



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

First, let me say there is an eerie repetitive structure currently playing out that I've been highlighting in the last few reports - if the pattern continued, we would expect a gap up on the morning session... and that's exactly what we got as the market opened. This is the third time this exact pattern has repeated, as you'll see by the end-of-report charts. It's almost like we have a direct roadmap for the future and that's both exciting... and a little eerie (the market is not supposed to repeat indefinitely!) moving forward. Expect the pattern to repeat as the default assumption until we see a change in pattern/market character.

1. THREE UPPER SHADOWS, DOJIS, 61.8% FIBONACCI RETRACEMENT, TICK DIVERGENCES

I hesitate whether or not to call this an 'aggressive' or standard trade - I lean to 'standard' due to the levels of confluence at the \$111.00 'round number' overhead resistance, 61.8% Fibonacci retracement from December 4th's price high, and the three 'reversal' candles with upper wicks/shadows that formed at this level - this was an obvious short-sale with entry near the \$111.00 level, stop above the \$111.12 intraday high, and target for a retest either of the morning open at \$110.70 (conservative) or the 20 period EMA which was almost completed at the \$110.50 area on a bullish engulfing candle that triggered an "exit short" and then "flip and go long" to play in the direction of the trend.

2. IMPULSE BUY, PULLBACK TO 20 EMA, BULLISH ENGULFING

I've been mentioning the larger pattern of the gaps within the trading range boundaries, but I hinted on picking up this pattern in yesterday's report - that of FAILED Impulse Buy (or sell) signals within the first two hours of the day. Price will make an initial large impulse, retrace back to trigger the Impulse Buy/Sell Trade (moving average) and then fall just short (shy) of reaching the target. That's the kind of pattern you will only pick up by trading and analyzing your day as to what went wrong, what was possible, what you missed, etc - the purpose of these reports (helpful for self-reflection as well).

That's not to say you skip the trade set-up, but you approach with caution and be willing to exit shy of the target if need be. After a new momentum and price high, we want to buy the first pullback into support, which came at the 20 EMA at the \$110.55 level. Price formed a tiny positive TICK divergence (see 1-min) and then formed a doji-like candle prior to the Bullish Engulfing Candle formed and completed at \$110.72. If you had not already exited your short with a profit, you should have done so at the close of the bullish engulfing and then flipped to go long to play for a retest of the morning high at the \$111.10 level (as is the natural target of the Impulse Buy). A stop would go under \$110.55.

As seen, price failed to hit the target - for the third day in a row - which sends a signal that the bulls might not be as powerful as expected (meaning, failed major buy signals can give clues into shifting day structure... which favored playing for a trend day).

Price broke strongly outside the upper Bollinger at the \$111.00 level and reached a high of \$111.04 before reversing sharply and leaving a long upper shadow in its wake - an "exit with profit" signal (and potential aggressive short-sale signal with stop above \$111.10 to play for a move back to the 20 EMA at \$110.80 ... which was successful).

The 50% Fibonacci Retracement - mentioned previously and seen in later chart - was at \$110.70, so this could be expected to be a key support zone for your next 'buy long' trade.

3. 12:30EST TRI-STAR DOJI AT 50% FIBONACCI AND LOWER BOLLINGER BAND SUPPORT

You also could have bought long as price retested the 20 period EMA at the \$110.80 level but if your stop was too tight, you were taken out with a stop-loss as the dojis formed and nipped just under this level to hit a low of \$110.65 - only those with aggressive stop-loss strategies (further away) stayed in the prior trade. If stopped out, the presence of the tri-star doji along with the "finger trade" (or "Rinse and Wash") trade gave a reason to re-enter after being stopped out.

The target was for a return to the upper Bollinger at \$110.93 or \$111.00 'round number' resistance zone... but price did not rally that far before reversing and testing the support - line in the sand - of the 50 period EMA and lower Bollinger at \$110.60.

This next trade was for aggressive traders who were willing to play a tight stop for a "Line in the Sand" trade. A break under the 50 EMA on an expected Trend Day triggers an automatic "Reversal" or "Rounded Reversal" structure bias.

