



## Daily "Idealized Trades" Report

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

Today really was a great day for reference for the archives, as it provided a perfect Bear Flag (all day long) which contained near perfect Fibonacci Retracements and Projections, along with an ideal Elliott's Fractals count (indicator extremes at the 3rd wave; divergences at the 5th). Certainly use today's reports for your references when studying these topics.

#### 1. PULLBACK TRADE, SPINNING TOP, \$109 support

There was nothing 'magical' to this trade, as it was a simple pullback in an established 5-min uptrend with a bullish bias (as mentioned last night - odds favored a retracement to the upside, so it was logical to buy pullbacks in the bullish direction).

A spinning top candle formed at the 20p EMA along with the \$109.00 'round number' support area - with expectation for higher prices or at least a retest of the morning swing high to \$109.45.

The stop was under the 50EMA at the \$108.80 area (price should not break both the 20 and 50 EMA, or else we would want out). The trade solidly exceeded the morning swing high as expected, rising sharply for the next four bars... though price formed a clear exit signal at \$109.80 with a shooting star reversal candle at the upper Bollinger Band... accompanied by a negative TICK and momentum divergence, giving you permission to 'flip and short' (due to the divergences - otherwise, we would just wait out the retracement and wait to buy back into support).

#### 2. SPINNING TOP, BOLLINGER BAND, NEGATIVE TICK & MOMENTUM DIVERGENCES, 5-WAVE FRACTAL

See the 1-min chart to identify the 5-wave mini-fractal that formed the negative divergences as labeled.

On the 5-min frame, we saw the shooting star (almost doji) candle at \$109.80, and a break under this candle was an aggressive (counter trend) reversal trade that targeted - at a minimum - the rising 20 or 50 EMA (or the intraday lows at a maximum). The stop was above \$109.80 and trigger entry at \$109.70. Price fell sharply to test the \$109.00 area (also the 50 EMA) triggering your exit as a bullish hammer candle formed.

If you are an aggressive trader, you could have put on a buy trade (long) as price touched the \$109 support along with the 50 EMA and placed a tight stop 5 to 10 cents under this level. However, if you are a conservative trader, you would have seen the hammer and (probably) had your finger on the buy button as soon as price broke the hammer high at \$109.35... but price did NOT take out the high (nor close above) this price, and so - as a conservative "prove it to me" trader, you would not have bought long. Price suddenly began its descent to form new TICK and momentum lows, and in the process, formed a Wyckoff Sign of Weakness. The next trade would be to short-sell the retracement into the 20 EMA to play for a new price low.

Although I did not label it specifically as a featured trade, you certainly could have short-sold the pullback to the \$108.80 level (20 EMA) at 11:00am CST, however this trade was not 'idea' for two reasons:

1. Price did not officially 'pull back' to the 20 EMA
2. The down-bar occurred so suddenly that a 'comfortable' entry (like a doji candle) did not form

To get in, you had to be prepared to short on any weakness close to the 20 EMA, which is the only way to play short into that trade. The stop would - logically - be above the 20 EMA.

With new TICK and momentum (and price) lows forming, we still would want to look to short the next retracement - provided no Wyckoff Signs of Strength form - they did not.

At this time, you could draw a Fibonacci Grid from the high to the intraday low as price was rallying and set-up the zone in which you might want to get short - the 38.2% Retracement at \$108.84 - which corresponded with the 50 period EMA on the 5-min chart, and the three-wave corrective move into this area gave you plenty of reasons to short the pullback.... expecting a test of the lows at a minimum or a full measured move down (bear flag) at best.

### **3. MASSIVE BEAR FLAG, NEGATIVE DIVERGENCES, 38.2% RETRACEMENT, REVERSAL CANDLES, 50 EMA**

Those were just some of the key points I wanted to highlight in this simple trade set-up. The negative TICK & Momentum divergences on the 1-min frame enhanced the odds of a reversal brewing as price rallied into the convergence of the 5-min 50 EMA and Upper Bollinger along with the 38.2% Fibonacci Grid - both at the \$108.85 level.

The 5-min chart gave two shooting stars and a doji - so an entry was as soon as price broke the low of these candles OR retraced into the resistance itself (if aggressive). The final trigger (if not short already) was when price broke the rising trendline as seen on the 1-min chart at 12:30 CST at the \$108.60 level - and price gave a quick 'throw-back' late entry back to \$108.80 shortly after the breakdown - giving you more than enough signal/time/warning to put on a short-sale trade and place a stop above the \$108.85 price (preferably \$109.00 level - which was 'round number' resistance and the 50% Retracement).

