

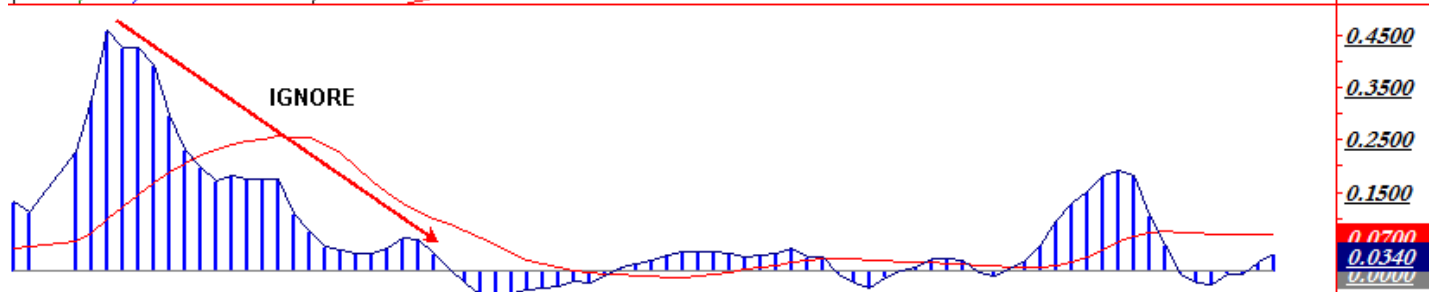
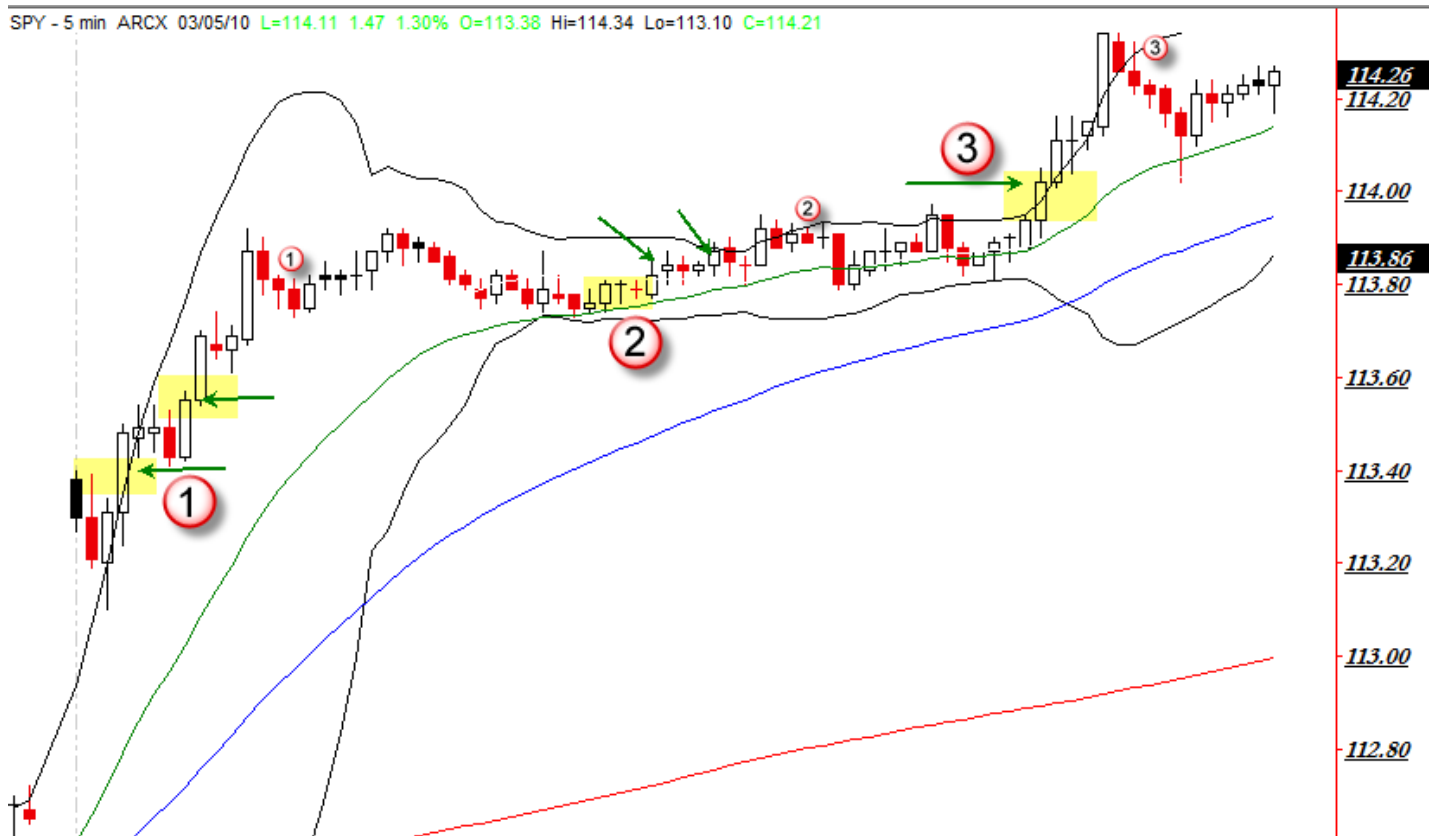


