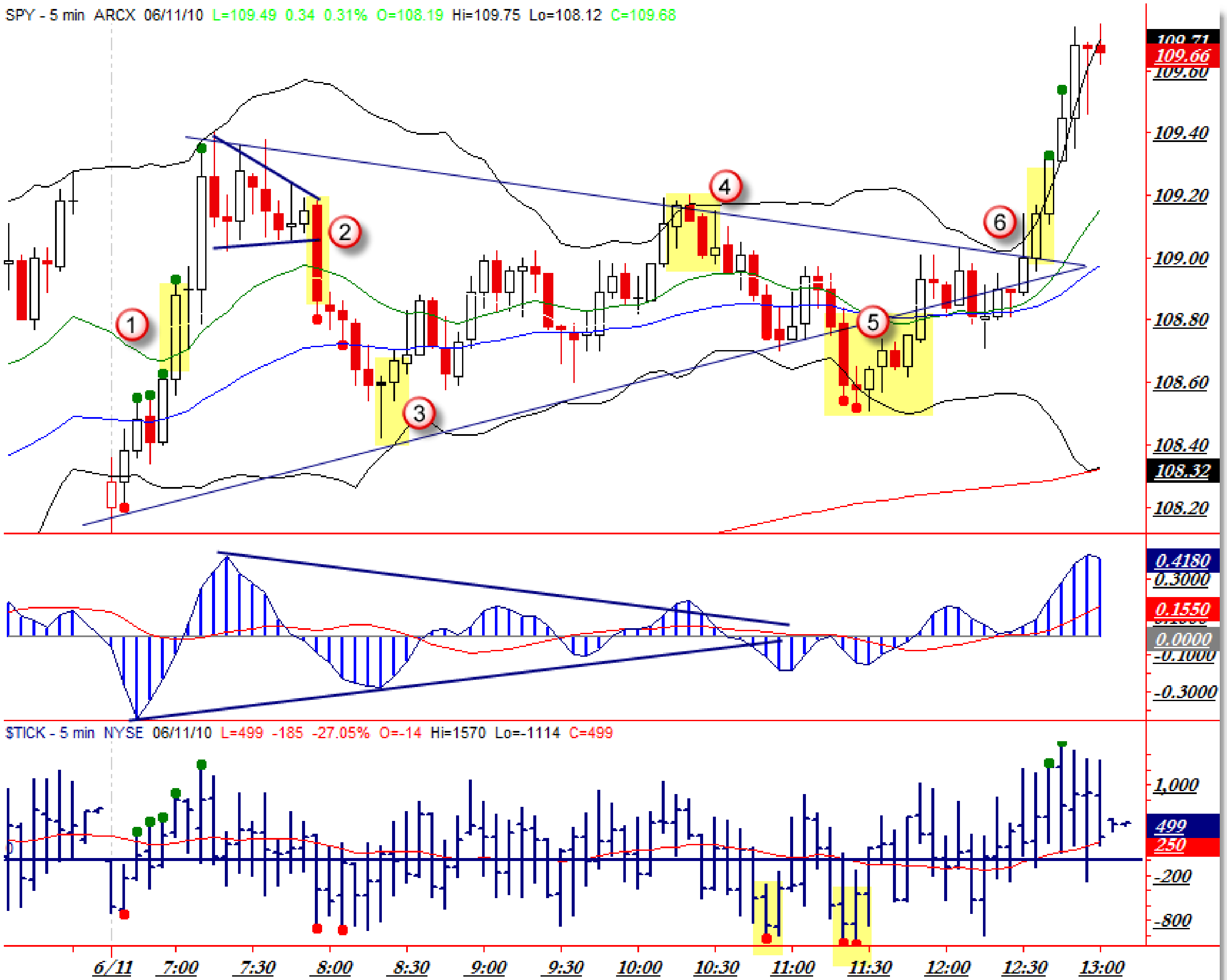
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report



Today gave us an excellent example of the "Popped Stops" and "Stunning Reversal" situations, which I would consider a "Finger." Let's see the lessons from today's action:

1. POPPED STOPS/GAP FADE

The gap today was $1.00, which places it outside the probabilities of a fill, though the gap filled. So I wouldn't have recommended getting long off the open, but rather after price broke above the 20 EMA (5-min) at $108.80 or overhead round number at $109.00. The target was a fill of the gap and a "Popped Stops" play which took advantage of those who shorted earlier in the morning being forced to cover. A good exit was the reversal candle at the upper Bollinger at $109.20.

