



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



I can't say it enough that the market is following a predetermined script while in this 'confusing' trading range. In Friday's report, I said:

" Now, odds favor price to rally higher to challenge \$111.50 again, potentially gapping higher through the moving averages shown above AGAIN because that's what price has done three times exactly prior since November 15th (4 times if you count the Nov. 15th gap). See the 60min chart for this pattern clearer. It's eerie."

The pattern continued, gapping higher AGAIN through the key level. Knowing this in advance could have helped you get long as the price was rallying sharply this morning... or if so willing, you could have bought long prior to Friday's close and held over the weekend to see if the market again gapped higher - it did.

It also reached the upper resistance level and turned lower, setting up ANOTHER trade that you could have taken with knowledge of this range.

Keep in mind that Friday reported a 59 cent dividend to SPY investors (quarterly) so that is why some of your charts are showing different key levels. StockCharts.com recorded the dividend, dropping the price of SPY accordingly while TradeStation did not. Keep in mind that - for most people - the SPY will be lower by 59 cents on both current and historical charts as a result of the dividend payment.

Let's get to the trades and then talk about what could be in store for the market for this holiday week.

1. GAP SURGE/ DOJI PULLBACK (SEE 1-MIN)

The only to take this trade was to have the larger 'character' or behavior of the market in mind - which is what I've been strongly emphasizing in prior reports. Look back at Friday's report (and the end of this report) on the 60min chart to see the bounce off lower support and then gap through the middle support level - that was the expectation and it happened again. The target was the upper support zone along with prior price highs, and those were achieved too.

Take advantage of a market caught in a time warp making repetitive moves up and down between support and resistance.

You could have bought aggressively as price began rising from the open (very aggressive) or stood aside and waited to buy the first pullback.

On the 1-min chart, price retraced to the 20 period EMA and formed two long lower shadow candles at this level. A doji also formed on the 5-min chart at the \$111.15 level, and as price took out the high of this doji at \$111.20, this was your 'buy long' conservative signal to play for a range expansion/continuation move to the upside.

Price gave a second, more reasonable buy-long signal for those who missed the early morning aggressive "jump in to the trend" position. This might have been most people's first trade of the day.

2. PULLBACK TO/NEAR 20 EMA, LOWER SHADOWS, SUPPORT BOUNCE OFF \$111.30, BULLISH ENGULFING

Price formed a retracement down after touching resistance at the \$111.60 level and after the morning momentum/price highs, we wanted to be buyers of the first pullback ("Impulse Buy" trade logic). A hammer/doji formed at the \$111.30 level at 11:00am, and you could have taken a long/buy as soon as the high of the doji was taken out to play for a new price high OR a minimum of a retest of the \$111.60 level. For those who missed this trade, or waited, price gave one more move down to come 5 cents shy of officially testing the 20 EMA, and formed a clear bullish engulfing candle. Odds

favored higher prices yet to come, so you could have bought as the \$111.50 level was taken out with a stop under the \$111.30 level (unfavorable risk/reward relationship - so you might have passed on this trade - totally understandable).

Price did rise to new highs, but on a negative momentum and TICK divergence. Also, price was just shy of fresh 2009 highs and beneath key resistance (see 30 and 60min charts) at the \$111.75 level (remember, some charts adjust for the recent dividend). ANY move above \$111.75 would have been an aggressive buy/long trade to play "Popped Stops" of the short-sellers expecting a down-move, so you should have been prepared for that.

However, the four long upper shadow candles at the upper Bollinger (5-min) on a negative momentum and TICK divergence formed an (almost) irresistible trade (or at least should have) once the low of these three candles at \$111.60 at noon EST was taken out.

3. PRIOR RESISTANCE, UPPER SHADOWS, UPPER BOLLINGER, DUAL DIVERGENCES, 5-WAVE ELLIOTT FRACTAL

I'm not sure I would deem this the 'best trade of the day' from an educational standpoint because it was blatantly 'counter-trend,' but the levels of convergence at this point absolutely offer a great educational example the next time this trade sets up again.

