



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



Today was certainly a "Rounded Reversal" with a mix of "Trend Day Up" that began after an initial 'fake-out' decline - bulls have mastered the art of "Squeezing the Shorts" and it just doesn't pay to become overly biased short these last few weeks... or months. So keep that in mind at all times until we're beneath 1,000 on the S&P - despite overbought/divergence/doji positions - bulls continue buying, pushing demand and prices higher... and that is likely to continue until proven otherwise.

I would not count the opening action as a gap, but we began a quick slide from the open that challenged support at \$102.70... quickly breaking it with nary an afterthought. This would have been the first "Trade of the Day" which was playing for a 'range expansion move' out of the triangle on the 5min chart (see below) and from the breaking of prior support. The stop would have been above the prior highs at \$103.20 for a theoretically unlimited target - or perhaps even a swing-trading target.

Price plunged to new lows on increasing volume and momentum until we formed an internal TICK and momentum divergence on the 1-min chart, which offered an 'exit short' signal and an aggressive 'scalp long' trade with a tight stop beneath the intraday lows (to target the 20 EMA at roughly \$102.40).

The long scalp terminated just shy of the 20 EMA on a doji candle followed by a strong bearish down-bar, triggering an "exit long" and "enter short" to play for a retest of the prior lows if not for a breaking of them in a "Trend Day Down" stance... which would have failed.

Price did fall back to the \$102.00 level (round number support) as well as the S2 Pivot (not shown) before forming a bullish hammer-like candle at the \$102.10 level and shattering above it at the \$102.20 level. Your short-sale stop would have been slightly above the 20 EMA at \$102.30 to \$102.40 which was likely hit as price crested above this level at noon.

Drop down to the 1-min chart below to see the "Lines in the Sand" which gave us early clues that the day was failing to resolve to the downside (or at least there were non-confirmations at the lows, and positive breakings of the 20 and then 50 EMA as the "line in the sand" demarcation between a Trend Day Down and a Rounded Reversal).

With price making two bullish overtones on the 1-min chart (along with new intraday TICK and Momentum highs - serving as a Wyckoff "Sign of Strength"), odds shifted away from the Trend Day Down bias to favor a Rounded Reversal.

Price officially confirmed this structure on the 5-min chart by breaking above the 5-min EMA at \$102.50 at noon... particularly since a doji and price support formed at this level before skyrocketing two bars higher then pulling back quickly into the Cradle Crossover at 12:50 EST.

I frequently mention the 1:00pm EST "Afternoon Breakout" and today was certainly no exception - I drew a yellow box here because it was a clean 'trend' or 'price expansion' Buy Signal as we broke above prior resistance at the \$102.90 area (remember - looking back - that prior support becomes future resistance). As price broke this - zapping away all the stop-losses with it - price then was favored to run up to test yesterday's close (and today's open) at the \$103.20 area.. which is exactly what occurred.

There was a final 'pocket' of resistance about the \$103.30 area which reflected price consolidation resistance into yesterday's close - and price gently paused here, forming doji/indecision candles... but once again, we got a price breakout above these highs (triggering more stop-losses) to push to new intraday (though not yet 2009) highs at the \$103.70 level.

Notice the tiny volume spikes at the 1:45 and 2:30 areas which confirmed higher prices through participation.

