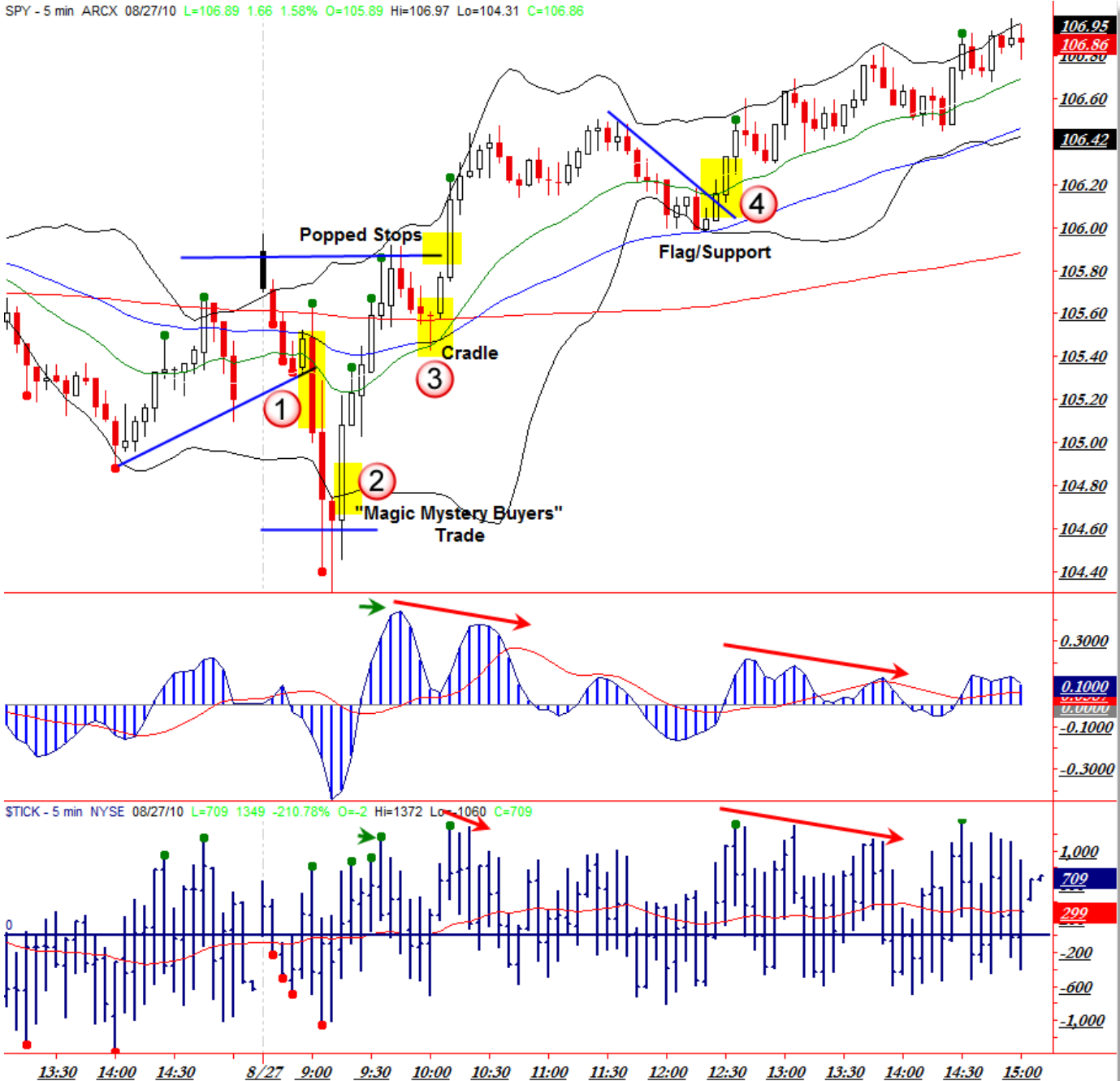


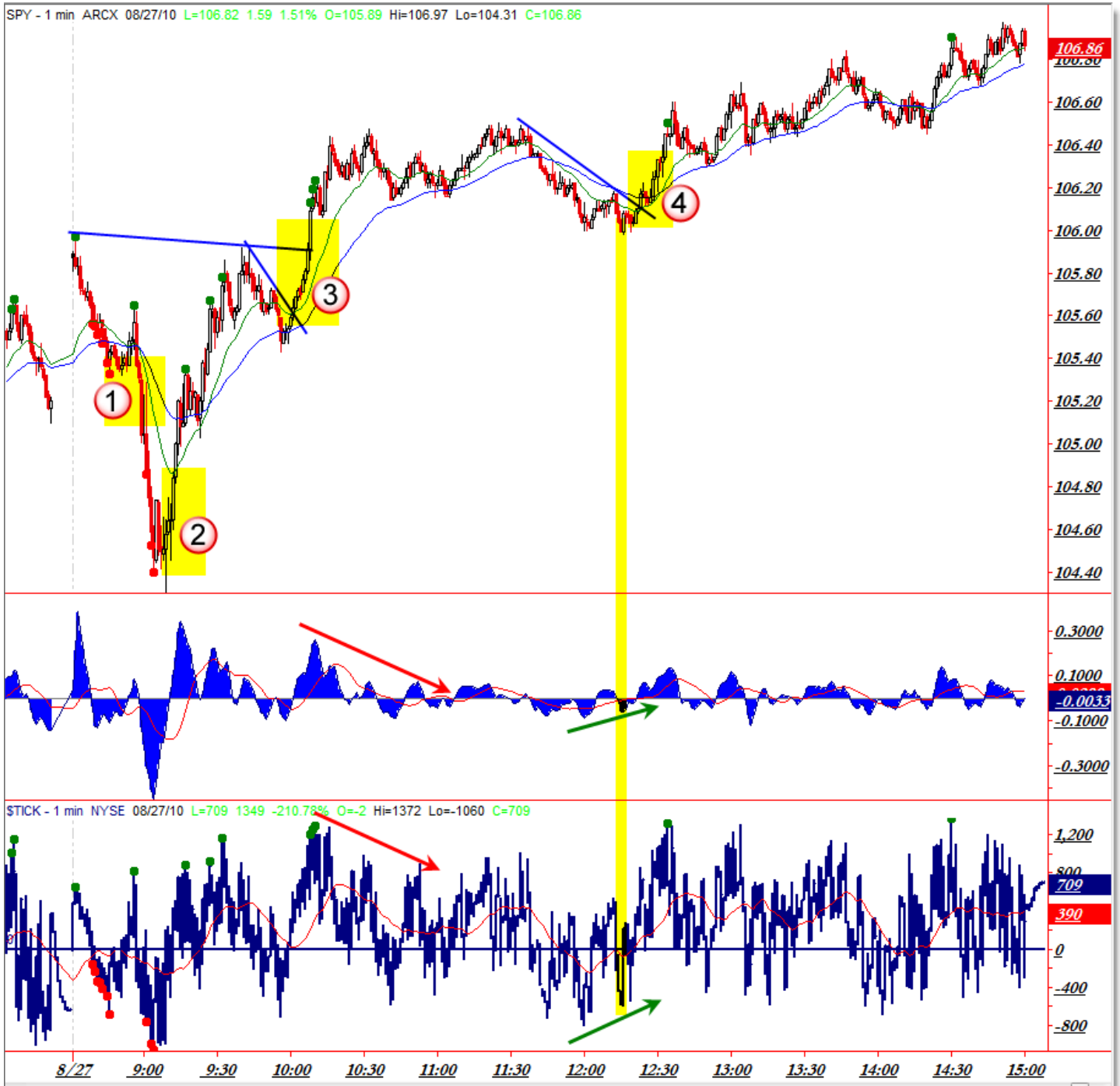


Daily "Idealized Trades" Report

S&P 500 ETF: SPY

SPY - 5 min ARCX 08/27/10 L=106.89 1.66 1.58% O=105.89 Hi=106.97 Lo=104.31 C=106.86





Here is the ending quote from last night's report - applying it made ALL the difference today:

" As much as I hate saying it, the potential exists also for a typical pattern we're seeing in the market if the report is bad but not terrible - the futures may plunge initially then the magical mystical buyers will swoop in, support the market, and we creep higher all day long - to the mass confusion of most traders... but that pattern, shouldn't be very confusing as it's happening more and more frequently. Either way, be very vigilant and active tomorrow with your positions."

