



Daily "Idealized Trades" Report





Today will serve as an important lesson on how to trade an anticipated "Popped Stops" rally that became a trend-day structure that threatened to devolved into a Rounded Reversal all day.

The main idea to learn is that when price breaks a key, known, obvious resistance level, then many traders will 'bail out' and cover their short positions once that obvious level was broken, leading to intraday opportunity to 'scalp' to play these "Popped Stops" buying bursts... but we never know how far the short squeeze will go or when it might reverse. As such, the lesson is "Caution" and monitoring your chart/trades very closely.

A quick comment - from the opening gap, you should have been long/buy biased to play the "Popped Stops" that came from the critical \$111.00 level being broken. This is a very difficult thing for new traders to understand, but perhaps today's report will help drive home this concept. Odds favored a retracement down from the \$111.00 resistance level - it was clearly obvious and so many traders saw it and acted on it (from a swing trading perspective). That mean they mostly all placed their stops above the prior high at \$111.00 or \$111.50, which meant that if buyers could drive price into those "Pockets" of stop-losses, then price would - almost with absolute certainty - rally. This gave you - the intraday trader - an opportunity to profit, if you could think of the market in terms of "Supply and Demand" instead of "Support and Resistance." This is the basis of "IF/THEN" logic that is so important for intraday trading.

The first trade might have been to get long right off the open (very aggressive) and play long above \$111.20 to target \$111.50 (which I said was the immediate target if \$111.05 was broken). This happened quickly, though I don't label it as an idealized trade. Given the gap, the first trade was a "Buy the Pullback" move.

1. "POPPED STOPS," BUY THE PULLBACK, 20 EMA (5min) 50 EMA (1-min)

This was a quick trade that executed quickly, given the volatility of the market at the time (another testament to the "Popped Stops" - it's where short sellers panic and drive the market higher by their buying to cover). An aggressive entry came when price tested the \$111.20 level - the 50 EMA on the 1-min frame and the 20 EMA on the 5-min frame, or when price broke the prior candle high at \$111.40. A stop would be under the 20 EMA at \$111.20 and you would target at least \$111.50 and likely beyond.

A shooting star candle formed at the \$111.80 level at the upper Bollinger, signaling your official trade exit with a quick, 15-min "Popped Stops" style momentum burst profit.

Generally, I don't look favorably on shorting a move directly after a new intraday Price and TICK high, though the most aggressive trader could have scalped a quick 25/30 cent profit from shorting the doji at resistance... but it's not generally a great idea to short the retracement after new price and TICK highs, but to buy the dip that comes as price pulls back into support.

2. DOJI/HAMMER, 20 EMA, IMPULSE BUY

This was probably the easiest, simplest trade of the day, given that it was telegraphed well in advance from the upward trend (multi-day), new price high intraday, new TICK high, and new momentum high (discount the momentum burst from a moderate to large gap - it skews the indicator). After such a sign of strength (similar to the Wyckoff), you want to buy the first pullback into support (EMA or Fibonacci).

In this case, price formed a nice doji/hammer candle at 9:30 that formed two shadows off the rising 20 EMA at \$111.40. Your entry was when price took out the candle high at \$111.47 to play either for a retest of the prior high at \$111.80 or a higher high forecast by the new TICK high on the session. That exactly what happened, as price tested the upper Bollinger Band at \$111.90, formed an upper shadow, and began pulling back (again, an exit - NOT a short-sale trade).

On this new price high, we did see a momentum divergence, but the TICK inched its way to a new intraday TICK high, meaning we want to repeat the same trade in the same fashion on the next pullback to play for a continuation of the "Popped Stops" uptrend and buy the next dip into support.

3. IMPULSE BUY, DOJI AT 20 EMA.

This trade was almost identical to the prior set-up, though the doji formed just above the 20 EMA, triggering entry as price broke the high of the doji at \$111.77 (stop under \$111.65 - 20 EMA). Generally, we get range compression as a trend progresses intraday, but the target was still a retest of the high at \$111.90 or slightly beyond... which occurred with a spike candle (exit signal but NOT short sale signal) at 11:45.

