



# Daily "Idealized Trades" Report

## SPY (SPY 500 ETF) 5-min



We started the day with a medium overnight gap which was quickly filled, so that should have been the initial trade. It happened so quickly that you had to be on your toes! Once a gap fills, often the *second* trade is a move back down to test the lows off the open, and an evening star which formed into confluence resistance (yesterday's close and the 20 EMA) set-up the second (short) trade of the day.

There was an ominous converging trendlines pattern and narrow candles (dojis) of a falling wedge (which is bullish), and the trade entry came when price surged with a bullish candle out of the wedge. This could also have been treated like a bull flag, which targeted the 50 EMA, though price surged well-beyond these targets. Technically, it was a wedge.

Since price surged up in a strong move to new highs (price and momentum) on the day, it was a sign that we could be experiencing a "third wave" which indeed turned out to be the case. Remember, first and second waves are difficult to identify - you almost have to see them in the hindsight of a powerful 3rd wave. Only then can you prepare yourself to buy after Wave 4 is complete.

Within the 3rd wave, a "Three Push" reversal pattern (triple swing negative momentum divergence) formed which led to the 4th Wave pullback into EMA support.

At the bottom of Wave 4, a doji formed (which is often a reversal signal) which was followed by a bullish breakout that began your "Wave 5" Trade. This was almost a Morning Star candle formation which is very bullish.

A unique opportunity arose - that of a Bull Flag within Wave 5. Look closely as price formed a clean retracement to the rising 20 EMA which set-up the Bull Flag "Measured Move" trade. Price actually exceeded the price projection into new highs on the day, though the new highs formed on a slight negative TICK divergence.

Remember, 5th waves are expected to have a 5-wave subdivision, and you can count that into the day's close (which set-up scalp trades in the structure for very aggressive traders, particularly on the one-minute chart).

As strange and perverse as it seems, Today's action is classified as a Trend Day - a "Type 2" Trend day in my terminology, though it began with a small downside gap. Usually trend days begin with a large gap in the direction price travels for the duration of a Trend Day. It is very rare to get two (opposing) trend days in a row like this.

Let's see what the TICK had to say within the structure.



The first TICK Divergence occurred into the first reaction down which was then met by an up-move and a New TICK High on the day (+1,275). This extreme TICK reading was your hint then that price favored upside through the day. In fact, the 10:30 TICK high was the TICK high all day. A "Three Push" divergence formed which preceded the Wave 4 pullback, and a positive TICK divergence (along with doji) signaled the end of Wave 4, with a W5 up to come. A new (relative) TICK high formed just after 1:30 which hinted higher prices were yet to come and a nice bull flag formed as price did rally to new highs (on a slight TICK divergence, not shown). This was the intraday high. Price then formed a new TICK low on the day but we had a surge up into the close on a clear positive divergence and then negative divergence into the close.