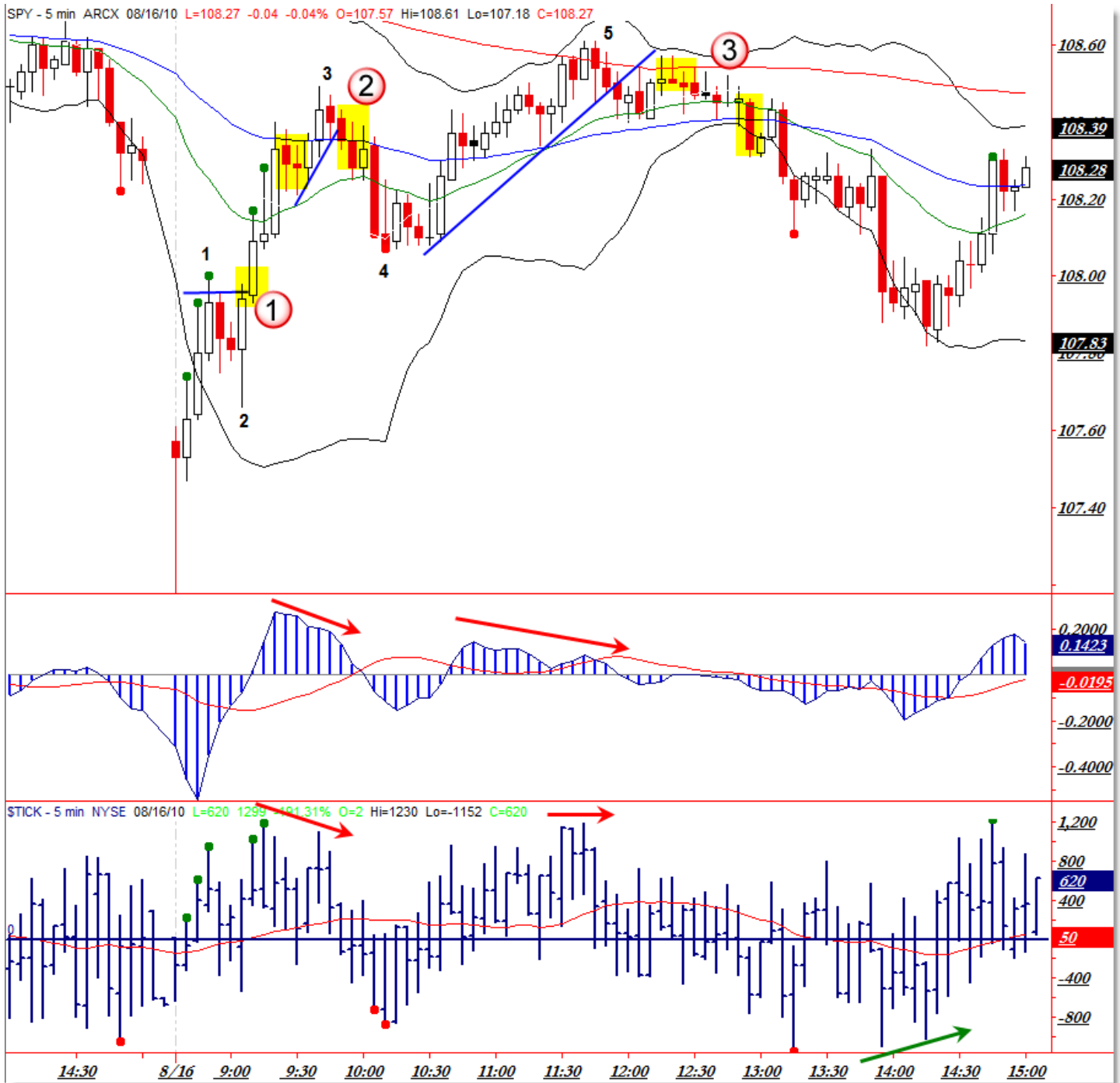




## Daily "Idealized Trades" Report

### S&P 500 ETF: SPY





Today is illustrative why it is so important to keep pace and review the trading session and how these reports are very helpful in doing that. Why? Today was almost an exact replica of August 12th - look closely. History does repeat and these patterns and concepts I teach you do repeat and help you make informed, low-risk, high-probability trading decisions. But it's not easy as in "When the stochastic is overbought, you sell." No-no. That's not how trading works. It's a performance discipline where you must learn basic concepts, strategies, set-ups, etc and then trade them in real time as they develop, managing not just the position at hand (monitoring for disconfirming data) but also managing your emotions from the trade entry to exit. Let's look at the lessons from today's session:

