



## Daily "Idealized Trades" Report

### S&P 500 ETF: SPY





Today was a very limited potential (profit) day, as the market remained between the S/R boundaries of \$108.90 and \$108.20. In hindsight, of course it was best to play "ping-pong" between those boundaries, but in real time, the swings were narrow and potential moves relatively small (especially when compared to the last few days). Such is the nature of the market - it's a testament to the "Range Alternation" Principle - in that price alternates between periods of Range Expansion (Wednesday) and Range Contraction (the 5 days before Wednesday and the last two days). Of course - as you might suspect - markets spend more time "rangebound" than "trend-bound" - which just means we have to make the most - as traders - of range expansion plays.

First - let me say that you certainly could have traded during the morning sessions but I don't list any specific trades there. That's because a nice, easy, classic trade didn't trigger - with the exception of the doji/spinning top candle at 9:30 I highlighted. You certainly could have shorted there, but we weren't certain at that point that we would have a range day - we usually have the official bias by 11:00am or by lunch as to what day exactly to expect and what tactics to play. Remember, on Range Days, we look to play bounces from Bollinger to Bollinger, particularly as divergences and reversal candles form. Moving averages are 100% worthless on Range Days so you might even find it worth-while to delete them from your charts, as they will only confuse you as price slices up and down through them. So while you could have traded the morning, I list the first 'educational' or 'ideal' trade as being #1:

### **1. DUAL DIVERGENCE, 5-WAVE FRACTAL, LOWER BOLLINGER, BULLISH ENGULFING**

This was actually a good set-up, as price formed a crystal clear dual positive divergence at the \$108.20 level, formed a powerful bullish engulfing candle (which you could have gotten long at the \$108.40 level - placing a stop under \$108.20) and then broke both a rising trendline and 20p EMA at \$108.45, which is where I list the official entry. There were two exits to this 'mean reversion' or "Bollinger Divergence" trade - the first being the official touch of the upper Bollinger Band at \$108.60 (see - not much profit available) or the divergence at the upper Bollinger later at \$108.80... with the second opportunity setting up a reversal trade for you. Also - look closely to see the 5-wave fractal move down - I'm not calling it specifically an "Elliott Fractal" because the 4th wave overlaps Wave 1 and that's not supposed to happen, and Wave 3... well actually the three waves down are roughly equal in length - Wave 3 can't be the shortest. It's not a perfect fractal, but perhaps it's more of a "Three Push" price pattern - that forecasts a price reversal on the final push.

### **2. SHOOTING STAR, TRENDLINE BREAK, DUAL DIVERGENCE, 5-WAVE FRACTAL**

This was your typical, easier to see 5-wave fractal (labeled) that ended on a dual divergence and shooting star at the upper Bollinger Band - which broke a trendline later at the \$108.70 level - though you could have shorted at the break under the shooting star low at \$108.80. The stop goes above \$108.90 or even \$109 and then you play for the lower Bollinger, and price gave a good exit with the two doji candles at \$108.50... which resulted in a bounce but the selling was not finished - the market closed on the lows of the session.



Unless you were more active than I show, only 55 cents were possible in today's range day session - though if you traded during the morning move, more potential profit was available... but difficult.

