



Daily "Idealized Trades" Report

S&P 500 ETF: SPY





I created a new indicator which simply plots what the TICK is doing - in terms of intraday extreme highs and lows - over the SPY (or @ES) data. That's what the new dots mean on the price chart, and it's very helpful in finding Wyckoff Signs of Strength/Weakness and TICK divergences.

1. TRENDLINE BREAK, 20 EMA BREAK, BULLISH ENGULFING

Keep in mind, we don't know the day structure will turn negative when we first start trading the open. As such, we had a gap up, slight pullback, then a break to the upside of the trendline which also formed a bullish engulfing candle through the 20 EMA - a buy signal as we got back above \$107.00 with a stop under the low of \$106.60. The initial - safe - target was the 50 EMA at the \$107.40 level, and that target was hit without incident five bars later as a doji candle formed at both the 50 EMA and Upper Bollinger - a sell and then potential 'flip/reverse' signal.

2. DOJI, BEARISH ENGULFING, UPPER BOLLINGER, 50 EMA, MOMENTUM DIVERGENCE

This was a relatively simple trade to execute, as price arced back up into the 50 EMA at resistance, formed a doji, then a bearish engulfing candle at the \$107.60 level which converged with the upper Bollinger Band. Entry was as soon as price took out the doji low at the \$107.35 level and a stop placed at the high of \$107.60, and a minimum target of a retest of the prior low of \$106.60 which also was quickly achieved. Price gave plenty of warning of potential reversal/retracement, so you could have exited either at the target, or tried to hold on for lower prices yet to come, but the clean exit was as price broke the trendline and spinning top at 10:30am. This set up a potential scalp reversal long trade in a range day style bias.

3. SPINNING TOP, POSITIVE DUAL DIVERGENCE (LOOK CLOSELY), TRENDLINE BREAK

You should have seen the positive momentum and TICK divergence at the new intraday lows, particularly if you were watching a 1-min chart in conjunction with your 5-min. Price broke the spinning top high at the \$106.45 level, triggering your trade as price also broke a rising trendline. The stop was under the \$106.25 low and target either the 50 EMA or upper Bollinger Band - both of which were hit at the \$107.25 level as a doji/bearish engulfing candle formed.

You certainly could have chosen to short here, and that would not necessarily be a bad idea, but look closely at the TICK. We formed a Wyckoff Sign of Strength TWO times on the rally up to the \$107.20 level. A Wyckoff Signal - new TICK high when price is not making a new high - is a 'sign of strength' that forecasts at least one higher high in price yet to come, or a full trend reversal up. Generally, the play is to buy into support after a Wyckoff Sign of Strength, so that would have likely prevented you from getting short - or at least aggressively short - at the doji high and might have encouraged you to buy the pullback to the 20 EMA as doji candles formed.

Either way, price did make its higher high, but it did so on a VERY weak momentum and TICK divergence, and as price broke the moving averages and 'triangle' trendlines, this gave a much better short-sale trade.

4. TRENDLINE BREAK, TRIANGLE BREAK, DUAL DIVERGENCES, FINGER Trade

If you look closely and were perhaps trading this in real time, you noticed also that price formed a false breakout or "Finger" trade as price initially broke the upper trendline, doing so on a blatantly obvious negative TICK and Momentum Divergence (which lowers the odds of a successful breakout) and then coming back down to break out of the lower Trendline.

This gave you a better "pattern failure" entry at the \$106.90 level, and allowed for you to play for a larger target in a range breakout style move. Price fell sharply to \$106.20 and formed a steep pullback, taking out the high of two spinning tops at 2:00pm, triggering an exit.

5. BEAR FLAG, IMPULSE SELL

However, the new TICK low and swift pullback to the falling 20 EMA gave you a NEW short sale entry with a tight stop above either the 20 EMA or the 50 EMA - 20 cents apart depending on your risk tolerance. Price formed a bearish engulfing candle and then the low of the engulfing candle was taken out at \$106.40 for a safer entry. This trade was best exited either at the close, or on the reversal candles as seen in the idealized grid chart below.



