

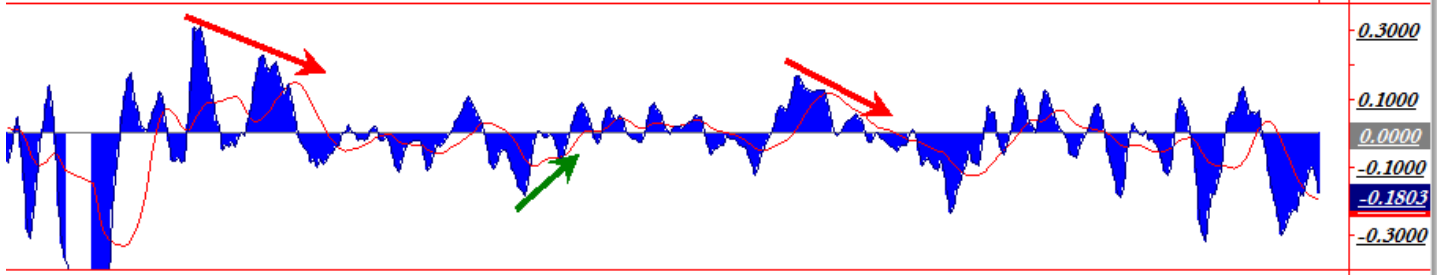


Daily "Idealized Trades" Report

S&P 500 ETF: SPY



SPY - 1 min ARCX 06/01/10 L=107.45 -1.92 -1.75% O=108.35 Hi=109.95 Lo=107.37 C=107.53



Today's post-holiday trading session gave us an EXCELLENT example of the Rounded Reversal Day Structure, so use today's action as a great reference. It's actually part of a larger rounded reversal structure I highlighted - just before the sell-off! - in today's afternoon blog post:

<http://blog.afraidtotrade.com/rounded-reversal-forming-again-on-intraday-sp500-june-1/>

With that, let's learn the set-ups and lessons from today's activity and compare our trading results.

1. MINI-FLAG, GAP FADE, POPPED STOPS

This happened to be another one of those days where the pre-market (futures) were sharply lower, but as the session opened, price rallied, in direct contrast to what the futures market showed. There's not really a specific/classic trade set-up, though I label the break above the 9:00am pullback (2-bars) as an entry just above \$108.70 with a stop either under the candle low of \$108.52 with a target being \$109.35 for a full gap fade... that actually continued higher giving an official sell signal (shooting star doji + divergences) at 9:30 at the swing high of \$110.00. That was an excellent exit point and chance to get short. Do NOT feel bad if you did not get a chance to participate in this move - gaps greater than \$1.00 have lower odds of fading, but in this environment of high volatility, they are fading more than normal.

2. SHOOTING STAR, EMA BREAKS, DUAL DIVERGENCES, 5-WAVE FRACTAL

This was a clean trade, revealing a 5-wave fractal on the 1-min chart that ended with a dual divergence (look closely) and a shooting star candle on the 5-min chart, placing entry when price took out the shooting star low at \$109.70 and playing short for a buy signal. The first semi-buy signal came as price formed reversal candles just before 10:30 just above the \$109.00 support level, but if you held through an "ABC" three wave expected retracement that tends to follow a five wave fractal, you could have exited at the dojis and bullish engulfing candle at 11:15, which was trade #3.