Essentially, what I was saying without actually saying it verbatim was:

"Expect the market to be manipulated higher all day tomorrow."

And factoring that into your "IF/THEN" calculation made all the difference between the "... mass confusion of most traders" outcome and a profitable one. I know - it'd be easier for me to say that, but as a professional analyst, advising you to expect the market to be manipulated higher is not something that an analyst usually does. These are very unique times and we have to adapt to them, and if viewing the market as being manipulated - whether it is or it isn't - helps you make money or avoid losing money (those are ultimately my two goals with the reports), then you have to adapt to what appears to be reality.

Now, the **alternate explanation** is that buyers are seeing the current economic reports as being SO negative, so bad, that it increases the odds - if not compels - the Federal Reserve to start another round of Quantitative Easing, meaning essentially printing free money to prop up the economy which again boosts the economy and thus the stock market. Remember - WE ARE TRADERS. We're not trying to figure out the secrets of the universe or answer all of life's questions. We are here to locate patters, tap into narratives, develop IF/THEN statements in terms of price levels to watch, and then TRADE them intraday each and every day. And if that means making an assumption that markets are manipulated, and that - for whatever reason - buyers swoop in to support the market with massive buy orders as soon as the S&P 500 touches 1,040 - which is now a fact - then through logical deduction, when the market tested 1,040 today, we then assumed that the buyers - call them magical mystery buyers if it makes you feel better - would swoop in again and support the market again as I've shown you in prior charts on multiple days.

There's two ways to use this knowledge:

1. Be bearish biased, take a short-sell on a breakdown sell signal, but IMMEDIATELY cover your position and stand aside if the market starts to rally - in other words, maintain EXTREMELY tight stops on short-sale positions. That's the conservative play.
2. Stand aside (or short but take the same tight stop play) and then PLAY LONG as soon as you see the market rally sharply off 1,040. This is now the 3rd time in a row we've had a sudden market plunge at 9:00am (the other two were Tuesday and Wednesday THIS WEEK). In other words, PROFIT from the manipulation (if that's what it is).

There's no two other ways about it ... well there is. The "not suggested" way. Remain short above 1,040 and get crushed and have your stop loss CONTRIBUTE to the upward rally - and that's after all what is going on. Sellers enter the market on a normal, expected sell signal, buyers - wherever they come from - swoop in and jam the market with buy orders, the market then rallies as demand (artificial or real - it doesn't matter) overcomes supply, and then the BEARS/Short sellers then are forced to cover/buying back shares which perversely drives the market higher. This is what I mean by "surgical injection of capital." Buyers only need to spam the market with enough buy orders to overcome the sellers - IF that happens, THEN it triggers an upward break where then the SELLERS are the ones driving the market higher. Sadly, that's what so many traders do - they hold short (or long if the game is being played the other way)

against the price movement, increase their loss, and then capitulate with a really big loss because their ego, expectations, and bias got in the way of seeing what was actually happening.

Think of it this way. Assume there are 10,000 people who short-sell 1,000 shares each on a bad economic report, breakdown of a trendline, or some other really obvious sell signal. Then, 1 fund, or 5 funds - whether working in collusion or not then rush the market with enough buy orders not just to overcome all these selling orders, but equal greater than the sell-orders (meaning DEMAND outpaced SUPPLY). If that really happens, then the market WILL RISE, despite the fact that a handful of funds are buying a greater quantity of shares/contracts than the more numerous (in the thousands or tens of thousands) sellers are shorting. It's actually simple math, but people just assume because there are more sellers than buyers, then the market has to go down. **Wrong.** Of course, the 'conspiracy' is that the one buyer is the Federal Reserve - but we're not here to discuss conspiracy theories. I don't think that's the case.

