



## Daily "Idealized Trades" Report

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



What an awful day for trading! The market felt "push-pull" in both directions, and the battle between buyers and sellers left the 'scorched earth' chart you see above. Let's try to make sense of it and learn some valuable lessons from failed patterns and unfulfilled expectations (among profitable classic set-ups that worked today).

We began with a nice, clean overnight gap just shy of \$0.50 in the SPY which was absolutely in the "fadeable" range so that should have been your first play of the day (particularly when you saw price not even attempting to tick higher - we gapped up and then immediately fell rapidly to the gap ... just like yesterday, there was no clean retracement. You either got short asap or you missed the trade... which was also fine if the trade did not conform to your personal trading system/risk-tolerance).

With the gap-fade out of the way, you perhaps should have exited your short and waited for a potential buy signal. Price plunged another \$0.50 to \$100.30, making the first 30 minute opening range span about \$1.00 in the SPY (or 10 points in the @ES minis).

Still, price formed a 'spinning top' candle poking beneath the lower Bollinger Band (meaning odds favored but did not guarantee a retracement back at least to the confluence of yesterday's close at \$100.80 along with the 20 and 50 EMAs situated at \$100.90). This should have been a target for any buy trades off the morning reversal candle and powerful candle up that came off the 10:00am lows.

You certainly could have entered a short-sale trade at the \$100.90 level to play for a new price low thanks to the new momentum and TICK low on the session which preceded the expected pullback. A stop would have been just beyond "round number" resistance at \$101.00... which was blown through rather quickly for a stop-loss.

Remember that sometimes, a valid stop-loss taken off a known-edge pattern can give you valuable information. In this case, it could have clued you in that today was likely shaping up to be a Range Day, in which moving averages held less 'pull' (in other words, did not hold as support or resistance levels as on most days) or that the day's trading action was going to be more complicated than anticipated... which could have triggered you to the sidelines for a 'wait and see' attitude (perhaps most appropriate for newer traders on tricky range-bound days).

I saw no reason for a long position on the run-up into the 11:00am EST highs, but did see reason to declare an "idealized trade" based on the shooting star bearish reversal candle at the \$101.40 resistance level (notice the price congestion area from yesterday's 'Fed meeting' highs) along with price being at the upper Bollinger Band. That was enough information to put in a short-sale at \$101.40 with a stop-loss just beyond \$101.60 (the prior highs) to target a minimum move to the 20 or 50 EMA at \$101.10 or to expect "round number" support at \$101.00. It would have been acceptable as well to try to play for yesterday's close at \$100.80... though price did not test this level before swinging violently to the upside.

I generally like to stand aside (personally) during the lunch hour (due to choppy conditions that are persistent) and wait to trade a possible 1:00EST afternoon breakout play above resistance. Such a play occurred suddenly as price broke above the \$101.40 resistance level, triggering a long (buy) trade ... which was quickly stopped out thanks to a sudden and unexpected price reversal. Again, we harken back to the lesson we perhaps should have learned from the morning conditions - in a Range Day Environment, it's best to AVOID range-breakout plays and instead look to fade price and TICK extremes for trade set-ups. What's strange is that volume surged during this afternoon breakout trade set-up so it seemed like a good idea to be long as the candle completed... but price had other things in store.

Price did fall - just like a range day expectation would hint - back to test yesterday's close at \$100.80 and formed a sort of Bear Flag in the process (which perhaps formed too quickly to pick-up a trade short in real time, though the price break beneath the 50 EMA... which had held as support earlier... could have been an aggressive short-sale trigger to play for the \$100.80 zone).

Price did fall to this level and formed two long-legged bullish reversal candles (including a very powerful hammer-like candle with a long lower shadow, signaling price rejection at that expected support area). This should have gotten you out of any short-sale positions at least temporarily, and could have gotten you in long for an aggressive scalp back to the overhead resistance at the \$101.20 level where the 20 and 50 EMAs converged.

Once again, the trading rules and tactics used on a Range Day are different from those used on a Trend or Normal (standard) Day. On usual days, EMA confluence zones set-up targets and fresh entries, while on Range Days, they are of little importance.

