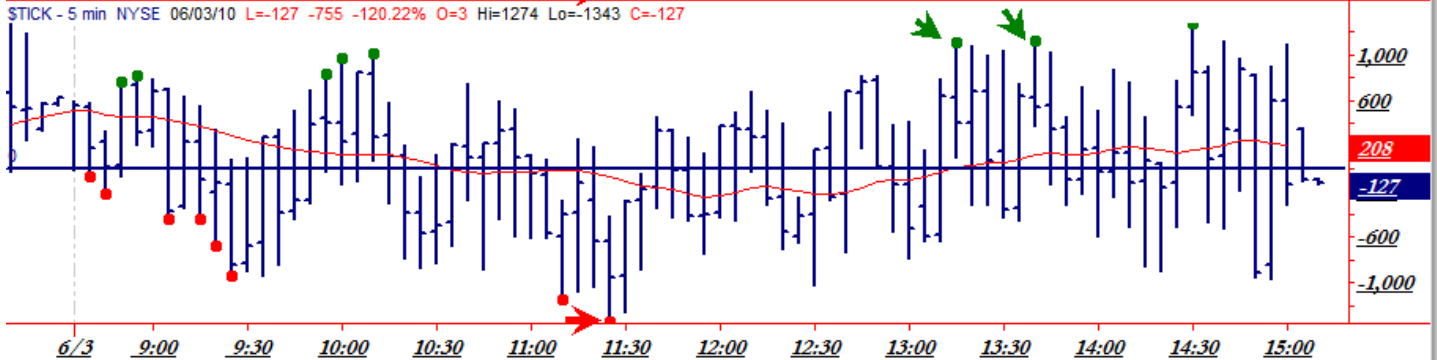
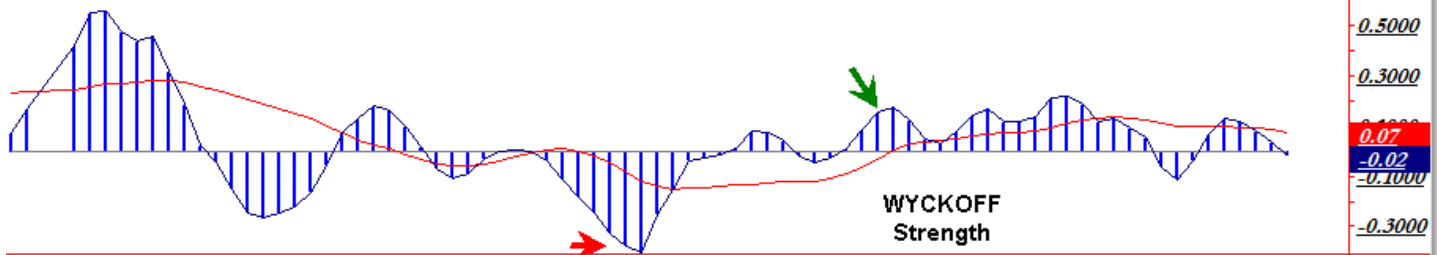