Look closely at the TICK - it was not forming intraday highs along with price - that's a major warning sign of bullish weakness/non-confirmation. The 3/10 Oscillator was also forming divergences, but those are much less important and even somewhat irrelevant on Trend Days up (such was the bias due to the unfilled gap).

Nevertheless, price was at a prior overhead key resistance zone (see 30 and 60 min charts) in a lengthy month-long trading range. On the 5-min scale, price rallied above the upper Bollinger Band and formed four long upper shadow candles (bearish price rejection) and then formed a support 'shelf' at the \$111.60 level. ANY break above \$111.75 was thus a long (to buy into the "Popped Stops") and ANY move under \$111.60 was thus a short-sale due to the divergences and upper resistance.

Price broke \$111.60, triggering your entry and then just as quickly, a sudden down-bar occurred which hit the conservative target - \$111.45 or the 20 EMA with a quick profit. More aggressive traders held short to play for the lower Bollinger, or - at best - a true trend reversal. Swing traders entered short to play for a return to the lower support line at the \$108.50 level (will be holding overnight). That's why this was a key inflection point and buyers - once again - failed to hold an upside breakout.

That is inherently bearish until proven otherwise with a strong, solid break above \$112.00 on higher volume... and high volume is difficult as this is a shortened holiday week and some traders are already on vacation.

Price moved down, breaking the 20 EMA and testing prior support from the morning swing low at the \$111.30 level. Lower shadows formed, along with a positive divergence, setting up the next trade.

4. PRIOR SUPPORT (INTRADAY), POSITIVE DIVERGENCES, LOWER BOLLINGER, LINE IN THE SAND.

Remember, structurally, we still had a positive (up) trend day - and that would be the case as long as price remained above the 50 EMA. Price retraced to morning support at \$111.30 which also converged with the lower Bollinger Band, and then hovered just above the 50 EMA at the \$111.25 level. This provided enough support to try (trade) for a bounce off support, and if support failed, then our stop was close to our entry. A bullish engulfing candle formed at 1:50 EST that peaked at \$111.38, so if you didn't buy at the prior support level at \$111.30 (aggressive), then your entry was as soon as this price was taken out - which occurred with the next bar. The target - officially - was a new swing high and

