

AFRAID to TRADE

overcoming stock market fears *with* Corey Rosenbloom



Daily "Idealized Trades" Report

S&P 500 (SPY)



Another interesting and difficult day.

Out of the gate, we got a large-scale gap which filled very violently and quickly (violent as in bears had no chance if they were short - it was unrelenting).

Waiting 15min (3 bars) gave an ideal entry to fill the gap, though it was a large-scale gap (which typically have lower odds of filling).

Next one could have gotten short into the confluence EMA zone, expecting a push to new lows of the new price and momentum low, but this ultimately failed and failed quickly.

At 11:00am, a Cradle Formed and price formed a flag-like retracement back into the Cradle, which I deem the highest Probability Trade of the Day. It also serves as an excellent example of the Cradle. Look back to the close of Tuesday's action to see a Cradle Trade set-up very quickly into the close. Because day-traders do not hold positions overnight, there was no chance to profit from yesterday's cradle into the close.

A small bull flag formed which exceeded its target (off the Cradle) and then another near-perfect 45 degree angle pullback occurred back to the rising 50 EMA (with hints of a trend day underway) which provided another excellent long entry signal.

Price got its Bull Flag (or AB=CD) Target into the intraday highs which formed a clear negative momentum divergence, setting up a short-sell trade back to the 20 EMA. At that point, it became unclear whether the day would resolve back into a Trend Day (where the oscillator would be useless) or if price would fail at EMA support.

Ultimately, price did fail at EMA support... though not to be outdone by prior days, the market flashed a clean exit (and even sell-short) signal at 3:00 before rocketing higher in blazing fashion into the close, leaving bears scratching their heads and longs sidelined by an exit signal (two closes beneath the 50 EMA).

Tomorrow's trading could result in a Trend Day if the bulls use the "Mark to Market" accounting rules to form a Trend Day, but I would read more of a caution into that rather than a prediction.

Keep in mind the Jobs Report is released Friday, which often has a major effect on the market - and a Trend Day could develop then (to the downside if the number is worse than expected... but watch to see if the number is better than expected which would result in an Upside Trend Day perhaps and then the jobs number is quietly revised upwards (more jobs lost) weeks later.