



Daily "Idealized Trades" Report

S&P 500 ETF: SPY





As I wrote in last night's report, the positive momentum divergence argued for the possibility of an upside rally today - and that's exactly what happened, despite one little sell-signal prior to the afternoon rally that also formed clear positive breadth divergences.

1. DOJI, 50 EMA, UPPER BOLLINGER, DOWNTREND

The 5-min downtrend was still in force this morning, and as such, good trades come from shorting moves into resistance such as this one that formed a doji candle (reversal) at the upper Bollinger and 50 EMA at the \$107.60 level. An aggressive trader would enter right at the resistance test at \$107.80, but a conservative trader would short under the doji low or break back under the 20 EMA at the \$107.55 level. The target was a retest of the intraday low or a move back down to \$107.00 to test key support there. Price bounced off \$107 and then broke the declining trendline, signaling your exit and 'flip reverse' long.

2. BOUNCE OFF \$107, POSITIVE DIVERGENCES (HIGHER FRAMES), SPINNING TOP, TRENDLINE BREAK

There were a few entries long into this trade, starting with the spinning top candle at the \$107.00 level for aggressive traders incorporating the higher timeframe possibility for a bullish bounce as mentioned last night, or a break above the trendline and 20 EMA at the \$107.20 level for conservative traders. Either way, the stop was under the intraday low and target the 50 EMA - or for really aggressive traders - target a trend reversal (or at least larger target than the 50 EMA). The reasonable exit was as price tested the upper Bollinger and 50 EMA at the \$107.50 level for a good exit.

The next set-up didn't actually come until price broke above the morning intraday high for a clean "Popped Stops" play, though you certainly could have entered long on a break above the 50 EMA as I indicated in today's afternoon blog:

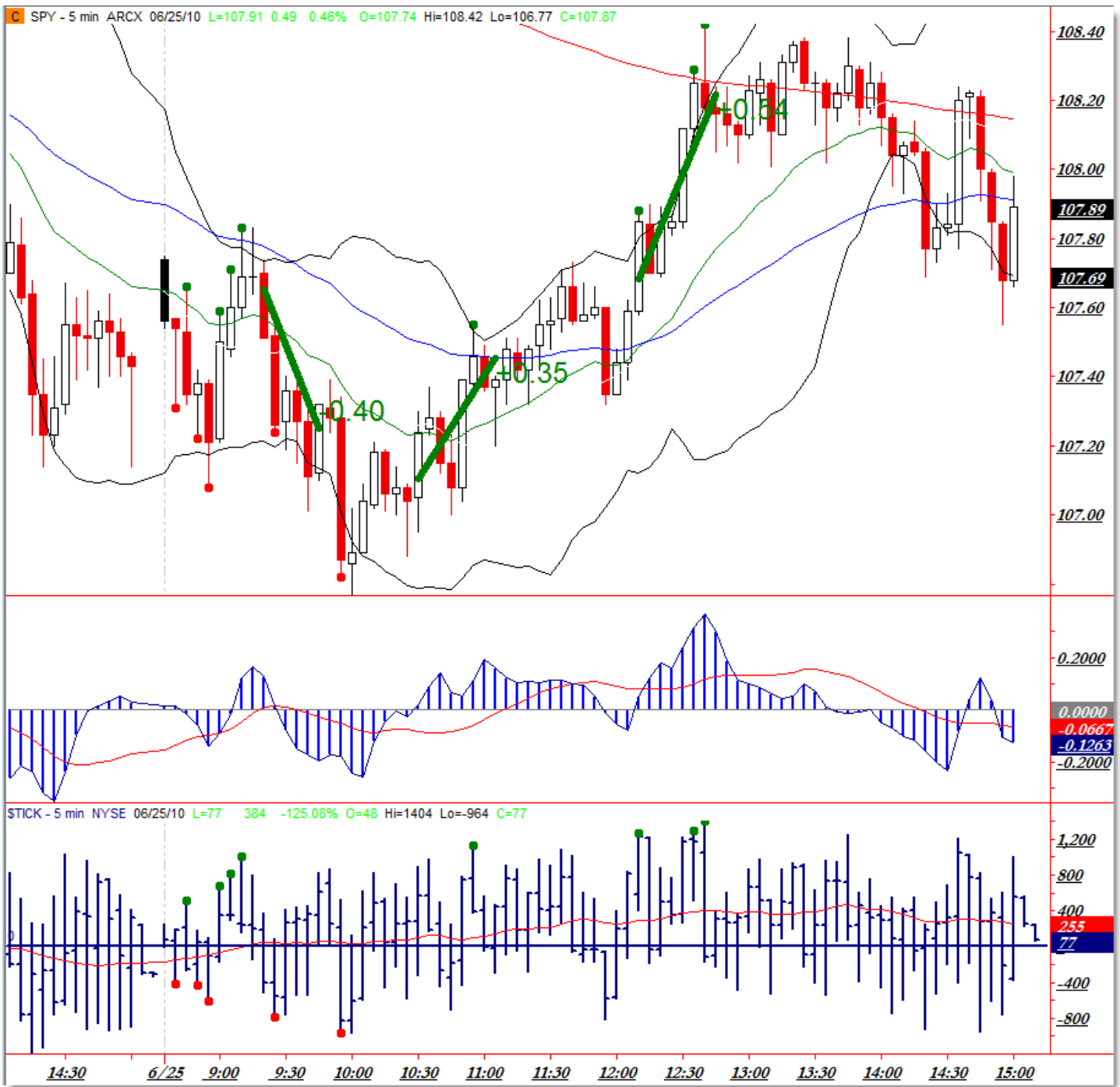
<http://blog.afraidttrade.com/midday-market-internals-show-possible-positive-swing-up/>