### 1. GAP FADE, FLAG, BULLISH ENGULFING

While it seemed like the logical play was to short the market, price pulled back two candles (or a clear 'abc' in the 1-min chart) and then broke strongly above the spinning top with a clear bullish engulfing candle, and the breakout above \$108 - the high of the candles - signaled your long entry with a stop under \$107.80 or \$107.60. The initial target was a full gap fade back to \$108.25 or a test of the 50 EMA about that same level at \$108.30 - both of which occurred. The doji candle that formed under the 50 EMA was your 'take profits' signal... but NOT flip/reverse as price did NOT take out the low of the doji candle, nor break back under the 20 EMA. However, trade #2 short was not far away when divergences formed along with a 5-wave fractal.

### 2. DUAL DIVERGENCES, 5-WAVE FRACTAL, SPINNING TOP, EMA BREAKDOWN

In real time, you should have counted out a 5-wave fractal move into the \$108.40 high, along with a dual divergence pattern in the oscillator and TICK. That should have triggered you short on the break-back under the 50 EMA or 20 EMA at the \$108.30 or \$108.20 price respectively, with a stop above the swing high at \$108.40.

However, price did not fall down as expected, but was held up in a 'busted pattern' where trade management was key - stopping out early on a swing back above the 20 or 50 EMA at \$108.20 or \$108.30 - so this trade probably wound up being a scratch or a small loss - alas, we play probabilities, never certainties in our intraday trades.

Aggressive traders could certainly have played "Popped Stops" on a break-back above the 50 EMA and on to new highs at \$108.40... but in the absence of a New TICK High or a Wyckoff Sign of Strength - both of which SHOULD have happened - getting long here was risky and should have been exited at the earliest sign of weakness, which eventually triggered trade #3.

### 3. DUAL LENGTHY NEGATIVE DIVERGENCES, 5-WAVE FRACTAL, EMA/TRENDLINE BREAKDOWN, UPPER SHADOWS

There actually was plenty of evidence to short here, and this time we had another 5-wave fractal complete on negative dual divergences - only this time we had lengthy, multi-swing negative divergences (see 5-min chart). That should have clued you in to play for a possible reversal instead of just a small downside target, and the best entry was the sharp, big candle breakdown under support at \$108.40 at 12:30 CST, placing your stop above the \$108.50 level (or even \$108.60 to be safe) and holding short as long as possible. The best exit came as price formed dual divergences and broke a trendline at \$108.00 30-minutes into the close... which was only a trade long ("Popped Stops") for those aggressive enough to play the unexpected (some would say orchestrated) breakout to the upside.