3. SPINNING TOP, BULLISH ENGULFING, DUAL DIVERGENCES, LOWER BOLLINGER

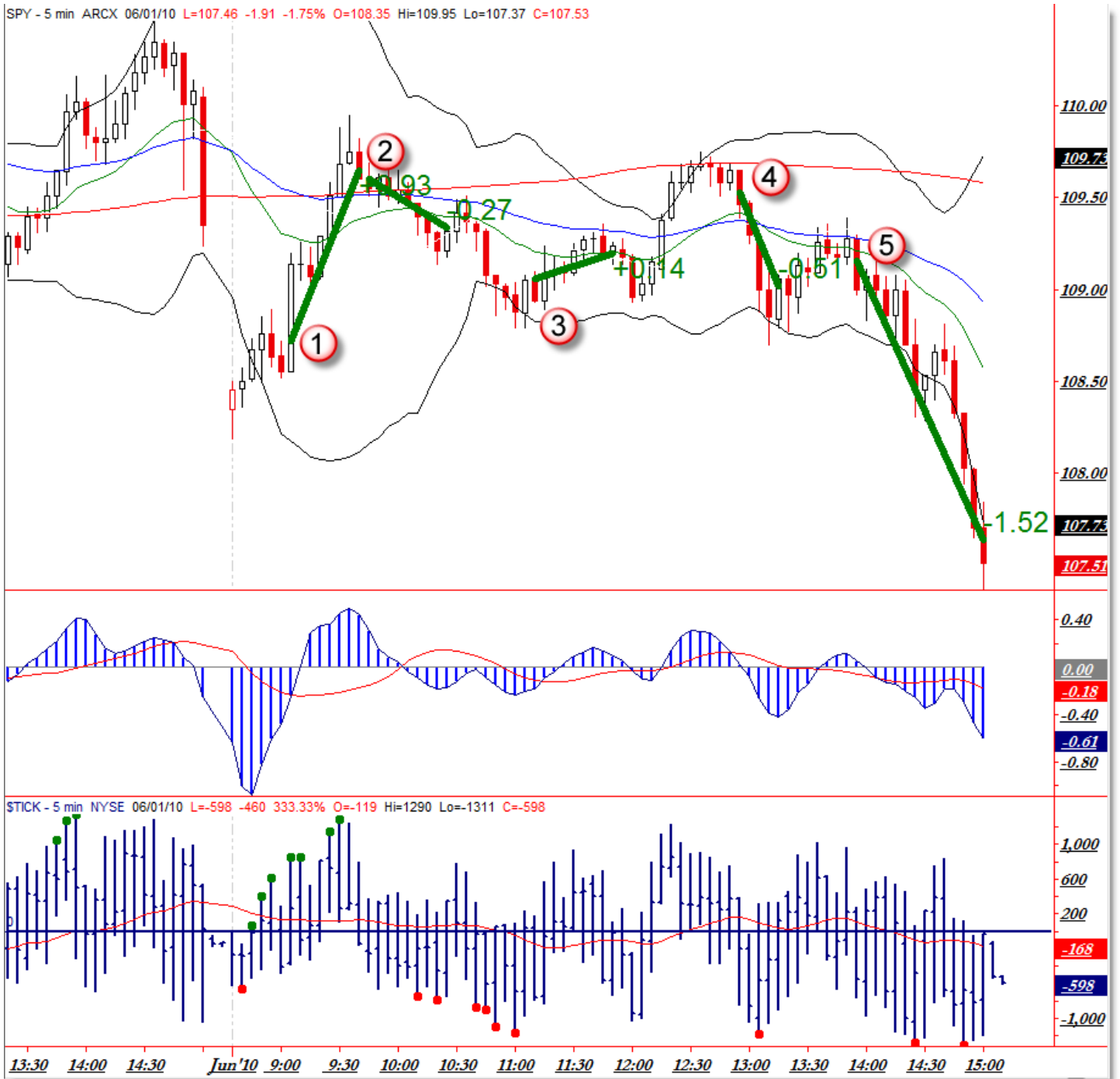
This was a quick trade that formed on a positive dual divergence (1-min) and spinning top followed by a bullish engulfing candle at 11:00am with entry just above \$109.00 and stop under the candle low of \$108.80. Like the prior trade, it unfolded in an "ABC" three wave phase, though it was likely we all exited on the supposed sell signal/swing down that began at 11:30 at the \$109.30 level. If by chance you held aggressively long through a pullback, perhaps if you were targeting the upper Bollinger Band, then you exited above \$109.50 for a larger target.

4. UPPER BOLLINGER, 200 SMA, MULTIPLE DOJIS, DUAL DIVERGENCES

This was one of the clearest signals of the day, as price rallied up to the 200 SMA and through the upper Bollinger to form an "arc" pattern (see 1-min) which also formed four reversal candles (dojis). Price broke the rising trendline then the 20/50 EMA confluence after the dojis formed, giving you a few chances to enter to play for a retracement to the lower Bollinger - in a sort of range day expectation - to \$108.75, at which time a bullish engulfing candle formed. You could have traded long here, as price did retrace to the 20/50 EMA confluence as expected... but it did so in a bear flag style fashion, giving a more appropriate sell signal as price failed to overcome the 20/50 EMA confluence and broke under the lower trendline.

