



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min



The morning continued the retracement that began late Friday, but price halted abruptly - twice - at the 61.8% retracement level drawn from yesterday's highs to lows - that's an important bit of information to reference.

Otherwise, price consolidated and then - as has been the pattern for the last four trading sessions - collapsed into the close. Let's see the trades that occurred within this structure so you can continue to build your growing knowledge of these patterns, structures, and trades... to apply in real time!

1. 61.8% FIBONACCI, TICK DIVERGENCE, UPPER BOLLINGER

First, let me say that you could have taken the "Cradle" buy signal off the open, but most traders feel it is safer to wait at least 10 to 15 minutes before putting on their first trade - the Cradle occurs when price rises above the 20 and 50 EMA then pulls back into the exact spot where these lines cross. A stop is placed under the confluence zone and the target is theoretically unlimited - a countervailing sell signal. Because the cradle trade happened so quickly, the first 'ideal' trade was the following.

Price had retraced to the "make or break" 61.8% Fibonacci retracement of the prior decline from yesterday's highs, and it had done so on a 'flag' style correction or 45 degree angle upward correction.

As such, price formed confluence with the upper Bollinger Band at the \$111.48 level - the Fibonacci zone - though a proper candle (doji, engulfing) did not form - candles usually trigger you into trades when the low of the reversal candle is broken. Nevertheless, entry was as soon as the low of the red candle at the \$111.50 level was taken out at \$111.40 and a stop was placed above the high at \$111.53 (perhaps \$111.63). The initial target was a retest of yesterday's low and "round number" support at \$111.00... which worked very well.

At this time, price had... marginally... made a new momentum high and new intraday TICK high... but notice that the TICK did not make a high above yesterday's close when price was clearly above that level. That was a bit of a non-confirmation. Still, you could have traded the pullback to the 20 EMA as an "Impulse Buy."

2. IMPULSE BUY, RETRACE TO CONFLUENCE SUPPORT, DOJI

Again, following a new price and momentum high, odds favor at least a retest of the prior high if not a higher high yet to come. That is the logic of the "Impulse Buy" trade, which tells you to buy the first retracement into support... usually the 20 or 50 EMA intraday (or, in this case, yesterday's close and round number support at \$111.00).

There was plenty of reason to expect the \$111.00 level to hold, and when the doji formed at that level, that was your trade trigger to enter.

The stop would be under the 50 EMA - or even under the 38.2% Fibonacci retracement at \$110.93 and a minimum target back to the old high of \$111.50.

As you see, price fell 6 pennies shy of the morning high - stopping at \$111.44 upon forming two clear dojis (reversal candles) just shy of the target. It is recommended to take a profit on a trade when you see a doji form close to your target - remember that you don't want to let a decent profit slip into a loss when so close to the target.

This can serve as a lesson to take profits when they exist and not play for the final 5 cents of a move (or .50 points in the @ES) when price has made a favorable move in your direction.

With the failure of price to make a new high in an uptrend after an Impulse Sell, the bias shifts to neutral to bearish as a result. Price consolidated in a tight trading range over the next few hours, so the dominant play would have been to

wait for a breakout of that range - up or down - to put on a 'range expansion' or even "Bollinger Band" squeeze play... which came just prior to the 'famous' 1:00pm Afternoon Breakout

3. AFTERNOON BREAKOUT, BOLLINGER SQUEEZE, TRIANGLE BREAKOUT

It was clear to see the descending trendline forming the triangle pattern, in that support held clearly at \$111.00 and resistance was forming on each new swing high.

Price broke out of this zone with a powerful 'engulfing' candle that formed just after a doji candle at support. Aggressive traders would enter long at the doji near \$111.10 while more conservative traders - which I recommend being on breakout plays - entered as the 5-min bullish engulfing candle was forming (reference 1-min chart) or after price took out the high of the "breakout" or engulfing candle at \$111.21.

Either way, the minimum target was for a retest of the prior high at \$111.53, which was also just shy of the triangle price projection target of \$111.60. The 61.8% Fibonacci retracement again was at \$111.48.

