



## Daily "Idealized Trades" Report

### S&P 500 ETF: SPY





It's good when the market does what it's supposed to do. Odds strongly favored a swift downside resolution as price rallied up into confluence resistance at 1,100, formed negative volume, breadth, and momentum divergences, and reversal candles on the daily chart. Markets are not like science, where the same cause results in the same effect every time (kicking a ball propels it forward... unless some other object is in the way). So we can't have as much confidence in market evidence as physical/scientific evidence, but when the market behaves exactly as it signals it will (in terms of falling after forming negative divergences into overhead confluence resistance), we can make a lot of money if we trade properly intraday. Of course, had the market broken to the upside above 1,100, it would have done what it was NOT supposed to do, which would have called for the alternate tactic of playing Popped Stops. That's how you adapt to the markets - instead of getting upset when the market does something that few people expect it to.

Today started out as a powerful Type III Trend day but devolved into a Rounded Reversal... which itself technically failed (price didn't lead to a massive popped stops play and then fell back under the 20/50 EMA levels into the close). If you didn't get the chance to read last night's report - please take the time to do so - especially in regard to the "surgical injection of capital" discussion.

## 1. BREAKDOWN SELL

I'd mentioned clearly in last night's report that any breakdown of the rising trendline and violation of \$109 to the downside should be shorted aggressively - and we got the swift downside move we expected. There's really not a 'set-up' (like a bull flag, Cradle, etc) to trigger you in - either you understand the higher timeframe bias and levels and jump in short with conviction, or you don't. There's no harm in passing on a trade if you feel you are chasing, but you will be missing out on profits many (who get experience with trades like this) consider to be easy.

The goal is to stay short as long as possible to play for higher timeframe downside targets, and that meant holding short through the snap-back three-bar retracement at 9:00am... or if you exited there, you should have resorted on the break-back down under the \$108.40 level.

I have this trade exiting off the positive dual divergences and reversal candles at the 10:00am CST time, as the price - particularly on the 1-min frame - looked to be forming a rounded reversal (short-term) pattern that gave a good indication it was best to go ahead and lock in profits. Ultimately, that didn't happen, and when price "should" have rallied at least to the 20 EMA, the break-back down under support at \$108 triggered the second trade.

## 2. BREAKDOWN SELL

Odds were good that price would find support at \$108 and bounce at least back to the 20 EMA off of the positive divergences and reversal candles. However, that didn't happen and price sliced sharply through support, triggering your second 'busted' trade on the break back under \$108. The stop would be above the \$108.20 level and target would be another "hold short for as long as possible" situation, though there was obvious/logical 30/60min price support at the \$107.50 level - and that's where the market stopped - as did your trade with the bullish engulfing candle off a small positive divergence.

You could have gotten long here, but only for advanced traders willing to 'scalp' a retracement only. You usually don't do well to bet on a trend reversal on a trend day - but rather to sit aside and play for a reversal only on a break above the 50 EMA, as we'll see in Trade 4.

### 3. ROUNDED REVERSAL, 20 EMA, REVERSAL CANDLES, DUAL DIVERGENCES

This was a clear set-up, as price formed a rounded reversal "ABC" style correction that took price in the netherworld between the 20 EMA and upper Bollinger Band at the \$108.00 resistance level. The clean negative divergences should have clued you in that this was a good opportunity to short, with a stop above the \$108.10 level to play for a retest of the lows.

Price didn't actually test the lows, but did form two nice bullish candles (hammers) at 1:00pm CST and then broke out to test the 50 EMA with two Wyckoff Signs of Strength ... which should have clued you in to get long - or prepare to do so - on a price breakout and official confirmation above the 50 EMA.

### 4. WYCKOFF, ROUNDED REVERSAL PLAY, 50 EMA BREAK

I always say "Rounded Reversals are the Enemies of Trend Days" and that's very true - on a trend day, the market can either continue trending, or reverse, and I know that's obvious, but there are little clues it gives as to which it is likely to do. Case in point, a rounded reversal structure, positive dual divergences, and a Wyckoff Sign of Strength suggest a REVERSAL. The absence of these factors indicate trend day continuity.

Still, the line in the sand is the 50p EMA on the 5-min chart, so you were to trigger long - or exit any position day-trade plays on the break above the 50 EMA at \$108 at 2:15. Unfortunately, the downtrend was perhaps stronger than expected and this Popped Stops/Reversal play itself got busted. Remember - there's no certainties - so we have to trade what happens in real time with the odds/probabilities as we see them. This trade ended when price broke back under the 50 EMA, stopping you out for a scratch or small loss (and reminder of how frustrating it can be to trade into the close).