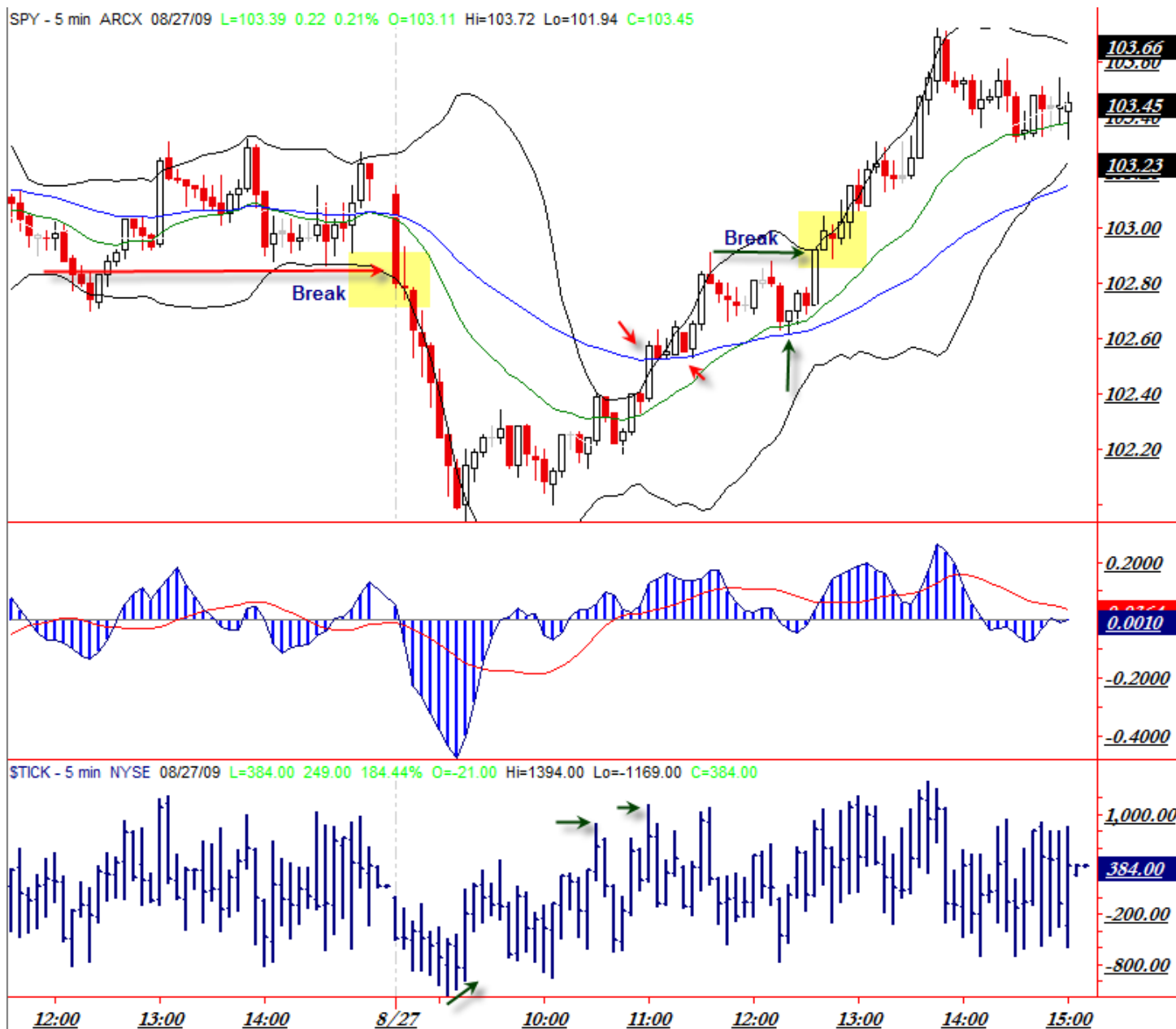
Price pulled back into the close to support about the 20 EMA, leaving a very, very bearish daily chart but a very, very bullish 5-min chart (so long as price remains above the 20 EMA).



The 5-min extended chart serves to highlight the triangle formation made through Wednesday's trading session.

