



## Daily "Idealized Trades" Report

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



Structurally, today was a Type I Trend Day which is better known as a "Failed Trend Day" or "Rounded Reversal" structure. It also has a "Rounded Arc" shape or a "U" shape to price, which can be anticipated as price breaks above the 50 EMA at 1:00 EST (on a new TICK high). This was your earliest clue the day would resolve to the upside. Until then, odds favored playing (scalping) the downside.

It reinforces what I've been saying to you all week (and all last week too): DO NOT BET BIG against the bulls. If you are going to get short, do so only for SMALL scalp targets until we get PROOF sellers are in control. Until then, the strategy is to BUY DIPS and anticipate upward movement with a possible target being 1,000 in the S&P 500. For whatever reason (the reason is irrelevant), bulls/buyers are abundantly dominant and you can NOT stand in their way. This bias carries forward into tomorrow's session.

Though risk is to the upside (meaning, it's best not to get aggressively long here due to the grossly overextended conditions) and reward is to the downside (there's more room in the short-term to fall in terms of a price retracement), the bulls/buyers are relentless and have taken out all expected overhead resistance, and part of this rally is the short-sellers covering at higher levels. Do not try to out-think or out-guess the market. Do not think that you can trade every turn in the market - assess the probabilities, assess the targets, find places price should not travel (your stops), and manage your position sizing. Though odds clearly favor (and have favored) a downside move, it has not materialized and the market is sending a more powerful signal as a result and will continue to do so until support levels are DEFINITELY taken out.

### **The Day's Opportunities:**

As has been the case with many recent days, we opened with a moderate opening gap (roughly \$0.50) which placed it in the trade-able (fill-able) range, so your first trade - particularly when price began to surge to the upside - should have been to initiate a gap fade trade (long with a stop under \$97.50 and a target of \$98.35). This trade was profitable almost from entry.

The SECOND trade we often get from a successful gap fade is to 'fade the fade' or play (in this case short) IN the direction of the original gap, treating the morning's opening price as resistance, with a stop-loss being placed a comfortable distance above yesterday's close \$98.35 so perhaps \$98.55 for your stop and a target being a re-test of the morning's lows at \$97.70 (exiting at this level).

A long trade was NOT called for at this level, though you should have noticed something if you've been following my teachings and updates:

The decline from \$98.30 to \$97.40 was swift and solid, and created a new price, TICK, and 3/10 Momentum Low. You should have recognized this as a "Third Wave" impulse and then anticipated your next trades as a result. This mean you stood aside as price rallied up to challenge EMA resistance (it did so in text-book fashion, challenging the 20 EMA and forming a nice bear flag in the process). As price stalled at this level at \$97.80 (particularly forming a 'spinning top' doji-like candle), you should have entered short with a stop just above the 50 EMA at \$97.90 or more appropriately above round number resistance at \$98.00. This stop was never challenged.

Price quickly fell down outside of the flag at resistance and carried forth to a new low. Remember, 5th waves are expected to sub-divide into 5-wave affairs, so you should not have been spooked by the hammer-like candle at \$97.40 which tested the morning support - trust in the structure and the trades and have confidence. Had price risen up above the 20 EMA from this hammer, then it would be acceptable to exit... but you need to press the edge in this type of trade.

Price reached a final low around 11:30am in which two clear dojis (one of which was hammer-like) formed at the lower Bollinger Band on a Positive Momentum Divergence (unfortunately, a TICK divergence did NOT occur at this level, which would have almost mandated an aggressive long trade here). Being the expected END of an Elliott 5-wave Fractal, complete with divergences and dojis, you should have exited your short trade and flipped aggressively long to capture the potential (though not guaranteed) trend reversal (ABC phase up) off this level. A stop should have been placed

beneath the lows and under \$97.00 (perhaps \$96.89 or so). This WAS the low of the day and did - just like July 24th (in fact, almost EXACTLY like July 24th which is why it is essential you study and understand these reports) - price rallied hard off this level, giving you the BEST trade of the day.

Though the trend was still down, the line in the sand came at 1:00pm as price tested the 20 EMA for resistance, breaking through it and the 50 EMA without much hesitation, which officially flipped the trend back to the upside. This was a late/conservative entry if you failed to get long off the 11:30 lows. It was also the LAST line in the sand for sellers. You were wrong in your analysis and trading if you were short or tried to short after 1:30, as a bullish "Cradle Trade" was forming and was officially confirmed with an EMA cross and price surge higher just prior to the cross at 2:00pm.

Odds now were overwhelmingly back in favor of higher prices (notice the "Sign of Strength" of the first new TICK high on the day at 12:00 CST / 1:00 EST) with price making higher highs, higher lows, and being above the 20 and 50 EMAs. Your strategy should have been to buy ALL pullbacks at this time as price ticked higher into the close.

Each new price, TICK, and momentum high forecast higher prices yet to come, giving you the 'edge' trade to buy the pullbacks.



This chart "Fractalizes" the Elliott Wave Count of the day - overlay it with the above chart for clues and opportunities. After a 5th wave completes, we expect an "ABC" rally to the upside as shown in this near-perfect example.



This is a chart of the TICK which actually wasn't very helpful in terms of Divergences until the end of the day.



60-min internal Structure teaches a lesson on how New TICK highs early in a price move forecast higher prices yet to come, however divergences toward the end forecast a price reversal is more likely (though not guaranteed).