Daily "Idealized Trades" Report

SPY (SPY 500 ETF) 5-min

Today's report will be abbreviated, as I spent the evening returning from New York City. Being delayed, the report will only contain the idealized trades so you can continue your archive of trade set-ups and examples for your reference.

1. POSITIVE TICK & MOMENTUM DIVERGENCE (1-MIN), POWER CANDLE

The Fibonacci grid as drawn was not 'drawable' at that time, so do not be mislead by the pullback exactly to the 38.2% retracement. If you drew the grid to the $110.30 high, then price would have rallied about 10 cents above the 38.2% retracement and 20 EMA. Thus, the trade found support 'in mid-air,' but the 1-min structure and formation of the powerful 5-min candle was reason to enter.

Look closely at the 1-min chart to see the positive TICK and momentum divergences going into the 9:15 low of $109.90. Trade entry took place as price broke 1-min candles and back above the $110.00 area - potentially we were going to have a "Popped Stops" rally as I've been highlighting - any strong break above $110.00 should lead to 'popped stops.' The trade exit was either as price retraced to the prior morning high at $110.30, or as a bearish engulfing candle formed shortly after the retest, triggering your second trade.

2. BEARISH ENGULFING, 5-WAVE FRACTAL, NEGATIVE MOMENTUM DIVERGENCE (1 & 5min)

This trade took advantage of the move into new highs that formed on a negative Momentum and TICK divergence (compare the 1,000 TICK high level at 9:30am to Tuesday's TICK high at 3:30 CST above 1,000 - that was the rolling TICK divergence). The momentum divergence was evident on both the 5-min and 1-min chart, and when the bearish engulfing candle formed, or took out the close of the prior candle at $110.30, this was your entry to play for a retest of the 20 EMA or the $110.00 area (30 cents lower). The stop would be placed at least 5 to 10 cents above the $110.40 intraday high in the event this 'counter-trend' trade failed.

Price actually broke the 20 EMA, bounced for three bars off the 38.2% Fibonacci Retracement along with the lower Bollinger Band at 10:00am, but immediately sliced through all support levels to test the rising 50EMA, 50% Fibonacci Retracement, and lower Bollinger Band. If you passed on the pullback to the $109.90 level (trading long.. which would have been stopped out), then this was your next likely entry for a pro-trend trade to the upside.

3. 50% FIBONACCI, 50 EMA, LOWER BOLLINGER, HAMMER CANDLE

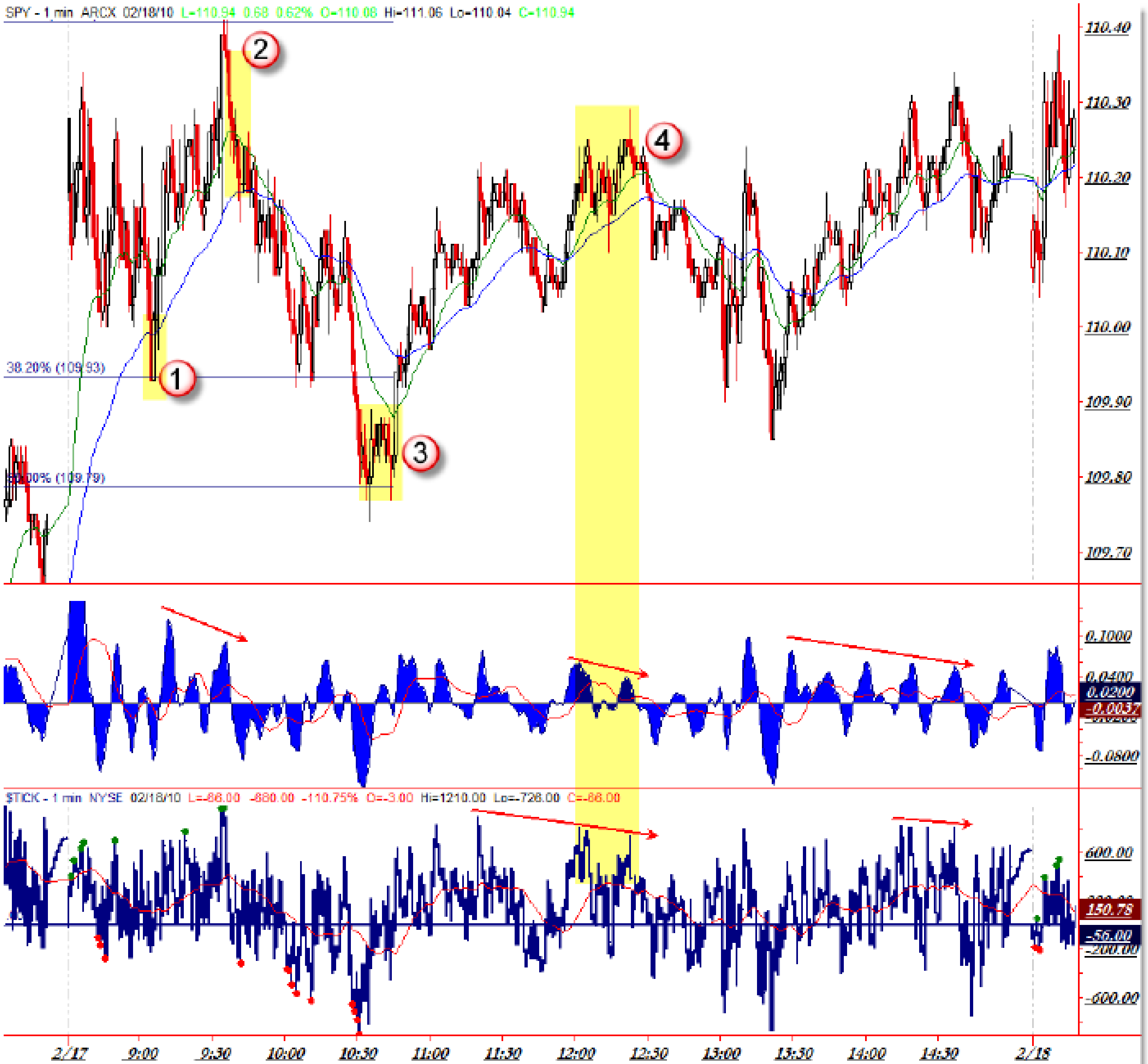
This was somewhat of a tricky trade, as TICK formed a new low (momentum on the 5-min chart only formed a 'flat-line' divergence) with price. However, price had not cracked under the 50 EMA yet, so the trend was still technically higher. The hammer candle that formed at 10:30 at the $109.80 level was the execution signal if you were wanting to get long, or else you could have waited to short on any downside break of the 50 EMA (which never materialized). The hammer high was broken at $109.88, triggering entry to play at least for a retest of the $110.15 swing high or even the intraday high of $110.40. However, using good trade management, you would have exited at the next counter-sell signal, and if so inclined, traded short from the hammer that formed with clean divergences.

