



Daily "Idealized Trades" Report

S&P 500 ETF: SPY





Ugh - today was a rough trading session of choppy action and false signals/busted trades. That's what we expect on range days - inefficiencies - which just means we need to take as much advantage as possible when the less common trend days occur. Still, there were lessons to learn to be better on future days if today's trading activity was not so great. Let's learn some of those lessons now:

1. BREAKDOWN, RESISTANCE, 'FAILURE' TO BOUNCE

The morning rally didn't give a good signal to enter unless you were biased long from the higher timeframes, which was the logical expectation as I indicated in the prior report from the positive divergences in momentum and breadth. So you could have traded long right off the open but there's still not a clean entry into that - we usually look to go with pullbacks. Then the market began trading sharply lower and fell non-stop - again not really giving a clean entry - until price cut through the 20 and 200 period moving average support. Generally, we look to put on trades on pullbacks to EMA support but if you look closely, though a hammer formed at the \$108 level, price DID NOT take out the high of the hammer and thus did not confirm or trigger a long trade. Price then tested the 200 SMA and began falling, breaking the prior price swing low at the \$107.80 level - triggering a trade entry attempt, or on the breakdown under the 50 EMA at \$107.60. This became a "failure trade" as the expectation was for a bounce off the \$108.00 level and EMA support. When that didn't happen, it triggered a trade in the opposite direction - the short.

The exit was on the bullish reversal candle off the lower Bollinger Band at the \$107.50 level, making this really not a superb set-up.

2. CRADLE SELL, ABC PULLBACK

Price did form a new intraday TICK and momentum low, and then we observed an "ABC' pullback to the convergence/crossover of the 20/50 EMA at the \$107.60 level and a nice shooting star formed there. That's the classic Cradle Sell trade that was confirmed and triggered with a bearish candle - an aggressive trader would short INTO the pullback resistance at \$107.80 while a conservative trader would wait for price confirmation with a break under the low of the shooting star candle at the \$107.50 area. Either way, the stop goes above the EMA confluence resistance and up to the \$107.70 level. Unfortunately, this trade failed after two down-bars and there was really no saving it easily. Price rocketed back above the EMA resistance, stopping you out for loss. Price still didn't go over the 200 SMA nor the upper Bollinger, so a "Popped Stops" trade didn't trigger - it would have done so on a breakout above the \$107.80 level and especially above \$108.

Notice that a Wyckoff Sign of Strength formed AFTER a failed classic sell signal (the cradle) - that meant that odds strongly favored a reversal yet to come, and your goal was to position into it. While you could have tried to get long on the doji/bullish engulfing candle at 12:15pm CST, or on the secondary pullback at 12:45, the best trade was the breakout long above the \$107.70 level which broke confluence EMA support, price highs, a trendline, and eventually the upper Bollinger Band - which subsequently triggered a new Wyckoff Sign of Strength.

3. WYCKOFF SIGN OF STRENGTH, BREAKOUT

As mentioned above, Wyckoff Signs of Strength - especially on days that take a rounded reversal structure - tend to be precursors for an upside breakout into the close. I say "tend to be" because no signal is 100% in the market - I wish there were! The trade triggered with the initial breakout or on the break of the upper Bollinger Band at the \$107.70 level, but as you can see, the trade really didn't gather the required positive feedback loop (sellers rushing to the exits as bulls rush to buy) that propels the market higher in popped-stops fashion, and the trade failed. There was a spinning

top, negative dual divergence, and bearish engulfing candle that developed prior to the sharp decline, so the goal was to exit as soon as you saw those develop and be neutral - which most likely led to a scratch or small loss.

4. BREAKDOWN, POPPED STOPS

So, the market was "supposed" to break out to the upside as forecast by the Wyckoffs and rounded reversal signal, but the FAILURE to do so led to an expectation that the market was weaker than expected, and all those bulls who just got long were eventually going to have to sell to limit their losses on any further downside action, which triggered an opposite positive feedback loop (buyers selling to limit losses and bears selling to profit from the downside action) of "popped stops" to the downside. The breakdown triggered a price entry on the break of the 200 SMA which converged with the rising trendline at the \$107.60 level - culminating in a swift move down into the close.



Today was a difficult day no matter how you slice it - as such, around 50 to 70 cents were possible, with trade 2 failing along with trade 3 'scratching.'

