Daily "Idealized Trades" Report

S&P 500 ETF: SPY


SPY - 1 min ARCX 07/01/10 L=102.78 -0.44 -0.43% O=103.15 Hi=103.49 Lo=101.13 C=102.76
$TICK - 1 min NYSE 07/01/10 L=-103 217 -67.81% O=1 Hi=1425 Lo=-1485 C=-103
103.00
102.80
102.50
102.00
101.50
0.1500
0.0577
-0.0036
-0.1500
-0.3000
1,000
500
185
-103
-500
-1,000
Jul'10
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

Today gave us a nice oversold bounce from a major confluence Fibonacci price level at 1,010 - just above the 1,000 round number target. I'd forgotten to check my higher timeframe Fibonacci charts, but there was a massive confluence there that resulted in today's sharp bounce. Let's see the trades and then discuss what to watch next.

1. DOWNTREND CONTINUATION

Nothing fancy about this - I spent the majority of last night's report explaining to you how important a break under 1,040 was and that it set up the next likely target at the 1,000 ($100) area. Once we broke the low of the session, your trade was to short with that target in mind - entering whenever you felt appropriate and trail a stop down. In such situations, you can use the 1-min EMA structure for trade set-ups - and there were at least four entries in terms of pullbacks to the falling 20 EMA on the 1-min chart. The exit was the trendline break and bounce from the dual divergence at the intraday lows, which gave you another opportunity.

2. DUAL DIVERGENCE, TRENDLINE BREAK, 1-MIN EMA BREAK, DOJI/SPINNING TOP

I would add in "Bounce off the Fibonacci Confluence at 1,010" but I was alerted to this level after the bounce. I posted about it mid-session:

http://blog.afraidtotrade.com/hidden-sp500-fibonacci-confluence-last-hope-for-bulls/

It really didn't matter if you saw the confluence or not, as price formed a crystal clear multi-swing positive divergence (1-min) then break above the trendline and moving averages (1-min) to set-up a new trade to play back to the falling 20 EMA on the 5-min chart at the $102 level - with an entry at or near $101.50. This trade worked beautifully on a sharp bounce, leading to a doji, shooting star, dual negative divergence, and trendline break - your third trade.

3. DOJI, SHOOTING STAR, DUAL DIVERGENCE, BEAR FLAG, 5-WAVE FRACTAL

A tiny 5-wave fractal culminated on a dual negative TICK and momentum divergence on the 1-min chart, leading to a doji and bearish engulfing hammer on the 5-min chart as price broke back under the 20 EMA and 1-min trendline at the $102 level, triggering your entry with stop above $102.20 (at least). This trade targeted a retest of the lows, but wound up terminating early with a positive dual divergence (1-min) and break back above the 20 EMA, leading to a small profit or scratch. For traders who were not biased in that the market HAD to go down, this gave a chance to play Popped Stops, and a bull flag that formed with the trade trigger being the break above the falling trendline and re-break above the 20 EMA at the $102 level.

4. BULL FLAG, POPPED STOPS

This was a relatively unexpected development unless you were expecting a larger bounce as a result of the V-Spike reversal off the intraday lows. Good for you if you did! Trade entry was as price broke the falling trendline from the 10:30am to 11:30am downswing that ended with a crystal clear positive TICK and momentum divergence on the 1-min chart (early warning of possible reversal). A pure flag projection targeted the $102.70 level, though a good exit was as price broke under the spinning top that formed completely outside the upper Bollinger Band at the $102.80 level. Given the Wyckoff Sign of Strength, we would expect a higher high in price yet to form, thus we would not short this position.

As the higher high came later, specifically at 1:30pm, price formed a nasty shooting star at the upper Bollinger Band on a Three-Push pattern and negative TICK/Momentum divergence... though for the record, you could have played long on either pullback to the rising 20 EMA or the Cradle set-up at 12:30.

5. SHOOTING STAR, UPPER BOLLINGER, DUAL DIVERGENCE, 5-WAVE FRACTAL

This was one of those "prove it or lose it" situations where the buyers pushed price higher, but did so on declining momentum and TICK. A Three Push pattern (reversal pattern) formed in price in support of these negative divergences at the $103 level. A break above $103 would call for another Popped Stops long entry, but barring this, the market signaled that the odds favored a down move. Entry was as price broke under the shooting star low just beneath $103 at the upper Bollinger to target the support from the moving averages at $102.60, or a slice back down to the lower Bollinger. If you held through the moving average test, then you saw the doji then hammer candle form, triggering your exit and potential for a 'flip/reverse' buy to play a range day bias.

