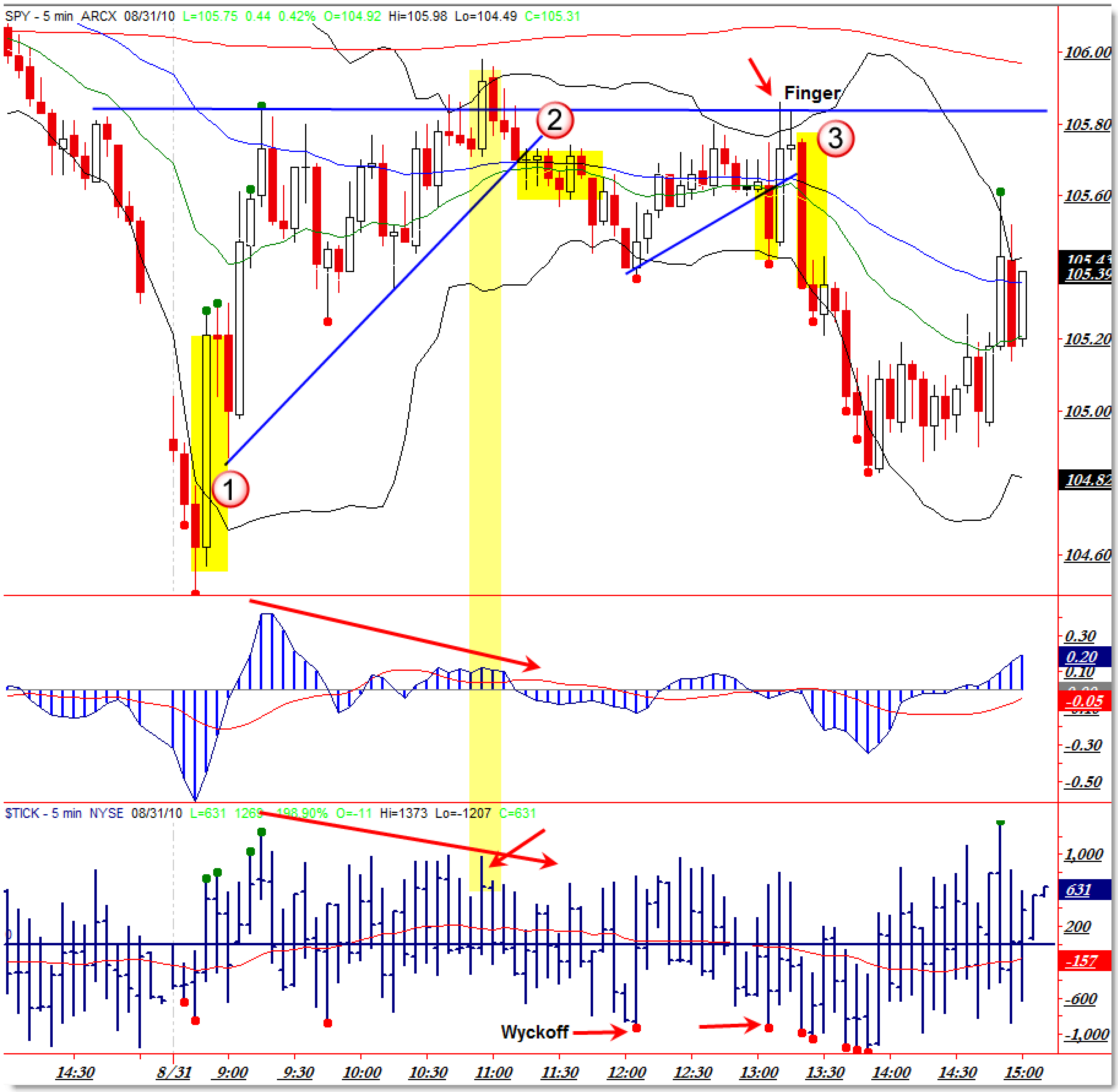
AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

S&P 500 ETF: SPY




SPY - 1 min ARCX 08/31/10 L=105.74 0.43 0.41% O=104.92 Hi=105.98 Lo=104.49 C=105.31
105.80
105.60
105.39
105.20
105.00
104.80
104.60
2
2
3
0.2000
0.0247
-0.1000
-0.2500
$TICK - 1 min NYSE 08/31/10 L=631 1269 -198.90% O=-11 Hi=1373 Lo=-1207 C=631
1,000
631
263
-200
-600
-1,000
8/31
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

The end-of-the-month rebalancing seems to be occurring, as funds adjust their portfolios. Traditionally, there's a slightly bullish expectation to the final 2 days of a month and the beginning 3 days of the next month, so let's see if those headwinds prove true again - we saw a bullish rally off the lows this morning... but as far as I can tell, that was more "games" being played. I spent the better part of last week in the reports describing in detail - especially on Wednesday and Friday (and earlier) regarding the "Surgical Injection of Capital" that took place when the market tested the 1,040 level. Go back and read those reports - the exact lessons were 100% accurate again today as we had the third such exact pattern repetition in a row - and I hope you took good advantage of it. The magic mystery buyers were at it again, and if you took advantage of that fact/reality by entering long initially off the bounce, then this was probably a good day for you.

