



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



Trend Day!!!

For all practical purposes, the day was a Trend Day (Type 2.5). A Type III trend day is one that gaps and NEVER looks back and never really closes beneath the 20 EMA.

A Type 2 day is one where we gap and rise and mostly stay above the 20 all day but once or twice, dip down to the 50 and break it maybe for one bar but resume the trend into the close.

A Type 1 Trend Day is one that starts out normal - but there's some sort of aberration. Maybe there isn't a large gap in the morning but the afternoon becomes a trend day. Maybe there is a strong gap and we expect a trend day but the trend day 'fizzles out' and turns into a "Rounded Reversal" or some other trend day failure pattern.

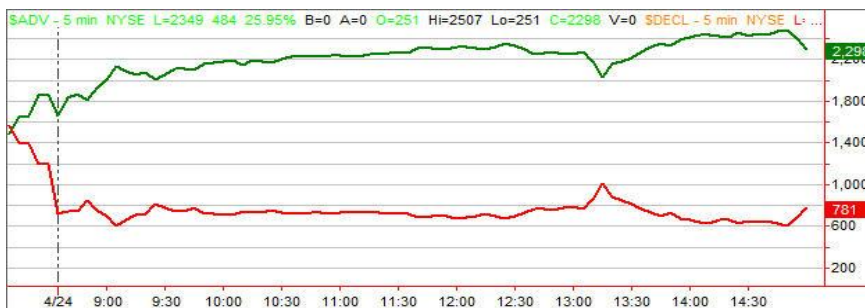
So I deem this to be a "2.5 Day" because were it not for the "Stress Test" announcement, we would have experienced a strong Type 3 day.

In fact, it's probably best to rank this as a "Fed Day" because this is the pattern seen on Fed Day announcements (early rise, low volatility, announcement, a break initially in a FALSE direction, and then the real move in the direction of the original trend - in this sense the day was predictable like clockwork).

Being a trend day, there really isn't any 'brilliant analysis' I can give.

Identify the early morning gap... but it wasn't initially a strong gap (it was roughly \$0.75 in the SPY). Since the gap didn't fill, that was your first clue we could be having a strong day. The second clue came at 10:30 when price found support at the rising 20 EMA and headed higher. Once price overruled the multi-doji sell signals at 11:00am (by not falling, but breaking to new highs instead), it became clear odds strongly favored a trend day.

The TICKs really weren't confirming the higher prices, as they stayed in a range of roughly +800 to -800 ... that's not normal for a trend day (usually you'd see a skew to the upside). The Breadth, however, was more indicative of a Trend Day.



It's often best to avoid trading when expecting a major governmental/economic announcement like a "Fed Day" Rate Policy, and today it was clear that the "stress test" result would be a market mover. It drove price down quickly then it recovered as quickly as it fell... so instead of getting whipsawed, I often encourage standing aside or trading very small on such expected market moving announcements.

Before looking at other charts, keep in mind that you really do best to turn off the 3/10 Oscillator on Trend Days. Ignore the lengthy and false divergence it showed all day.



On the Gap, the Tick barely registered above 800 - a non-confirmation. It never really broke 800 all day until the 2:00pm surge, which also served as a non-confirmation strangely enough. It was a creeper (oozing) trend that defied the odds.

The only meaningful signal was the new TICK high at 1:40 which hinted that a new price high was yet to come (it did) though a multi-swing TICK divergence formed on the intraday highs, setting up a powerful yet aggressive short-sell trade (usually it's ill-advised to trade counter to a trend day, even for a scalp). Nevertheless, the divergence 'played out' and we got a swift and sudden push to lows into the close.



The 5-minute chart gives us a clearer picture on the day. Notice the TICK divergence.

The end-of-day slide was preceded by a doji.



Bonus chart - notice how price is hugging up against the lengthy trendline (which actually extends to the March 9th lows). I'm also showing a lesson in Momentum (new momentum highs precede new price highs. Divergences precede reversals). Watch the \$87 level for technical resistance on Monday. The bias is down... until bulls reverse that bias.