Daily "Idealized Trades" Report


SPY - 1 min ARCX 04/29/10 L=120.99 1.61 1.35% O=120.10 Hi=121.11 Lo=120.07 C=120.86
1
2
3
4
i
ii
iii
iv
v
121.10
121.00
120.90
120.84
120.80
120.70
120.60
120.50
120.40
120.30
120.20
0.1000
-0.0127
-0.0557
-0.1000
$TICK - 1 min NYSE 04/29/10 L=227 316 -355.06% O=-3 Hi=1145 Lo=-713 C=227
800
400
227
0
-400
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30
15:00

As if nothing has changed - nothing has so far - the market continued rising, this time triggering a rather vicious bear trap... but by now, I suppose we should expect these things to happen. This allowed you, as the intelligent intraday trader, to take advantage of the bears/short-sellers who couldn't resist shorting when we broke under the rising 20 day EMA, only to get trapped today in another short squeeze that drove the market higher in routine fashion... this time in a trend day, revealing that we slipped back into "Positive Feedback" mode. Your ability to profit is tied to your ability to understand what's going on right now - and it's the Popped Stops/Positive Feedback Loop that continues.

1. RECTANGLE BREAK AND POPPED STOPS

The market gapped up roughly $1.00 today, making the odds of a gap fill very small and the odds of a trend day developing high. Still, it's safer to let the market 'shake out' for the first few bars to see if we are making a downward move in an attempt to fill the gap, or break the morning highs (triggering a trade entry) that will suggest that we are back in Positive Feedback mode and play Popped Stops. That's what happened when price broke the horizontal support trendline at $120.40, triggering a nice entry to play for an unlimited target... which theoretically could have been until price closed two bars under the 50 EMA or the close.

Again, your ability to 'see what's happening' and read the character of the market made the difference between a nice, easy profit for you (go long on a break to new highs, which triggers Popped Stops). Traders who do not understand this concept find it difficult to buy new intraday highs, as they feel that the moment they buy the market, it will reverse. NEVER underestimate the power of a Positive Feedback Loop - remember, bears/short-sellers are being squeezed and are forced to run to the exits (buy to cover), taking a loss, while other traders - you for example - are buying the market intelligently, playing Popped Stops. This positive feedback loop will often propel the market higher.

We saw a move in 30-min that took price from the breakout at $120.40 almost to the $121.00 resistance level before forming a long upper shadow and reversal candles, signaling your exit at the $120.80 level.

With the new TICK high and Popped Stops trend mode (I suggested you be long above $120.25 in last night's report), you should have been looking to buy pullbacks until proven otherwise. That's in essence the next two (or three) trades, so I won't describe them in exquisite detail.

2. LOWER SHADOW, TREND DAY PLAY, 20 EMA

In the best trend days, you don't get neat little pullbacks to the rising 20 EMA. This time, you did, giving you an entry at the $120.50 level to play for a retest of the $120.90 high or beyond. The stop always goes slightly beneath the 20 EMA, as the 50 EMA was too far a distance to place a reasonable stop.

This trade met its target and also eventually hit the upper Bollinger Band at 11:00am.

3. 20 EMA PULLBACK, TREND DAY EXPECTATION

This really wasn't a perfect trade so it's understandable if you passed it up. TICK did not make a new high on the slight push to a new intraday high here, so it was a little less safe to buy this pullback to the rising 20 EMA. However, the trade had a tight stop and reasonable target, so it was a logical set-up. Price didn't really form a compelling reversal candle (doji, engulfing, etc) but did break the trendline (see 1-min chart) and then rallied to a new high, falling shy of breaking above $121.10. Price did make a new high when combined with a new TICK high at 11:30, so you could have either held long or bought back the next pullback to the rising 20 EMA at the 12:00/12:30 period which perhaps should be labeled trade #4. Both trades tested the upper Bollinger Band, resulting in a quick but small profit.

4. DOJI CANDLES, UPPER BOLLINGER, LENGTHY NEGATIVE TICK DIVERGENCE, TRENDLINE BREAK

Given the lengthy negative TICK divergence, and failure of TICK to make a new high at the 1:30 swing, combined with a 5-wave Elliott Fractal and doji/reversal candles at the upper Bollinger, you could have decided to play an aggressive (NOT for conservative traders) reversal play either at the high or once price officially broke the trendline (see 1-min).

The best entry came as price began to fall from the $121.00 level ("Round Number Resistance") though the safer entry came as we broke the 1-min rising trendline and 20 EMA on the 5-min chart at $120.95. Your logical target was a test of the rising 50 EMA at $120.70, though you could have played for a trend reversal to the downside... that never happened.

You should have exited at the doji then spinning top candle that formed at 2:00 CST, particularly as the spinning top candle high was taken out at $120.80, and left you sidelined into the close. Had price firmly broke under the 50 EMA and under $120.60/65, you then would have had a trend reversal short-sell ... but that did not happen. It was yet another bear trap in the context of what some would call an 'impossibly' rising market.

Playing "retracement scalps" and popped stops, roughly $1.15 was possible today, including a reversal play at 1:30.

I wrote in last night's report that we could very well be forming a rectangle pattern at the recent highs, and that remains the dominant expectation for now until we see a new high.

That places absolutely critical support at $118.00 and key resistance at $121.50/$122.00.

Until then, we expect price to remain 'bouncing' between these two ranges, meaning keep close attention to your intraday charts - swing traders take caution here - it's an intraday trader's opportunity market unless we're above $122.00 or beneath $118.00.

Once again, buyers created a Bear Trap and failed/busted Bear Flag pattern into EMA resistance (with this morning's gap) which sent the market soaring in Positive Feedback/Popped Stops mode all day.

While I'm still drawing the rising trend channels - they remain dominant - keep your eyes open to the possibility that we're now devolving into a rectangle consolidation pattern with trendline boundaries at $121.50 and $118.00.

Either way, we're in the middle of the range so it pays to be cautious and stick to your intraday charts.

For now, watch $120.00 and $120.25 as the first line of expected support (trendline and moving averages as seen above). If under $120, expect $118.00.

1,180 held as support and now we're back in bull mode despite everything else. My suggestion is to ignore everything and focus on price, which will keep you out of the trouble of continuous short-selling (due to divergences and an overbought condition) which only leads to more stop-losses (and perversely higher index prices).

Watch the range forming from 1,220 (play vicious popped stops if above) and 1,180 (short to target 1,170 if under).