



Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today was a dizzying array of price swings in both directions, leaving plenty of opportunity but most likely resulting in at least one or two major whipsaws in your trading activity today! Let's learn about a TICK Flush, how Fibonacci would have been helpful today, and other breakout and divergence trade set-ups.

1. TICK FLUSH AND POPPED STOPS LONG

There was a slight downside bias going into today's session, so you certainly could have shorted off the open or into the first retracement up into the 20 or 50 EMA, but realistically the market was driven at that point by the anticipation of, and the reaction to the Pending Home Sales Data, which normally is not a major market mover (and, technically, was not today).

Price made a sudden new low as did the TICK (and 3/10 Oscillator on the 1-min frame). Normally, (well... always) this sets up the preparation to short the market on the first pullback into resistance (20 and 50 EMA) at the \$113.20 level, particularly as a reversal candle forms (a shooting star did, but price did NOT take out the low of the shooting star and did not trigger an official entry). Traders who were already short, or had just gotten short 'early,' certainly had placed stop-losses above the morning high of \$113.30, creating a known "Pocket" of stop-losses above.

Also, retracements often unfold in smooth corrective fashion which resemble bear flags. This did not happen either.

Price formed a TICK Flush, which you cannot forecast in advance, but you can observe when price - usually after an announcement or news - surges to a new low and then IMMEDIATELY reverses to form a new high above the price where the downthrust began - this is the "Flush," as price just "flushed out" (or 'rinsed and washed' or whatever you wish to call it) the buyers (knocking out their stop losses) and also capturing the sell-short orders of the short-sellers (placing stops above). A flush is a sudden dislocation in a market that creates 'ripples' going forward, namely in the event that buyers decide "The news is not that bad" or "price at this level reflects value" or - more appropriately - a buy program is unleashed that drives stocks higher. This positive buying triggers the "Pocket" of stops to be covered, driving prices higher and setting up your trade if you are able to recognize it quickly.

Even if you were unaware of the TICK Flush concept at the time, you would still have called this, and traded it identically as a "Popped Stops" rally, which has been relatively 'easy money' in the last few weeks as the market has crept - against all odds - to new highs.

Either way, the play was to trade long as price burst strongly to new highs, and exit at the first sign of weakness or a key divergence. This happened at the 10:30 EST highs (see 1-min chart for clarity).

2. DUAL TICK/MOMENTUM DIVERGENCE, BEARISH ENGULFING (5-MIN), UPPER BOLLINGER

This was a relatively simple trade to see (especially if you use market internals) but perhaps a bit tricky to trade after such a strong morning impulse up.

On the 5-min chart, price formed a bearish engulfing candle that ended at \$113.50, so any move under that low would trigger you in short. Price had also spiked above the upper Bollinger Band.

On the 1-min frame, we had a clear dual-negative divergence in both TICK and Momentum and a breakdown through the 20 and 50 EMAs on the 1-min frame. Entry short occurred at \$113.50, with a stop above \$113.65 and minimum target for the 20 EMA (very conservative target) or more appropriately the 50 EMA at \$113.30.

Reference the special Fibonacci Chart below to see that \$113.25 was the 50% Fibonacci Retracement of the morning impulse. Price retraced to this level, which set-up the next potential trade for aggressive traders.

Starting with the morning low and drawing to the morning high, we see that the 50% Fibonacci retracement - a potential target - was \$113.25 which is precisely where price found support and formed a clear positive momentum divergence on the 1-min frame along with a slight 'flat-line' TICK divergence there also. A spinning top formed at this level, making entry at \$113.30 and a stop under \$113.20. The target was a move up to the 50% or 61.8% Fibonacci Retracement of the prior swing, as drawn in the Fibonacci Only chart below. I also highlight this zone in the 1-min chart.

Instead of calling this an ideal trade, I move to discuss trade #3 as the next educational moment with confluences/lessons.