SO FAR TODAY		CST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(4,609,721.00)	10,590,393	8:45	15,200,114.00	0.41
(1,105,191.50)	10,145,384	9:00	11,250,575.50	0.41
(2,278,720.40)	8,322,103	9:15	10,600,823.40	0.31
(1,493,746.20)	6,266,117	9:30	7,759,863.20	0.27
1,566,573.30	8,106,547	9:45	6,539,973.70	0.36
1,944,635.00	7,884,817	10:00	5,940,182.00	0.23
(1,105,173.00)	5,676,457	10:15	6,781,630.00	0.34
(152,203.80)	5,154,301	10:30	5,306,504.80	0.19
(2,591,815.60)	3,094,320	10:45	5,686,135.60	0.18
(2,374,418.30)	2,283,406	11:00	4,657,824.30	0.18
(1,535,073.00)	2,260,534	11:15	3,795,607.00	0.17
(1,710,261.40)	1,597,392	11:30	3,307,653.40	0.19
(165,194.30)	2,457,991	11:45	2,623,185.30	0.19
(1,074,789.30)	2,041,981	12:00	3,116,770.30	0.17
(1,123,594.60)	2,345,488	12:15	3,469,082.60	0.19
(1,241,073.70)	1,897,074	12:30	3,138,147.70	0.18
(375,580.60)	2,874,443	12:45	3,250,023.60	0.25
(989,982.80)	2,033,931	1:00	3,023,913.80	0.23
(544,082.80)	3,345,939	1:15	3,890,021.80	0.29
(1,349,802.80)	4,822,450	1:30	6,172,252.80	0.26
(4,119,612.73)	1,740,028	1:45	5,859,640.73	0.28
(3,334,781.64)	2,277,079	2:00	5,611,860.64	0.29
(3,058,725.91)	2,849,432	2:15	5,908,157.91	0.36
(757,919.18)	6,510,594	2:30	7,268,513.18	0.26
(815,878.64)	9,225,393	2:45	10,041,271.64	
(3,085,357.64)	13,908,966	3:00	16,994,323.64	
(1,441,595.87)	4,988,944.62	Ave.	6,430,540.48	0.26

It's a little difficult what to call today - officially it was a down day, but it had the expected upside pop and mid-day consolidation. The day turned negative into the close. So, one could say the dramatically lower volume FAILED to confirm the up-move which then led to the sell-off into the close - thus a non-confirmation bull day.

It's still bearish that volume is not increasing, and volume still continues to RISE on down-days (those that are mostly down for the whole session) and FALL during the up-days.



As a disclaimer, I'm not showing this chart as a "This is where we are" chart, but as a "This is where a LOT of Elliott Wave traders/investors think we are" chart, which gives you a little insight into what other big traders are thinking right now.

Some very bearish Elliott Wave analysts are placing the current count of the market in the minor third wave (purple) of the intermediate third wave (black) of the primary third wave (circled red) that began from the April highs. If this count does indeed turn out to be true, then we're literally in the heart of the stock market decline - think crash parameters similar to but of larger degree than what happened in September/October 2008. As I write this, there doesn't seem to be any impending catalyst that will kick us over the abyss to trigger such a precipitous, multi-day decline as we saw in the aftermath of the Lehman Brothers bankruptcy and financial crisis/panic (Congressional bail-out) so I'm not sure we'll realize this count, but I did want to point out the count. I'm more in line to see the 2009 rally as a 4th wave for a 5th wave down (which we may be in - which is why I have the labels "Or wave 4" and "or wave 5") - I just can't get on board with the "We're in Primary Wave 3 down" camp but that's another story.

I think it's important you be aware of this for two reasons: If we do start to see a swift, sudden decline, you can join in short to try to take advantage of it, or second if we DO NOT start to see an immediate decline, you can look to play long should the market "Pop the stops" (short-squeeze) of those who are positioned right now for an impending disaster (some of which have leveraged their accounts short) and play the upside break as these investors/traders panic out (buying to cover) on any upside breakout above 1,130 anytime soon. If you're proficient with Elliott Wave, you can dig a little deeper into the data, but if you're not - then all you need to know is that there are analysts/traders out there positioned right now for an impending market crash that - if the crash does not happen soon - will likely begin buying-back their short-positions to cover, which could fuel a bullish rally on any failure of the market to collapse. Remember - we're traders here - not forecasters. We want to be open to play market movement - whichever direction it occurs.