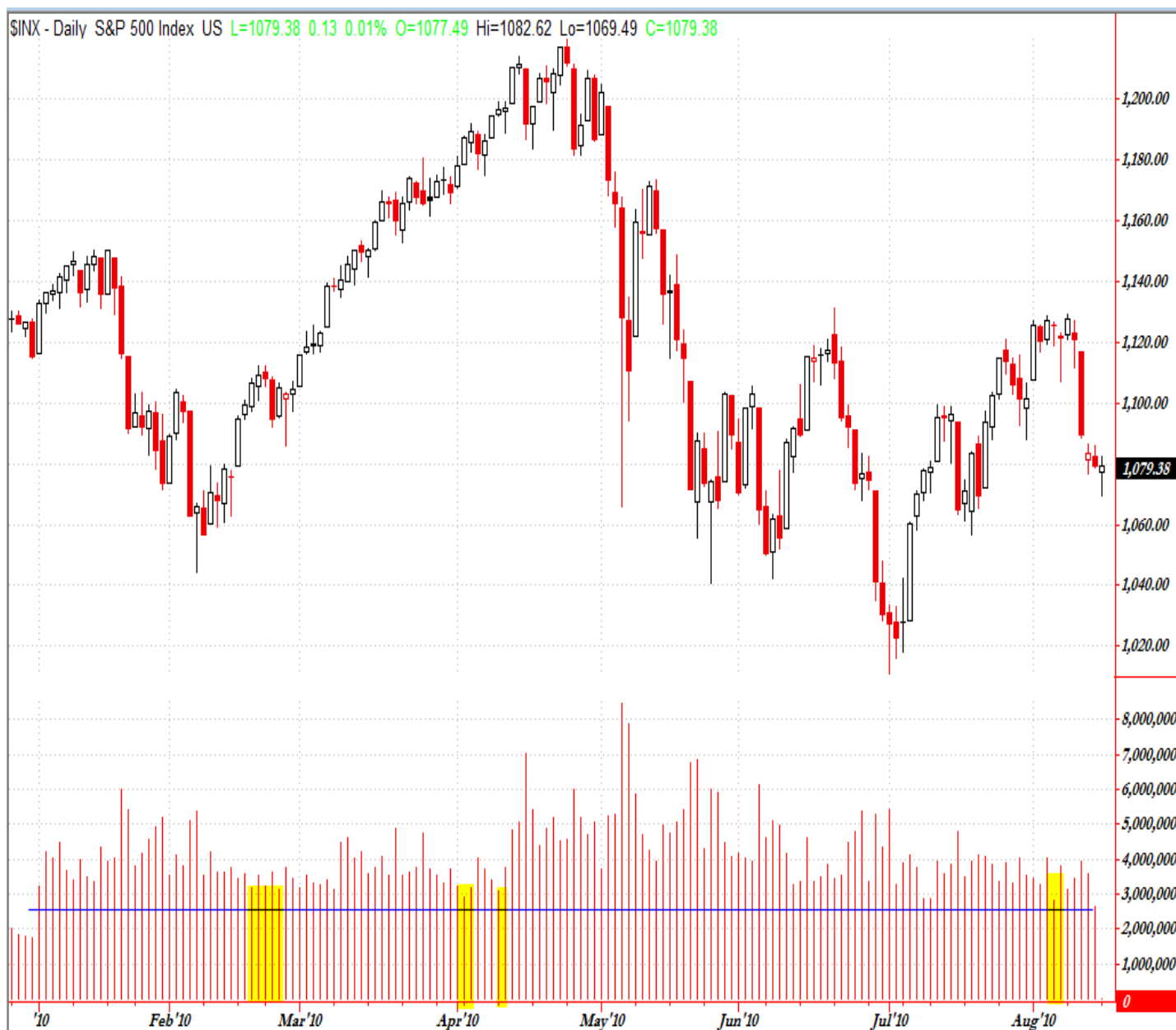


Taking the three trades above, roughly 85 to 90 cents were possible in today's trading session - with a moderate aggression level.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	CST	15-min VOLUME	RANGE
1,601,936.70	16,475,997	8:45	14,874,060.30	0.34
(1,689,196.90)	8,231,283	9:00	9,920,479.90	0.34
760,211.10	10,085,059	9:15	9,324,847.90	0.33
(618,210.30)	6,715,079	9:30	7,333,289.30	0.29
(1,064,295.10)	5,106,705	9:45	6,171,000.10	0.28
(3,075,237.80)	3,391,409	10:00	6,466,646.80	0.20
(1,927,085.40)	4,181,842	10:15	6,108,927.40	0.24
(1,392,772.10)	3,196,168	10:30	4,588,940.10	0.16
(815,709.00)	4,216,675	10:45	5,032,384.00	0.17
106,429.20	3,453,528	11:00	3,347,098.80	0.19
(503,322.90)	2,633,825	11:15	3,137,147.90	0.19
283,919.50	3,115,705	11:30	2,831,785.50	0.16
(13,329.10)	2,729,362	11:45	2,742,691.10	0.18
(34,062.10)	2,509,918	12:00	2,543,980.10	0.17
(662,711.00)	2,324,906	12:15	2,987,617.00	0.17
(1,180,258.60)	1,688,694	12:30	2,868,952.60	0.18
(1,521,295.60)	1,335,916	12:45	2,857,211.60	0.22
(462,520.10)	2,270,935	1:00	2,733,455.10	0.22
792,200.30	4,222,331	1:15	3,430,130.70	0.27
(3,505,534.90)	2,049,587	1:30	5,555,121.90	0.27
(2,655,942.40)	3,115,659	1:45	5,771,601.40	0.26
1,883,302.40	7,735,204	2:00	5,851,901.60	0.28
(1,497,009.18)	4,182,882	2:15	5,679,891.18	0.33
459,076.00	6,855,946	2:30	6,396,870.00	0.27
(2,147,404.45)	6,561,654	2:45	8,709,058.45	
(4,414,191.36)	11,196,017	3:00	15,610,208.36	
<b>(895,885.12)</b>	<b>4,983,934.08</b>	<b>Ave.</b>	<b>5,879,819.20</b>	<b>0.24</b>