Daily "Idealized Trades" Report

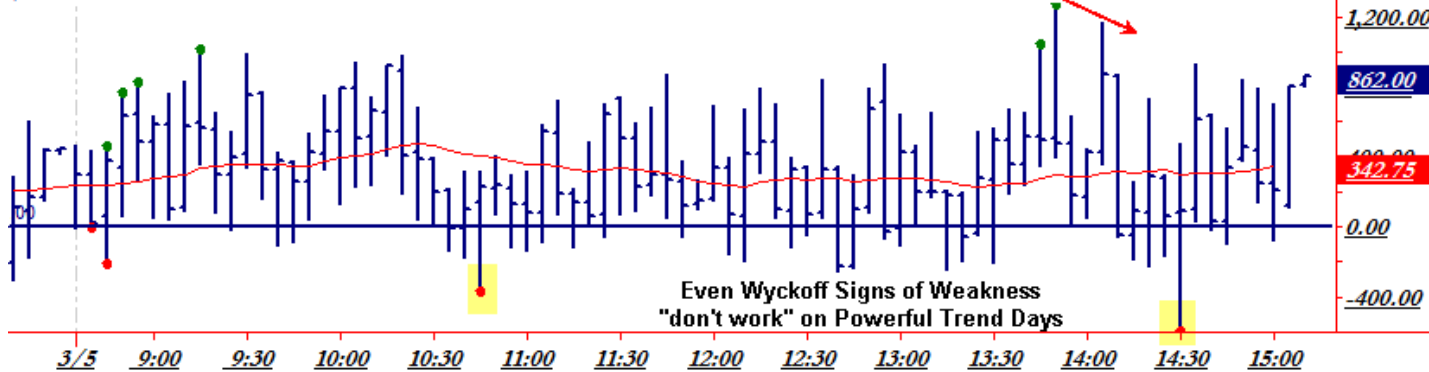
SPY - 1 min ARCX 03/05/10 L=114.10 1.46 1.30% O=113.38 Hi=114.34 Lo=113.10 C=114.21



SPY - 5 min ARCX 03/05/10 L=114.11 1.47 1.30% O=113.38 Hi=114.34 Lo=113.10 C=114.21



STICK - 5 min NYSE 03/05/10 L=862.00 414.00 92.41% O=5.00 Hi=1276.00 Lo=-592.00 C=862.00



Even Wyckoff Signs of Weakness
"don't work" on Powerful Trend Days

Today's listing of trades is quite simple, and during the Type III Trend Day, can be summarized as "buy all pullbacks and - for aggressive traders - all breaks to new highs especially in a popped-stops environment." Remember, you do NOT short for anything more than a scalp while price is above the 5-min 20 EMA. Those of you who did so likely lost money today, and it's important for you to understand why this is a risky, edgeless trade. It's human nature for new traders to want to call tops or say "the market is overextended" but today is proof that those statements have NO place during powerful rallies, particularly in the volatile "Popped Stops" mode and just after a major economic report (Jobs Report). Good job to those of you who are learning the lessons from these reports (thank you for your emails) and preventing otherwise losing trades or profiting from the lessons you learn here.