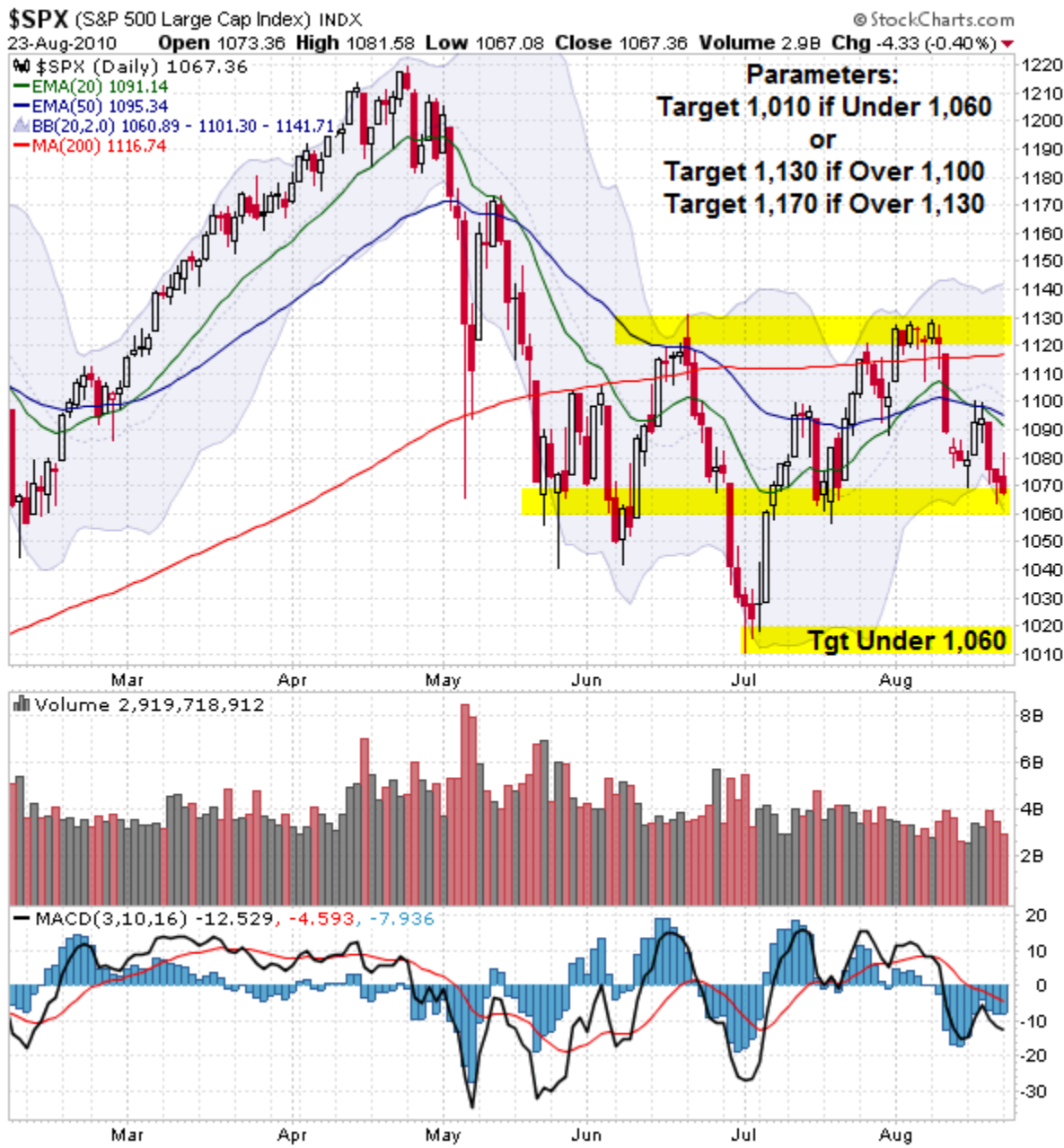
I think the main thing to note - and what I'll focus on this evening - is the clear spikes in volume on sell-bars intraday. This clues us in that professionals are SELLING shares - rushing to distribute them but not wanting to move the market lower. That's a classic bearish sign and tips the odds to the bears for the expectation of further lower prices to come.

Plus, price is failing to rise above the 20 or 50 EMA on the 30 and 60min charts. Resistance still exists at \$108, and a break above the 50 EMA at the \$108 level and beyond the \$108.50 level should produce a popped stops unexpected break - but unless that happens, the trend remains down, volume signals remains bearish, sentiment down, which would be expected to lead to lower prices. Short a move under \$107.00 and \$106.75 very aggressively intraday to target at least \$106, and any move under \$106 should crack us back to \$101.



Volume continues to RISE during declines and FALL during rallies - that's supremely bearish and is an unmistakable signal from the market. That doesn't mean the market is going to collapse necessarily, but it 'speaks' bearish undertones of caution. Should the market continue its established downtrend, look to short any move under \$107 and \$106.50.

Watch overhead resistance should the market mount any sort of rally tomorrow.



Sometimes it's helpful to take a larger view and set-up "IF/THEN" parameters. Let's do that - technically, the market is in a sideways trading range 'trend' between 1,130 and 1,060. Right now, we're at the lower level of that range. That means that - if the 'range trend' continues, we can expect a rally back to test 1,130, but significant resistance at 1,100 has developed which could thwart any upside move that develops here. In the 'unexpected' event that the market breaks resistance at 1,100, target an almost immediate popped-stops move up to 1,130 and should bulls pop above 1,130, target 1,170. Those are the unexpected "IF/THENS" but you need to have those planned if an upside rally develops and shocks everyone. So many people are expecting a downside break under 1,060 that if it comes, could very quickly plunge the market to 1,010 in a matter of days... theoretically in one day if a panic occurs. So, target 1,010 if sellers push the market decisively under 1,060. If the market cracks under 1,000, look for the next stopping point to be the 900 level, but as intraday traders, don't get caught up in bullish or bearish biases and be prepared to trade either direction that a price move develops.