1. SURGICAL INJECTION OF CAPITAL TRADE

I'm going to have to name this set-up officially, it seems! Alternate names include "Major Daily Support Bounce," "Magic Mystery Buyer Bounce," "Market Manipulation Bounce," "1,040 Flop," or any other creative term you wish. The main idea is that it is abundantly obvious that buyers have been stepping in to support the market exactly as the S&P 500 touches 1,040, and this morning, we hit 1,040. Logic would tell us that if the magical mystery buyers were active again, that we would see a direct repetition of what we saw in the past. So, to the astute trader, the roadmap and trade opportunity was obvious: Go long as soon as you saw an initial bounce off 1,040 ($104.50 in the SPY), place a tight stop under that level in case the 'game' failed (you would then want to short the breakdown), and then hold long to expect a big bounce - at least to fill the gap or into the 20 or 50 EMA.

A good exit was the bearish engulfing candle at 9:15am that tested the 50 EMA, formed two upper shadows, etc. The market actually went higher, but it was a good exit at the $105.70 level. Whatever is causing the market to support off 1,040 - it's reality, it's happening, and your job is a trader is to use that knowledge and make money. Do not complain about it. If anything, it's technical analysis 101 - locate key support prices and trade off them, as history tends to repeat itself. Whether this is actual market manipulation or true buyers who see future growth from the economy is irrelevant to the intraday trader - today's morning buy was one of the easiest trades available to you.

2. TRENDLINE BREAK, EMA BREAK, DUAL DIVERGENCES

First, let me say that you could have played a potential Popped Stops play on the breakout at 11:00am but here's why entering under $106 was NOT a good idea and NOT truly popped stops. First, TICK was clearly not making new highs, second momentum was clearly diverging (both internally and externally), third the prior two candles were bearish reversal candles at 10:30, and fourth there were two levels of overhead resistance - the 200 SMA at the $106 level and $106 itself as round-number resistance. So you should NOT have tried to play long for popped stops (profiting from the stop-losses of the bears) UNTIL price broke above $106 - the obvious resistance level that would have CREATED popped stops.

The better trade was the breakdown that occurred at 11:30 under the rising trendline and confluence EMAs at the $105.60 level (if you did not enter short on the push to $106). Place a stop above the $105.80 level and target a sell-off move, though price managed to rally off the lower Bollinger Band at the $105.40 level. Look closely to see that a Wyckoff Sign of Weakness formed at 12:00 - hinting that LOWER prices were yet to come in a trend-reversal fashion, so if you believed that was the likely play, you should have held on short through the rally (or exited and then re-entered short), placing a 'trend reversal' stop above the $106 high. Otherwise, you probably got shaken out of this trade - and maybe the next one.

3. TRENDLINE BREAK, BEARISH ENGULFING, REVERSAL PLAY, WYCKOFF

This is almost exactly the same logic as the last trade, only we had an initial trigger at 1:00pm with the bearish engulfing candle that broke the rising trendline at the $105.60 level. Here's where it got interesting (frustrating). Conservative traders place stops close above immediate swing highs, Bollinger Bands, or moving averages. If so, then you were stopped out immediately for a loss. More aggressive traders - believing in their position and willing to take a larger stop to play their conviction - would place the stop above $106. Why? Price SHOULD NOT go above $106. If it did, then it would mean an opportunity to get long for Popped Stops. As such, aggressive traders were fine - though they had to sweat out a sudden two-bar rally - while conservative traders may have stopped out on the two-bar 'finger' surge. That's exactly why I call it the "Finger" - it feels like the market screwed you over. That's also why finger trades are good precursors to ACTUAL trend reversals and big moves - because they shake out the weak hands and frustrate them into chasing the market on the way down.

Unfortunately, that's what happened today. The market did plunge and reverse lower as expected, with the exit being the bullish engulfing candle that bounced off the support at $105.