3. POPPED STOPS, POSITIVE REVERSAL BIAS

Though you certainly could have entered earlier, the official "Popped Stops" breakout entry was as price took out the prior intraday high at the \$107.80 level particularly as three range expansion bars rallied up to this level. The play for Popped Stops is always the same when breaking above an established price level - the early bird gets the worm. Those aggressive traders who enter first get the best positions with the closest stop-loss - but at the expense of potentially buying a false breakout. Those that wait for confirmation are often left in the dust, or enter at a far riskier point in the structure, or pass on the trade completely.

The best exit was as price tested the falling 200 SMA and formed a clean shooting star candle at the \$108.20 level.

While you could have shorted into the close, price chopped around without giving many clear signals to trade.



Using the ideal grid, roughly \$1.25 was possible trading today's structure from a moderate aggression level.

SO FAR TODAY		EST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(1,501,146.10)	11,815,344	9:45	13,316,490.10	0.47
3,460,136.80	14,111,883	10:00	10,651,746.20	0.47
(1,872,982.40)	9,434,445	10:15	11,307,427.40	0.39
(696,587.00)	7,752,961	10:30	8,449,548.00	0.37
1,164,853.40	9,136,847	10:45	7,971,993.60	0.33
3,515,396.30	10,816,540	11:00	7,301,143.70	0.27
(1,477,339.70)	5,118,081	11:15	6,595,420.70	0.25
670,374.10	6,683,369	11:30	6,012,994.90	0.26
453,207.00	5,799,220	11:45	5,346,013.00	0.25
1,133,317.50	6,099,442	12:00	4,966,124.50	0.28
(143,721.40)	4,712,133	12:15	4,855,854.40	0.23
1,349,396.20	5,436,096	12:30	4,086,699.80	0.28
1,413,755.00	5,061,660	12:45	3,647,905.00	0.30
518,485.50	4,075,663	1:00	3,557,177.50	0.25
1,094,306.60	6,070,560	1:15	4,976,253.40	0.31
3,593,505.30	8,026,095	1:30	4,432,589.70	0.32
4,238,880.70	8,508,982	1:45	4,270,101.30	0.27
(1,559,994.70)	3,110,383	2:00	4,670,377.70	0.31
(1,694,541.60)	4,304,671	2:15	5,999,212.60	0.37
(1,484,032.10)	4,695,613	2:30	6,179,645.10	0.32
(3,091,381.50)	3,552,764	2:45	6,644,145.50	0.39
(4,491,212.00)	3,030,051	3:00	7,521,263.00	0.45
(2,950,911.30)	5,580,075	3:15	8,530,986.30	0.54
(2,771,384.00)	7,697,707	3:30	10,469,091.00	0.44
(2,348,075.50)	8,921,322	3:45	11,269,397.50	
7,234,082.50	28,302,325	4:00	21,068,242.50	
144,476.45	7,609,778.15	Ave.	7,465,301.71	0.34

In general, we have mixed signals from our 10-day relative SPY comparison.

We began to have volume divergences as we pushed and held at the intraday highs beginning at 2:00 EST / 1:00 CST, though the final 30min sell-off bar was met with a large volume spike.

This seems to suggest a bearish undertone to the structure, so do be cautious.



We did get a rally today as expected and forecast from the triple-swing positive momentum divergence, so that was good, but we fell short of a full reversal today as the downtrend - as of now - continues.

There are key resistance levels - moving averages - to overcome from \$108.50 to \$109.00 on the 30min chart, so look for those to be resistance targets on any further upside move.

Otherwise, if this is all the bulls can muster in the form of a rally, then short aggressively if we get back under \$107.00.



The 60min chart clearly shows that bulls had trouble overcoming the resistance via the falling 20 EMA - as a doji sell signal formed just prior to the close. Though we did get a rally, the pop may be complete, and again if we see any move under \$107.00 soon, then the next support zone will be \$105/\$104.50.

It is possible that bulls can push the price higher thanks to the positive divergence, so do be at least open to that possibility unless we break under \$107.00.



The market faces a short-term decision point right here at 1,070 - as it was a level of closing support and the bottom of the "Flash Crash" low in May. We have a doji at this level and a clean volume spike, so we could see a move back to test 1,100 or at least 1,090 so be open to that potential and trade it if we start to see a rally on the lower timeframe charts.

Otherwise, a clean break under 1,070 destroys all bullish hope and firmly locks in the target of 1,050/1,040.



Bulls were unable to push the index back above the 20 week EMA, currently resting at 1,115.

The key for the larger picture still remains the obvious floor of support at 1,040.

Bulls will do anything possible to keep the index above 1,040, because they - along with virtually anyone who looks at charts - know that any break under 1,040 will likely lead to a collapse back to 900 at a minimum... if not even lower if momentum really picks up to the downside.