



Daily "Idealized Trades" Report

SPY - 5 min ARCX 04/14/10 L=121.21 1.38 1.15% O=120.27 Hi=121.19 Lo=120.08 C=121.19





Today was a in intraday trader's paradise... at least, those who understand the "Popped Stops" concept and had in their gameplan the expectation to trade long on any break above 1,200. I've been describing that to you in the last few evenings - including last night - so to astute members, today should have been one of those rare, "everything falls into place and making money is easy" days.

If today did not go exactly as planned, don't stress - there will be other days like this in the future. Your goal is to understand what went wrong, why it went wrong, and why you won't repeat the same mistake again (particularly if you tried to short-sell this market at any point in the day for anything other than a quick scalp). This was a Type III Trend Day that showed all the classic and expected signals (with the exception of a lengthy TICK divergence) which also happened to coincide with a bullish break of an obviously known resistance level (1,200) so the bullish surge in true "Popped Stops" Positive Feedback Mode should not have come as a surprise to experienced traders. For new traders, today yielded wonderful lessons in how expectations and 'homework' (game plan) combine to lead to profitable outcomes when the market follows the script you expected it to when you did your evening analysis the night(s) before.

For those who do not understand Popped Stops and Positive Feedback Modes (I hope all members do by now - it's something I stress frequently - if not go back and read prior reports available in the archives for you), today was an absolute nightmare of one failed short-sale "calling a top" trade after another.

The market opened the session above the important 1,200 level (\$120.00) which should have brought you to the bullish side, and you may have noted that volume was higher than normal in the opening session (a precursor for most powerful trend days). You either could have been a buyer as price rallied higher than the open (which subjected you to a pullback) or you could have been a buyer - preferable - on the first pullback to the 20 EMA.

1. TREND DAY EXPECTATION, BULLISH CANDLE, BOUNCE OFF 20 EMA, FLAG/TRENDLINE BREAK

Just before 9:30am, price formed a neat 'abc' retracement (three-wave correction) to the rising 20 EMA on the 5-min chart which was a 'make or break' level. If price broke under this level, then we would expect (and short-sell) the breakdown to target a full gap fill at the \$119.90 level. It didn't, and so the rally candle should have made us a buyer either at the \$120.20 level or when the next candle broke the bullish candle high at \$120.30.

With price above the \$120.00 level, you could have held a rare "Core" position (intraday... it's like swing trading an intraday chart) which meant that you were to buy in as soon as possible (the pullback and bounce off the 20 EMA was the best spot) to play for the development and unfolding of a Type II or (preferred) Type III Trend Day structure. Doing so would have kept you long all day that the market rallied as expected in pure "Popped Stops" mode or "Positive Feedback" (meaning, new bulls buy; short-sellers buy to cover; new bulls buy at higher levels; more short-sellers buy to cover, etc). As long as a market (day structure) is in Positive Feedback mode, you want to join the current and trade in that direction as long as possible.

You were to trail a stop on your core position just beneath the 20 EMA (conservative - which may have led to a stop-out at 1:00 with a two-bar break... but it's better to wait for a two bar CLOSE under the 20 EMA as shown today) or - preferably - trailed under the 50 EMA. You would have stayed long (buyer) until the close (if the day did wind up to be a pure Type III Trend day - it did) or until price broke under the 50 EMA or closed for three bars under the 20 EMA. Doing so would have profited you roughly 90 cents if held from 9:30 until the close.

Otherwise, all other trades were scalps, meaning you were to use a larger than normal position (larger position size) and buy when price pulled back to the rising 20 EMA or broke above a declining trendline such as a bear flag trendline and

'scalp' (exit) at a new price high or a reversal candle at the upper Bollinger. I have each 'scalp' labeled and, while most of them did not yield a huge profit (most were around 20 cents), the large position size and high probability of a successful trade made up for it. Trend Days often call for aggressive trading tactics.

Trades 2 - 4:

1-min TRENDLINE BREAK, TREND DAY, 20 EMA PULLBACK

All remaining trades - 2 through 4 - were identical in nature, in that they were pullback/retracement buys either as price touched the rising 20 EMA, formed a reversal candle at the rising 20 EMA, or broke above a trendline as drawn (shown) on the 1-min chart.

Stops were placed under the 20 or 50 EMA (50 for aggressive traders not willing to get 'shaken out' like what happened at 1:00pm) and trades were exited as price formed a new high or formed a reversal candle into the upper Bollinger Band.

The specifics of execution are less important just as long as you get the MAIN IDEA right:

Be a buyer of pullbacks as long as price remains above the rising 20 EMA. Although I labeled four specific 'buy-in' trades, you could have traded 8 or more 'scalps' long on each and every pullback (being stopped out potentially only once at 1:00pm).

Notice the dual positive divergence at 1:00pm which was a nice conservative buy-in (long) as price rallied off the lower Bollinger on the 5-min chart.

I know there was a negative TICK divergence all day - it puzzled me too - but you have to realize the bigger picture and not get caught up in details on a day like this. In a "Popped Stops" mode or "Positive Feedback," price will continue to rise until the Feedback Loop is broken. Meaning, price will continue to rally IN SPITE of any bearish non-confirmations for as long as the loop is present. This means you might want to lighten positions or play it a bit safe when you see the lengthy TICK divergence, but you do NOT want to short-sell a potential developing Trend Day in "Popped Stops" and "Positive Feedback" mode as long as price is above the 20 EMA.

