



# Daily "Idealized Trades" Report

## SPY (SPY 500 ETF) 5-min



For all practical purposes, the day was a "Trend Day" (type 2). We began with a large overnight gap that did not fill (made no attempt to fill) and because it was a Fed day, we should have been clued in to the possibility of a larger range day (trend day) so that should have been the governing thought as the market opened ("Opening Gap Drive" in Market Profile Terms).

As such, shorting at any point as long as the price stayed above the 20 EMA was a wrong move - there are few wrong moves in trading (as there are many ways to make money) but one "wrong" move is to short on a developing or expected Trend Day. DO NOT DO IT.

Price made two quick morning bull flags, neither of which pulled back to a perfect entry (at the 20 EMA) so one had to be aggressive to get long ... or just realize the structure favored a trend day and buy in at any price - excellence and finesse in execution (perfect entries) will COST YOU on a Trend Day - the game is to get long as soon as you feel odds favor we have developed a trend day and stay long and do not 'play cute' with your entries.

A mysterious Elliott pattern has repeated the last four days - that of the morning 5-wave push up which forms a negative TICK and Momentum divergence on the final observable 5th wave. The 3rd wave is recognizable, and so the play is to "get long on the 4th wave pullback and short the 5th wave rally." I would argue shorting the 5th wave up on a Trend Day yielded low odds, and in fact execution had to be near perfect to get any profit (price fell 30 cents at most from 11:00 to 12:00 roughly). It was better to have exited the long and waited to re-enter after the correction played itself out.

It did so with numerous Doji Reversal (buy) candles as price formed a clean and obvious "Rounded Reversal" structure (complete with positive TICK and Momentum divergence) giving you - in my opinion - the best trade of the day. Even as price was expected to support on the 20 EMA, it still would have been a better idea to place your stop beneath the 50 EMA because the potential for a winning trade was so high - and we got it.

Generally, I do not recommend trading during Fed announcements (I do not do so myself) because price becomes very volatile. The pattern often is a 'three wave' move that creates large swings and wide spreads - it's generally a 'crap shoot' and - in my opinion - lacks edge.

Keeping this in mind, notice that price formed a 5-wave Elliott Pattern (Wave C) into the close. The point of recognition was the 3rd wave (from \$88.00 all the way down to \$87.00 in 30 minutes) so the play then became "Short the 4th wave up (into EMA resistance - almost the cradle) and Buy after the 5th (v) wave down." This pattern works exactly the same in reverse - the key to unlocking it is in recognizing the powerful 3rd wave.



One minute chart shows the 5-wave morning Elliott Structure ("buy the 4th wave; sell the 5th wave") complete with TICK and Momentum Divergences.

Amazing how many times this pattern has repeated almost exactly - four days in a row to my count.



Using TradeStation to view the 5-min chart.