should prevent you from trying to tempt the fates and go long on a day like today.



Today also gave us a perfect example of a "Mirror Image Foldback" pattern (rare pattern that most people don't know).

The premise is to recognize as soon as possible - usually half-way through the right 'image' - that price is making a similar move on the downside as it did on the upside. Then, armed with that information, expect price to carry forward in a similar pathway on the right side of the image - divided by the blue line - as the left.

You could have recognized this as soon as price began to fall, or took out the low from the morning rally around 10:00am. This would have clued you in that price was likely to complete the left side of the image, which occurred... and was exceeded with a new low.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
(1,222,982.48)	23,012,631	9:45	24,235,613.48	0.72
797,560.84	17,553,814	10:00	16,756,253.16	0.72
(4,021,027.68)	12,573,549	10:15	16,594,576.68	0.64
(2,031,828.44)	12,000,371	10:30	14,032,199.44	0.63
(4,841,555.04)	8,161,098	10:45	13,002,653.04	0.55
(3,901,861.36)	7,127,362	11:00	11,029,223.36	0.53
(4,977,981.16)	5,805,643	11:15	10,783,624.16	0.61
(676,632.32)	10,443,814	11:30	11,120,446.32	0.56
1,709,332.04	10,499,757	11:45	8,790,424.96	0.45
(3,095,283.52)	5,586,060	12:00	8,681,343.52	0.44
5,059,575.60	13,761,994	12:15	8,702,418.40	0.57
(2,152,384.56)	5,401,121	12:30	7,553,505.56	0.47
(3,797,407.84)	3,122,323	12:45	6,919,730.84	0.39
(3,448,824.00)	3,565,347	1:00	7,014,171.00	0.43
(3,683,238.64)	3,866,634	1:15	7,549,872.64	0.48
1,028,773.00	8,634,172	1:30	7,605,399.00	0.49
(1,515,626.32)	5,669,211	1:45	7,184,837.32	0.42
(1,476,505.16)	5,642,861	2:00	7,119,366.16	0.38
(1,284,298.92)	7,230,284	2:15	8,514,582.92	0.54
768,235.08	9,899,728	2:30	9,131,492.92	0.47
(2,314,736.68)	8,864,207	2:45	11,178,943.68	0.67
9,278,492.32	20,888,608	3:00	11,610,115.68	0.81
3,570,670.00	15,683,117	3:15	12,112,447.00	0.59
1,656,640.28	14,648,214	3:30	12,991,573.72	0.63
6,734,588.56	21,873,577	3:45	15,138,988.44	0.60
9,465,029.28	36,749,131	4:00	27,284,101.72	0.81
(168,202.97)	11,471,716.46	Ave.	11,639,919.43	0.56

Remember the relative volume charts I've been showing? Where I've been pointing out that the market was rallying on lower and lower daily relative volume? TODAY is the resolution of that non-confirmation from volume, and the market fell sharply as expected from the relative volume-style chart.

Volume didn't really exceed the 25-day average - which includes the 'sell-off' data - except for a few 15-min periods until the end-of-day session, when volume surged as price fell. That's a CONFIRMATION of the sell-off and thus forecasts lower prices yet to come.

Key resistance at $111.00 held, though had the Jobs Report came in at 600,000 or 800,000 jobs created/added, we would almost certainly see the OPPOSITE picture as we saw today.

Now that the market has "broken the stalemate" at 1,110, odds strongly favor a retest of $105.00 or $104.50 as the expected play going forward.

Any move back above $107.50 should be treated with caution, but as long as price remains under the green horizontal line at $107.50, you should be expecting and playing for a retest of $105 at a minimum.

A break above $109.00 shifts the odds to place us back into the range pattern (rectangle) between $107.50 and $110.50.

It still seems as though we have completed an "ABC" pattern (corrective), when means that - in Elliott Terms - we can expect an impulsive (pro-trend) wave down to the $105.00 level or more likely lower, perhaps to $100.00.

Unless we get stunningly bullish news early next week, the technical (chart) structure overwhelmingly indicates that odds favor a retest of $105 at a minimum. In intraday trading, be cautious if we get back above $108.

1,110 was a "Make or Break" for the market... and the market broke. Hard.

Looking at the chart, we keep the 5-wave Elliott count as the dominant view, which places today's action as the probable - though not guaranteed - start of the 5th wave expected down which will retest or break under 1,040 as the expected play.

There's confluence resistance - 200 SMA, 38.2% Fibonacci, 20d EMA, and a Gann Squares number all at 1,110, so any move above that will be a major game changer - bullish. UNTIL that happens, it seems as though we have transitioned into an impulsive trend lower, and a move under 1,040 will officially turn the trend lower from a classic standpoint.

Already, we're under the 200 day SMA (some would say that automatically places us in a bear market), and the 20/50 EMA is in a bearish orientation.

The weekly chart shows us our second weekly close under the 50d EMA. The last time this occurred was the vicious failed Head and Shoulders pattern that took so many traders by surprise when the pattern failed and resulted in a sharp 'popped stops' move that followed. That could happen again, so don't bet your whole account short.

However, if we break under 1,050/1,040, then there is NO obvious/known chart support until we reach the 850 price lows from July. Odds favor we'll see 850 again if we break under 1,040 and then under 1,000. In fact, a close under 1,000 would almost guarantee a move back to 850 so that's why you should watch 1,040 then 1,000 extremely closely in the week(s) ahead.