



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



The day resulted in a strange form of Trend Day that is best explained by the two-day Elliott Wave structure. The gap-down was a clear "point of recognition" in a 3rd wave maneuver that preceded the "four up" and "five down" patterns.



The above chart details the larger structure which makes the day abundantly clear.

We had our new momentum low (and largest wave) on the 3rd wave as expected, and the 5th wave terminated on a positive momentum divergence.

The day began with a large (over \$1.00) unfilled SPY gap which hinted that a trend day was likely, particularly when price fell to new lows just after 10:00am.

If you missed the initial move short, then you should have waited to sell short the first pullback which formed a type of weak bear flag that ended just above the 20 EMA (I like bear flags to end AT the 20 EMA if possible).

We then got a move down to new lows at 3:00pm (remember, on a Trend Day, there is not much to do other than short any pullback to the 20 EMA and monitor the price in terms of TICK and Breadth for signs of non-confirmation, which we did get), though price formed a major momentum and TICK divergence, as well as the termination point both of a fractal 5th wave (see move from 1:00 to 3:00) and the larger, two-day structure.

Look closely (particularly on the TICK Chart below) to see the positive TICK and Momentum divergence that formed the doji at the 3:00pm lows - at a minimum, you should have covered your short positions, abandoned your Trend Day stance, and stood aside completely if conservative and traded an aggressive position (with a stop just beneath the doji as price began to move higher) if aggressive.



This is a "Teaching Moment" to show you the distinct fractal nature of the Elliott Wave principle. Look back at my many charts and discussions that show this pattern (each impulse wave 1, 3, and 5 subdivides into 5 waves just like the larger structure).

I say this arrogantly, but for anyone who does not believe in Elliott Wave, look at this chart. There need be no further proof.

But it's one thing to look at this picture in hindsight and another to recognize and trade in real time - that ONLY comes with experience and seeing numerous 'ideal' or perfect pattern examples like this.

The best trades STILL come in at selling short the 'sweet spot' as price crests beneath wave 1's lows (about \$91 in this chart); selling short at the top of Wave 4 (about \$89.90), and then buying as Wave 5 completes (at the doji + momentum/TICK divergences at 3:00pm at \$88.25).

There is no way anyone can pick up every turn - recognize the Third Wave and then play the 5th wave down and flip once the 5th wave completes - that is how to trade intraday Elliott Wave.



Two positive TICK divergences formed and supported the structure of the day.