



## Daily "Idealized Trades" Report

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



For all practical purposes, today was a near exact 'mirror image' of yesterday's price action. We had a huge move down in the morning (which I felt strongly would happen and mentioned so in last night's update) that terminated (temporarily) in a "Rounded Reversal" intraday just as yesterday ended.

Price action did rally a bit in the morning to make a marginal new high (though on a negative momentum divergence - not shown) which failed to make a New TICK High which furthered the non-confirmation and gave a better 'short' entry.

So the first 'ideal trade' was to play for a large target short once price broke beneath the confluence of the 20 and 50 EMA (it did so without looking back). If you missed this entry, the next entry came shortly after when price broke beneath the support at \$92.40.

Price plunged from this level, calling for a more aggressive strategy (larger position, larger target) which is where the best money of the day was made.

We formed a quick mini-bear flag that terminated with a doji and shooting star candle that couldn't manage to reach the 20 EMA (a sign of weakness). With the new Price, TICK, Breadth, and Momentum Low, odds strongly favored lower prices yet to come - and they arrived at 11:30.

You still should have been anticipating a possible Trend Day Down (always be open to this possibility) so it was absolutely acceptable to short the rally back to the 20 EMA that ended at noon.

However, this bear flag and play for new lows failed as price unexpectedly rose (after falling, breaking down beneath the flag) and breaching the 20 EMA. This should have taken you out of your position if you were playing a bear flag trade - it obviously failed once price broke back above the upper trendline (in red) and also the 20 EMA.

It was at this point that you should have become wary of the Trend Day and sat on the sidelines for more information to come in. Perhaps if you made enough money in the morning plunge, you could have sat out the rest of the day.

Look really close at the 5-minute chart in TradeStation. We recorded a New TICK High at this level, and after a failed bearish pattern on a day with a downside expectation, that should have been a MAJOR warning sign - particularly in Wyckoff Methodology, that was the first "Sign of Strength" that should have lead to higher prices later - it did.

Price consolidated as usual around the lunch period and then formed three dojis in a row (similar to a "Tri-Star Doji" which is a powerful reversal candle pattern) which clued you in that it was dangerous to be a bear from that point. Tri-Star Doji formations often signal reversals, so it was quite acceptable to flip your bias and play long (counter-trend) to play for a possible reversal and specifically the "Rounded Reversal" day, which is exactly what we got.