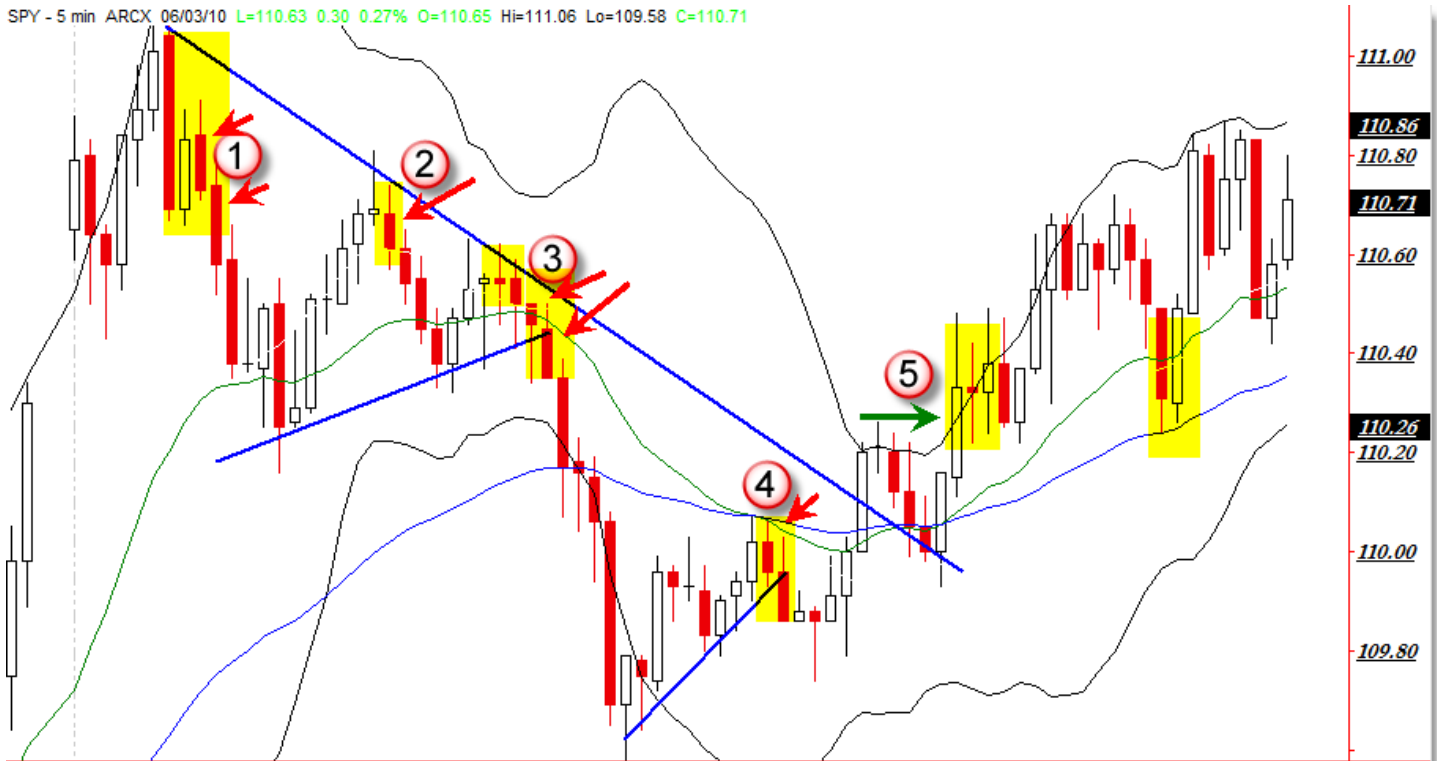