4. LINE IN THE SAND, 50 EMA, LOWER BOLLINGER

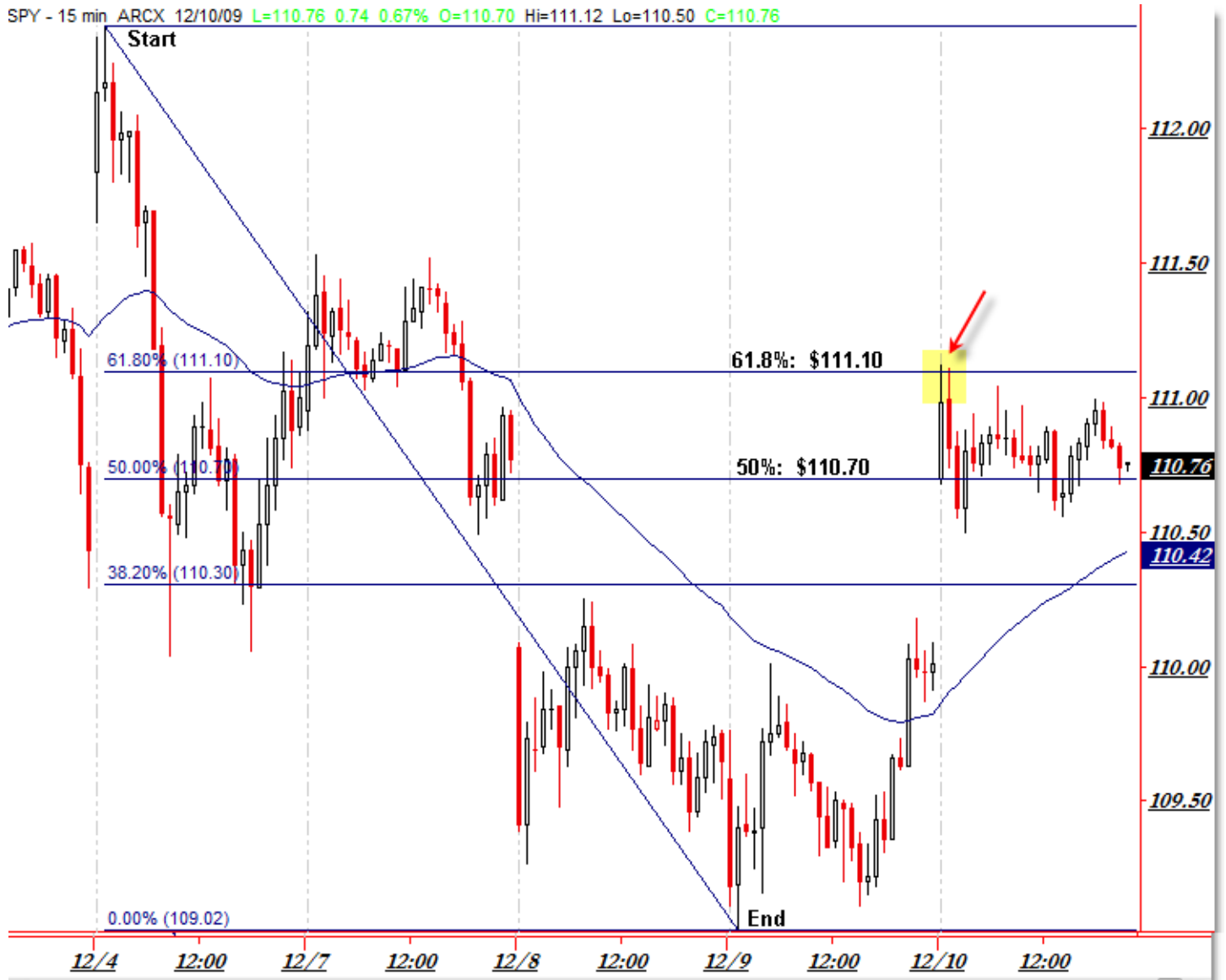
This trade triggered entry as soon as the high of the doji(s) at \$110.65 was taken out by the 1:35pm EST bar. The target was - again - for a return to the upper Bollinger Band at the \$110.90 level with a tight stop and 'flip and reverse' mentality under \$110.55.