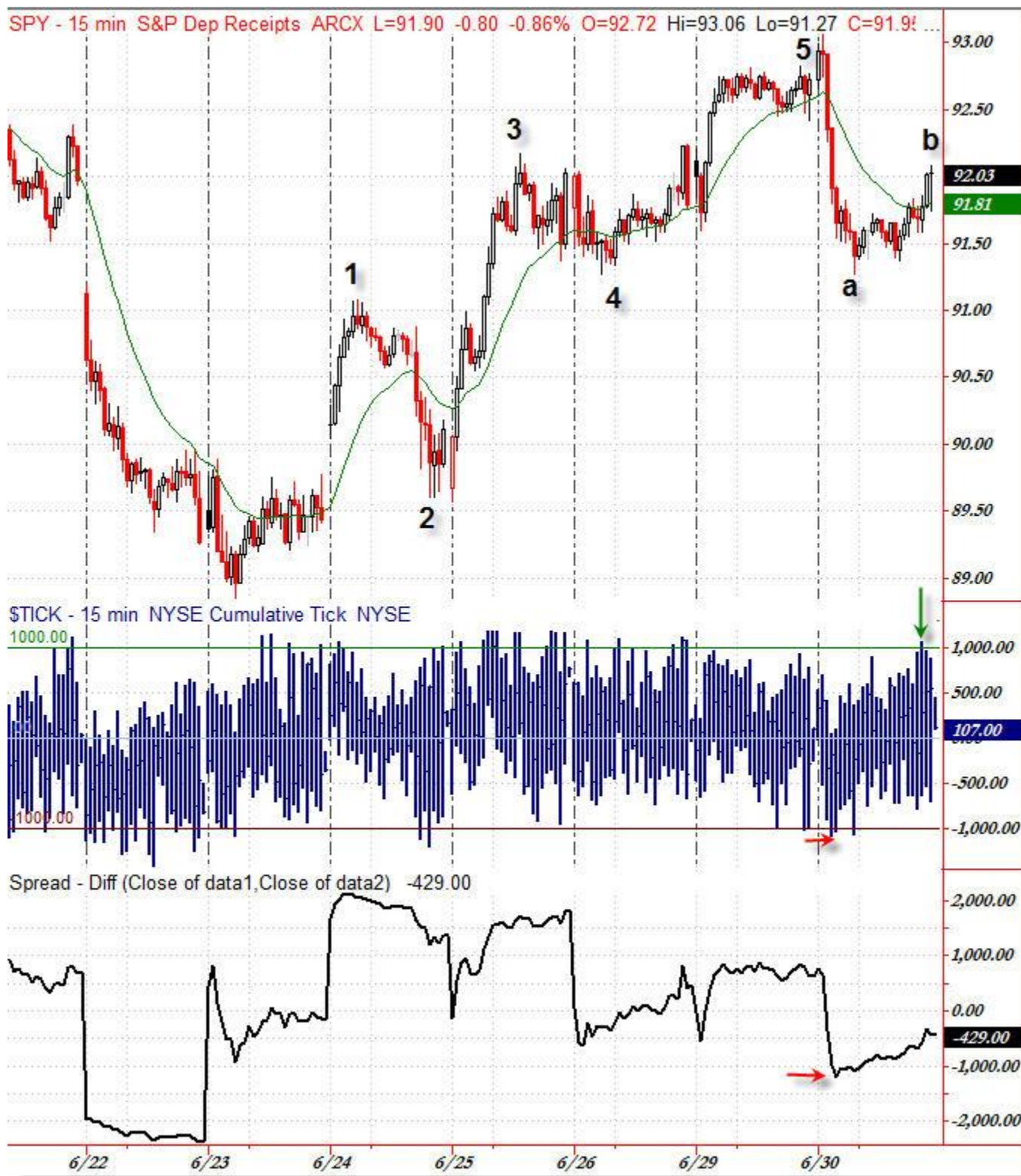
Price broke above the 50 EMA which would have officially stopped you out of any Trend Day positions, and we indeed did get our reversal back up that the TICK, Breadth, and Momentum were hinting.

Price bounced higher just before a Cradle Buy could form, and we have a move to new highs (relative - not including the morning drop) just above \$92.

If you look closely, the move from 11:00am to close was a clean "ABC" 3-wave counter-rally move, so I'm still anticipating lower prices yet to come in the larger picture... but as always, keep in mind this week is a Holiday Week (4th of July) so that could bring about a bullish bias to prices along with light (low) volume going into Friday's holiday.



Another "Teaching Moment" on how powerful it is to watch Breadth and Market Internals. A slight Breadth Divergence formed going into the price lows at 11:30 am. The TICK formed a flat-line divergence, tying a low made at 10:30am (for confirmation, it should have made a lower low). I'm also showing the New TICK Highs on the day under the principle that "New TICK Highs often Precede New Price Highs" which was exactly what happened today as expected. Remember, you have to monitor price all day - you can't just have a bias and trade it all day. The internals will give you the clues you need in terms of confirmation/non-confirmation with price.



The way I see the structure is the same as last night's report when I highlighted the Breadth and TICK Divergences. Both TICK and Breadth made a new low today, but do watch that the TICK made a new relative high above 1,000 in today's close so watch that. It looks like we're forming a possible bear flag and either about to begin Wave C down or perhaps even wave 3 down of some larger fractal Elliott Impulse. Be prepared to trade aggressively short if either of these scenarios occur, meaning short strongly with a break of yesterday's lows which would confirm the bearish structure.