It is ONLY safe to short the market intraday on a break under the 50 EMA, and even then, only if we get two closes under the 50 EMA (suggesting a rounded reversal was favored).

In the absence of price breaking under the 50 EMA - the "Line in the Sand" for trend days - you should NOT have tried to short this market. If you did, you got a very small profit at best and at worse, you shorted numerous times at 'dojis' at upper Bollinger bands that got stopped out as price rallied to new highs.

Pay attention to market character FIRST and then decide what indicators to watch.

On Trend Days, you can and should turn off the 3/10 Oscillator.

On Trend Days, give Bollinger Bands less weight/emphasis (price will blow through them)

On Trend Days, pay the most attention to moving averages (as support/buy-in trades)

On Trend Days, be prepared to buy new highs and not feel 'strange' about it.

These lessons are not just applicable to today, but ALL trend days of this nature. It should have been a relatively easy day - if you tried to short this trend, it was most likely a very, very bad day. Keep it simple!



Assuming you put on the morning "Core" position, then up to \$1.85 (18 @ES points) was possible today.

If you did not put on the core position, then roughly 95 cents was possible in the four trades labeled.

If you tried to short at any time, really the only hope was the 30-min period at 9:00 and then the 15 min period at 12:30. The remaining hours were spent rising. Understand this principle and you will save yourself so much stress - do NOT short on expected or developing trend days. Do not fight them.

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
3,562,844	13,254,081	9:45	9,691,237	\$ 0.27
2,059,685	9,037,701	10:00	6,978,016	\$ 0.28
5,633,975	12,734,086	10:15	7,100,111	\$ 0.27
1,252,108	7,025,767	10:30	5,773,659	\$ 0.24
2,066,041	7,541,705	10:45	5,475,664	\$ 0.19
3,234	4,417,840	11:00	4,414,606	\$ 0.22
(296,279)	4,450,180	11:15	4,746,459	\$ 0.19
701,950	5,256,343	11:30	4,554,393	\$ 0.17
255,989	4,140,971	11:45	3,884,982	\$ 0.14
(251,145)	2,544,778	12:00	2,795,923	\$ 0.16
(1,174,231)	1,960,716	12:15	3,134,947	\$ 0.18
(61,907)	3,330,245	12:30	3,392,152	\$ 0.15
294,844	3,448,297	12:45	3,153,453	\$ 0.14
(585,740)	2,050,596	1:00	2,636,336	\$ 0.15
(1,434,559)	1,686,575	1:15	3,121,134	\$ 0.19
423,171	2,995,557	1:30	2,572,386	\$ 0.16
567,263	3,391,918	1:45	2,824,655	\$ 0.20
(741,301)	2,445,540	2:00	3,186,841	\$ 0.21
(947,306)	2,783,068	2:15	3,730,374	\$ 0.16
(757,945)	2,787,379	2:30	3,545,324	\$ 0.21
729,420	4,621,318	2:45	3,891,898	\$ 0.20
(295,126)	3,738,925	3:00	4,034,051	\$ 0.18
(6,824)	4,210,149	3:15	4,216,973	\$ 0.21
(2,161,795)	2,398,386	3:30	4,560,181	\$ 0.22
2,688,901	8,537,375	3:45	5,848,474	\$ 0.26
220,799	10,749,268	4:00	10,528,469	\$ 0.31

For most 15-min periods of the day, volume ran higher, especially higher in the first two hours. That is the top reason to expect a trend day - when volume today (at the opening hour) is obviously/clearly higher than the average of the last few trading days (or 'normal'), especially after a gap forms, then you can expect a powerful trend day to be likely.

Other market facts:

387 S&P 500 stocks rose today while 109 declined.

Up-Volume represented 89% of the total volume in the S&P 500 stocks.

151 stocks in the S&P 500 made new 52-week highs today.



To understand this morning's move, you have to understand that \$120.00 was critical resistance (1,200) and that bears had stop-losses there. Bulls were also waiting to get long (if they weren't already) and so upon the morning gap, the Positive Feedback loop began - bulls rushed in, bears covered, higher prices attracted more bulls, higher prices caused more bears to cover, and the fact that both bulls and bears were buying sent the market skyrocketing.

I've highlighted this as the dominant expectation on any break above 1,200, so you should have been well-prepared to trade this expected move.

The next likely resistance is 1,225 or \$122.50, so it would appear that price is going to test that level "AT ANY COST."



If you are trying to complicate what's going on, then you are likely having trouble producing profits.

Simplify it. The market is in breakout/rally mode. It has been respecting (bouncing between) the dominant trendlines I've been showing in each report. Today, price shot outside the upper trendline in pure "Popped Stops" positive feedback.

Although I love Elliott Wave and Fibonacci and all sorts of advanced methods, if you're using them right now and you're not happy with the results, toss them aside temporarily and just go with what's happening. The market is caught in a Positive Feedback Loop



Today gave the best example of what happens when a critical resistance level is broken - Popped Stops. We saw volume surge and price rally from the open to the close.

The next level of resistance (target) remains 1,225 (confluence weekly resistance) which is now only 15 points away. It seems evident that we will test 1,225 so be ready to trade intraday to that level. It would be unexpected NOT to test 1,225 in the next few days or into early next week.

Remember that Friday is an Options Expiration Day so we should expect to see more 'choppiness' and higher volume.