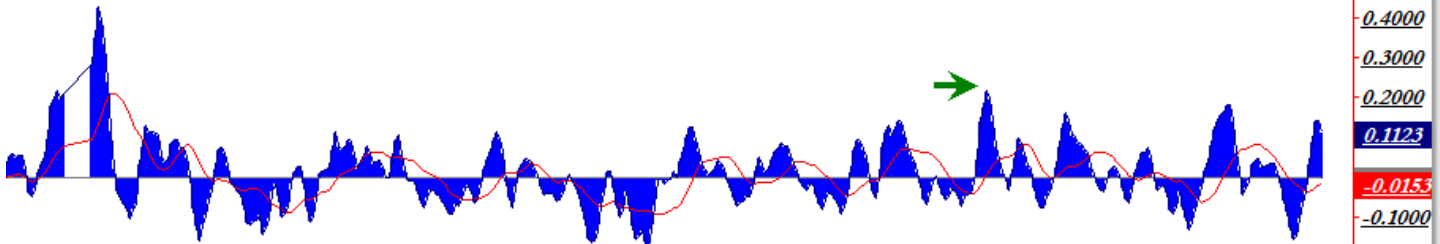
## Daily "Idealized Trades" Report

### S&P 500 ETF: SPY

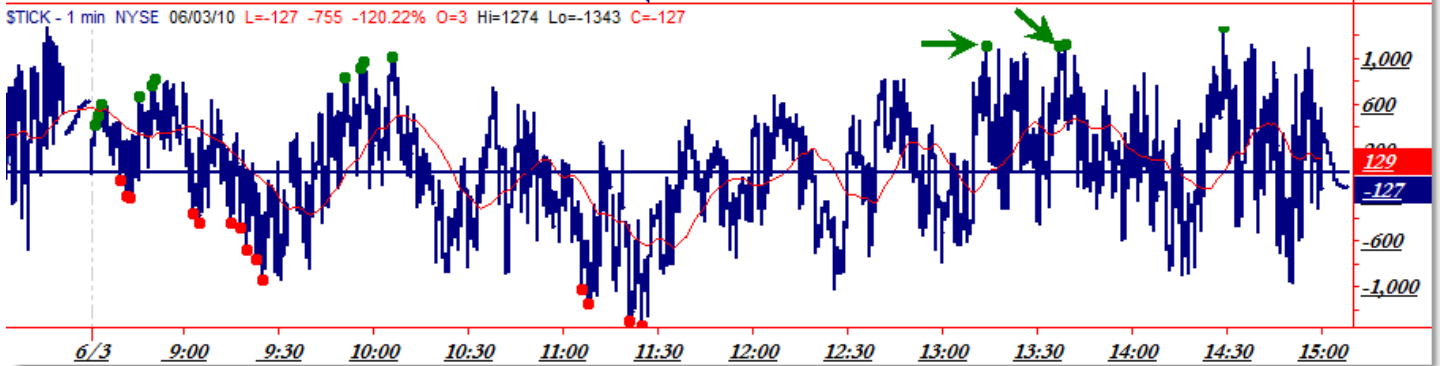
SPY - 5 min ARCX 06/03/10 L=110.63 0.30 0.27% O=110.65 Hi=111.06 Lo=109.58 C=110.71



SPY - 1 min ARCX 06/03/10 L=110.56 0.23 0.21% O=110.65 Hi=111.06 Lo=109.58 C=110.71



STICK - 1 min NYSE 06/03/10 L=-127 -755 -120.22% O=3 Hi=1274 Lo=-1343 C=-127



Today was similar in scope to yesterday, particularly in regard to the mid-day 'perfect' sell-short signal that was immediately busted and turned quickly into another "Popped Stops" play. I hope you took last night's lesson/report to heart today and instead of being caught short in the up-current today, you flipped your position (if short) and profited very nicely. Remember - that's exactly why I write these reports and you read them each night - history DOES repeat... and sometimes history repeats almost exactly THE NEXT DAY! It's fun when that happens... fun, but also potentially very profitable. If you didn't read last night's report, please read it fully - as the exact same text applies to today's session almost verbatim (so I'll save you from a repeat text today).

### 1. GAP FADE, BEARISH ENGULFING

This trade was a quickly triggered trade, with the best entry being the support break at the \$110.70 level with a stop above \$111.00 to target the rising 20 EMA at the \$110.40 level, which formed a doji and bullish engulfing candle for an exit... though the next candle broke the EMA... and the next one broke back above! We're in a volatile environment, and as such, parameters must be expanded beyond exact/precision levels.

### 2. SHOOTING STAR CANDLE

There really wasn't much to this trade, so it's perfectly fine if you skipped it - we didn't know that a trendline was forming, so this was more of a scalp trade than anything worth learning. Entry: break of candle low at 10:00am at \$110.70 to target the rising 20 EMA at \$110.40 or lower Bollinger and swing low at \$110.20 (hit later), and price gave a bullish engulfing and broke back above the 20 EMA to trigger a nice exit.

