



Daily "Idealized Trades" Report





For all the hype of "Dow over 11,000!" today was lackluster and ... boring to trade. There was not much opportunity, and what trades were there only gave very small profits. We are now at a critical 'make or break' level in the market, and as such, we should expect this time of frustrating "will it break?" price action - choppy consolidation - until price either breaks \$120.00 (1,200) in which case you should trade long for 'popped stops,' or fails to overcome it, in which case aggressive traders can short the failure to break overhead resistance until price comes into a support level.

1. 'FADE THE FADE,' 20 EMA BOUNCE, YESTERDAY'S CLOSE, BULLISH CANDLE

The gap fade this morning was not the best on record, and so most traders probably passed on it. The gap was about 15 cents and price rallied hard in the first three candles off the open, leaving us to assume that the gap fade would fail... or that odds of a successful fail were lowered.

Price rallied into the resistance (target) of \$120.00, hit a brick wall, and fell like a stone. Good job if you shorted this 'failure test,' but it happened so quickly as not to be an 'ideal' trade.

The better, lower risk/higher probability trade was to try to capture the rally back to test the new high, so buying the retracement back to the 20 EMA at the \$119.55 level - which also hit yesterday's closing price and thus filled the gap - was a much better idea. You could either have bought aggressively AT the test of the close and 20 EMA at the \$119.55 level, or perhaps more appropriately, waited for price to take out the close or high of the prior candle at the \$119.70 level, with a stop under \$119.55 and target \$120.00 (or major sell signal). This trade grinded its way higher in a rising wedge or rising trend channel that formed doji candles and negative dual divergences on the final high at the \$119.90 level before careening to the downside, breaking the rising trendline at the \$119.80 area, and triggering your exit (if you did not do so on the break under the 10:20am doji low of \$119.85).

Keep in mind that this trade was an EXIT signal rather than a "SELL SHORT" signal, but an aggressive trader might have profited from the breakdown using very aggressive tactics.

2. TRIANGLE BREAKOUT, BULLISH ENGULFING

There really wasn't a great trade until the trendlines narrowed and price formed a bullish engulfing candle at 11:45am at the \$119.85 level then breaking out of the trend channel officially at the \$119.90 area. This was a trade to play for a potential break to new highs above \$120.00 which would have triggered a 'popped stops' play, so this trade inherently had a target larger than the \$112.00 level... unfortunately, that's all we got as price then formed a bearish engulfing candle at 12:15pm, sending price back to test and then break the rising 20 EMA.