This trade unfolded in an "AB=CD" or bull-flag style fashion which exceeded its projection target and also rose slightly above the upper Bollinger Bands before failing to overcome the \$111.00 "round number" resistance area, triggering another short-sale trade... but this time with evidence favoring a Tight Range Day from here on out.

5. "ROUND NUMBER" RESISTANCE AT \$111.00, NEGATIVE TICK DIVERGENCE, UPPER BOLLINGER, TWO DOJI

As price met and exceeded the prior targets, we had a pullback to the upper Bollinger Band which coincided with the \$111.00 "round number" resistance level. A negative TICK and Momentum divergence formed into this level, giving high odds for a reversal down to test lower levels with a tight stop above \$111.00 (again, in range-day bias).

As seen, this trade gave two doji as trading entry signals, and an official entry was given as price closed under the \$110.94 doji low. The initial target was a move down to the lower Bollinger Band at \$110.65, or for a test of the prior swing low (support) at \$110.57 - both were achieved which set-up a 'buy' trade assuming support held. Rather than call out an official trade here, notice the doji that formed at the \$110.56 level at the lower Bollinger at 3:35, allowing aggressive traders to take a long/buy here if willing to play into the close.



The morning high - and short-sale candidate - occurred at the \$111.10 level (61.8% retracement).

It only takes a moment to draw retracement grids - again this type of analysis is not required but can be helpful - and you can write down the prices to reference instead of keeping the grids up - the grids do not change.