3. BEAR FLAG, TRENDLINE BREAK (1-MIN), MOVE INTO TRENDLINE RESISTANCE, 61.8% FIBONACCI

This trade had a lot going for it! If you drew a simple trendline off the two swing highs on the morning session, price began to move into this trendline. Also, if you drew a Fibonacci retracement grid starting with the high and ending with the 11:30am price low at \$113.20, then you had the 50% and 61.8% retracements near the \$113.50 area. Finally, price appeared to form a "bear flag" on the 5-min chart, and then broke a clear rising trendline on the 1-min chart, triggering entry at the \$113.40 area. A stop was placed above \$113.50 to play for a "Measured Move" down to \$113.10 (see 5-min chart for this projection).

Price fell as expected to near the target, and then rallied in one final swing up into the confluence of the 20 and 50 EMAs as resistance, forming a spinning top candle. The target was hit, generating the potential to buy at the expected price projection area at \$113.08 (particularly if a candle formed... it did).

4. BULLISH ENGULFING (almost), LOWER BOLLINGER BAND, PRICE PROJECTION, POSITIVE DIVERGENCE (5-min)

Trade 4 actually has two entries - an aggressive entry as price took out the high of the bullish engulfing candle at 2:15 EST (at \$113.13) or when price broke above the 50 EMA at \$113.30 shortly thereafter OR when price broke above the declining trendline as shown on the 1-min chart at \$113.25.

Either way, the stop would be located under the swing low at \$113.05 to play for a minimum upside target of \$113.50 (prior swing high).

In addition, price formed a positive 3/10 Oscillator divergence as seen on the 5-min chart, and also a positive divergence on the 1-min chart (with a flat-line TICK divergence).

As is the case recently, the bullish bias/buy program took over, taking more stop-losses from the sellers, and creating a sharp rally (non-stop) into the close.