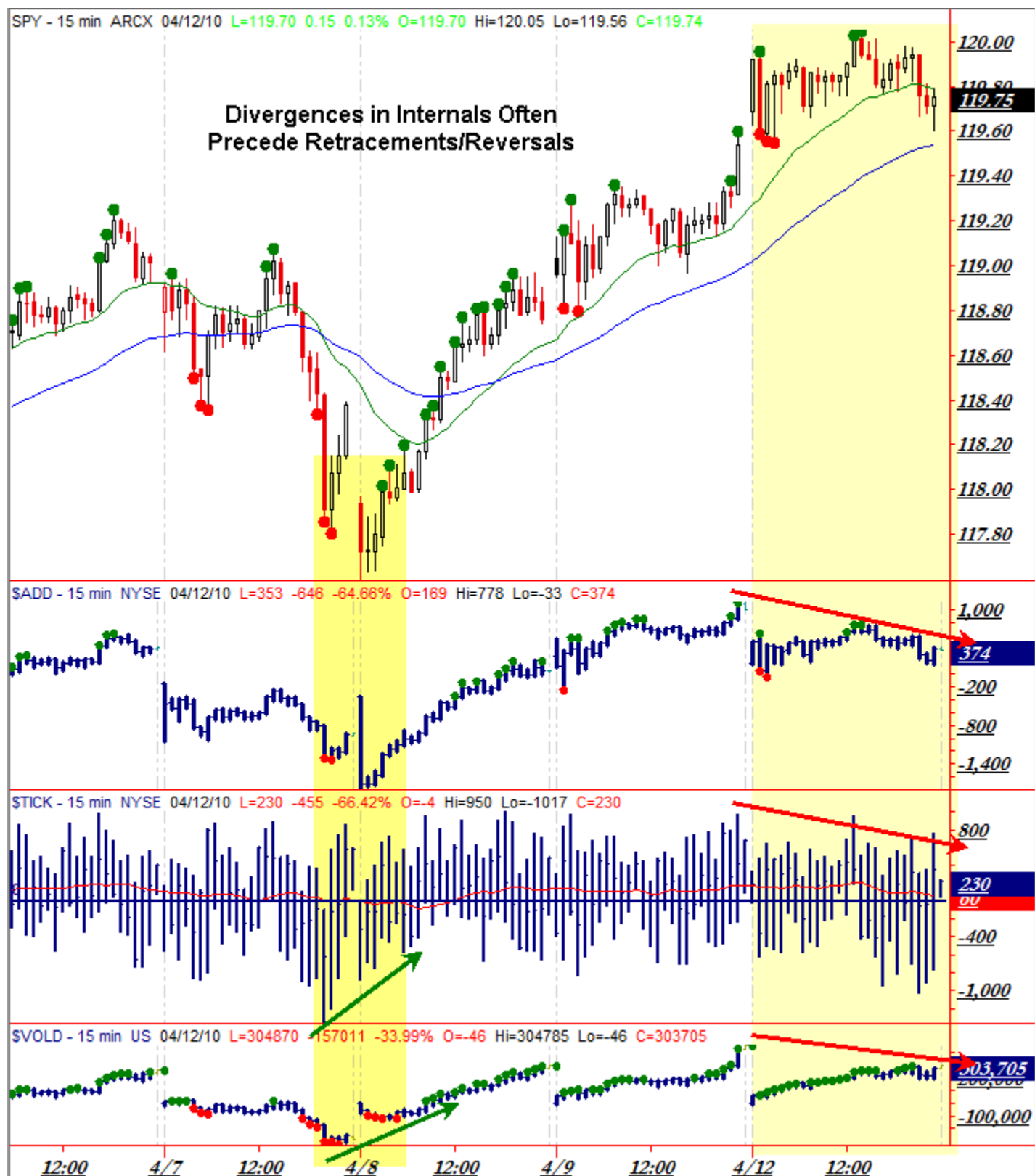
This also serves as a good example of proper trade management and reading/feeling the "Energy" of the market (character) as it tests a widely known, very important resistance area (in other words, don't hold on stubbornly because you believe the market HAS to break to new highs - it doesn't). The new recovery high above \$120.00 was officially formed on a negative TICK and momentum divergence (see 1-min chart) so that was a clue to exit your position with whatever profit you had. It really wasn't a short-sale either, because price could have come back and blast through the area, leaving you with a large stop-loss, so you were to remain neutral UNTIL price either broke to new highs above \$120.00 (popped stops) or broke the morning trendline and 50 EMA on the 5-min chart... which is what happened next.

3. TRENDLINE BREAK, 50 EMA BREAK, ROUNDED REVERSAL PLAY

This was one of those places it was relatively safe to attempt to short the market from an intraday basis (or swing if very aggressive) as price formed negative divergences on the absolute intraday high and THEN turned down to break a rising trendline AND the 50 period EMA on the 5-min chart - those DO result in a sell-signal and odds favoring lower prices ahead. They don't guarantee them, though. So your entry was taken at \$119.80 to play short into the close with a stop

above \$119.90... and this trade - like most trades taken just before the close - was a relatively bloody and difficult position. I would have suggested exit on the 3:45pm bullish hammer doji was taken out at the \$119.75 level.





An update to the short-term market internals chart shows negative divergences across the board, serving as non-confirmations for the recent price highs into resistance. Remember, any break above 1,200 (S&P) should send us straight up to 1,225 to challenge massive resistance there. The internals say "CAUTION" and hint for a downside resolution... but again, they don't guarantee it. This is NOT the picture bulls want to see at new highs (as of today).