More likely, it's big funds or big financial companies doing this because it's easy money (if you had the power to move the market and CREATE... MANUFACTURE upside rallies which meant that you plunged in a lot of buy orders to overcome the combined sell-orders of thousands of traders and then created upward movement where the BEARS (that just got short) drove the prices higher which mean that the shares/contracts you bought drove the market higher as they rushed to exit... and then you sell your shares for a 'manufactured' profit) ... wouldn't you do it?

So this doesn't have to be a big conspiracy theory where the Fed is secretly going behind the scenes and buying shares - some people think that's happening. It could just be a fund or small number of funds/companies in collusion (or even not in collusion) that spam buy orders into the market at EXACTLY the right time to squeeze the shorts, manufacture an upside popped stops play, and then they sell their spammed orders at higher prices after the bears have covered.

I repeat - if you had the power to create these one-day or few hours at a time popped stops rally - which resulted in guaranteed profits to your account... wouldn't you do it?

I thought so. So would I.

The question is whether these funds have the capital to move markets at certain, surgical points in time, and if so, then whether they are doing it. My take is - IF they have the power to do it, then they probably are doing it.

And that's probably what's going on - and if you fail to understand this, you will continue to be popped out of your positions and lose a lot of money. If you understand this, then you can either stand aside until these games stop - they can't last forever - or be brave and join the manipulators.

By manipulators, I don't mean a big conspiracy theory, I mean a pre-planned position that is put on in order to trip up the current flow of the market or current "expected" course of the market short-term so as to pop-out (stop-loss) those who are positioned for the expected move and thus CREATE an unexpected move as those 'correctly positioned' traders rush to the exits. I'm not talking about some of the conspiracy theories going around the internet. I also think the phrase "surgical injection of capital" - which I will be adopting from now on - is more politically correct to use.

And if this isn't happening, then it isn't happening but either way - and however you incorporate this information into your world-view as a trader - the evidence is that something strange or at least unexpected KEEPS happening. We'll probably NEVER know what's really happening but please understand that it DOES NOT MATTER if we understand or not - we're technical (chart) traders which means we look for patterns (as in, "the market seems to bounce all the time off 1,040") and then trade those patterns without regard to bias (as in "the market JUST HAS to fall because all the news is bad.")

Here are the trades WITH the knowledge and concepts I've been describing to you incorporated. It made all the difference today.

1. PRICE BREAKDOWN

The GDP number was in-line with expectations of 1.4%. It came in at 1.6%. That meant we wouldn't expect the market to do very much - not plunge if the number was lower than 1.0% or surge if the number was above 2.0%. The analysts did a good job of predicting. So, the market gapped up and started falling then broke a rising trendline at the \$105.40 level, triggering a short entry with a stop above the \$105.80 level (wide stop given the volatility). The market did continue its breakdown and then the "Ben Bernanke speech" was released and the market literally entered free-fall mode.

However, the magic mystery buyer(s) came in to support the market at 1,040- again - for the third time this week and the 4th time since the May "Flash Crash" period (with the exception of the July low). This is now in the realm of "Hmm. This probably goes beyond being a coincidence."

A refresher: Chairman Bernanke said that the Fed stood ready to do whatever it took should the economy continue to weaken. Now - investors could have found this to be very bullish and then bought as a result of future expectations of quantitative easing - some probably did. But the timing and the touch of 1,040 - and the powerful rally - was ... interesting to say the least.

So, as I've been clearly explaining in the reports, you could have exited your position from the morning, then flipped and reversed EXPECTING a 'manipulated' (mystery buyer) coming in at that level and traded long no matter how weird or odd it felt. And you would have made a lot of money.