Just like the morning Impulse Buy had failed to get its full target, we should have been on guard on this price breakout - or at least cautious.

As price breached \$111.50 - our swing high target - two dojis formed (just as they had on the prior Impulse Sell). As such, you should have exited with a profit and then - for aggressive traders - considered getting short with a tight stop.

4. CONFLUENCE RESISTANCE, TWO DOJIS, NEGATIVE DIVERGENCE

As mentioned above, the \$111.50 level reflected a prior swing high and the 61.8% Fibonacci retracement... and when two dojis in a row formed at this level, it gave plenty of reason to expect - from an edge standpoint - a move back down to the prior morning support near the \$111.05 level... with a tight stop above \$111.60 ... or essentially risking 10 cents (1 @ES point) to play for 50 cents (5 @ES Points).

This trade worked well without many 'up' bars on the way down - also, because price was in a trading range, the moving averages tend to hold less 'sway' as support targets to play for.

Also, a negative momentum divergence - 5-min and 1-min chart formed to confirm the odds favoring a retracement down.

5. SUPPORT BREAK, WYCKOFF SIGN OF WEAKNESS, POPPED STOPS

This was for aggressive traders, and reflects the tendency to observe prior market 'characteristics' (such as the 'surprise' afternoon steep sell-off) and the breaking of key support on a strong bearish bar that left no room for uncertainty.

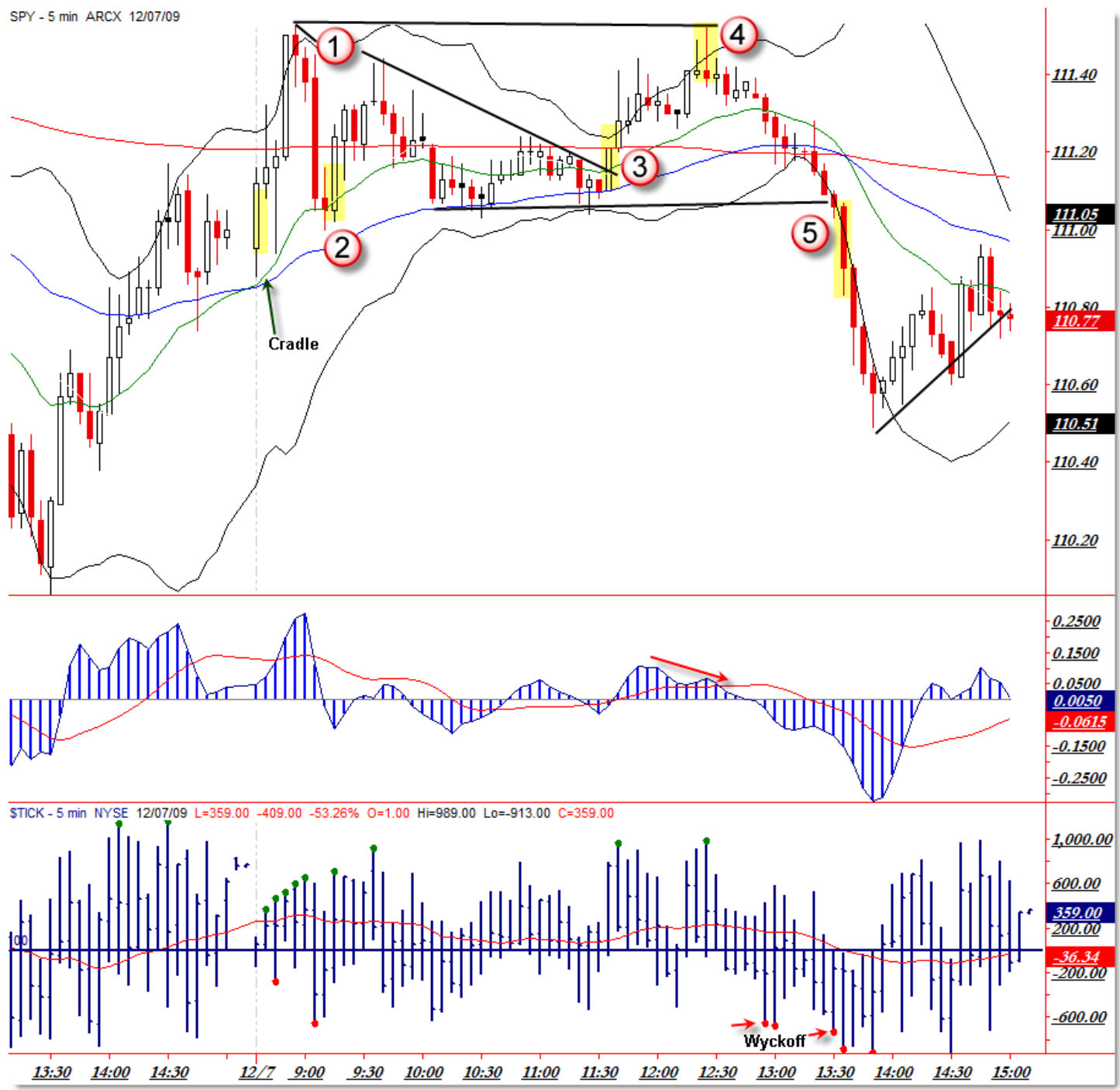
Price failed to support at the \$111.00 level (exit your prior short-sale here) and then when it did, it collapsed. The trade entry was an aggressive one, shorting at the \$111.85/\$111.90 level after price had broken the key support level.