Relatively mixed signals from the 10-day Volume comparison. Note that price was jammed up into the close on low relative volume (in the SPY) so that's a non-confirm of the end-of-day rally, but in general the overall volume today was about 900,000 shares less than the 10-day average and we closed today where we closed yesterday - so it was a stalemate. Bears 'ruled' the overnight session only to be thwarted by buyers in the morning and the 'hold the market up' into the close rally.

No major help today from the relative volume analysis.



According both to TradeStation and StockCharts.com (there are variations in official volume reported across different platforms), today was the lowest S&P 500 volume day of the year. Is that a really big deal? Maybe or maybe not. Today was an up-day on the lowest volume of the year, so that hints at a bearish non-confirmation, but it's probably a good idea to take this in context - if you look closely, volume RISES during up-swings in the market and FALLS during down-swings in the market. That's bearish and a sign of a higher timeframe downtrend - and that bias continues to this day.

Just recall - it's actually counter-intuitive, but low volume days can result in very volatile days due to lack of liquidity and participation... which means funds can 'game' the market and bust it higher - or lower - on low volume as a herd effect - I call it "Positive Feedback" develops.

In other words, while the chart would clearly state that odds are overwhelming for further price declines, just realize that if buyers conspire to jam the market higher on low volume, it WILL result in a sudden up-side move. Be open for that possibility as we continue to expect lower prices over time... or for a massive upside break should the index be driven above 1,130 anytime soon.



It's sort of a toss-up in terms of what exactly to expect next - I know that's not what you want to hear but it is. There are competing chart forces, starting with the higher timeframe downside bias and crystal clear down-trend that has developed and taken hold on the lower timeframe charts. From a price standpoint, we would expect lower lows ahead. But not so fast - price moves in a wave-like motion to its ultimate destination, and while that destination may indeed be much lower, price will undergo periods of rally, and the lengthy, multi-swing positive momentum divergence and potential "rounded reversal" pattern forming currently seem to argue that we could be due for some sort of bounce-back to the \$109.50 or \$110 level. However, the 20 period EMA right now is holding powerfully as resistance - look closely at the 30-min chart above. UNLESS price breaks \$108.50 - or specifically the falling 20 EMA - then expect lower prices. However, be prepared to take profits and trade long intraday on a breakout above the 20 EMA then above the 50 EMA on the 30min frame - which forms a resistance cluster at \$109.

PS - today's structure was an almost identical repeat of that from August 12th. Sometimes history repeats exactly.



Continuing the conversation - we see the same negative volume divergence that runs afoul of the positive momentum divergence - which do we believe!? With conflicting major technical signals/structures, you'll often find the best course to be conservative or "wait and see" (meaning wait for actual price breaks rather than trying to anticipate them) attitude as opposed to a gunslinger "Well, the market's falling so I'm going to short aggressively" attitude. We should hopefully know soon - on a breakout above \$109 (which would target \$110 at least) or back under \$107 then under \$106 which should aggressively be shorted.

Remember, price alternates between range expansion and contraction, and this is clearly a price contractionary phase after the recent sharp - expected - range expansion downside.



Carrying the thought forward - today was the lowest volume day of the year (that first bar is actually from the end of December). The big picture still shows volume DECLINING during rallies and FALLING during up-swings which is a confirmation of the official downtrend in progress. The only thing that would change that official bias is a reversal in that pattern or a price breakout above 1,140. Barring either of those, large-scale odds still favor lower prices yet to come, but again that doesn't mean we're going to go straight down. Look for potential support here at the 1,060/1,070 level, and any move under 1,060 should be shorted aggressively to target 1,010. Barring that, we do remain in a slight downward-biased trading range here, with major confluence resistance - EMA cross-over and round-number - at 1,100.