



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



This was another of those "things didn't exactly turn out as expected" days, but that would not be the case had price not broken above the 20 & 50 EMAs toward the end of the day. Later, a closer look at the TICK divergences yields phenomenal insight that the 3/10 Oscillator and Moving Averages just can't do.

Overview of the Day:

We began with a large-scale overnight gap where the odds were so low that we'd get a fill. The first trade of the day should have been to get short following any rally up into the gap area, particularly to EMA resistance, which we got early on. An "Impulse Sell" could have been taken as price came back into the 50 EMA. Look at the TICK divergence chart for further insights here.

Because price found resistance at the 50 EMA, it increased the odds for a Trend Day to develop, meaning we should have shorted any pullback to the 50 EMA, no matter how weird it might have felt. These were the only idealized trades at this time. A stop should have been placed and/or trailed above the 50 EMA.

Once again, like clockwork, we got the 1:00pm afternoon breakout (to the downside) which would have been perhaps the highest probability trade of the day (entering short at the doji following the sharp retracement/bear flag into the 50 EMA resistance).

Price surged to new lows and then formed a quick doji before scalping back to the 20 EMA and making new lows on the day. Pay close attention to the TICK divergence chart at this time, particularly at 2:00pm.

Price still faltered beneath the 20 EMA and odds distinctly favored the Trend Day structure... but the powerful positive TICK divergence hinted otherwise. There was also a distinct positive momentum divergence into the pre-3:00pm lows. This would have been a good place to be defensive with short positions and tighten-up stops... or aggressively play for a long scalp.

Price formed a quick 5-wave structure (look closely, or pull up a 1min chart) into the highs at \$82.40 which again took place on a combo-negative TICK and 3/10 Oscillator Divergence, hinting that we would get at least a scalp back to the EMAs (though price carried beyond it).

So what made the day confusing was the neck-breaking whip-around after 3:00, both injuring bulls & bears. Usually only one side of the market gets gored - not both. It just shows that in my opinion, the Morning Session is 'easier' to trade than the Afternoon Session.

Pay close attention to the Four Distinct TICK Divergences of the day. Included is a portion of text from today's blog post teaching on these divergences.



To me, a TICK Divergence is far more powerful than a standard oscillator divergence, due to the fact that we are looking at a portion of the Market Internals and comparing high/low readings with prior price swing highs or lows.

The TICK takes a snapshot of stocks that traded that second on an up-tick vs those trading on a down-tick, and can be plotted any way you want - I prefer bar or candle charts because you can focus on absolute highs and lows. I also like to plot a 5-period Simple Moving Average of the TICK to smooth out the spikes and then compare MA highs/lows as well as absolute highs/lows.

We started the day with a powerful gap down and then price **formed a TICK divergence** right out of the opening bell, which was combined with a powerful hammer candle signal as price tested the day's S2 Pivot. Notice the green sloping arrow on the TICK when compared to the arc reversal on the price candles.

The second divergence came as price sauntered up to challenge the falling 50 EMA and the S1 Pivot. Look very, very carefully at where the new Tick High formed: it formed on the second large up-bar as price cracked above the 20 EMA. As price spiked yet again to test the 50 EMA, we saw a distinct TICK divergence set-up (which was even clearer on the 1-min chart). Given the TICK divergence and price coming into two levels of overhead resistance, odds distinctly favored a down move that steadily occurred.

Notice that a New TICK Low occurred at 12:30 (CST) which hinted that a lower price low was yet to come, which did form both 30 minutes and one hour later... though those new intraday lows formed on a **distinct Positive TICK (and momentum) Divergence** - so many times a daily price low/high is formed on a key divergence.

This time price surged off the lows, breaking again above key EMAs with two powerful pushes, the second of which formed two bearish long upper shadows... and more importantly **the day's final Negative TICK Divergence**. Price collapsed through the roof into the close, leaving only very aggressive and quick-thinking traders able to profit.

Also, I'm including a bonus chart of the neat Elliott Wave pattern that set-up on the 1-min into the close.

