



## Daily "Idealized Trades" Report

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



Technically, we formed another "Rounded Reversal" which destroyed the expectation for a Trend Day up thanks to a much better than expected "Jobs Report" in which the unemployment rate actually DECLINED by 0.1%. As I mentioned, a positive report was likely to create a trend day, and I must say I'm surprised bulls couldn't push the entire day higher.

Perhaps it was short term large traders who wanted to enter the weekend flat (meaning they had to sell their holdings by the end of the day).

Today's action is a clear reminder that we have to watch price action all day long and monitor for signs of confirmation/non-confirmation. Let's learn some lessons from today's action!

First, we opened with a gap greater than \$1.00 in the SPY which logic and my research shows is NOT fade-able. As I mentioned, if we got a large gap either way in the morning, the odds favored a Trend Day - in this case, to the upside.

You should, therefore, NOT have tried to fade the gap, but waited to buy the first pullback as the first trade of the day, which came in at 10:00 EST with the "abc" pullback into the rising 20 period EMA after two long-legged candle shadows (and a hammer/doji) formed at 10:00am.

This trade worked very well, and as you can see on the 1-min SPY chart, it had a nice 5-wave fractal which could have been treated like any 5-wave Elliott Fractal - complete with the new momentum and TICK highs and a Divergence on the final 5th wave. Look closely at the highlighted section at the massive TICK divergence that formed here - if you recognized this, you probably should have gone ahead and exited any long trade and waited for a pullback to occur to buy back into support - the massive divergence *could* have been the high of the day so there was no point getting aggressively long after a divergence like that.

We did get a simple "ABC" pullback again to the rising 20 EMA (on the 5-min chart) which formed a bullish hammer-like candle and then rose then fell to rest the area at \$101.40 again, but this time forming a MUCH clearer buy signal thanks to a "Tri-Star Doji" (three dojis in a row) which was followed by an obvious Bullish Engulfing (hammer-like) candle around 12:30. This could have been your re-entry signal long to play for a new leg to the upside with the trend day bias firmly implanted.

However, something strange happened as we made the intraday high. Just by looking at price, we can see that a Three-Push Negative Momentum (Reversal) Pattern formed (three roughly symmetrical/equal swings) which is a bearish sell signal. Also, we observe that the 3/10 Oscillator (seen better on the TradeStation Chart) formed one of the clearest Three Push Divergence/Reversal patterns - virtually textbook.

Keep in mind, we rely less on oscillators on a Trend Day because they tend to give false overbought signals, and tend to rely more on moving averages (particularly the 20 EMA) for signals and structure.

We had pushed to new relative (but NOT absolute) TICK highs on the \$102.00 SPY price level (1,016 on the @ES Futures. It would have given us more confirmation (to expect a reversal) had the TICK formed a divergence along with the 3/10 Oscillator... but then again, if they both showed the same thing/signal all the time, there would be no need to use both indicators. In this case, the 3/10 Oscillator gave a much clearer signal than the TICK, which is unusual.

So you should have been on guard mode at the 3rd swing up (the 5th wave in Elliott Wave terms for those who follow simple intraday Elliott as I teach it). A bearish shooting star candle formed which was then followed by two dojis. The Trend Day bias was still in effect UNTIL the 20 EMA was broken.

This happened with more confirmation to give us a cleaner signal that I hope you didn't miss - and if you did, then this is the purpose of these reports - to teach opportunities every day that help you recognize them in real time as they develop, leading to profitable (or at least lower risk) trades.

As price broke beneath the rising 20 EMA, a NEW TICK LOW formed on the session which - as I always state in Wyckoff Terms to you - was an initial "Sign of Weakness," in which the TICK was giving an early signal of a breakdown in prices and lower levels yet to come.

If you picked up on this in real time, you should have immediately exited any long positions because the odds had shifted at that point to favor a Trend Reversal.

Putting it all together, we had...

a clean 5-Wave Elliott Structure,  
Clean Three-Push Momentum Divergence,  
breakdown of the 20 EMA, price testing the 1,014 Index level as I pointed out to you last night would be a MAJOR area to watch which was likely to give intraday resistance should 1,007 be broken, and bearish reversal candles at the high).

That was enough evidence that the trend was reversing and served as a Short-Sell (aggressive) entry. When the rising 50 EMA was broken, that was all the proof that was needed (it was the "Line in the Sand" on a Trend Day) that price had devolved into a "Rounded Reversal." Shortly after, into the close, price rallied back up and challenged the bearish crossing of the 20 and 50 EMA (on the @ES futures, it's clearer) which gave us a Bearish Cradle Sell Signal.

Going forward, if today's intraday structure carries over into Monday's session, we would expect the Cradle and the failed attempt to break above 1,014 in the S&P 500 to give us a bearish bias on Monday.

Be on guard as Monday's trading session opens - there's a possibility of a large down move forming, but we'll need to wait until the open for further evidence. If we gap sharply lower on Monday, odds will again favor a Trend Day down... but with two days over the weekend and time to digest what exactly was said in the Jobs Report - along with other economic data - we need to wait and see how the futures behave prior to Monday's open for clues.

Again, I'm surprised price didn't manage a full trend day up today thanks to the Jobs Report. I had not heard one bit of commentary that forecast a DROP in the unemployment rate - that should have boosted the market right through resistance.

Let's take a cautious 'wait and see' approach Monday. We're still at critical resistance levels and the bulls need to push price beyond 1,014.

@ESU09 - 5 min CME 08/07/09



Per subscriber request, I'm showing the @ES futures contract here on the 5-min chart, which gives a better clue as to how the market behaved (surge) when the Jobs Report was released and the full structure that developed - plus price levels to trade. Experienced/advanced traders use the futures for leverage while newer traders use the SPY or perhaps another ETF to trade - that's why I tend to show the SPY which can be a baseline for whatever vehicle you trade (including FAS and FAZ and SDS, etc). The prices are different, but the way you analyze and trade patterns is the same.



We see a perfect Elliott Wave Fractal Example (which could be used as a detailed lesson) in terms of how impulse and corrective waves fractalize (impulse waves subdivide into 5 waves, where the 5th wave often forms divergences and the 3rd wave forms new momentum/TICK highs). Corrective waves subdivide into 3 waves.

Advanced Elliott users can track expectation and build a case from the 5-min to the 1-min structure as seen above. It's fine if you recognized the clean 5-wave pattern on the 5-min chart, but it fractalized quite well (letting you know approximately 'where we were' in each wave) as it developed.

Don't be worried if you don't use Elliott intraday - it's just one of many tools in your trading arsenal to use.

Otherwise, this chart breaks down the TICK and 3/10 to confirm or disconfirm what you're seeing on the 5-min chart.