### 3. SYMMETRICAL TRIANGLE BREAK, BREAK TO NEW LOWS, DOJIS

This was a nice trade set-up, similar to trade 2 with the doji, only this time we DID have an established reference trendline to use as resistance. Price also formed a symmetrical triangle and broke under it, forming large range breakout bars just before 11:00am. Entry at the \$110.30 area to target a range breakout move that ended suddenly at the \$109.50 area with a bullish hammer bar then engulfing bar... that formed off the 20 EMA on the 30min chart (always keep higher timeframes in mind).

Due to the new price, TICK, and Momentum low, odds favored a lower price low yet to come, and so we prepared to short-sell the rally into the 20 or 50 EMA... and these actually converged to form the Cradle Sell trade.

### 4. IMPULSE SELL, CRADLE SELL, ELLIOTT WAVE 4, SPINNING TOP

Remember last night's discussion on the higher timeframe player buying for fundamental (valuation) reasons and NOT technical reasons. In fact, many fundamental analysis investors actually want the price to go as low as possible so that they can scoop up more shares at a value - they don't think like we as technical analysts do, and that means they will walk in front of, and buy during, a very strong short sell signal... which leads to busted patterns and popped stops from (often frustrated) intraday traders.

Despite the fact that it failed miserably (akin to an 'epic fail,') this was actually the best set-up of the day, as described above. It was an 'abc' 4th wave rally into confluence EMA resistance that formed a spinning top candle EXACTLY at the EMA confluence (cradle) and occurred after a new TICK, momentum, and price low. The target was a retest of \$109.50 or more likely, a new price low while the stop was just above the EMA confluence at the \$110.10/20 level. There was no way to see in advance that this trade would fail, other perhaps than looking at the 30 or 60 min chart to see the respective EMA SUPPORT, which held. Price formed a shooting star candle at 12:30 then began to rally. As price broke the recent high - where many traders got short - (probably most of us!) then price entered the "Pocket" of stop-losses from the short-sellers who took the appropriate trade. Remember, not every trade will win. The trade failed and we lost 20 to 40 cents (2 - 4 @ES points) depending on where we entered and stopped out. Had the trade worked - and it

had a high chance of succeeding - we would have profited 50 to 80 cents or even over a dollar (on a new low) - 5, 8, or 10 @ES points. We trade EDGE, not accuracy.

Still, what's my favorite phrase? You should have it pasted by your computer now!

"When something SHOULD happen but does NOT happen, it often leads to a LARGER THAN EXPECTED move in the opposite direction."

And that's exactly what happened - price rallied from the breakout to the close 70 cents... and that was your Popped Stops play.

## 5. POPPED STOPS

Reference yesterday's update for a full description on Popped Stops, how to play it, who should play it, and why it works.

Enter as soon as you feel a positive feedback loop (bulls buying breakout, bears short covering) occurs, and hold as LONG as possible.