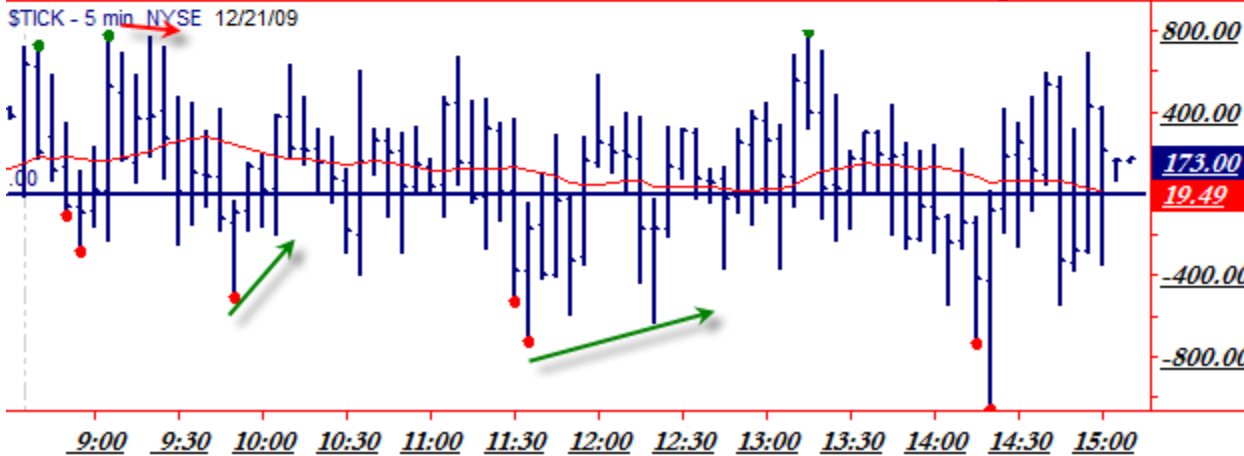
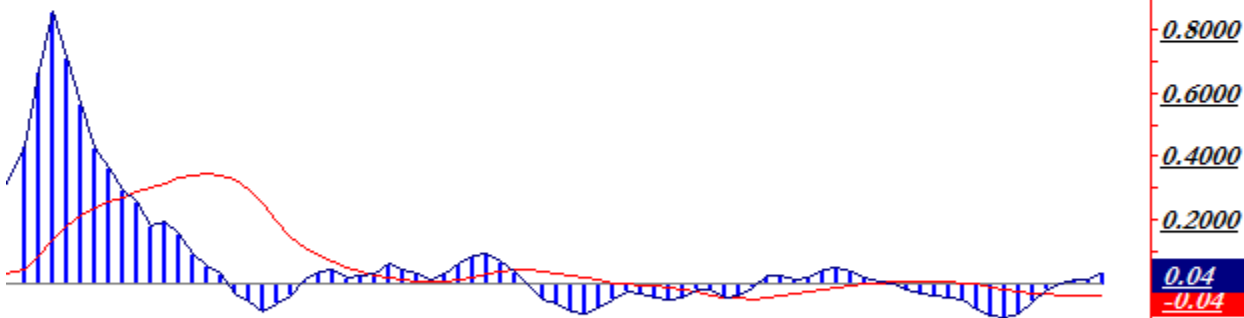
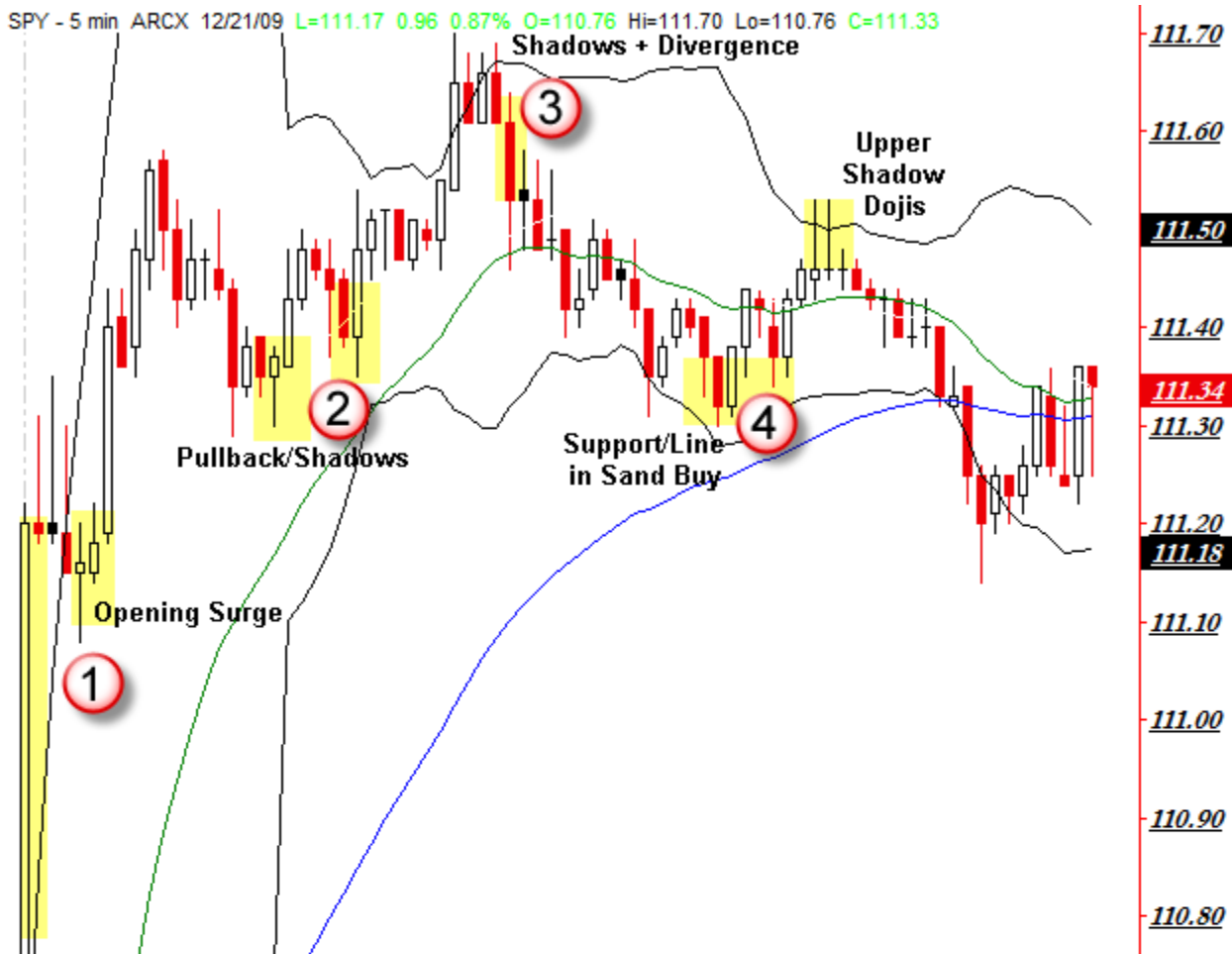
resumption of the Trend Day bias, but realistically was a test of the upper Bollinger at \$111.50 OR any sell-signal prior to that level being hit.