Using the idealized trades, roughly \$2.60 (25 @ES points) were possible in today's trading session using a moderate aggression level.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
(4,313,768.48)	19,921,845	9:45	24,235,613	0.72
(2,937,904.16)	13,818,349	10:00	16,756,253	0.72
(6,453,222.68)	10,141,354	10:15	16,594,577	0.64
(6,619,565.44)	7,412,634	10:30	14,032,199	0.63
(2,681,897.04)	10,320,756	10:45	13,002,653	0.55
806,525.64	11,835,749	11:00	11,029,223	0.53
(2,511,315.16)	8,272,309	11:15	10,783,624	0.61
(3,405,145.32)	7,715,301	11:30	11,120,446	0.56
(2,033,585.96)	6,756,839	11:45	8,790,425	0.45
(2,781,344.52)	5,899,999	12:00	8,681,344	0.44
(1,105,075.40)	7,597,343	12:15	8,702,418	0.57
(3,538,271.56)	4,015,234	12:30	7,553,506	0.47
(2,393,723.84)	4,526,007	12:45	6,919,731	0.39
(3,958,843.00)	3,055,328	1:00	7,014,171	0.43
(4,474,566.64)	3,075,306	1:15	7,549,873	0.48
(4,092,032.00)	3,513,367	1:30	7,605,399	0.49
(2,781,228.32)	4,403,609	1:45	7,184,837	0.42
(1,911,884.16)	5,207,482	2:00	7,119,366	0.38
(4,454,343.92)	4,060,239	2:15	8,514,583	0.54
(4,044,236.92)	5,087,256	2:30	9,131,493	0.47
(4,584,120.68)	6,594,823	2:45	11,178,944	0.67
(3,831,916.68)	7,778,199	3:00	11,610,116	0.81
(1,095,377.00)	11,017,070	3:15	12,112,447	0.59
2,944,487.28	15,936,061	3:30	12,991,574	0.63
399,542.56	15,538,531	3:45	15,138,988	0.60
(3,609,803.72)	23,674,298	4:00	27,284,102	0.81
(2,902,408.35)	8,737,511.08	Ave.	11,639,919.43	0.56

There was a slight error in calculating today's 25 day average, so the 25-day average reflects Friday's information instead of today's.

Throughout the morning session of consolidation, volume ran less than average for all but one 15-min period in the SPY, and as the sell-off into the close finished, volume rose slightly higher than the average.

Still, total volume was down almost 3 million shares from average, so though today's sell-off was harsh, it was not on higher volume, so keep that in mind before rushing out short.



Not much to say other than here we are, 50 cents above our target we've held for the last few weeks. The play has been the following: "IF under \$111.00, THEN target \$105.00 or \$104.50" and here we are.

We've formed a Rounded Reversal/Mirror Image Pattern.

Keep your analysis simple and with this overarching "IF/THEN" statement:

"IF price is under \$104.50 THEN we target \$100.00 and then IF under \$100, then we target \$85."

It's still possible - theoretically - that we support off this level, but if we're under \$104.50, then the market has fallen off a literal cliff.



The "ABC" three-wave Elliott phase now appears complete, and if we get a break and close under \$105, we will know it is, which will confirm that we're in a 5th fractal wave down (see daily).

If we do not bounce off the prior price support low of \$104.50 (1,040 in the index), then we turn the corner officially into a new downtrend, having fulfilled all classic requirements... let's see the daily chart to see why that's so.



Here's the updated Elliott Wave fractal count. Keep in mind that this fractal 5-wave structure - if confirmed with a close under 1,040 - would be part of a complete minor Wave 1 down of Primary Wave 5 down. But as day or swing traders, let's not get too far ahead of ourselves. I'll draw an Elliott Count showing this if we get a clean break under 1,040 then 1,000.

So far, the 20/50 EMA has 'death crossed' in mid-May, and price has closed repeatedly under the 200 day simple moving average. Some would call this a downtrend because of that... however, if using the "Pure Price" method of lower high, lower low, take out the lower low, we would need to see a close under the February and May swing lows at 1,040 to confirm officially a new downtrend.

If that's the case, then the bias overwhelmingly becomes to seek lower targets, including 1,000 (easily), 850 (likely), and perhaps - over months if the economy deteriorates - back to 650. But again, do not get ahead of yourself. Take it day by day and swing by swing. A close under 1,040, and as long as price remains under that level, means the trend turns down