



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min





The day began with a large-scale overnight gap that immediately ran to the upside, increasing the odds of a Trend Day. Price moved on to highs of \$92.80 and formed a clean and expected reversal to the downside (look closely at the slight momentum divergence on the high - though remember the 3/10 oscillator loses value on Trend Days).

A doji formed at the 11:00 hour as price tested the rising 20 EMA though it failed quickly which set-up a 'magnet trade' to test the rising 50 EMA which is the Last Line of Support on a Trend Day (also a place to trail stops). We got an initial bounce that ultimately formed a mini-bear flag into resistance at the 20 EMA - this was a strong buy point to play for a trend day, but the stop needed to be a little bit beneath the 50 EMA to protect against a reversal - which we got.

Price failed terribly at the "Trend Confirmation Zone" (Sweet Spot) at the \$92.00 level which resulted in a powerful momentum move to the downside (new price AND momentum AND TICK low). All bets for a trend day were OFFICIALLY off at that point.

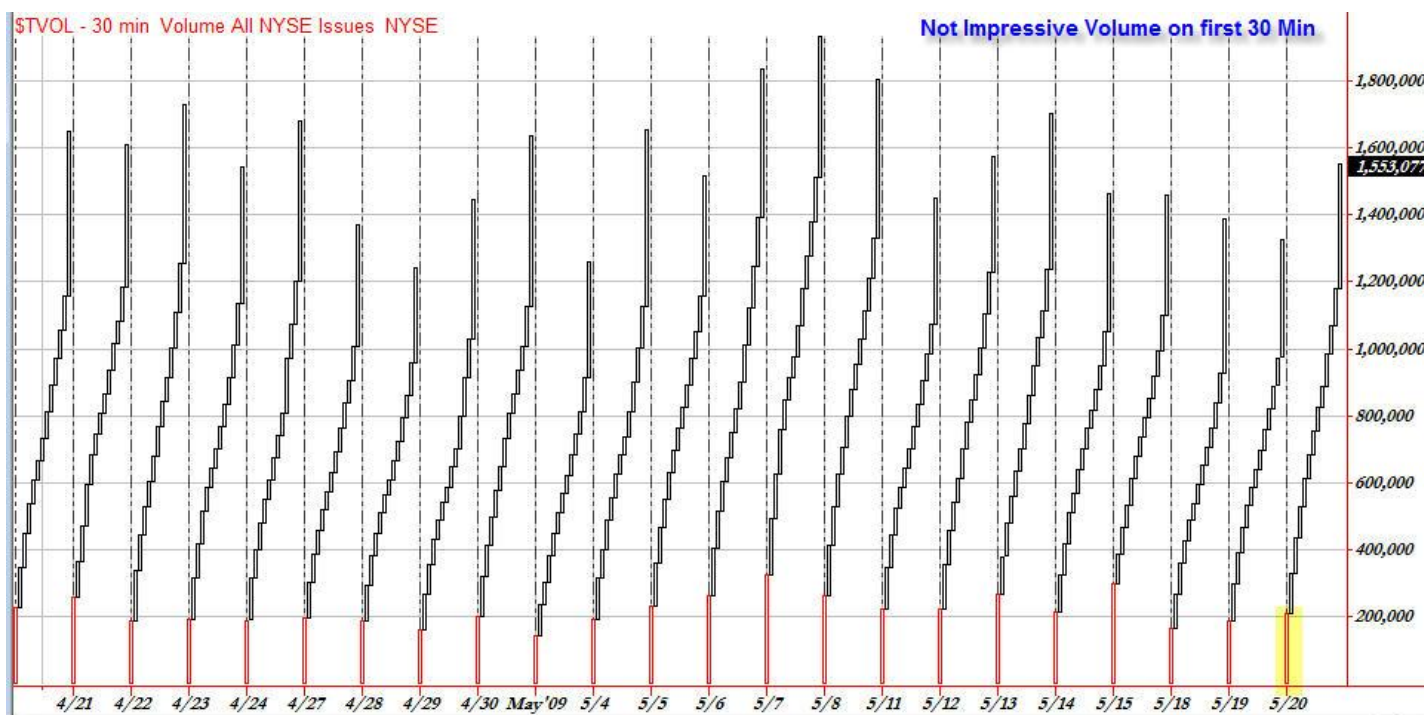
The Trend reversed intraday to down and just as soon as the trend was confirmed, we formed a "Three Push" Reversal Pattern into yesterday's close (which often serves as support) and the 200 SMA. This is why it's far more difficult than "confirm downtrend, get short, go party." In this environment CONSTANT vigilance is absolutely necessary.

Look on the 15-min chart - the whole day formed an "ABC" reversal, or more commonly a standard (if not perfect) "Bear Flag". We then moved in a contraction fashion (choppy) as we formed a correction (here's a hint - the choppy period from 1:00 to 3:00 indicated that we were in a CORRECTIVE mode and that the IMPULSE or trend was down).

Price then ejected downwards out of the 'flag' or trendlines (and moving averages) forming a mini-head and shoulders reversal pattern prior to the large break-down into an impulse/momentum move to new lows. One could have captured the move down once price confirmed its direction down and broke the trendline and the 200 SMA at \$91.30.

Look higher to the 15-minute chart to see that the market opened in a very weak technical (internal) position, which was missed by most people. You just have to train yourself and set your charts up to take quick glances at this at various points during the day.

Price gapped up to a new high on Wednesday morning, though the TICK failed to confirm the new high and Breadth (difference in stocks net up vs net down on the day) was lower than it was on Monday, which was the prior large trend day up (which ended at a lower price than Wednesday gapped above). These were ominous signs that "all is not well" in 'bull-land' as the morning started, meaning - although you should have favored a Trend Day orientation until proven otherwise (ie break of the 50 EMA on 5-min chart), you probably should not have been very aggressive until we showed a more positive technical (or internal) structure.



This indicator is Total Volume on the NYSE - \$TVOL - which breaks down the volume in an ascending pattern all day long. What's most important is to look at the first 30 minutes (select 30 min chart) and the 60 minutes of the day (60 min).

The main idea - if you're trying to confirm the day is a Trend Day - is to find HIGHER than average volume in the first 30 minutes. You look at the red bars which show the opening range. Notice that today's opening bar was only slightly higher than the last two days and about the same as many of the days over the last month.

This indicator served as a NON-CONFIRMATION to the morning Trend Day - we would have liked to have seen higher volume on average on the open.



A focus on Pivot Points and the TICK structure. Notice the failure of the TICK to confirm new highs on the morning session, NEW TICK LOW at 11:00am (hinting that lower prices were yet to come), a positive TICK Divergence as we formed the 3-push pattern into support (preceding reversal), a New TICK high at 12:30 (hinting higher prices were yet to come) a negative TICK Divergence (not shown) at 1:15 at \$92.00 hinting a reversal was likely, and finally a new TICK low at 2:15 hinting lower prices were yet to come. The day ended with a positive TICK divergence which was insignificant given that the day ended before the divergence could play out.