



## Daily "Idealized Trades" Report

### SPY (SPY 500 ETF) 5-min



Today was a "Fed Day" - these are notoriously difficult to trade and do have an element of randomness to them.

For example, on a gap up (thanks to better than expected Durable Goods orders) and a possible Trend Day up forming, wouldn't you expect the "Fed Announcement" that carried this headline to be bullish:

## Fed says recession easing, inflation is tame

AP - 1 hr 19 mins ago



WASHINGTON - The Federal Reserve sought Wednesday to defuse fears that the trillions it's spending to revive the economy could spark inflation later on. But Wall Street didn't seem to buy it.

Yet the market careened off a cliff. This is yet another reminder why it's best to focus on price action - if you try to interpret the price action intraday - you will literally go crazy.

The day began with an overnight gap and surge to the upside, signaling odds were great for a Trend Day up. Thus, any pullback would have been a good buy (particularly the pullback to noon). However, on a Fed Day, as time gets closer to the announcement (at 1:15 EST), the market tends to consolidate and pause in anticipation of the reaction. Then usually we get a three swing burst (which is quite volatile and 'random') as the market finally breaks in its ending direction, shaking everyone for a wild ride along the way - it's usually not worth it.

Note that price did form a 5-wave internal Elliott pattern that formed on a volume divergence (not important), momentum divergence (not important on Trend Days) and a TICK Divergence (very important). The TICK divergence should have warned you that things weren't perfect.

The intraday high actually was made at the 11:00am hour which was the termination of the 5-wave pattern mentioned above.

Price retraced back to the 50 EMA and bounced up just above this level (reaffirming the "Trend Day" posture) before the Fed Decision (to do nothing) was rendered and the market collapsed through all support to hit a new intraday.

However, we observed a separate 5-wave structure down into the lows which formed its own positive momentum divergence (though not a TICK divergence). It was acceptable - though risky - to buy after the long hammer just after 3:00pm.

The target was the 20 EMA which occurred in a counter-trend 3-wave (ABC) structure.



TICK and 3/10 Divergence on the Intraday Highs (plus Bollinger Band Squeeze)



We formed a Breadth (internals) divergence on the intraday high - which makes a TICK, Breadth, and 3/10 Momentum divergence. Even though odds seemed to favor a Trend Day, we have to monitor the internals and structure all day long - in this case, the market warned of a possible reversal in advance of the Fed Plunge... but it just as easily could have rallied sharply higher - it all depends on how traders INTERPRET the Fed. Often, it's myterious.