Roughly $1.50 was possible in today's session.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	CST	15-min VOLUME	RANGE
3,916,405.40	17,948,856	8:45	14,032,450.60	0.60
7,210,418.20	20,101,298	9:00	12,890,879.80	0.60
1,515,118.10	17,266,536	9:15	15,751,417.90	0.37
(4,101,518.70)	6,151,813	9:30	10,253,331.70	0.31
1,881,106.60	10,423,592	9:45	8,542,485.40	0.41
1,071,118.80	7,154,459	10:00	6,083,340.20	0.27
(648,666.40)	7,442,629	10:15	8,091,295.40	0.38
773,014.70	6,636,318	10:30	5,863,303.30	0.25
1,888,489.10	7,489,473	10:45	5,600,983.90	0.21
(2,120,812.20)	3,445,606	11:00	5,566,418.20	0.20
490,032.40	4,194,784	11:15	3,704,751.60	0.22
(1,367,621.60)	1,986,084	11:30	3,353,705.60	0.22
95,376.40	3,377,672	11:45	3,282,295.60	0.22
(632,266.20)	2,897,345	12:00	3,529,611.20	0.22
543,678.90	4,246,221	12:15	3,702,542.10	0.24
(1,126,370.20)	1,723,826	12:30	2,850,196.20	0.19
(224,221.10)	3,261,873	12:45	3,486,094.10	0.33
(1,237,953.30)	2,066,119	1:00	3,304,072.30	0.24
3,698,491.90	9,411,942	1:15	5,713,450.10	0.31
3,680,425.40	9,092,400	1:30	5,411,974.60	0.23
3,861,425.45	9,815,884	1:45	5,954,458.55	0.25
6,145,969.18	12,185,399	2:00	6,039,429.82	0.31
2,994,066.45	8,991,669	2:15	5,997,602.55	0.38
1,631,982.64	9,794,809	2:30	8,162,826.36	0.33
3,725,058.09	15,167,330	2:45	11,442,271.91	
3,570,210.00	23,365,700	3:00	19,795,490.00	
1,432,036.85	**8,678,447.58**	**Ave.**	**7,246,410.73**	**0.30**

I think today's volume rise was attributed to the end-of-month rebalancing/portfolio adjustment. The market really didn't go anywhere, despite the rise in volume.

If anything, today's volume data suggest bearish undertones - as the strongest volume came at the END of the day (end of the month) as the market sold-off.

From the 30-min chart, if I take an unbiased viewpoint (which is my goal), I would state that the action is actually very, very bullish. Why? Price broke a descending trendline last week and bounced off it bullishly today. Also, price has successfully defended (supported) the $104.50 level three times - a potential triple bottom. Price may also have broken out of a descending triangle. There is also a clear positive momentum divergence under the market. So, look to go long on a confirmation from price with a breakout above the $106 key level - that's the respective moving average resistance which would be an initial trigger which would get a second bullish trigger on a breakout above $107. Be long if this series of events occurs. Plus, we do have a 'mystery buyer' situation where buyers have proven willing - almost literally drawing the line in the sand - to buy any pullback to that level. Either they see future potential of an upside market... or it's blatant manipulation. Whatever the motivation, the buyer is there and appears very determined - and if it is "The Fed," then many traders who try to short this market will soon learn "Do not fight the Fed." They did just announce on Friday that they will do anything it takes to keep the economy from plunging into a second recession - if they can.

While price did indeed break and support on a shorter term trendline as I showed, it did NOT break above the longer-term trendline as shown above. That's another reason why a breakout above $106 would be a supreme buy signal - even for swing traders to participate. Expect either an orderly or perhaps a vicious round of popped stops above $106.

The alternate, IF/THEN viewpoint is of course if the magical mystery buyers fail in their endeavor, or if there really is no magic mystery buyer (just normal buying pressure - perhaps aided by computer trading programs/algorithmic funds), and the market actually falls under 1,040 - expect a vicious, violent, sudden move back to test 1,010 at a minimum ($101).

I call 1,040 an "artificial low" because most things that occur naturally in the markets - as in free from outside influence - do not conform so perfectly or predictably. By that I mean there seems to be an unnatural order or design that floods the market with enough buy orders to support the S&P 500 at 1,040 - be it through futures contracts, ETF jamming, or other tactic. It's just too perfect to be coincidence - at least in my opinion. But again - that doesn't matter. The fact is that 1,040 is critically important support, it has held 5 of 6 times (only minimally broke in July) and IF history repeats itself (the foundation of technical analysis) THEN we can expect to see a rally begin here that should develop soon - it would be confirmed with a break above 1,060 and continuation up to the 1,090 or 1,100 target levels. Anything above 1,100 would be expected to trace to 1,130, and anything above 1,130 would blow the market much higher to retest 1,170. And of course, ANY downside break under 1,040 should almost certainly lead to a retest of 1,010, and anything under 1,000 will collapse the market into a sell-off that most likely will target the 900 level. For short-term traders, don't get too caught up in projecting three or so months out. Either 1,040 will hold or it won't - either way, you can and should make money off of what happens here.