I had mentioned to be bullish/long/popped stops if the Jobs Report was 'better than expected' and if price broke above \$113.00. This happened right off the open, making the first play another "Popped Stops" rally which was a short-squeeze that trapped the sellers/bears (again, that's why I've told you to keep focusing on your intraday charts instead of trying to swing trade short without a confirmed breakdown entry).

1. "POPPED STOPS," PRIOR BREAKOUT

There were a few ways you could have played this, including seeing the better than expected (slightly, but still better) numbers pre-market and then trading long via the pre-market futures, or once the market had gapped open, put on a long/buy position. It was more 'comfortable' to enter a position when price broke above the morning high (after the pullback) at \$113.40 to place (trail) a stop under the rising 20 EMA at \$113.00. If that was too far away (it probably was for most traders), then you should have placed a stop under the intraday low then of \$113.10. Remember, for those trading SPY, the distance from your stop often determines the number of shares you purchase. For those trading futures, it's a different formula (and easier) in terms of the number of contracts you put on... all this should be planned out in advance with simple mathematics depending on what you are willing to risk (1% per trade? 1.5%? 0.5%? The distance to your stop is your risk, so a distance further away often calls for a smaller position than a stop that is very close to your entry, to keep your risk - or 'R-Value' the same).

That being said, you were to hold on to this trade as long as possible, or until you saw a confirmed sell signal, which happened for conservative traders as price nipped under the low of the two doji candles at the upper Bollinger Band at the \$113.45 level at 9:00am. If you took this as your exit, then you should have gotten back in long on the breakout above \$113.50 to continue the "popped stops" play going.

During popped stops, the momentum is being created directly by short-sellers covering, which is drawing in new buyers (like yourself) to take advantage of the short-squeeze, thus creating a positive feedback loop. You don't know how long it will last, and it can last longer than you expect, so that's why it's beneficial to take a more aggressive (looser stop) approach to this type of (simple) trade.

The logical exit was as soon as price formed reversal candles at the overhead resistance at \$114.00 at 9:30, and you were to remain neutral (IN NO WAY GET SHORT AT THESE HIGHS) until you saw how price reacted on the test of the 20 EMA, most likely making a buy decision upon that retest (remember, ignore the 3/10 Momentum Oscillator in strongly trending days - it gives false divergences).

The next logical (ideal) trade set-up occurred from the consolidation and doji candles at the 20 EMA and lower Bollinger Band at 11:00am.

2. 20 EMA, TREND DAY, BOLLINGER BAND, DOJIS

This trade really didn't live up to its potential, unless you held it in an aggressive "Trend Day" bias, stopping out only when price broke under the 50 EMA or when price started to form dojis at the upper Bollinger (price failed to break out as expected) at the \$113.90 area at 12:30. The trade entry came around 11:30am with a break above the doji candles at the \$113.80 area to play for - at a minimum - a retest of the prior highs and overhead resistance at \$114.00.

For aggressive traders, you held on long to this position in anticipation of a breakout, but for most traders, it was probably best to exit your trade (we could have seen a reversal down) at the \$113.90 level and wait to get short on any rounded reversal and break under the 50 EMA at \$113.70, or get long on a price breakout above \$114.00.

As you can see, the next trade - remaining as unbiased as possible - came as price broke to new intraday highs (and new TICK highs) above the prior high and \$114.00 level, in another "Popped Stops" trade.

3. "POPPED STOPS," BREAK ABOVE PRIOR RESISTANCE

This trade triggered when price built momentum and broke solidly above \$114.00. Keep in mind bears/short sellers had stops above this level (called the "Pocket") and so any entry into the "Pocket" should trigger a popped stops rally - it did. Your trade set-up - which you often need to use a market order - was to buy a break above \$114.00 (some like to wait to see if volume, momentum, and TICK confirm, or if price breaks beyond \$114.05 for confirmation). Again, you were to trail a stop and exit on any sell-signal, such as the doji candles that broke above the upper Bollinger just like the 9:00am situation, exiting around the \$114.25 level. Again, this was an exit signal and NOT a "flip and reverse" (remember, we're still in Trend Day mode). Only the most aggressive of traders should have shorted at the highs, and even then, the trade was only good for a move back to the 20 EMA (\$114.10) and that led to a "buy the pullback" trade for those who were willing to take it into the close (I did not label it as an idealized trade, due to the past few days producing 'random' price action into the close, and this being Friday before a weekend). If you took the trade, it was good for around 15 cents.