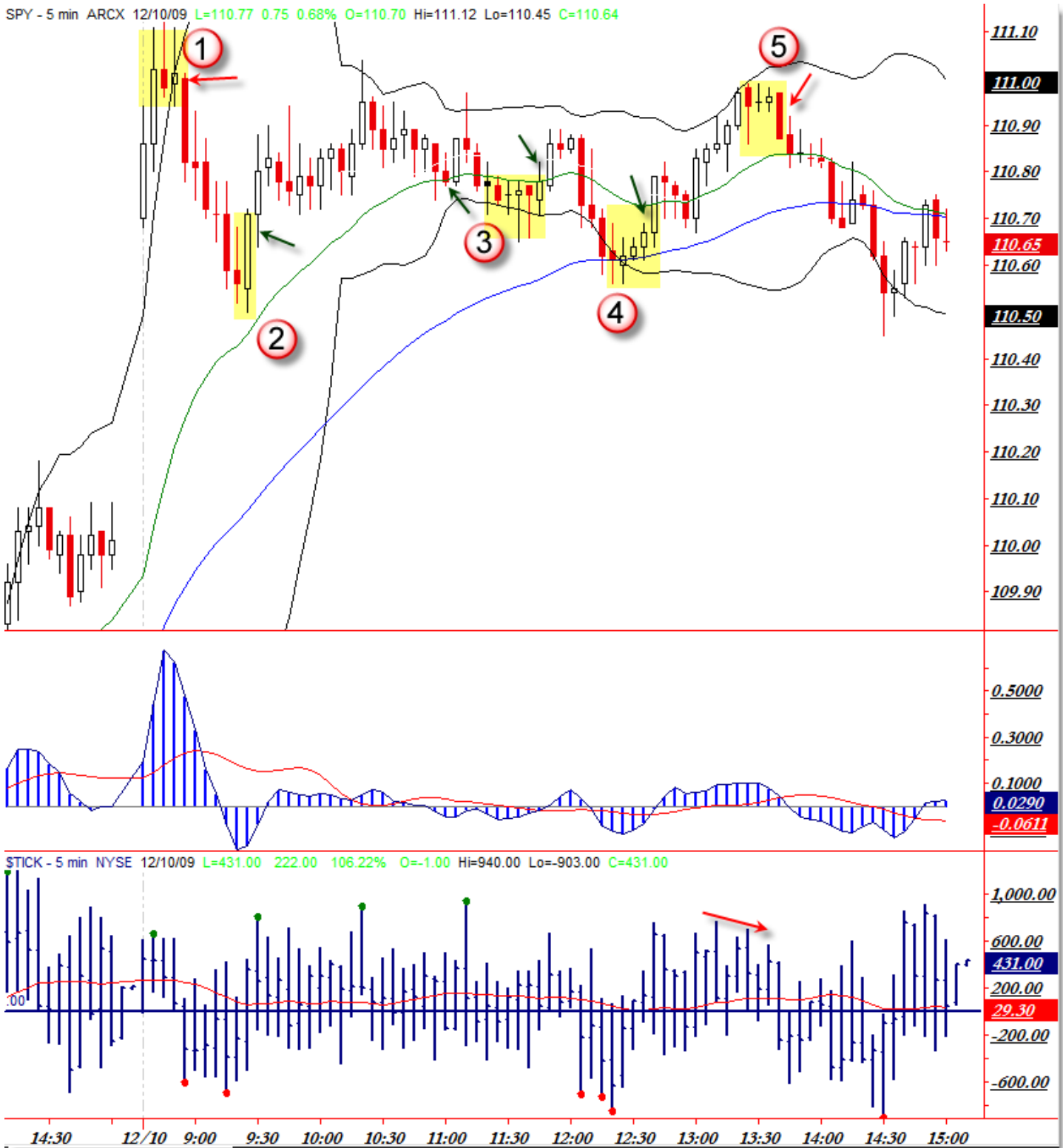


For traders who enjoy Fibonacci Confluence, starting at the \$109.63 low from yesterday and the \$109.87 low also from yesterday to this morning's high at \$111.12, we see the following convergences that helped provide support.

There were no exact convergences with these levels, but the morning pullback into the 20 EMA as mentioned above also had support on the \$110.50 5 cent convergence area.

Subsequent price lows formed dojis off these levels.

Probably best not to clutter your charts with these grids all day long, but they can sometimes be helpful in confirming entries or potential support areas IF confirmed by other methods such as moving averages, Bollingers, and especially candles.



Classic 5-min chart showing trade set-ups and the 'trouble' with getting buy trades to 'work' on what looked like a Trend Day.

This gave odds to favor a Range Day - which was the case.



1-min chart showing key TICK and Momentum Divergences.

Remember to use the 1-min chart especially for trendline breaks and divergences to confirm entry or exit from trades taken on the 5-min frame.



The logical expectation - based on the current trading range - would be to expect a move to challenge the \$111.50 area yet again as the market remains in a trading range with boundaries at \$111.50 and \$109.00.

The moving averages on higher timeframes provide little help for support and resistance (such is the case in trading ranges) but - for reference - these averages are converging at the \$110.50 area so watch for any 'unexpected' move that cracks lower beneath these levels - it could send price back to test \$109.00.

As long as price remains above \$110.50, the odds - from the past history - favor a play back up to challenge the upper resistance line at \$111.50.



Same analysis as is on the 30-min chart.

We see the confluence EMA support (of less meaning in a trading range) at \$110.50 and clear trendline consolidation boundaries at the \$111.50 and \$109.00 levels.

It goes without saying that ANY break solidly above or beneath these boundaries should lead to a potentially powerful range expansion move, particularly if the move is to the upside (it would take out a large pocket of short-sellers' stops) above \$111.20 and S&P 500 index value 1,121 (the 50% Bear Market Fibonacci retracement).

Stick to trading the intraday frames as long as we remain in this range and await the eventual breakout... but do not try to be a hero and guess which direction price will break.



S&P 500 awaits a breakout move that could lead to a powerful move. The edge comes from anticipating the range expansion play (after a price consolidation) instead of trying to predict the direction.

Continue watching the 20 EMA at 1,096 and 50 EMA at 1,079, but more importantly, watch the upper boundary at the KEY level of 1,121 and lower boundary at the 1,080 level.