



## Daily "Idealized Trades" Report

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



Tonight is a chart-friendly update with much to discuss!

First, we had a Type II Trend Day Down, which began with a weak gap (that filled suddenly). We had plenty of divergences and insights from both the TICK and Momentum, as well as trades set-up around the 20 and 50 EMA and Elliott structure. Let's get to it!



First, the morning gap was too small to trade (to fade), and price immediately began a down-move to confluence support, forming a spinning top and calling for a possible long (buy) trade off the \$89.40 level. Though price rose, it failed to reach its target (yesterday's close) so we had to exit with a stop as price plunged through the confluence support level.

We then formed a New TICK and Momentum low, both of which hinted "lower price lows" are yet to come, allowing us to put on a short-sell the next time price retraced to resistance (particularly via the 20 or 50 EMA). We got this clean pullback just after 11:00, setting up what I deem to be the 'best trade of the day.' We had the momentum principle (and Impulse Sell Trade) working for us here, along with a clean, flag-like retracement to EMA resistance, in which formed a doji and a shooting star candle - we had much greater odds that price would reverse down off these levels, and a relatively close stop (just above \$89.40) in the event price failed to reverse. With that confirmation, confluence, and tight-stop, we could have put on a larger than normal position.

One could have played for a pure trend reversal (which we got) or just exit at the next swing down (for a 'swing-scalp'), but notice that as price made a new low just before noon, we registered another New Momentum and TICK low. This was a repeat of the morning trade, where we can wait to establish a short position on the next pullback - that zone came at noon with the quick pullback to the 20 EMA. At this point, one could have been anticipating a weaker form of a Trend Day was in play.

We did get a marginal new low just after 12:30, and a bullish engulfing candle on a positive TICK and Momentum divergence should have given us a quick, profitable exit - and aggressive traders could have flipped and 'gone long' to play for a minimum retest of the 20 EMA if not a full reversal in expectation of a 'rounded reversal' day.

We did get a more powerful than normal up-move off these lows, however, price failed to complete the "Rounded Reversal" thesis.

We formed a quick "ABC" corrective move (notice the Elliott Structure with the complete 5-wave move down off the morning at this time) and then formed yet another clean Momentum and TICK divergence at these highs, giving an 'exit long' signal or - for aggressive traders - a 'sell short' signal to play for a retest of the lows.

The market also gave us clean dojis and a shooting star at these levels, furthering the thesis that price is more likely to reverse (at 1:30) than continue higher.

We got yet another 5-wave structure down (complete with new TICK and Momentum Lows) into the close - all of which were playable from the short-side.

THE LESSON I want to teach is to watch for divergences and momentum highs/lows.

Remember: Momentum Precedes Price, so if you see a new Price, TICK, and Momentum Low, then ODDS FAVOR an actual price low is yet to come, so that \*concept\* sets up a short-sale trade when we retrace into resistance - the rule is flipped for long(buy) trades.

Also, if we see a TICK and/or Momentum DIVERGENCE, then odds favor at least a stronger than expected retracement/counter-trend move if not an outright price reversal off these levels - setting up an immediate trade with a tight stop (in case the divergence proves to be false).

The other LESSON is that we often get new TICK/Momentum Lows off an Elliott Wave 3 (often can't see 3rd waves in real-time - only as they complete) which allows us to study the price retracement that \*could\* comprise a 4th wave and if that pulls back into resistance (or support), then we will get aggressive to sell short the final 5th wave (which should end on a clean divergence).

We see this lesson repeat twice in two fractal wave counts on the day (use this as a crystal clear example of this concept). And no, you don't have to be an expert Elliottician to trade this pattern - use it as an overlay to what you're seeing already - don't base your decisions off supposed wave counts - look for expected confirmations/non-confirmations as described here.



#### A quick look at the daily structure:

The Head and Shoulders appears to be the dominant pattern in play now. A break beneath 880 (technically 875) would confirm this and would trigger an entry as price breaks this level - with the classic target being the distance from the head to the neckline, subtracted from the neckline. This means the 'classic' target would be just north of 800.

I am anticipating - eventually - a possible test of the lows or at least a deeper retracement than that to occur in time.

This is the current structure behind which we'll trade this week.

Note: We COULD get a decent bounce off this critical support level so do be aware of that possibility. If bulls can't manage to bounce price off this level, we could see a quick move down as all eyes are focused on the 875 level as a "Make it or Break it" zone.





I mentioned this in a prior update - this is more an educational look at the TICK Channels (which often precede price moves/reversals) and the 15min SPY chart.

You can also see how distinct TICK and Momentum divergences played out and the resulting move once they occurred.

The final chart is a reference for today's 1-min TICK and Momentum divergences both preceded reversals/larger retracements in the price action, setting up an exit and a reversal to the opposite side (of the trade).

Also, note how New Momentum and New TICK Lows (and highs) preceded actual price lows (and highs) yet to come.

Structurally, on the 15-min chart, the new TICK Lows of today's session hint that price lows could be yet to come, but this is not confirmed by the 3/10 Oscillator, which is showing a possible 3-push pattern... though the last swing made a new low.