You could have taken this trade, but remember that portfolios/funds often balance their positions into the final 30 minutes, especially ahead of a weekend, which can create random moves that don't adhere to these type of trade set-ups or even classic technical analysis.



Remember, for most traders (unless very aggressive... and even then it's usually not worth it), you do NOT put on a short-sale unless price is under the 50 EMA on a Trend Day. As such, ALL trades should have been long-only, with a potential profit of \$0.86 for a moderate-style trading approach.

Under **no circumstances** should you have attempted a "fill the gap" trade because gaps on Economic Report Days (like Jobs Reports) are often precursors to Trend Days.



Today underscores the power of understanding the principle:

"If something SHOULD happen but doesn't happen, then it often leads to a more powerful reaction in the OPPOSITE direction."

Understanding this principle was absolutely key to trading today's session. Despite the negative volume, momentum, and breadth divergences, buyers entered the market and 'popped' the stops (short-squeeze) of the sellers on news that the "Jobs Report" numbers were slightly better than expected - remember, it's not always the news that moves markets, it's the reaction to the news. Plus, it's supply and demand (buying and selling... including stop-loss moves) that moves markets - not opinions or charts. It's important to monitor key levels that will be 'inflection points' between buyers and sellers, and \$113.00 was one of them - sellers had to cover. For now, we're in "Open Air" territory and could see a run back to the \$115.00 2010 highs - in fact, overnight, that appears to be the dominant expectation in the market.



We're in "Open Air," but we can't really call it "Thin Air" anymore because today brought in a new high in the 3/10 Oscillator (New momentum high) and a return to higher levels in volume and breadth - creating the support that the buyers needed to keep this rally going. That's how quickly markets can turn. That's also why it's considered safer to wait for confirmation (such as a break under \$112.00 or the 20 and 50 EMA as seen above) before getting short unless you are an aggressive trader, willing to take small stops then 'flip and reverse' one a key level is broken).

For now, we're seeing volume, breadth, and momentum confirm the price high and "open air" (no resistance lines) up to the prior 2010 high, so the dominant play is to expect a continuation swing to test \$115.00... or exceed it. Today's action was the game-changer the buyers needed, and if they can keep the price momentum moving, the pathway ahead is clear for a retest, but still focus on your intraday charts for opportunities.



Volume picked up on the intraday charts, but not enough to be significant on the daily chart. Still, momentum made a new 2010 momentum high (barely) which forecasts higher prices yet to come (finally supporting the rally). The next resistance level is 10 points higher, and it's the 1,150 January highs. Odds favor a retest at a minimum, and it could easily be the case now - thanks to today's action - that buyers can keep pushing price to new highs.

For reference, if you count the recent move off the lows as a "Bull Flag," then you get a price projection target of 1,153, which was a difficult outcome to see until today's bullish surge - now it's just 13 points away. Keep that at least in the back of your mind.

It appears we're in another mode of "rally at any cost" just like the September, October, and November rallies of up to 9 days in a row... we're up 6 days in a row now - that's a big deal. This is a strange market where the edge is in the intraday frames and there's a hidden (though I argue not so hidden anymore) bullish bias that is - for lack of a better word - making a mockery of the short-sellers - you need to keep this in mind and adjust your trading accordingly.



A quick check on the Weekly Chart - with a simple "IF/THEN" statement - would suggest that IF price can break to a new high above 1,150, THEN the next resistance level to play for and target would be the 1,225 level - it's the 61.8% Fibonacci Retracement off the March lows to the 2007 high, and the 200 week simple moving average.

Again, if buyers can break price above 1,150, then we would expect a continuation move to test 1,200/1,225 despite the divergences in volume we're seeing here which buyers seem to be ignoring.

Have a great weekend!