Roughly $3.00 was possible trading as listed above, or more if you took additional trades in the afternoon.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
3,124,346.70	17,409,212	9:45	14,284,865.30	0.51
554,435.30	13,186,588	10:00	12,632,152.70	0.51
12,566,305.80	27,282,344	10:15	14,716,038.20	0.42
4,293,202.00	13,928,261	10:30	9,635,059.00	0.36
12,744,847.10	23,130,492	10:45	10,385,644.90	0.36
5,908,330.00	15,285,255	11:00	9,376,925.00	0.30
7,022,038.20	14,447,678	11:15	7,425,639.80	0.27
7,699,368.60	14,636,577	11:30	6,937,208.40	0.27
7,204,766.60	13,328,289	11:45	6,123,522.40	0.26
4,359,499.20	9,747,470	12:00	5,387,970.80	0.30
1,799,904.80	7,074,882	12:15	5,274,977.20	0.30
673,786.40	5,144,943	12:30	4,471,156.60	0.28
9,512,998.80	14,359,173	12:45	4,846,174.20	0.28
7,059,008.90	11,478,680	1:00	4,419,671.10	0.26
884,217.00	5,122,357	1:15	4,238,140.00	0.35
2,487,756.50	6,750,661	1:30	4,262,904.50	0.31
3,164,228.80	9,018,218	1:45	5,853,989.20	0.30
2,199,012.70	7,125,049	2:00	4,926,036.30	0.33
1,701,365.00	7,465,996	2:15	5,764,631.00	0.39
2,647,724.90	9,565,514	2:30	6,917,789.10	0.36
3,072,404.00	10,569,192	2:45	7,496,788.00	0.39
4,553,114.00	13,170,586	3:00	8,617,472.00	0.51
2,953,910.90	12,129,934	3:15	9,176,023.10	0.56
(2,002,029.40)	9,666,927	3:30	11,668,956.40	0.47
1,717,227.30	14,425,420	3:45	12,708,192.70	
(1,023,109.60)	23,262,888	4:00	24,285,997.60	
4,110,717.71	12,642,791.77	Ave.	8,532,074.06	0.36

Interpreting today's relative volume grid is tricky, because we had a MASSIVE surge in volume in the morning session (confirming the down move) but also a volume outperformance on the rally into the close. However, volume underperformed the 10-day average into the close as we experienced the choppy environment. If I had to make a call, I would say that this gives the edge to the bears/sellers, but keep in mind that the session was a V-Spike reversal structure and not a full trend day.

Investors/Traders are positioning ahead of tomorrow's very important Jobs Report, which could send the market moving violently in either direction depending if we get a number above, under, or at expectations.

Price retraced in a normal move up to the falling 20 period EMA on the 30min chart - it's an orderly and expected retracement up in the context of a powerful downtrend so far.

Any move above $103 suggests that this is a more powerful upswing than expected, and we should thus target $104.50, but barring any move above $103, we keep looking to target $101 again then $100... or lower.

Remember, the Jobs Report reaction will dictate what happens tomorrow and you'll know what to expect an hour before you start trading the open.

Price did not retrace to any meaningful level on the 60min chart, and the reference is $104 which is the falling 20 EMA. We do have a positive momentum divergence to speak of as seen on both the 30 and 60 min chart, so keep that in mind.

However, how this level is resolved comes down to the Jobs Report tomorrow and the dynamics of an upcoming holiday weekend (traders might not want to go into it long... or short... so we could see a sustained move in either direction... but again depending on what the Jobs Report reaction is).

A lot of what happens tomorrow will be based on the Jobs number, and you can check Bloomberg for the expectations to see if the real number meets, beats, or underperforms these numbers. The Street expects a net LOSS of 125,000 jobs next month: http://noir.bloomberg.com/markets/ecalendar/index.html

Simply stated - ANY move back above 1,040 (number better than expected) WILL result in a popped stops rally that could be VERY vicious. Be aware of that possibility. A number in line with 125,000 jobs lost shouldn't move the market much, but a loss number greater than 200,000 could plunge us under 1,000.

Remember, as long as the S&P 500 is under 1,040, we are in an officially confirmed daily and weekly chart downtrend and new bear market. A break back above 1,040 is an insidious bear trap in the waiting.