4. NEGATIVE TICK AND MOMENTUM DIVERGENCE, HAMMER CANDLE, UPPER BOLLINGER BAND, 5 of 5

This trade was telegraphed well in advance, and actually formed a nice bearish "Rounded Reversal" pattern into noon CST. This also was a clean "Fifth of Fifth" wave which I dedicated an entire chart to show/teach the pattern. "Fifth of Fifth" waves often provide excellent reversal trade entries.

The price was forming negative momentum and TICK divergences, which hinted that the rally was potentially ending, and as a candle (hammer) formed at the upper Bollinger Band on the 5-min chart, this provided your entry when price took out the low at $110.20. Price fell to the $110.00 level, and volatility picked up, likely triggering you out either with a profitable exit stop or a stop-loss on the sudden sharp buy candle at 1:15. This trade really did not work out as expected, in that price found a volatile support area and then chopped higher - giving no clear (idealized) trades into the close.


SPY - 5 min ARCX 02/18/10 L=110.94 0.68 0.62% O=110.08 Hi=111.06 Lo=110.04 C=110.94
38.20% (109.93)
50.00% (109.79)
61.80% (109.64)
100.00% (109.17)
1
2
3
4
110.39
110.30
110.20
110.10
110.00
109.90
109.80
109.70
109.60
109.50
109.40
109.30
0.3000
0.2000
0.1029
0.0020
-0.1000
$TICK - 5 min NYSE 02/18/10 L=286.00 -328.00 -53.42% O=-3.00 Hi=1210.00 Lo=-726.00 C=286.00
1,000.00
600.00
286.00
-200.00
-600.00
13:30 14:00 14:30 2/17 9:00 9:30 10:00 10:30 11:00 11:30 12:00 12:30 13:00 13:30 14:00 14:30


SPY - 1 min ARCX 02/18/10 L=110.94 0.68 0.62% O=110.08 Hi=111.06 Lo=110.04 C=110.94
38.20% (109.93)
50.00% (109.79)
1
2
3
4
$TICK - 1 min NYSE 02/18/10 L=-86.00 -880.00 -110.75% O=-3.00 Hi=1210.00 Lo=-726.00 C=-86.00
2/17
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30
2/18


SPY - 1 min ARCX 02/18/10 L=111.02 0.76 0.69% O=110.08 Hi=111.06 Lo=110.04 C=111.02
5th of 5th Wave often Sets up Great Reversal Trades
$TICK - 1 min NYSE 02/18/10 L=524.00 -90.00 -14.66% O=-3.00 Hi=1210.00 Lo=-726.00 C=524.00
10:00
10:30
11:00
11:30
12:00
12:30
13:00

Such is the nature of most range days - inefficiency (a lot of work for very little profit).

I totaled roughly 80 cents (around 6 to 8 points in the @ES) was possible today, taking a moderate aggression level.

Notice where I labeled 'fair' entries and exits for each trade - never at the absolute lows or highs.