Using the idealized grid above, roughly \$1.40 was possible on today's session.

SO FAR TODAY		CST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(3,324,418.70)	12,111,133	8:45	15,435,551.70	0.39
2,558,290.20	13,322,970	9:00	10,764,679.80	0.39
12,848,224.60	22,702,766	9:15	9,854,541.40	0.34
3,510,745.40	10,915,185	9:30	7,404,439.60	0.31
3,574,973.90	10,194,260	9:45	6,619,286.10	0.35
(1,633,679.90)	5,067,090	10:00	6,700,769.90	0.22
862,783.80	8,247,546	10:15	7,384,762.20	0.26
(1,604,244.30)	3,666,291	10:30	5,270,535.30	0.17
2,435,318.50	7,918,383	10:45	5,483,064.50	0.16
7,599,300.00	12,057,607	11:00	4,458,307.00	0.18
3,465,219.60	7,216,911	11:15	3,751,691.40	0.17
4,530,919.50	7,853,766	11:30	3,322,846.50	0.18
631,460.90	3,249,758	11:45	2,618,297.10	0.18
(343,634.60)	2,609,228	12:00	2,952,862.60	0.17
(414,481.00)	2,913,479	12:15	3,327,960.00	0.17
(761,661.70)	2,457,930	12:30	3,219,591.70	0.18
450,838.90	3,660,769	12:45	3,209,930.10	0.24
(263,043.30)	2,754,304	1:00	3,017,347.30	0.23
456,259.40	4,282,727	1:15	3,826,467.60	0.28
(2,093,725.70)	3,552,785	1:30	5,646,510.70	0.29
864,111.09	6,769,666	1:45	5,905,554.91	0.30
(652,395.27)	5,133,710	2:00	5,786,105.27	0.28
166,954.82	6,459,071	2:15	6,292,116.18	0.37
4,763,405.36	12,009,144	2:30	7,245,738.64	0.28
(1,704,573.55)	8,114,027	2:45	9,818,600.55	
47,826.91	16,842,922	3:00	16,795,095.09	
<b>1,383,491.34</b>	<b>7,772,439.54</b>	<b>Ave.</b>	<b>6,388,948.20</b>	<b>0.25</b>

Today's relative volume analysis shows a strong CONFIRMATION of the down-move and thus arises the expectation that lower prices are yet to come - according to Dow Theory logic (that volume goes with price).



A short "IF/THEN" statement would be "IF we break under \$107.50, THEN go/stay short" and the alternate would be "IF we get a bounce off the price support at \$107.50, THEN play long intraday to target a swift upside move that might go as high as \$109."

What happens here is important - odds are that we will slice through support at \$107.50, but do keep in mind that tomorrow (Friday) is an Options Expiration day where "strange" things can happen and the "arbs" are generally more likely to affect the market as big funds balance out their positions ahead of the weekend. So, be ready to trade an upside bounce off \$107.50 if that's what happens, but more likely, expect a downside swing - that could create panic - if sellers push the market to new lows under \$107.50 and then \$107. We can see the next level of support on the 60-min chart.

Also, I'm showing the spikes in volume as price has fallen - which is evidence to suggest FURTHER lower prices ahead.



The structure is the same - as was very expected - sellers stepped in at the overhead resistance (double top) and we broke down through the rising trendline I showed (actually with the opening gap) and then plunged lower right on cue.

We arrived at the short-term downside target, so that is complete. Now, we need to see if the market can support short-term here at \$107.50, but if this is a short-term Wave 3 down (as appears to be the case), then \$107.50 will not hold and neither will \$106. If that's true, then we're on a course back to \$101.

Still, we're short-term traders, so look to play for a quick move back to the \$106 level on any break of \$107.50/\$107.00.



While technically we remain in an official trading range between 1,130 and 1,060 - odds favor a breakdown through 1,060 and retest of 1,010. That's the 'higher timeframe' expectation/bias for now that goes beyond the intraday charts.

We're seeing volume confirm the downtrend and suggest lower prices are likely - though buyers do have a chance to boost the market here at the 1,070/1,060 support levels. A failure to boost the market here and break under 1,060 overwhelmingly shifts the odds to favor a retest of 1,010.

Notice how price failed to break through the upper confluence resistance at 1,100 - that's a great lesson for new traders learning these concepts.

As of now - and remember that Friday is an OpEx day - 1,100 holds as confluence strong resistance, 1,070/1,060 holds as short-term support, and a break under 1,060 sends the market likely lower to 1,010 (at least). For a bit of trivia, if indeed the Elliott Wave count ended Wave 2 at the August highs, then we are currently in Wave iii of larger W3 down.