



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



We wound up getting a "Rounded Reversal" on a day that was shaping up to be a Trend Day. That makes two Failed Trend Days in a row - be cautious.

The day started with an overnight gap up that was quickly and suddenly faded (leaving little opportunity for a trade) and price sliced through the support of yesterday's close. This set up a powerful momentum move that hinted bulls were in trouble.

The swift move down from the open to 10:30 was so powerful that it should have been recognized as a Third Wave. As such, your strategy should have been to sell a pullback (note the new momentum and new TICK lows on the day) to the 20 EMA. This occurred with two doji candles at 11:00am, which set-up the most powerful trade of the day. Notice also that price formed a Bear Flag into the 20 EMA resistance with dojis - best set-up of the day.

This was the "Sell into Wave 5" and play for a new low but notice the prevailing positive momentum divergence (and sort of 'three push' imperfect pattern) that terminated at the lows of the day. There wasn't a TICK divergence, so initially one should have been cautious on a buy, though one should have bought for a scalp back to the 20 EMA with structure "Buy after Wave 5 Down for Wave A" and also the multi-swing positive momentum divergence.

Look closely at the TICK chart to see a new TICK high formed on the initial move back to the 20 EMA (5-min chart) and then immediately afterwards, a new TICK high was established. Pay CLOSE attention to this because it often signals a hidden "change of character" or a hidden sign of strength.

It means at a minimum that the Trend Day is in danger and you should manage risk accordingly.

Once price broke above the 50 EMA (it would have been preferable to short for new lows a la Trend Day expectation UNTIL bulls took out the 50 EMA), then odds shifted immediately to the bullish side. Notice that was also the "Sweet Spot" trade (higher high, higher low, takes out higher low) and immediately after the Cradle Crossover (though price never pulled back into the Cradle).

This was clearly Elliott Wave 3 (of some fractal) now. You could have played the Sweet Spot Trade long for a power move to target the close (exit at yesterday's close) though price moved beyond it. A small fractal pulled back in wave iv (4) so you could have been aggressive and bought the final v (5) wave up which technically formed a negative momentum divergence (clearer on the 1-min chart) for a scalp down.

Knowing Elliott Wave methodology/probabilities would have worked wonders on this day.



The lesson here is pay attention to successive New TICK Highs on a suspected Trend Day Down.

Notice also that we never had a negative 1,000 TICK reading all day, which was a hidden non-confirmation of the Trend Day down. Normally Trend Days will see TICK readings plus or minus 1,500 or greater.