



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



This is a day I could spend endless pages describing the lessons from it!

First, we started with a small gap down which had greater odds of filling, and we also had a bullish hammer candle at the bottom of the Bollinger Band which signaled a bit of confirmation that price was headed to fill the small gap and indeed it did.

Expectations initially were for a flat, range day due to the volatility Wednesday, but ultimately we got a Type II Trend Day Up (type II in the sense that we began with a downside gap and expectations/news were not setting up a Trend Day - so it was a weaker version of a Type III day).

It would have been fine to short at the \$90.00 level, expecting a confluence resistance play but it would have failed with a stop-loss.

Price then surged to the upside, making both a new price and momentum high, clueing us in that a higher high was likely yet to come.

We got a bull flag comfortable retracement back down to the rising 20 EMA on a stable pullback which gave us both a doji and a hammer, triggering a high-probability, low risk entry (that I described this morning on the blog:

<http://blog.afraidtotrade.com/perfect-example-of-trading-a-bull-flag-trade-june-25-spy/>

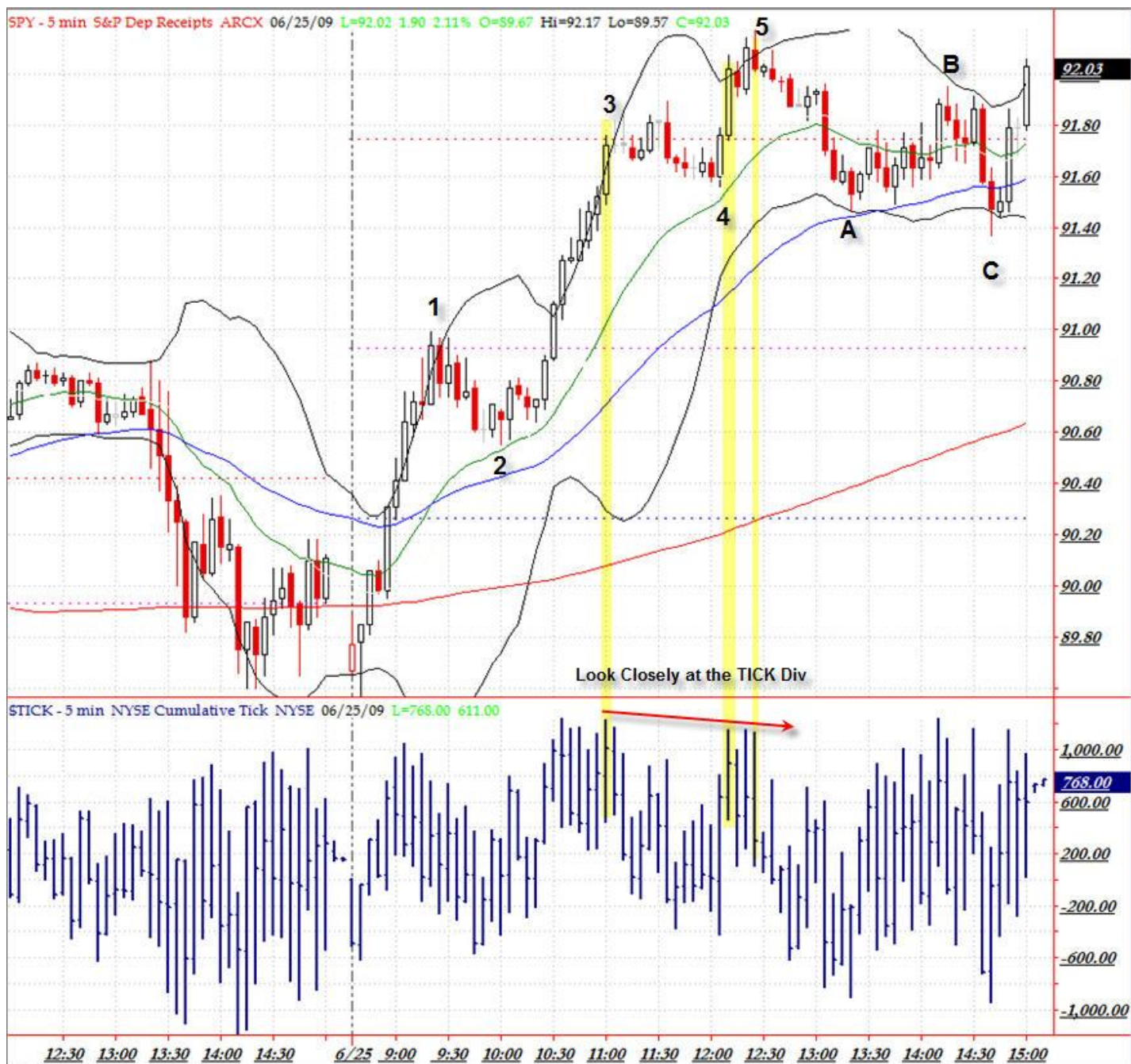
Price did make its new high and triggered an exit with two dojis in a row for an excellent trade.

Then, instead of shorting down (which also would have been acceptable but aggressive), we should have waited to see if that was the top (unlikely due to a volume spike along with New TICK highs into noon, though there was a flat-line momentum divergence), we should have waited to buy into the first pullback to the 20 EMA which did occur to play for a possible Wave 5 rally now that we could observe a strong 3rd wave formation.

We got a strong two-bar move but that was all bulls could do - we formed a 'Three Push" Reversal Pattern (off three divergences in the 3/10 Oscillator) as well as a dreaded TICK divergence at the highs. Given that price was outside the Bollingers, that was a good place to exit and for aggressive traders to get short to play for a trend reversal, or at least an Elliott Wave ABC which played out just as expected.

In true Trend Day form, price lunged off the rising 50 EMA, peaked at the B highs, then made a new low for the C wave pullback which nipped beneath the rising 50 EMA. Price suddenly and unexpectedly surged higher into the close, reminding us once again that betting against a trend that is established is difficult.

Let's zoom in to take a look at the TICK and internals, as well as post the blog text for reference.



In Elliott fashion, we often see New TICK and New Momentum highs on Wave 3 intraday and then see Negative TICK and Momentum divergences on Wave 5, which gives us a great chance to exit our longs and flip and go short for maximum profit. On this time, Wave 5 was too short for comfort and nailing the exact high was probably impossible.



A focus on the intraday Elliott Wave fractals - which formed according to textbook fashion - for the day.