Here's where things got tricky and you can learn a valuable lesson if you aren't aware already.

On supposed trend days (this was), the best/simplest plays come from buying retracements into support AS LONG AS the TICK or breadth is making new highs alongside price, confirming the trend. If not, then divergences set in (they did) which are NON-confirmation signals but not automatic "sell short" signals (unless you are a very, very aggressive trader).

It's generally best NOT to fade a prevailing trend unless you have proof that the trend is showing clear signs of reversal (such as a break under the 50 EMA on the 5-min chart or the break of a lengthy intraday trendline or Wyckoff Signs of Weakness or something else). Even then, a trend reversal is not guaranteed, as we saw today.

In such situations, the best solution for most traders - unless you are looking to scalp (play very large positions for very small profits, such as a 10 cent SPY move or a 1.5 @ES move at most) - is to STAND ASIDE until the market breaks key support levels and NOT get short just because divergences exist.

On the same token, because of the divergences, it is best NOT TO GET LONG either unless we saw a clean break above \$112.00 which may have led to more short-covering/popped stops.

Because neither of these happened - price only nipped beneath the 50 EMA for one bar at 2:00 CST and also nipped at \$112.00 for a spike candle - it was best for most traders to stand aside completely and end the day on a good note.

That being said, and for reference, there was a 1-min five-wave fractal move that ended with the spike candle at \$112.00 with the massive TICK divergence that would have allowed very aggressive traders to short near \$112.00 or upon the trendline break (1-min) at \$111.85. As you can see, this did not result in much downside action, but would have been good for a quick, aggressive scalp of around 20 cents or 2 @ES points.



Assuming you passed on the aggressive "opening morning" long and shorting on the move into resistance at \$112.00, then three trades could have yielded up to 77 cents (roughly 6/7 @ES points) today - using a moderate risk level.



Bears are crying 'foul' today, and understandably so, but the market is driven by supply and demand (buyers and sellers) and the reality of "Popped Stops" - short-covering by sellers - does drive the market higher as a form of demand. It is important that you understand this phenomenon, as it serves as a 'non-confirmation' of higher prices and reveals that bears drove the market higher - not bulls. If volume were higher, it would be evidence of buying, but remember this is "Panic Buying" just like buyers engage in "Panic Selling," and higher prices trigger more stop-losses which lead to higher prices, etc.

I've been warning of this possibility on any "popped stops" break above \$111.00, that we would see an almost instant move to \$111.50 and perhaps beyond and that's exactly what happened. For now, you really can't be long for anything other than scalping "Popped Stops" but you can't be short either - take the intraday trades and use that to your advantage. Most swing traders are suffering in this environment of price breaking through resistance on declining/lower volume, momentum, and market internals.



Look back to mid-February where we had a 'non-stop' rally with each day being met with lower and lower volume... but price kept going higher (before a sudden crash). That's exactly what we have now - price moving higher on lower volume each day which sends the message that odds favor an eventual down-move but there is no way to call the absolute top because this will end when shorts stop 'panic' buying. There is minimal real bullish buying and more on the way of "panic" from popped stops, so the market is once again in "Open Air," which means that risk is high on both sides - you shouldn't get long because we could see a sudden down-swing at any time (but we'll probably see higher prices first), but you also can't get short because price could keep moving higher on lower volume until we get that "crash" or snap-back of the rubber-band (theory).

What to do? Keep playing popped stops long intraday above \$112.00 and stick very close to your intraday trades and don't try to swing trade this market in either direction until we get a clear signal - most likely with a break under \$110.00.



This is what I was highlighting when I mentioned that the "obvious" resistance rested at the 1,110 level, so any break of the trendline and 61.8% Fibonacci level (and prior price high at 1,112) would lead to a potentially massive "Short Squeeze" and we got that today. This is a bullish breakout on lower volume, so we cannot yet call this a buy signal, but you do need to play intraday longs as they come, while being prepared to short any breaking of support back under 1,110 and especially 1,100 (aggressive short).

Until then, we are in a murky, dangerous (for both sides) "Open Air" Popped Stops environment.