2. DESCENDING TRIANGLE BREAK, BEARISH ENGULFING

Unless you shorted immediately at the gap fade price or one of the reversal candles, the best entry was a break under the short trendline at the $109.10 area, which gave way immediately to a sharp, bearish engulfing candle wherein it was difficult to get short if you hadn't already positioned. Still, that was your entry – into a sell-off/breakout market under the $109.00 level to target lower 5-min EMAs or the lower Bollinger Band – all of which were hit. A nice doji candle formed off the bottom Bollinger Band at the $108.60 level, giving you an exit and potential 'flip/reverse' long buy.

3. FLIP/REVERSE, DOJI, LOWER BOLLINGER

If this trade worked, meaning if price did not go under the intraday low (it didn't), then it would confirm that we should be expecting a range day, in which reversal candles at the Bollinger Bands become the best trade set-ups – like this.

Buy on a break above the reversal candle and play THROUGH the moving averages (they are irrelevant on range days) to the upper Bollinger Band for a target. You can either exit immediately on a test of the upper Bollinger Band (which did not happen immediately) or a retest of the $109.00 area – which was achieved shortly later.

You could have played short and long throughout the rest of the session until we had a breakout, though I did label two more trades:

4. UPPER BOLLINGER, REVERSAL CANDLE, RANGE DAY

Keep your trading simple – on a Range Day, the BEST trades come from shorting moves into the upper Bollinger Band, partciuarly as a reversal candle forms, and buying moves to the lower Bollinger. A stop goes just beyond the recent high and you can exit on any major buy signal, but remember NOT to look to moving averages as support.

You could have bought again at $108.80, but price sliced through, breaking outside the established trendline and triggering a potential breakout trade – that failed.

5. BREAKOUT TRADE… OR DOJI/BOLLINGER REVERSAL

Depending on your bias and strategy, I can see this trade played either way. Being in Los Angeles at the Expo, I did not get to trade this in real time so I'm only able to use hindsight instead of comment from "actually being there" as I do when back in the office. If you were convinced that the day was a Range Day and traded as such, you might not have seen the trendline break and then simply gotten long on a break above the doji at the Bollinger Band as normal.

However, it may have been more appropriate to see the Wyckoff Sign of Weakness and breakdown from the trendline and then shorted the breakdown to play for a breakout – which immediately failed (stop out).

Because the breakout failed and officially triggered, it set-up a potential "Popped Stops" play, or the "Opposite Reaction" breakout, and by now you know my favorite intraday saying about what SHOULD happen and when it doesn't, it leads to a larger move in the other direction.

6. POPPED STOPS, TRIANGLE BREAKOUT, FINGER

I would call the false breakout a Bear Trap and a Finger, which means that because the trade FAILED, it led to a larger than expected move in the opposite – upside – direction, giving aggressive/experienced/unbiased/quick traders a chance to enter long on the upper trendline breakout and bullish candles at $109, 30 minutes prior to the market close.

In today's Range-Style Trading, roughly $1.90 was possible, but depending on how you traded #5, you can add or subtract from that number.

I'll discuss this later, but notice carefully that the Breadth (ADD) and VOLD formed crystal clear negative divergences today, as did TICK until the close where the end-of-day rally on thin air drove price and TICK to new intraday highs.

This is NOT the picture of bullish strength – market internal divergences often precede REVERSALS just like what we saw on June 8th.

This is not an environment to be super bullish unless we get above $111, in which case the play would be Popped Stops.

Otherwise, this market belongs to the bears it seems.

If we remain in this trading range, we will see price test the $111.00 level, which seems to be the trajectory price is heading. However, price is rising higher on lower volume, momentum, and internals on all intraday timeframes – that's VERY bearish and you need to keep a close watch on that for any sort of price reversal or breakdown in established price trendlines on the lower timeframes (around the $109 level).

Remember, bulls/buyers are going to do anything possible to keep this market up and above 1,040, so don't be surprised if you keep seeing these little manipulated tricks to drag the market higher on lower volume, momentum, and internals.

Objectively, we still remain in the trading range labeled above. From a pure price perspective, we would expect to see a retest of $111, but the negative divergences should give you pause, and even if we do reach those levels, it might not be worth the risk of a sudden, surprise downswing/gap, which is the usual outcome of a market that rises on deteriorating internals, volume, and momentum.

The market is currently testing the underside of the 20 day EMA at 1,091, and it's doing so on negative volume, momentum, and internal divergences on all timeframes – that's a classic short-sell signal, so let's see if the market 'does as expected' and falls lower next week as a result – if anything, this is not the picture of bullish strength, and as such, any upside move could generate a short-squeeze. Unless we see a move back above 1,100, we expect the market to continue back to test and perhaps break 1,040.

Until proven otherwise with a break and close above 1,100, that is the expected play.