2. SURGICAL INJECTION OF CAPITAL TRADE

Whatever you want to call this, or whatever really/actually happened here, you could just do a simple analysis and say "Every time the market tested 1,040, the market suddenly rallied." It doesn't have to have anything at all to do with manipulation - it's simple Technical Analysis 101. Buy tests of key support levels. That's exactly what this trade was - but calling it manipulated certainly is more fun than calling it a "Classic Technical Analysis 101 Trendline Support area."

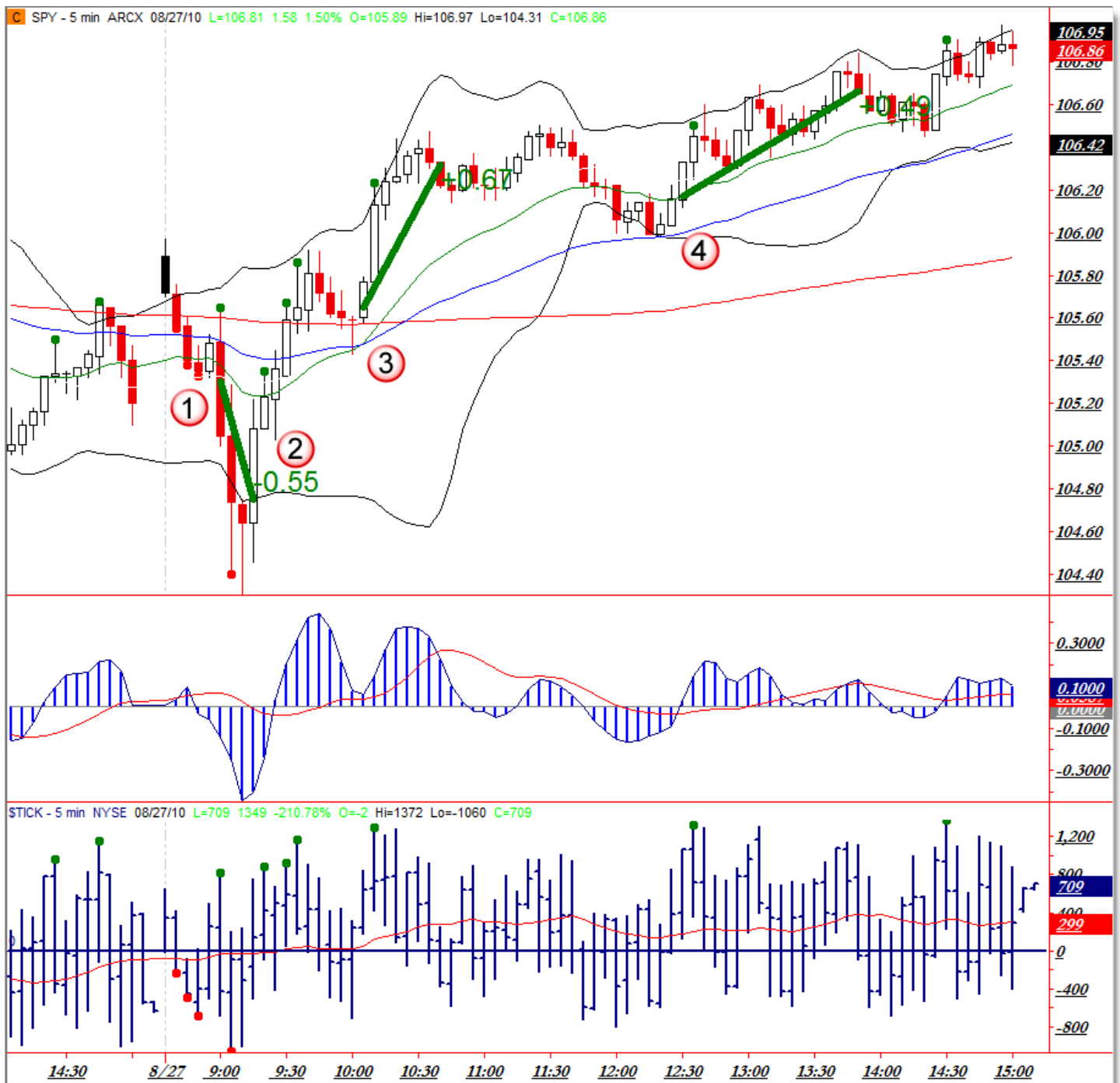
Either way, your entry was as soon as you felt comfortable that the mystery buyer was present, supporting the market, and at that time you get long. Maybe that was the break back above \$105 - maybe it was the break above the 20 EMA, or the 50 EMA, or the break above the long-lower shadow hammer candle at \$104.70 (at 9:15am) but either way, you took the "concept" of "Surgical Injection of Capital" and then got long to profit from it. Perhaps you held on all day (long) into the close. That's if you really believe the market was being manipulated... and whether it was or wasn't (we'll never know), you made money as all the other people threw in the towel and bought to cover with (sometimes big) losses- exactly as I explained might happen (a drawn-out rally all day long into the close).