5. BEAR FLAG, DOJI

There wasn't much (confluence) to this trade, other than a range day bias and prior deterioration in TICK highs. Price formed a bear flag style parallel trend channel into a confluence resistance (20/50EMA) and then began to head lower. Price fell quickly, and then gave a three-bar rally at 2:30 before collapsing sharply into the close, allowing for another trade set-up. For those who trade into the close, this was a great set-up, but it really took looking at the bigger picture, which I highlighted on the blog just prior to the sharp sell-off. It's another reminder to keep the bigger picture in view.



Using a moderate aggression level, roughly \$3.30 was possible trading today's session... most of which occurred from the morning 'gap fade' style rally and the end of day 'rounded reversal' sell-off signal.

SO FAR TODAY		EST	25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(3,476,580.28)	20,508,372	9:45	23,984,952.28	0.70
(3,519,511.44)	13,222,630	10:00	16,742,141.44	0.70
(198,951.40)	16,251,173	10:15	16,450,124.40	0.63
48,061.40	13,815,864	10:30	13,767,802.60	0.60
(519,429.20)	12,481,518	10:45	13,000,947.20	0.50
(5,011,150.44)	6,339,962	11:00	11,351,112.44	0.52
(3,685,811.88)	7,383,377	11:15	11,069,188.88	0.63
(4,870,354.76)	7,716,040	11:30	12,586,394.76	0.60
(3,350,342.44)	6,867,189	11:45	10,217,531.44	0.47
(717,513.00)	8,564,219	12:00	9,281,732.00	0.45
(2,321,533.84)	6,468,261	12:15	8,789,794.84	0.57
(4,150,499.76)	3,534,016	12:30	7,684,515.76	0.47
(3,459,496.96)	3,578,965	12:45	7,038,461.96	0.40
(3,497,755.64)	3,524,495	1:00	7,022,250.64	0.42
(3,941,283.24)	3,737,768	1:15	7,679,051.24	0.47
(1,796,287.08)	5,913,295	1:30	7,709,582.08	0.50
(1,301,509.56)	5,774,907	1:45	7,076,416.56	0.41
(1,261,902.04)	5,603,577	2:00	6,865,479.04	0.36
2,871,008.92	11,387,327	2:15	8,516,318.08	0.51
(3,018,747.72)	6,109,466	2:30	9,128,213.72	0.46
(5,215,380.76)	5,889,980	2:45	11,105,360.76	0.65
(4,967,461.64)	6,322,317	3:00	11,289,778.64	0.79
(3,781,409.20)	7,934,898	3:15	11,716,307.20	0.58
2,863,958.68	15,494,731	3:30	12,630,772.32	0.57
(3,044,616.36)	11,715,481	3:45	14,760,097.36	0.61
2,570,195.24	29,540,600	4:00	26,970,404.76	0.76
(2,259,780.94)	9,449,247.23	Ave.	11,709,028.17	0.55

Today's updated relative volume grid shows the new values, and also shows that for the majority of the day... in fact almost the whole day except for the afternoon sell-off. Again, that's bearish. The market remained higher ... or at least higher than the open... all day on lower RELATIVE volume, but the end-of-day sell-off happened on higher than average volume... that's bearish.



So far, it looks like the "ABC" Three-wave scenario is playing out... and if true, then we've turned the corner down to wave 5 from an Elliott Standpoint (see daily chart). As long as we're under \$108, the intraday bias will be down and the swing traders can continue targeting \$105.00, and a solid break under \$105.00 would officially turn the daily trend to down.

There are stops above \$109.50 and then \$110.00, so if the market rallies up unexpectedly to those levels, we will see "Popped Stops." Be very careful and it's not advised to remain short above \$109.00. It looks like we're forming a rounded reversal down, which will result in a mirror image down to \$105 if that is indeed the case, so that is the top forecast for the moment.



The 60min chart carries forward the thoughts from the 30-min chart. Today, we broke under both the rising trendline and 20/50 EMAs which is a confirmed sell-signal, and it looks like traders/funds are taking it, driving price lower.

There's no more support, and an expectation for a retest of \$105 at a minimum, so unless we see price rise back above \$109.50/\$110.00, that will be the bias to expect going forward.



For now, the Elliott Wave count - fractal - remains the dominant count. That will be true unless we see a move back above 1,100, which would disconfirm the count. Until then, we expect price to complete the final 5th fractal wave to take price back to 1,040... or perhaps lower.

Price retraced to the underside of the 200d SMA at 1,100 last week and now appears to be headed lower. For reference, the 38.2% Fibonacci Retracement from the 1,220 high to the 1,040 low rests at 1,108. That's why a move above 1,110 will change the expectation - until then, we expect to see price test 1,040 again.