It would have been fine to initiate a short-sale position just after 2:30 EST, especially given that a Bear Flag (drawn below) trendline could have been drawn and price clearly broke strongly (with a strong bearish reversal candle) downward out of this level... but JUST LIKE the failed "false" upper 1:00EST Afternoon Breakout Trade, this bear flag failed just as well.

Again, this is a testament that Range Day Trading Tactics are much more difficult, and much less efficient than 'normal' or standard (or Trend) days (or even Rounded Reversal Days).

It is my suggestion that once two 'edge' trades fail, then stand aside and let the day play out and get some more information... or think in terms of fading price extremes. Just like figuring out when we have a Trend Day upon us can take one or two hours, figuring out that we have a confusing, two-sided Range Day with high noise (randomness) and low signal (trades) can take a couple of hours as well as one or two frustrating stop-losses.

If today was not as profitable for you as you would have liked, take some extra time in your evening analysis to study what went wrong and if you were at fault (trading aggressively or 'revenge trading' after a loss) or if your losses were caused by price inefficiencies inherent in choppy range days like this.

You can't win them all.



The TradeStation chart shows us the TICK, which gave few extra indications regarding structure. The best clue the TICK could have given you to expect a "Range Day" is the fact that the TICK never meaningfully hit a plus or minus 1,000 reading all day (with the exception of the "TICK FLUSH" described below).

Always note the range of the TICK in the morning which ranged from about 750 to -200 - that's a tight range for the TICK.

On range days, a good strategy is to buy TICK lows (or tests of TICK lows) and sell short TICK highs (or tests of TICK highs). Doing so will get you mowed over on a Trend Day, which is why we have to adjust our strategies to the type of day function.



There were numerous 5-wave Elliott fractals that played out in stable fashion all day, though discovering these on the 1-min chart in real time is only advised for experienced traders.

The main idea is to note new TICK or momentum highs with an expansion in price that resembles a 3rd wave, wait until the 4th wave finishes, and then buy the end of the 4th wave/beginning of the 5th wave and ride it until we have a divergence or price starts reversing... then flip your position the play either for a scalp or a trend change.

One other lesson I wanted to teach is that of the "TICK Flush" pattern which you see above. Anytime we get a new price high which is confirmed by a New TICK (or momentum) high as we did at 1:00 EST (this chart is in CST), then we always want to be a buyer of the first pullback because this - under the principle "Momentum Precedes Price" - tells us that a higher high in price is yet to come.

There is one exception... and this is it. It is the concept of the "TICK Flush." The Flush is confirmed when you get the initial breakout up as expected and then IMMEDIATELY you get a sudden NEW LOW in the TICK but price did not make a

new low. This lets you know that - perhaps - a buy program has just been triggered and now a sell program is kicking in... or that there was a Climax in buying (or selling) and now the opposite side of the market will take over.

Remember that Trends can End in CLIMAX (which is where all buyers who want to buy have already bought) which creates a vacuum to the opposite side (selling) as short-sellers step in and longs who have been holding from lower levels liquidate to capture their profits.

The TICK Flush was confirmed with the new TICK low at 1:20 which should have told you:

- A) Exit any long position I'm in just in case
- B) AVOID getting long or expecting higher prices

Just like the new price high and New TICK high mean odds favor higher prices yet to come, a New TICK Low will shift the odds to favor lower prices yet to come - it's just that the principle flips suddenly that creates the quick "flush".

It means that the buy program is finished (creating the 'false' new TICK high) and that selling will now commence. Many times after a TICK flush, that level will be the high (or low) of the day. The principle works for highs and lows (this example shows a top TICK flush).

Other than this, there was a nice multi-swing positive momentum divergence that completed on a small fractal 5-wave progression into the 2:30 lows (which formed the powerful bullish candle as mentioned on the 5-min chart).

As for what's in store, I may sound like a broken record, but the structure has not changed.

Bulls still remain in control, although prices are at critical resistance levels (which contributes to this choppy, indecision period - it's a struggle for bulls to maintain higher prices in the face of bears trying to get short or liquidate at these resistance levels). Do not put on any swing-trade positions short until we get a CONFIRMED short-sale signal (which would be a bearish breakdown through the 20 and 50 EMA on the 60min chart along with bearish patterns and negative trend reversals on lower timeframes).

Those who are aggressive can start nibbling short, but until bears take the upper hand, it's still best to play it a bit conservative/safe.