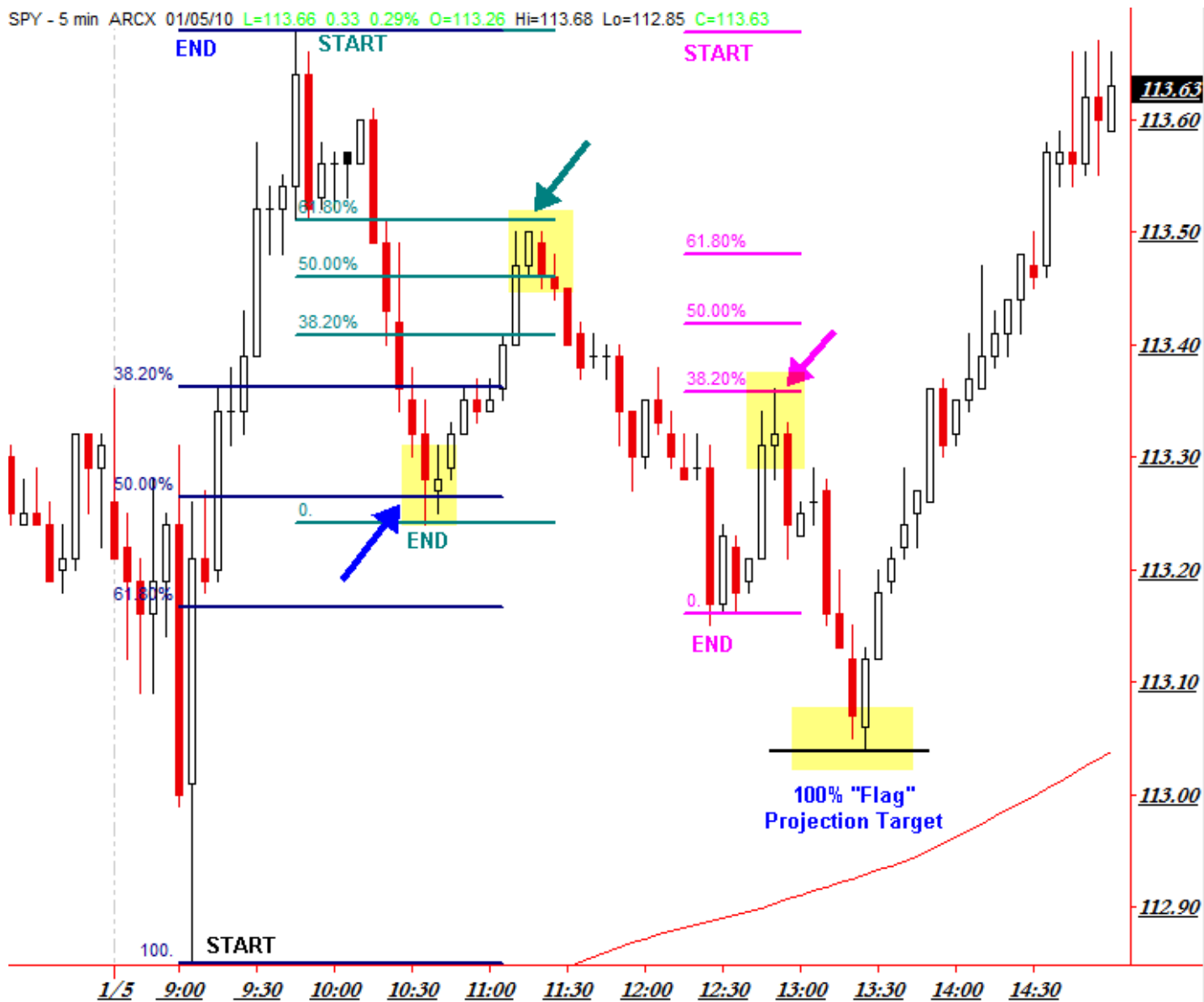


1:00 CST formed a lengthy positive momentum divergence and the completion of a 100% Projection Target of the morning Bear Flag... or more appropriately labeled "Measured Move" (AB=CD) Pattern.



The VOLD - volume differential - again was helpful in that the indicator began making new intraday highs at 2:00 CST (green dots) when price broke to the upside of the declining trendline, signaling that odds favored higher prices yet to come.

Though the TICK did not make a higher intraday high at this time with VOLD, it did make a higher 'swing' high when price was beneath a prior swing high, giving a semi-Wyckoff Sign of Strength internal signal.



The "Fibonacci Only" Chart shows the first grid - blue - showing potential support from the morning low to high.

The second grid - green - starts at the high and ends with the 10:30 CST low to find overhead resistance.

The final grid - purple - starts also with the intraday high and ends with the 12:30 CST low to find overhead resistance at the 38.2% level.

Otherwise, as seen in the prior 5-min chart, the 100% "Flag" or "Measured Move" projection target hit the low at 1:30 with the bullish engulfing candle.



A quick 'bonus' look at the 15-min chart, showing a potential "double top" and negative volume/momentum divergences as price tests the upper Bollinger Band. That's bearish... however - as usual - set your gameplan up so that your bias might be bearish but you are ready to adjust at a moment's notice to play long on ANY new swing high above \$113.65 to take advantage of the resting stop-losses that still remain there.



The 30 min chart shows that price supported off the lower Bollinger and the 20 EMA today, revealing that price is still in an uptrend but is back at the upper Bollinger Band for potential resistance.

A negative momentum divergence undercuts the new highs.

Be prepared to continue trading long on any new highs, but otherwise, expect at least a small retracement going forward.



The same image holds true on the 60min frame, only we see price at the upper resistance level from a dominant rising trendline (but below the 60min Bollinger Band... slightly).

The same slight volume divergence and obvious negative momentum divergence undercut the recent price highs.

Short any move under \$113.00.



Despite all we're seeing, it's sometimes good to fall back to Technical Analysis 101, which states that "price is in a confirmed uptrend, and therefore we should expect higher prices as long as the moving average orientation remains bullish and price continues to form higher highs and higher lows."

As such, we must fall back to the basics and anticipate the 20 EMA - at 1,116 - to be a support zone along with the 1,100 level (trendline and 50 EMA).

Until this picture changes, odds favor higher prices.

In the spirit of being prepared, short any move under 1,080 which would break critical support zones.