



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



As expected in advance, the Mark-to-Market rules were received well by the Street (meaning banks can 'hide' assets to make their books and earnings per share look better). And as expected, it resulted in an overnight gap and an attempt for a Trend Day. Had the "Jobs Report" not been scheduled for tomorrow (first Friday of the month), we might have gotten an actual trend day instead of a sell-off into the close (longs don't want to hold in front of it).

Trading tactics for the day:

The opening gap was NOT fade-able, and it paid to 'go with' the gap and expect a Trend Day from the start. This meant bite the bullet and get long as soon as possible.

Even still, waiting for 3 bars (after a large gap) gave you a better entry than rushing in off the open. The plan was to hold long until the close, expecting a Trend Day.

A Bull Flag formed (almost) into EMA support at 11:30, giving a fresh (aggressive) buy, and then something strange happened.

A Triple Swing Negative Momentum Divergence (which carries LESS weight on a suspected Trend Day) formed but more importantly, a Triple Swing Negative TICK Divergence formed which DID carry weight. The more I study the TICK, the more I'm convinced it can help us as traders, particularly on Trend Days. The flipside was that you could have timed low TICK readings on the day as fresh entries into the Trend Structure.

In addition, a 5-wave Elliott Pattern formed on the triple-swing divergence, and so it might have been wise to kill all Trend Day trades into 12:30 (and perhaps play to re-enter a trend day position if the market pulled back to support).

A Doji formed at 1:00 which was a make-or-break trade meaning either the Trend Day continues or it doesn't. A price break beneath the 20 set up a "Magnet Trade" (or 'Open Air') down to challenge the 50, where a "battle" then took place. It was probably unwise to trade during the 1:30 - 2:30 choppiness, and instead wait for a break (up or down) to join a possible afternoon move. The TICK gave us further hidden clues that the odds favored an upside break.

We got the strong upside break, and the Trend Day thesis was 'back on,' though a Shooting Star gave a convincing short-term sell signal to challenge the 20. That happened sooner than expected, and price fell back down into the "Battle" Zone (value area) between the 20 and 50 EMAs.

This time, price itself gave us hints as to which direction it would break thanks to four long upper shadows in a row, which is distinctly bearish. In addition, the Jobs report could thrust the market lower on Friday, so it made sense that bulls would give up their positions just in case a bad number comes up.

The following chart documents the TICK divergences (bearish into 12:30 - bullish into 2:30), Three Push Pattern, and near perfect Elliott Wave structure:



A 5-period SMA is drawn on the TICKs, which also experienced a morning divergence.

A positive divergence formed from 12:30 - 1:30 which preceded the strong afternoon break.

A Three Push Reversal pattern corresponded with the 5-wave Elliott Structure.