There was a slight hint that price would break support (I missed it in real time) and that came from the new Intraday TICK Low at 2:00 (red dots) when price - clearly - was not making an intraday low (price was at the \$111.20 level when the TICK made a new low on the day - that's a potential Wyckoff Sign of Weakness).

The trigger for entry was not until price broke support to new lows, taking the stops ("Popped Stops") of the buyers at that level. We also got new TICK and intraday price lows for the next thirty minutes (until 2:30 EST), and with no up bar, that confirmed that we should stay short for a range expansion move down.

Finally, seeing the 1-min chart, price formed a tiny positive momentum (though not TICK) divergence, and the exit with profit signal came when price crossed above the 1-min 20 period EMA just above \$110.70 (which had also formed a bullish hammer-like candle at the lower Bollinger on the 5-min chart... two candles later, a long-legged doji formed which should have gotten you out of your profitable short-sale.

Price appears to be forming a bear flag into the close - let's see if this bear flag pattern plays out into tomorrow's trading session with a down open, or if buyers can regain \$111.00 which would argue for further bullishness. Short under \$111.80.





A closer look at the dominant Fibonacci grid as drawn from Friday's "Jobs Report" highs down to the two price support bounces from Friday's lows near \$110.05.

The 38.2% retracement was discussed in Friday's report, and today, the 61.8% retracement played a major factor in marking a 'double top' for today's trading session.





On the 30-min frame, price has remained at the upper boundary level of \$111.50 (inflecting on a 'double top' formation today) and as such, lower prices are favored that could take price down to test support at the \$109.00 level.

That is the dominant bias as we move into tomorrow's session, as shown with an arrow.

Otherwise, look to play "Popped Stops" long if we gap higher or in any way move above \$111.50 tomorrow.

The 20 and 50 EMAs converge at \$111.00, but because we are in a trading range, do not look to these for support or resistance.