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(886,075)	8,699,801	9:45	9,585,876	\$ 0.27
(442,913)	6,417,050	10:00	6,859,963	\$ 0.28
(2,755,301)	4,165,718	10:15	6,921,019	\$ 0.25
(1,704,301)	3,761,519	10:30	5,465,820	\$ 0.24
(1,351,086)	4,047,541	10:45	5,398,627	\$ 0.19
(1,993,501)	2,463,095	11:00	4,456,596	\$ 0.21
(3,102,830)	1,652,705	11:15	4,755,535	\$ 0.19
(2,453,116)	2,104,147	11:30	4,557,263	\$ 0.18
(457,880)	3,530,874	11:45	3,988,754	\$ 0.14
(343,554)	2,517,732	12:00	2,861,286	\$ 0.16
(1,678,221)	1,501,115	12:15	3,179,336	\$ 0.18
(744,899)	2,659,899	12:30	3,404,798	\$ 0.14
(1,975,148)	1,138,655	12:45	3,113,803	\$ 0.15
1,166,946	3,852,611	1:00	2,685,665	\$ 0.15
121,725	3,325,253	1:15	3,203,528	\$ 0.19
(757,912)	1,766,376	1:30	2,524,288	\$ 0.16
(764,523)	2,055,981	1:45	2,820,504	\$ 0.19
135,657	3,327,441	2:00	3,191,784	\$ 0.20
(705,356)	2,946,579	2:15	3,651,935	\$ 0.16
(1,737,036)	1,830,258	2:30	3,567,294	\$ 0.22
(1,619,083)	2,296,880	2:45	3,915,963	\$ 0.20
(1,253,722)	2,867,885	3:00	4,121,607	\$ 0.19
(229,929)	4,104,419	3:15	4,334,348	\$ 0.21
1,387,516	6,166,255	3:30	4,778,740	\$ 0.22
(1,252,914)	4,609,332	3:45	5,862,246	\$ 0.26
(844,638)	9,707,784	4:00	10,552,422	\$ 0.31

Volume was down across the board in all timeframes/comparisons save for four today. That's significant.

You can see it on the chart yourselves in terms of volume divergences, but these statistical charts, comparing 15min volume bars of today with the average of the last 25 days, show a clearer picture.

Price up; volume clearly down. That's a negative divergence and non-confirmation and warning signal to bulls/buyers.



While the 60min trendline is still holding (it's at the \$118 level), price is threatening to break under a shorter-term (three day) lower trendline at the \$119.75 level which also happens to be the 20 EMA. Notice the negative volume and momentum divergences as price has rallied to new highs in the last few sessions - non-confirmation.

\$120.00 is a critical level, and we're seeing negative volume, internal, and momentum divergences as price knocks on this level - that's bearish. That doesn't mean price is going to fall like a stone (it very well could), but it means to take a cautious "wait and see" approach as a bull or bear. Bullish long play/bias above \$120.00 ('popped stops') while cautious/bearish retracement play under \$119.50.



Just like last time I alerted you to this possibility with price at the upper trendline, the chart hints that price will be heading lower over the next few days in retracement status, but the 'fly in the ointment' is the key and very important \$120.00 / 1,200 area. In the event that buyers push price above that level, odds are strong that we'll see a violent short-squeeze at least to 1,225 so be prepared to trade that intraday if it occurs. If it doesn't happen, then odds are high for a retracement so be prepared to trade that as well.

Short if under \$119.00 to target \$118.00, and if under \$117.50, we would likely see price continue lower to challenge lower support levels if not lower.



It would appear that the only thing that matters recently is the upper and lower trendlines as shown above (and on the 60-min charts). Those have worked quite well in forecasting the future, but this time price has rallied to 1,200 which is a critical psychological level. The "Big" test comes actually at 1,225, so 1,200 could just be a minor bump in the road.

Remember that **ONLY** price pays (I have to remind myself that daily) so no matter what your indicators say (and yes, almost all of them are hinting at a downside move being imminent), it's not advisable to short the market unless it's under 1,170 (unless you're an aggressive trader willing to take a tight stop-loss if we see a move above 1,200).

The risk to being long is that we wake up one morning and see a massive sell-off and sharp/violent resolution to these non-confirmations, while the risk of being short is that bulls continue to 'pop the stops' (short squeezes) of the bears, which continues this grind to new highs. Still, there's good money to be made intraday from however this plays out.