SO FAR TODAY		CST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(3,413,871.60)	11,248,692	8:45	14,662,563.60	0.34
2,864,805.90	12,526,877	9:00	9,662,071.10	0.34
(2,317,368.20)	7,804,765	9:15	10,122,133.20	0.33
945,375.70	8,264,551	9:30	7,319,175.30	0.29
(1,099,711.40)	5,109,553	9:45	6,209,264.40	0.28
(653,579.00)	5,902,280	10:00	6,555,859.00	0.21
(2,677,046.20)	3,430,172	10:15	6,107,218.20	0.23
(880,399.50)	3,804,232	10:30	4,684,631.50	0.16
437,534.10	5,640,916	10:45	5,203,381.90	0.17
(105,257.90)	3,186,103	11:00	3,291,360.90	0.18
344,354.70	3,510,138	11:15	3,165,783.30	0.19
(406,297.20)	2,351,725	11:30	2,758,022.20	0.17
(808,823.00)	1,924,587	11:45	2,733,410.00	0.18
(173,851.80)	2,397,922	12:00	2,571,773.80	0.17
(234,007.40)	2,745,841	12:15	2,979,848.40	0.18
155,445.50	2,999,154	12:30	2,843,708.50	0.17
109,734.30	3,113,718	12:45	3,003,983.70	0.21
(545,930.50)	2,129,294	1:00	2,675,224.50	0.22
(280,022.50)	2,976,187	1:15	3,256,209.50	0.27
(3,352,591.50)	2,374,443	1:30	5,727,034.50	0.24
(3,191,369.90)	2,780,858	1:45	5,972,227.90	0.26
(1,903,233.10)	3,707,689	2:00	5,610,922.10	0.25
(2,537,600.82)	3,216,548	2:15	5,754,148.82	0.32
(2,969,528.91)	3,200,980	2:30	6,170,508.91	0.27
(3,034,315.55)	5,771,288	2:45	8,805,603.55	
(355,594.45)	15,459,481	3:00	15,815,075.45	
<b>(1,003,198.09)</b>	<b>4,906,845.92</b>	<b>Ave.</b>	<b>5,910,044.01</b>	<b>0.24</b>



Market internals actually are BULLISH right now - as we close the session Friday. Price has stagnated sideways the last two days on steadily RISING market internals - in terms of Breadth and VOLD. Thus, should the market break back above 1,090 and find support here at 1,080, look to trade long as there would be open air above 1,090. However, as always, any downside breakout under 1,080 - despite the positive divergences - should be shorted aggressively.



It's possible that the retracement up of the last two days has been some sort of Wave 4 pullback into resistance, and if so, we can expect the market to crack lower under \$108 perhaps down to \$106 as the 5th wave completes. Look for that to be the dominant expectation on a break under \$108. However, we're seeing strength in internals AND in momentum (see both 30 and 60min charts). That's usually a bullish caution sign, so be equally prepared to trade long on a break above the 20 EMA on the 30min chart above, which currently rests at \$108.70. The 20 EMA on the 60min chart rests at \$109, so a move back above \$109 would be likely tradeable long from the intraday charts.



Look at the momentum oscillator turning bullish right here - though the chart (price) would suggest lower prices ahead due to the 'turn-down' or rounded structure, the momentum oscillator is saying be somewhat cautious with your shorts... at least until we see another break back under \$108 and especially under \$107.50. If under \$107.50, odds become very strong to retest \$106 at a minimum. Notice how volume is DECLINING as the market 'rises' or consolidates sideways. That's usually a sign of continuation that labels this up-move solidly as a 'correction' against the higher timeframe trend - down.



I thought I'd start off with a few chart facts you can use as a reference: There is massive overhead resistance at 1,130, and as such, there are many stop-losses above that level. The daily chart officially is in a downtrend, and has been so ever since taking out the 1,040 level in June. This rally has done nothing to change that. Volume is FALLING during rallies and RISING during sell-offs and that confirms the "bear market" trend bias. As such, the 'pathway of least resistance' is to the downside. Downside targets to play for include 1,060 - and if sellers break under 1,060, then the next logical target is 1,010, and if sellers can break under 1,010, we could see a panic-sell move market breakdown back to the 900 or 800 level. This appears to be the most favored outcome, though the market has officially remained in a sideways trading range short-term since June - between 1,130 and 1,040. A breakout - up or down - should lead to continuation... to 1,150 or 1,200 on the upside (less likely) and 800/900 on the downside. It is also possible that the market has begun a 3rd wave down, starting this week, and if that's true, then we could expect a powerful sell-off very soon. This viewpoint would be invalidated with a break back above 1,130.