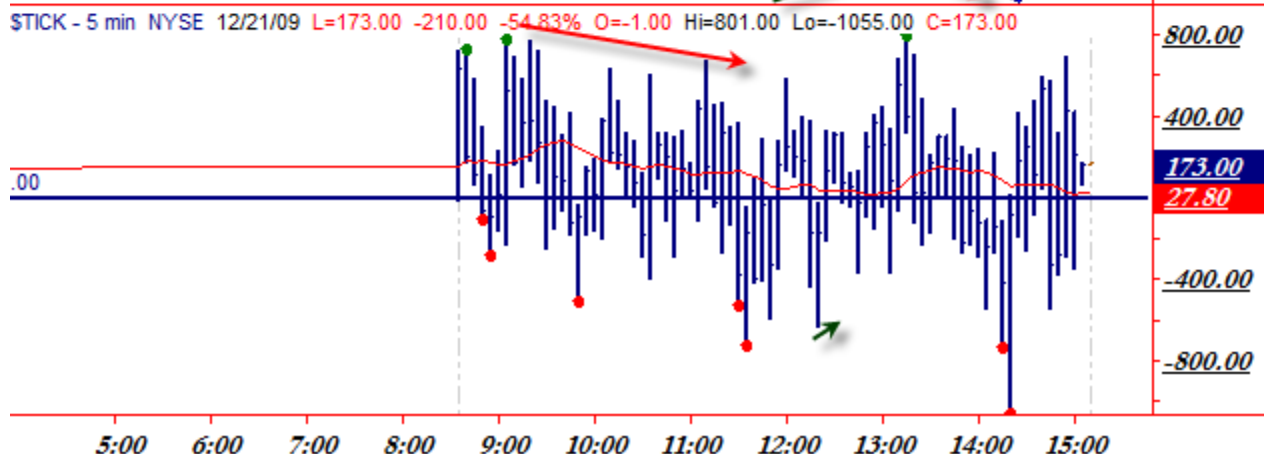
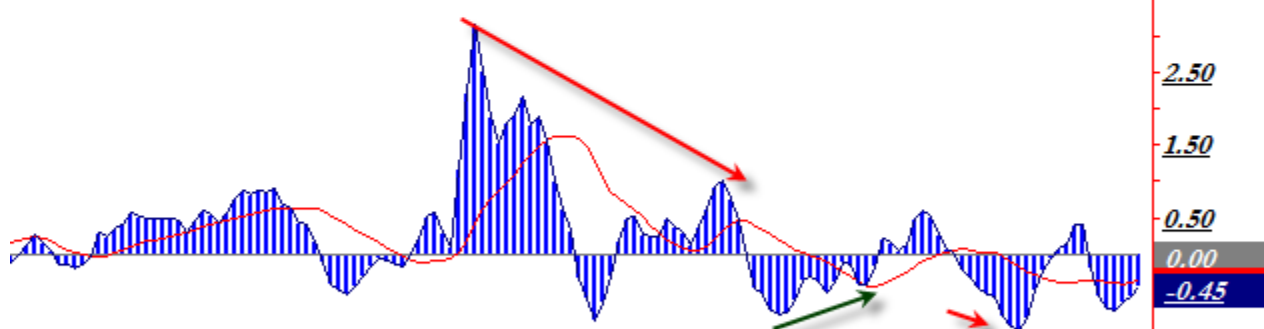
As it were, two dojis formed at the upper Bollinger Band and that served as an excellent exit... and aggressive short-sale.