Using the ideal grid, 4 of 5 trades were successful, allowing a potential profit of roughly \$1.25.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
(8,612,032.48)	15,369,427	9:45	23,981,459.48	0.71
(4,920,482.24)	11,551,446	10:00	16,471,928.24	0.71
(6,090,162.96)	10,352,069	10:15	16,442,231.96	0.63
(3,951,156.28)	9,950,082	10:30	13,901,238.28	0.63
(3,888,102.04)	9,075,702	10:45	12,963,804.04	0.53
(3,974,594.32)	7,108,387	11:00	11,082,981.32	0.52
(4,984,153.56)	5,892,700	11:15	10,876,853.56	0.61
(5,569,505.20)	5,460,395	11:30	11,029,900.20	0.56
(1,958,304.96)	6,610,128	11:45	8,568,432.96	0.45
(4,324,182.16)	4,330,279	12:00	8,654,461.16	0.44
(451,928.68)	7,925,646	12:15	8,377,574.68	0.56
2,652,437.80	10,141,604	12:30	7,489,166.20	0.45
(718,751.68)	6,310,255	12:45	7,029,006.68	0.39
(3,068,865.72)	3,964,953	1:00	7,033,818.72	0.43
(3,008,436.44)	4,568,851	1:15	7,577,287.44	0.48
(4,154,138.36)	3,280,231	1:30	7,434,369.36	0.49
(1,867,263.64)	5,164,892	1:45	7,032,155.64	0.40
(1,640,760.20)	5,376,263	2:00	7,017,023.20	0.38
(931,730.80)	7,476,910	2:15	8,408,640.80	0.53
(1,518,276.80)	7,361,980	2:30	8,880,256.80	0.46
(3,351,423.08)	7,643,372	2:45	10,994,795.08	0.66
(6,285,312.44)	4,799,087	3:00	11,084,399.44	0.81
(5,306,432.76)	6,384,983	3:15	11,691,415.76	0.59
(3,774,138.72)	8,912,042	3:30	12,686,180.72	0.61
(5,542,160.36)	8,996,891	3:45	14,539,051.36	0.58
(9,741,630.88)	16,572,173	4:00	26,313,803.88	0.80
<b>(3,730,057.27)</b>	<b>7,714,644.15</b>	<b>Ave.</b>	<b>11,444,701.42</b>	<b>0.55</b>

Volume again declined across EVERY period (save 12:30EST - which was the upward breakout candle that CONFIRMED the breakout at the same time the Wyckoff Sign of Strength formed).

Using classic, old-school technical analysis, we would say that odds were overwhelming for a downward move because market internals and volume are NOT confirming the current rally into massive resistance... but BECAUSE so many traders are likely to be shorting and declaring 1,110 as the 'line in the sand,' any bullish move - particularly on a gap - above that would almost certainly trigger a massive rush of "Popped Stops" that drove price higher.



See the broader commentary on the daily chart.

\$111.00 is THE short-term line in the sand for both swing and intraday traders. One shouldn't trade short above \$111.00, as we could see a rapid price breakout to the upside if the Jobs Report tomorrow is better than expected. If not, we'll see it hold as confluence resistance.

Price bounced today off the rising 20 EMA on the 30min chart - so that would have prevented over-bearishness if you were watching that timeframe. Though the 5-min chart looked terrible at that time, the 30min - and 60min - formed doji reversal candles off respective moving averages - a higher timeframe buy signal for those who watch these frames (as we all should!).



It's amazing how many confluences align at \$111.00. Here, we see the 50% Fibonacci retracement as drawn from the May 13 highs to the May 25 lows - it's at \$111.07.

No point in trying to guess which direction price will break - WHEN it breaks either + through resistance, or gaps down tomorrow - trade the reaction move accordingly with respect to whatever happens.

Here are the Jobs Report estimates from <http://www.bloomberg.com/markets/ecalendar/index.html>

Released on 6/4/2010 8:30:00 AM For May, 2010

	Prior	Consensus	Consensus Range
Nonfarm Payrolls - M/M change	290,000	540,000	225,000 to 635,000
Unemployment Rate - Level	9.9 %	9.8 %	9.7 % to 9.8 %
Average Hourly Earnings - M/M change	0.0 %	0.1 %	0.0 % to 0.2 %
Av Workweek - All Employees	34.1 hrs	34.1 hrs	34.1 hrs to 34.2 hrs





Isn't it neat how the market will often arrive at a major "technical decision node" the day before a major report? That's exactly where we are right now - poised just under the triple confluence at the 1,110 level which is the clear dividing line between a rally at least back to 1,150 (if above), or a hold at resistance which continues to make the lower target a retest of 1,040.

There's no point in trying to predict how the market will interpret the Jobs Number - released tomorrow at 8:30 EST - so just know the parameters and boundaries: Bullish for Popped Stops above 1,110... or bearish if still under 1,100. That's the level that will define the next swing I am convinced.

As a result of the Jobs Number - if it is much better than expected or much worse - we could see a trend day, especially to the upside on a clean break above 1,100.