



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



Finally! A working trend day!!

We started yet again with a large-scale overnight gap that pushed down after the open. A quick 45 degree angle advance - that formed a bearish rising wedge pattern into the 20 EMA - completed, setting up perhaps the highest probability trade of the day. Price then tested the morning lows and inflected back up before completing another swing to the downside.

Price at noon then formed another mini-bear flag into the falling 20 EMA (slight penetration) before two dojis formed and price plunged to new lows.

Look down at the 1-min TICK analysis to see the final fractal Elliott Wave move that completed the larger 5th wave, all into a positive TICK Divergence. That wasn't necessarily a signal to get majorly long, but to end the short campaign until other signals told you to enter.

Price then give a strong retracement (ABC) back up before making another ABC back down (not to new lows) and then price chopped aimlessly into the close.

The following is a portion of the text from the evening's blog post, which focused on teaching how the Elliott Wave fractal and TICK divergence set-up a non-confirmation of the trend day.

First, we had a large-scale overnight gap (not scaled) which signaled that odds could be favoring a trend day. The strongest trend days will gap down strongly and not even try to retrace a portion of the move, so the fact that Wednesday retraced a portion of the gap meant that odds for a "Type 3" Trend Day were reduced... but we still got a powerful move.

A Bearish Rising Wedge formed (notice the 5-wave internal structure - classic textbook pattern) into the intraday highs on our first TICK Divergence. I want to underscore the importance of TICK Divergences to you.

Price then ejected to the downside to retest the prior lows, and yet another TICK Divergence formed... which was good only for a small scalp as it was a counter-trend move (lower chance of profit).

Price then rolled back to the downside and formed another counterswing up into noon which then led to the strongest down-move of the day.

I've subdivided this wave into an Elliott Wave 5-wave Fractal, but more importantly, notice the positive TICK Divergence that formed once the five fractal waves had finished. You'll often see powerful inflections or reversals - often times absolute intraday lows - when you see this pattern: An observable 5-wave structure that terminates into a TICK and/or Momentum Divergence.

Price did reverse, though not impressively, again because the overall structure was calling for a Trend Day Down. Price chopped its way into the close.

On a separate note, the Breadth (net advancers minus net decliners) continued to trail lower all day (save for the end) which served as a strong confirmation of the continuation of the Trend Day down.



The Day Gave us Three TICK Divergences.

A completed Elliott Wave fractal - or key wave turning points - gave us higher confidence in taking the trade signaled by the TICK divergence.