I won't list this as an official "idealized trade" as it was counter-trend on a confirmed "Up" trend day, but aggressive traders could have taken the short-sale here and played for lower levels, while conservative traders stood on the sideline awaiting the next buy signal.

Price cracked the 50 EMA later, forming a new swing low under the \$111.30 support level though it rallied into the close.

Officially, price appears to be in a downtrend on the 5-min timeframe, which will be confirmed with a new swing low under \$111.10 or when the 20 and 50 EMAs cross bearishly. That will have implications into tomorrow's trading day.





I'm showing part of the overnight session in the @ES which reveals a perfect Elliott Wave fractal 5-wave move.



Though not mentioned above, there was a Wyckoff Sign of Weakness at 11:30 CST as shown above with the new TICK low when price only made a marginal new swing low - clearly not an intraday low on the session.

This was an early warning sign that odds shifted to favor a trend reversal, which is exactly what happened later.

Also, as a reference, one could have added confirmation to the #4 trade buy by watching the break upwards through the trendline shown.



There are two schools of thoughts, and two pathways you must be ready to trade if either unfolds. Price will break out of this trading range - that is a fact. It is unclear WHEN price will break, and if price breaks higher tomorrow above \$111.75 and especially \$112.00, you'll do best by trading long above this level, as short sellers are forced to cover. Place a stop slightly below entry and don't get caught in another Bull Trap if price reverses. This "bull trap" phenomena has happened seven times counting today's failure to sustain new highs (or force a breakout up).

Otherwise, without a breakout, short aggressively any move down under \$111.00 to target the \$108.50 level and be prepared for price to gap down to this level eventually.

This is the script the market has been following which I have described many times to you.



The same statements I made for the 30min frame apply to the 60min frame. Long above \$111.75; short under \$111.00.

Price did not retrace back to the full support level on the last swing low, so that could hint at underlying bullishness which argues in favor of an upside break so be ready.

Holiday weeks historically have a bullish bias and lower volume to them. This means index prices can be pushed around easier by the big funds - another reason to expect an upside breakout.

Be prepared and nimble to trade the upside breakout... or to short the failure to breakout which would lead price at least back to \$109.50 if not the full support level at \$108.50.



Surprisingly, there's no change in the daily structure. Resistance remains 1,121 and support remains 1,080. Trade long (aggressively) above 1,125 and short under 1,080. Until then, play price up and down within this trading range for quick, intraday profits and positioning.

You can now draw a slight up-sloping trendline under price which is a bit bullish, but still, price needs to clear the 1,121 level - the 50% Fibonacci retracement - before we can expect or confirm the next bullish rally phase.

Volume is lighter during holiday weeks so trade carefully. Low volume days can result in volatile moves.