3. CRADLE BUY

Trade 3 was your classic Cradle Buy, as the market pulled back into the crossover of the 20/50 EMA at the \$105.40 level and formed a hammer - that's almost exactly the same trade (in reverse) that happened yesterday. Enter either at the test of the cradle at \$105.50 or on the breakout above the declining trendline and bullish doji candle at \$105.60 and place your stop under the EMA confluence at \$105.40. Exit as the market began to form negative dual divergences and reversal candles at the \$106.60 level. I would NOT recommend a short there unless you're just going to scalp it back to the 20 EMA and be done with it. On days like this - it's best to stay on the side of the prevailing trend UNTIL price breaks under the 50 EMA - the line in the sand. That never happened.

4. FLAG/SUPPORT BUY

This was a similar trade to the Cradle, as the price pulled back to test the rising support of the 50 EMA and lower Bollinger at the \$106.00 'round number' price support level. There really wasn't a nice reversal candle, but there was a break back above the 20 EMA and falling 'flag-like' trendline at the \$106.20 level which was the official trigger. The nice exit to the trade was the little three-push reversal pattern at 1:30 CST and doji/bearish engulfing candle pattern at the \$106.80 level... but not even that stopped the 'buyers' from popping stops and pushing the market higher to the close.



If you incorporated the concept of "Surgical Injection of Capital" that I've been showing almost every day into today's trading environment, then around \$1.50 was possible and that is NOT including the blatant buy (#2) at the surgical injection of capital trade. If you took that, then the profit potential was closer to \$2.00 or even \$2.50 - but that would be an extremely aggressive thing to attempt ... but it worked.

Today is one of the best examples of why understanding CONCEPTS is far more important than taking individual trade set-ups or jumping from trade to trade. The concept can be a unifying mechanism to help you filter or 'piece together' when to be aggressive (to the long-side) and when to be conservative (to the short side).

SO FAR TODAY		CST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(2,503,839.20)	11,540,855	8:45	14,044,694.20	0.58
1,910,005.60	13,840,988	9:00	11,930,982.40	0.58
17,104,455.20	32,165,409	9:15	15,060,953.80	0.35
10,581,182.40	20,346,752	9:30	9,765,569.60	0.29
6,415,205.60	14,483,877	9:45	8,068,671.40	0.44
1,100,791.10	7,139,664	10:00	6,038,872.90	0.25
2,747,244.60	11,221,222	10:15	8,473,977.40	0.38
2,712,191.30	8,501,599	10:30	5,789,407.70	0.24
1,296,275.00	6,924,858	10:45	5,628,583.00	0.20
(1,770,550.80)	3,480,441	11:00	5,250,991.80	0.21
64,528.80	3,712,786	11:15	3,648,257.20	0.21
622,447.80	4,369,513	11:30	3,747,065.20	0.20
(322,804.10)	2,855,631	11:45	3,178,435.10	0.21
724,558.70	4,062,993	12:00	3,338,434.30	0.20
127,078.70	3,738,032	12:15	3,610,953.30	0.23
1,551,941.60	4,455,337	12:30	2,903,395.40	0.20
3,329,525.30	6,667,093	12:45	3,337,567.70	0.30
1,049,443.30	4,506,523	1:00	3,457,079.70	0.18
703,337.40	5,699,437	1:15	4,996,099.60	0.29
3,023,178.40	7,586,373	1:30	4,563,194.60	0.25
680,717.36	5,956,654	1:45	5,275,936.64	0.25
(1,409,111.45)	4,240,278	2:00	5,649,389.45	0.33
(345,493.45)	5,439,559	2:15	5,785,052.45	0.38
1,877,104.64	9,766,415	2:30	7,889,310.36	0.30
(2,938,877.55)	7,775,495	2:45	10,714,372.55	
1,537,622.18	19,485,144	3:00	17,947,521.82	
1,918,006.09	8,844,728.00	Ave.	6,926,721.91	0.29

