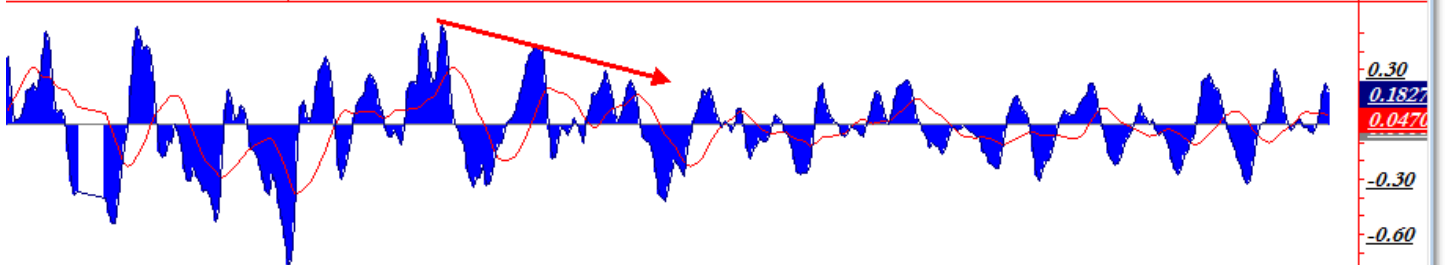




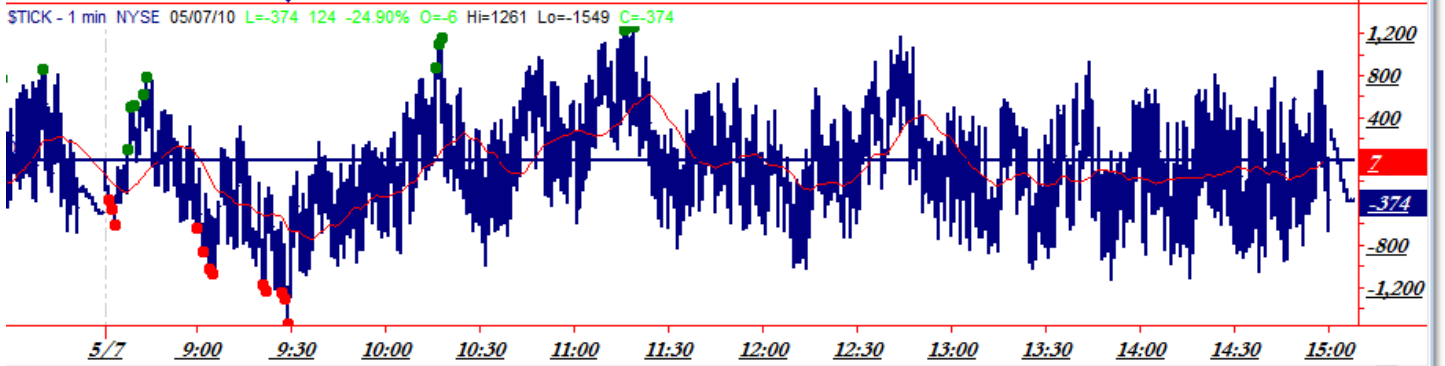
Daily "Idealized Trades" Report



SPY - 1 min ARCX 05/07/10 L=111.58 -1.36 -1.21% O=112.64 Hi=113.77 Lo=109.41 C=111.26



STICK - 1 min NYSE 05/07/10 L=-374 124 -24.90% O=-6 Hi=1261 Lo=-1549 C=-374



Today's range was 40 points in the S&P 500! That's 37 points in the @ES futures. Just a few days ago, the daily Average True Range (Sp500) was 15 points, and now it's 23.50! For most traders, increased volatility means you should cut back your position size, so that your daily profits/losses stay roughly consistent and your portfolio value does not swing wildly, causing psychological damage. Your goal should always include risk controls/managements instead of "how much money can I possibly make today... without regard to risk."

As such, today's trades are geared mostly for advanced/intermediate traders - newer traders might have done better in sim mode or with very small positions today as a result of the volatility you're probably not quite used to. Remember, it's perfectly fine to sit out a trading day if you feel the market is moving too fast or you don't seem to understand what's going on. Missing opportunities is far superior to losing money.