Because price formed a lengthy bear flag (it was very clear on the 5-min chart as well as the 1-min chart) with an 'abc' three-wave structure (meaning 'correction'), it was thus advised to use your Fibonacci Price Projection Tool as I've been showing on the last few reports. This targeted the \$107.38 level for a full 100% retracement - meaning you could have stayed short until price reached this level OR price gave a compelling 'flip and reverse' buy signal (divergence, multiple bullish candles, etc).

A minimum (conservative) target would have been a retest of the prior lows (and lower Bollinger Band) at the \$108.20 level (occurring at 1:00pm), and the simple retracement rally up to the 20 EMA at 1:20pm was another short-sale opportunity (again, not mentioned specifically as an idealized trade). Price fell all the way to its target, formed a positive divergence, along with a doji and then long lower shadow 'hammer' candle, triggering a potential "flip and reverse" aggressive trade.

### **4. FLIP AND REVERSE, HAMMER/DOJI, 100% FLAG PROJECTION SUPPORT**

This trade - being a retracement trade - was an aggressive 'scalp' that triggered entry as soon as the hammer high was taken out at \$107.60 with a logical target - the 20 EMA (5-min) at the \$107.90/\$108.00 level - which was fulfilled just prior to the vicious sell-off into the close (it is also acceptable if you chose not to trade into the close - skipping this trade).

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Today structurally was a massive "Bear Flag" - though it officially is described as a "Type II" Trend Day (Type II because the market gapped higher, rallied, and THEN collapsed - it would have been a Type III otherwise).



This chart shows the full Bear Flag structure with Fibonacci and Elliott Waves. Look at this chart in isolation and then compare to the idealized trades. Notice the Wyckoff signal at 10:00am.



This chart shows simple "Trendline" analysis - meaning you don't have to use Fibonacci or Elliott fractals (though helpful) to stay on top of the market and your trades - simple trendline breaks often hold the key to great entries/exits on major moves.



The idealized trades and 'pure' price chart.



I see two possibilities for the pathway ahead - the bullish case states that this move today is a "Finger" trade (see 60-min chart) which is a sudden and somewhat unexpected move to new lows in the midst of a positive divergence and 'rounded reversal' formation. Finger Trades 'zap' the stop-losses of the buyers (liquidation) and then draw in new short-sellers. Should price gap or reverse higher on Monday, we will know this IS a finger as it will then perversely pop-out the short-sellers and draw in new longs who are trying to chase a bottom. Finger trades can precede vicious reversals (it happened in the daily US Dollar Index recently).

On a more bearish note, in the event that buyers cannot push prices higher despite a positive divergence, critical support level at \$108.00/1,080 (now officially broken), then we could be staring straight into the face of a massive liquidation/sell-off phase that is about to hit the market.

As such, it's probably best to take it day-by-day and not try to be a hero at these levels just yet - stick to maximizing opportunities intraday.



The last time we saw a "Finger" was on January 19th when price rushed to a new swing high above \$115.00 (stopping out the 'tight stop' shorts and drawing in buyers thinking price was about to move higher). Price then literally collapsed after the 'fake-out' (head-fake, etc - though this situation has some less-than-appropriate names).

It's possible we're seeing a similar "finger" today... but if we're not, then we need to take an aggressive short-sale bias here. We should know by Monday and Tuesday as to what to expect - whether the positive divergence will draw price higher... or whether sellers are overcoming any bullish sign in a mode of revenge for when buyers overpowered all bearish signs.

The rise in volume and persistent downtrend (and EMAs serving as resistance) hint that odds favor lower prices yet to come in downtrend motion, but monitor positions very closely here. Further selling (indicating this is not a finger) could lead to a vicious positive feedback loop where the market falls lower very quickly (giving you opportunity to short).



We are officially beneath the 1,080 support level (closing at 1,073), so this places the structure into a potential new bear swing down to the 1,020 level as highlighted above. There is no 'obvious' support zones between here at 1,030, so we could have an 'open air' sell-off unless some economic news/report pushes prices higher on Monday/Tuesday.

The fact that the market sold-off so hard on the much better than expected GDP report is a very ominous, bearish sign which indicates traders/funds may be 'selling on news' (hence the term 'buy the rumor - sell the news').

In other words, prepare yourself for the possibility of a sharp-sell off if buyers cannot push price back above 1,080 on Monday.



A quick look at the weekly chart shows that we've broken the 20 week EMA today (1,079) which is another ominous/bearish sign, and the weekly 50 EMA rests at 1,040.

It would appear that we have 'open air' to the downside until we test this level... again provided today's end-of-day action does not result in a bear trap.

A close under 1,000 would be a significant sell-signal that could indicate that price would likely fall to the 850 level... or beyond (in the broader scale).