Relative volume analysis CONFIRMS today's bullish action, but look EXTREMELY CLOSELY at the morning sell-off volume.

That's at the turn-around during the plunge and then the 'capture' rally to the upside - volume surged as the market fell and then was lower when the market rallied... so if you did a little deeper, that's relatively bearish.

Otherwise, under the classic metrics, we see today as a BULLISH development as volume rose almost 2 million shares above the 10-day average on a very bullish day - it suggests we could certainly see follow through.



1-min SPY volume at the time of the sell-off then sudden recovery.

Total SPY volume today: 270,440,000. Multiplied by the price of the SPY at \$105: \$28,396,200,000 (\$28 billion)

5-min volume of 10,000,000 shares at \$105: \$1,050,000,000 (\$1.05 billion).

1-min volume of 2,000,000 shares times \$105: \$210,000,000 (\$210 million).

Just for fun, this shows how much money it would take to buy-up all SPY shares traded at different times:

\$28 billion for the whole day's price times volume;

\$1.05 billion for 5-min

\$210 million for 1-min



For what it's worth - if we take away the whole 'surgical injection' discussion and put on our price/chart purism hats, then we have a classic buy signal that was forecast - as I showed yesterday - by the positive divergence and key support level at the \$105 area. Price broke the rising trendline this morning then broke the 20/50 EMA overhead resistance at the \$106 level - triggering an official buy posture. How the market got to that level is up for interpretation but the fact is that it did break above \$106, and as such, the bias now is to be long above \$106 to expect a move back to \$108 at least. Anything above \$108 sets up the next target for a full retest of \$110.

So, from a chart purism stance, today's action tips the chart odds firmly on the side of the bulls, and any move back under \$106 thwarts this bias and re-targets the \$105 level.



Same logic/discussion on the 60-min chart. As I mentioned, the \$106 and \$106.50 was the upper line in the sand resistance that buyers broke today, and if we see a further move of confirmation above \$107, we can expect this rally to continue at least to \$108 or higher. The positive divergence is clear as well on the 60-min frame, along with the bullish volume spike (confirmation of the turn).



Going back to the earlier discussion, whether or not you accept the "Surgical Injection of Capital" theory, it doesn't really matter as Technical Analysis 101 tells us that there is a major and blatantly obvious support line at 1,040. So, we tested that level today and had a major bounce to the upside - and if history is any guide (late May, early June, early July after a move to 1,010), THEN we can thus expect the start of an upside rally that could take us back to the 1,100 or 1,130 area. As I explained last night, IF this market really is being manipulated, THEN the market is NOT going to go down... unless the sell pressure is greater than that of the manipulators, in which case we would have a market crash similar to the May 6 Flash Crash (which is probably a result of that situation happening - sellers overtook the manipulators, forcing the manipulators to sell too). It's a difficult situation to be in to 'bet' on market manipulation, but ALWAYS remember - we are here and we trade to MAKE MONEY (or at least preserve capital). The best way I know to do that is **through unbiased and objective "IF/THEN" statements, entries on good probability trades, and then good management** throughout the trade. So, we should probably expect a continuation of this rally - real or fake - to take us back to the 1,090 area at least, if not a full retest of 1,100 and perhaps 1,130. Of course, you should short any move under 1,040 and then under 1,010 aggressively IF that happens (if the buyers stop... surgically injecting capital).