1. RETRACEMENT FROM 50 EMA, BREAK OF 20 EMA, BEARISH ENGULFING, DOWNTREND

This was a risky but still profitable trade. Price slammed into the resistance of the 50-period EMA (a short for aggressive traders) at \$113.50, but then fell under \$113.00 (yes, 50 cents in less than 5 minutes) to break the 20 EMA, triggering a safer entry, both of which targeted prior lows or just a range/trend breakdown play (exit only after a valid buy signal).

The stops were quite wide unless you entered at the \$113.50 level, otherwise you placed your stop above \$113.00. If you were aggressive, you likely rode through the single candle bounce (50 more cents in a single candle) at 9:00am, and if you did, then you were treated to a nice sell-off profit as price slammed the support at \$110.00 before bouncing up and if you didn't exit at the \$110.00 level (the 200 day SMA), then you exited upon a return back inside the Bollinger or on the next candle(s) at the \$110.75 level.

Price consolidated, formed a resistance line, and then broke the resistance line for your next trade.

2. SYMMETRICAL TRIANGLE BREAKOUT

This was a counter-trend retracement scalp to the 20 or 50 EMA that corresponded with a symmetrical triangle (1-min). Entry was as price broke horizontal resistance at \$111.30 to play for \$111.50 (20 EMA) or \$112.50 (50 EMA). Both targets were hit. The stop would go under the lower rising trendline at the \$110.75 level. Price spiked above the 50 EMA then turned lower, triggering you exit near \$112.00.

Price bounced slightly higher, formed a negative momentum (though not TICK) divergence and then formed a shooting star at the upper Bollinger ... for aggressive trade #3.

3. UPPER BOLLINGER, SHOOTING STAR, MOMENTUM DIVERGENCE, \$113.00 RESISTANCE

The entry short was as price broke back under the \$113.00 resistance level (with stop above \$113.50... yes, that wide... and again not for new traders) with a target the 20 EMA (\$112) or lower Bollinger (\$111.30). Price hit both targets, but depending on how aggressive you are, you likely exited - as I show in the grid - as reversal candles formed and took out the highs of prior candles just under the 50 EMA at \$112.35... though aggressive traders who held on short boldly got the full target as price formed a nice doji at the lower Bollinger Band at \$111.30.

From this point on, you could have scalped short into retracements up into the declining moving averages, particular at the doji at the \$112.50 level at 12:45 and played range day tactics here as price formed a triangle (which then appeared to evolve into a rounded reversal) into the close. There were some 50 cent and \$1.00 potential trades in this zone (see trend channel in 1-min chart).



Today was not a day for new traders due to the volatility, fast moving market, wide stops (if you used small stops, you likely did poorly today), and wide targets.

Anywhere from \$2.00 to \$3.00 was possible depending on your aggression and activity level today... perhaps up to \$4.00 if you were extremely aggressive and scalped the afternoon session as well.

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
26,211,036	39,004,875	9:45	12,793,839	\$ 0.36
18,730,552	28,292,125	10:00	9,561,573	\$ 0.36
22,770,858	32,228,288	10:15	9,457,430	\$ 0.38
32,859,576	40,714,331	10:30	7,854,755	\$ 0.34
34,897,207	44,238,041	10:45	9,340,834	\$ 0.30
17,365,786	24,968,764	11:00	7,602,978	\$ 0.33
23,108,998	29,794,438	11:15	6,685,440	\$ 0.36
27,564,358	35,619,216	11:30	8,054,858	\$ 0.27
15,731,194	22,362,628	11:45	6,631,434	\$ 0.25
13,065,805	18,711,544	12:00	5,645,739	\$ 0.33
9,285,673	14,328,384	12:15	5,042,711	\$ 0.29
13,614,716	18,463,584	12:30	4,848,868	\$ 0.24
8,212,087	12,372,553	12:45	4,160,466	\$ 0.20
6,897,555	10,763,095	1:00	3,865,540	\$ 0.27
10,170,899	14,560,794	1:15	4,389,895	\$ 0.29
9,578,980	13,645,394	1:30	4,066,414	\$ 0.21
6,334,209	9,887,909	1:45	3,553,700	\$ 0.21
4,696,679	8,173,180	2:00	3,476,502	\$ 0.32
8,631,276	13,675,370	2:15	5,044,094	\$ 0.26
5,778,845	11,301,053	2:30	5,522,208	\$ 0.41
3,359,728	9,891,200	2:45	6,531,472	\$ 0.53
4,629,491	11,066,218	3:00	6,436,727	\$ 0.33
13,797,147	20,687,595	3:15	6,890,448	\$ 0.31
12,097,516	18,539,036	3:00	6,441,520	\$ 0.35
20,981,531	28,887,309	3:45	7,905,778	\$ 0.32
14,635,399	28,155,206	4:00	13,519,807	\$ 0.30
14,807,966	21,551,236	Ave.	6,743,270	\$ 0.31