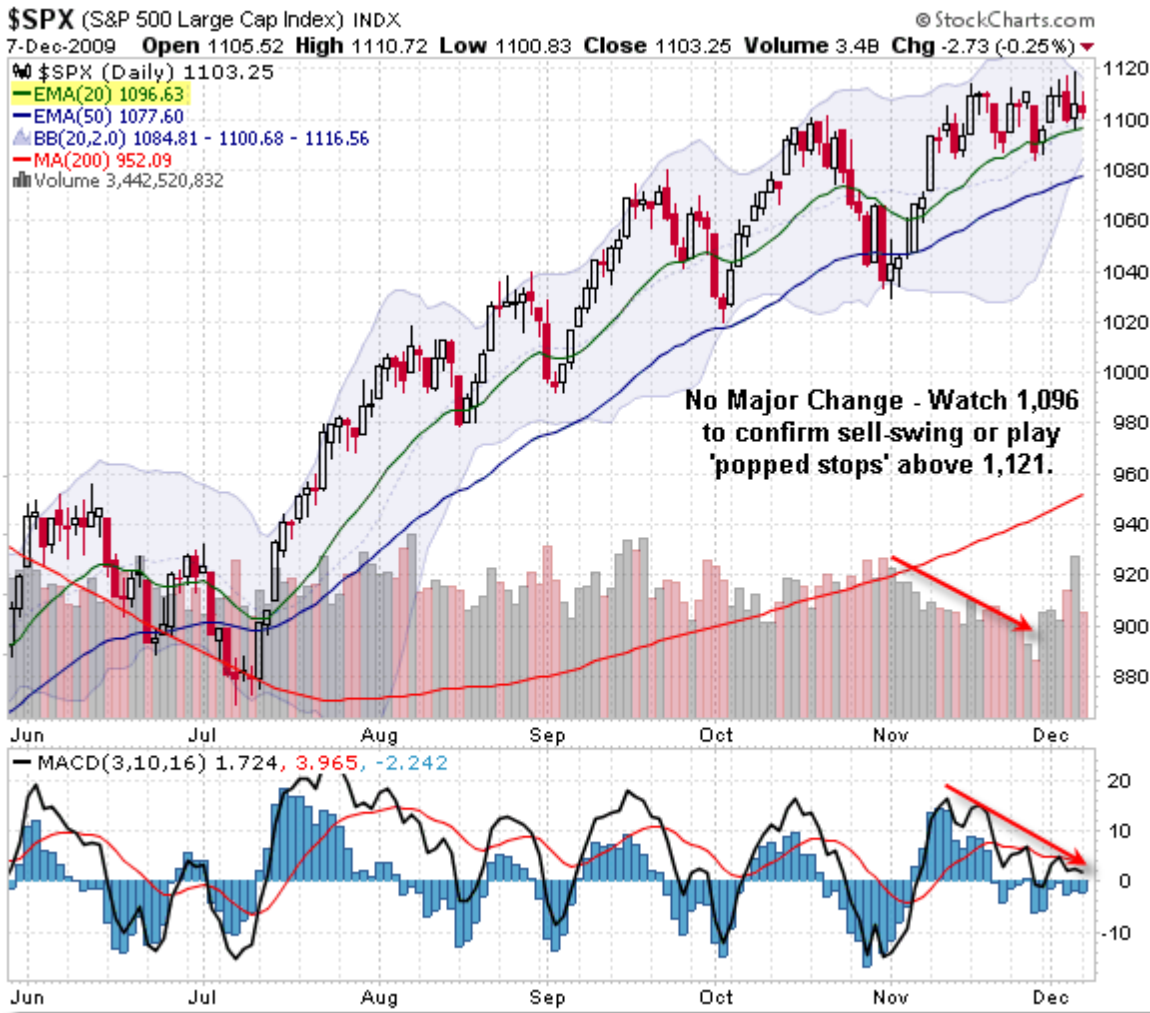
I've drawn the Fibonacci grid as shown above, and we see that the levels to watch include \$108.77, which is just beneath the key support level of \$109.00. Thus, any move under \$109.00 should trigger a deeper than expected retracement if price cannot support on this confluence support level.

Just like the prior reports, there is no need to overcomplicate the current market structure and opportunities.

Price is in a trading range. Odds favor price to 'bounce' within this range until we get a breakout up or down.

Play Long above \$111.50 and especially \$112.00.

Play Short under \$109.00 and especially \$108.80.



Again, no update to the Daily S&P500 chart is needed.

Price remains in a tight trading range between 1,120 and 1,090, and the 20 day EMA - which HAS been providing support - now resides at 1,096.

It is better to wait for the market to 'tip' its hand before trying to be a hero and guess the direction in which price will break - price should break strongly one way or the other, and if you 'guessed wrong,' then you could be in quick trouble.

Wait for a move above 1,121 (the 50% "Bear Market" Fibonacci area) or under \$1,080 (the 50 day EMA).

Until then, focus on scalping intraday moves within this clear trading range.