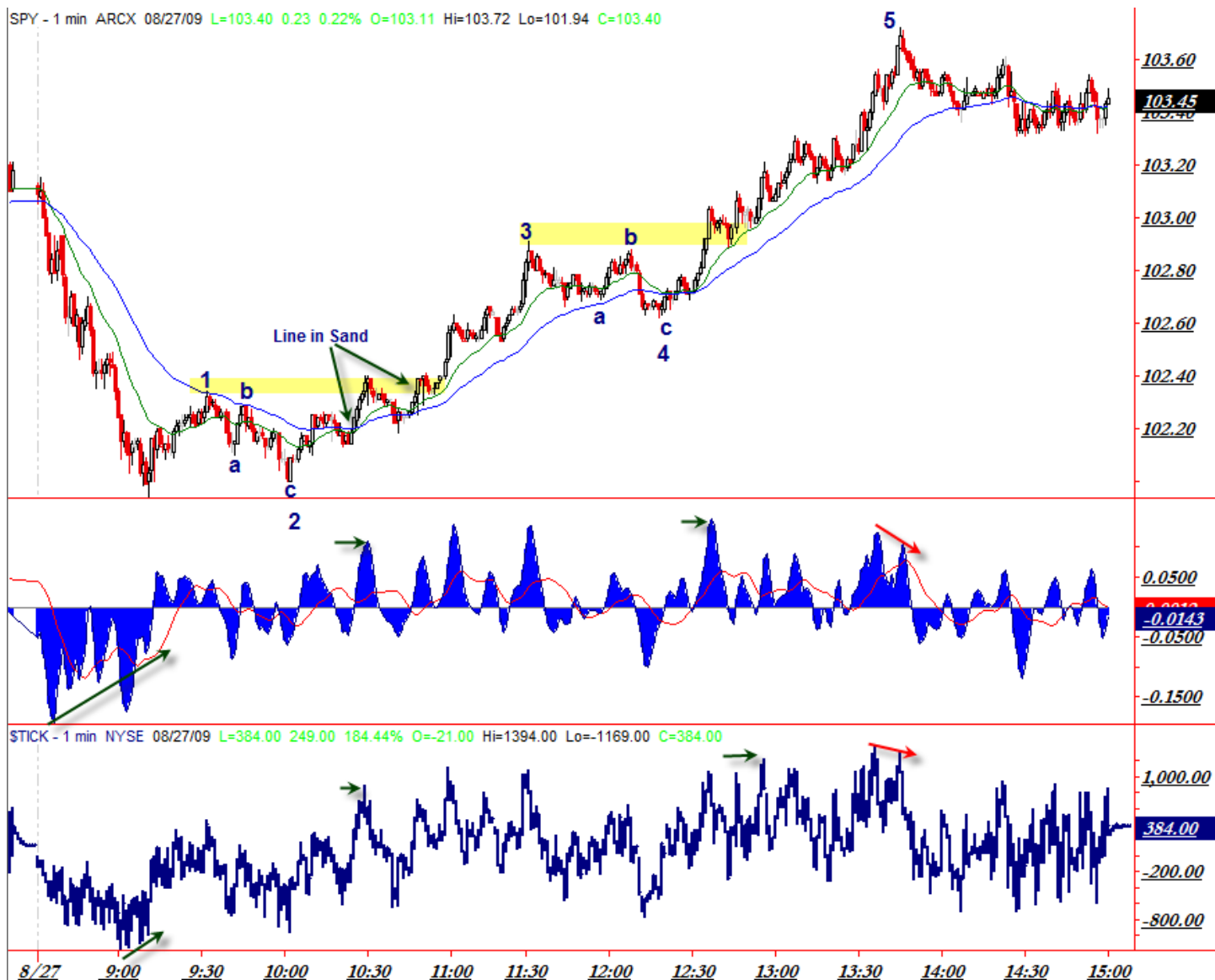
The green arrow represents another 'Make or Break' moment intraday as price held the confluence of the 20 and 50 EMA, allowing for an aggressive entry or a 'confirmation' that bullish sentiment/bias was the order of the day at that point in time.

The breaking of the 50 EMA tilted odds to favor a Rounded Reversal over a continued down-trend move.



There was a slight TICK divergence in the morning (best seen on the 1-min chart) and then two "Wyckoff" signs of strength as price and TICK formed new relative highs, indicating odds favoring higher price highs yet to come (and a repudiation of the morning's down-move).

Until then, odds favored a breaking of the morning lows.



The 1-min structure shows an Elliott Wave fractal count (as I discuss... with the new highs on the 3rd waves and the divergences on the 5th waves... both of which offer key trading opportunities).

The morning TICK divergence was significant, as were the Wyckoff "Signs of Strength".

The intraday high at 2:30 EST (1:30 EST) was formed on both an internal TICK divergence and a 3/10 Momentum divergence - such is the case many times which serve as non-confirmations and entry/exit signals as price turns down from these levels, locking in the divergence.



The technical structure has not changed since the last three reports - price has formed doji after doji at the upper Trendline of a possible "Broadening Formation" and the upper Bollinger band.

The bias remains to the downside... but it's so difficult to maintain a downside bias because buyers have shown intense resiliency in spite of any bearish breakdown or non-confirmation.

The bias remains the same - risk appears to be to the upside; opportunity appears to be to the downside, but there is a rare prevailing factor ... that of relentless buying so technicians can neither confidently issue a buy stance nor a sell-short stance, so aggressive intraday scalping tactics are the best way to preserve capital, scalp for profits, and guard risk.

Odds favor a pullback at least to the 1,000 level... unless buyers can close above 1,040.