As the new data factor into the 25 day average, the average volume and range levels keep increasing and will stay elevated for a while.

Volume and range was higher in every single 15-min period today... just notice the 15-min SPY volume in the morning. Absolutely insane.

Now let's focus on what's likely next week.



Taking a simplistic view, we should continue shorting if under \$110, else we watch \$110 as the absolutely critical level for confluence support (see later report). Thus, \$110.00 is as important a reference level as \$115.00 was ... but I don't think we'll see a second crash if sellers take us under \$110.00. Hopefully, at least. Crashes don't allow for as much profit potential as efficient swings... unless you're a swing trader holding bravely in the right direction.

Nevertheless, keep your 30min chart up on Monday to watch the 20 EMA, as it's been VERY good in marking swing tops intraday. It now rests at \$112.50.



We're forming a triangle on the intraday charts and that's what we need. I posted this morning about the 1987 intraday crash and we had a similar "digestion" period that we're seeing now. In 1987, it resulted in a sharp upside move followed by a second test of the low a week or so later. Don't expect the market to go back to the way it was so far - this is a new market with new urgency, and though volatility will (should) slow, it may take some time to wind down to a value area. Triangles help do that.

The boundaries still are \$112.00 and \$110.00, with the 20 EMA sailing down steeply... which now rests at \$114.00 (watch for resistance).



The key to the future is 1,100. Look what happened when we lost the prior key at 1,150. The 1,100 level represents a 'round number' level, the very important (some would say "all-important") 200 day SMA (1,095), the 50 week EMA (1,088) and the Gann Number 1,109 (and there are probably other confluences near there as well). However you define it, it's important.

The level indicates we could support there, but if we don't... this could lead to an eventual retest back to 1,050 for real and not just for 5 minutes (too soon to make jokes?).

Short bias under 1,100, neutral/bounce bias here unless we crack under 1,100.



Updated Gann Squares and Andrews Pitchfork Chart.

The way Gann number analysis works - basically - is to watch the levels as reference levels. If price breaks one level, odds are it will continue to test the next level.

Notice our close today was just above the nearest Gann Squares number at 1,109. That's significant for now, as it forms a confluence with the February highs, and is just above the very important 1,100 (round number) level (which is also near the 200 day SMA).

As such, these are the reference levels to watch. The lower Gann Levels are 1,076 and then 1,043. Above us is 1,142 then 1,176.



This should be a permanent reminder that long-term negative momentum, breadth, and volume divergences DO matter. We can't know 'when' they will matter (when the market will crash), but when the market remains in such an artificial, extended state on declining internals (sort of like a tree rotting from inside that keeps growing), the market WILL fall and the divergent conditions WILL catch up.

In addition, I had been saying for quite some time that the market target was 1,225...and once we hit that, the market was in retracement mode bias... it's just I don't think anyone expected such a violent resolution in a single day. Nevertheless, it happened and the divergent condition is now reset and the market has worked off the divergence and now we're in new territory.

Really the only key level to watch weekly is the 50 EMA at 1,088... we've instantly broken the 20 week EMA (1,138) and key support at 1,150. We target 1,050 if under 1,100.

