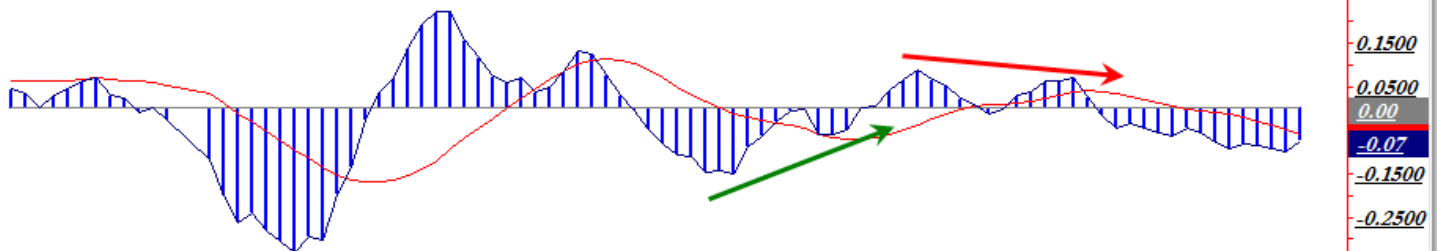
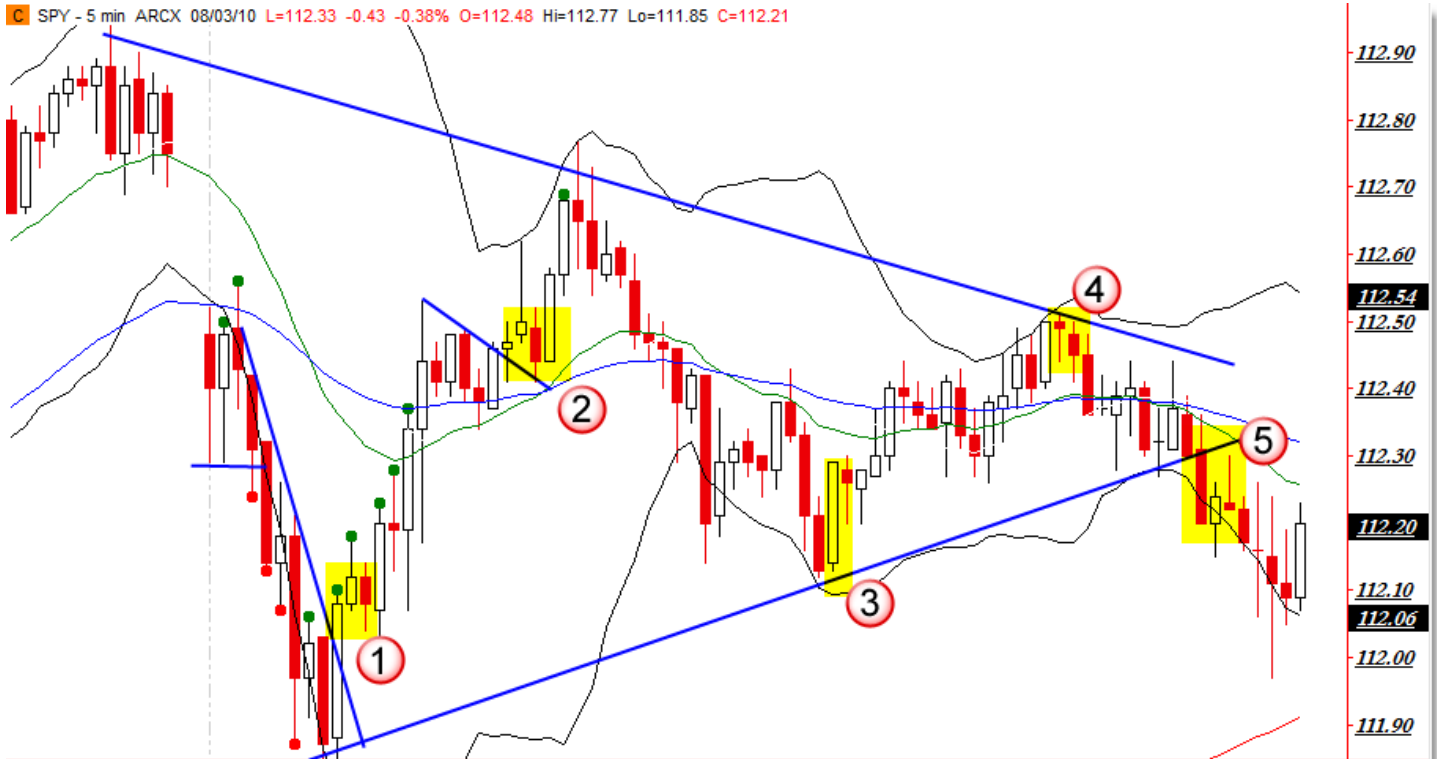




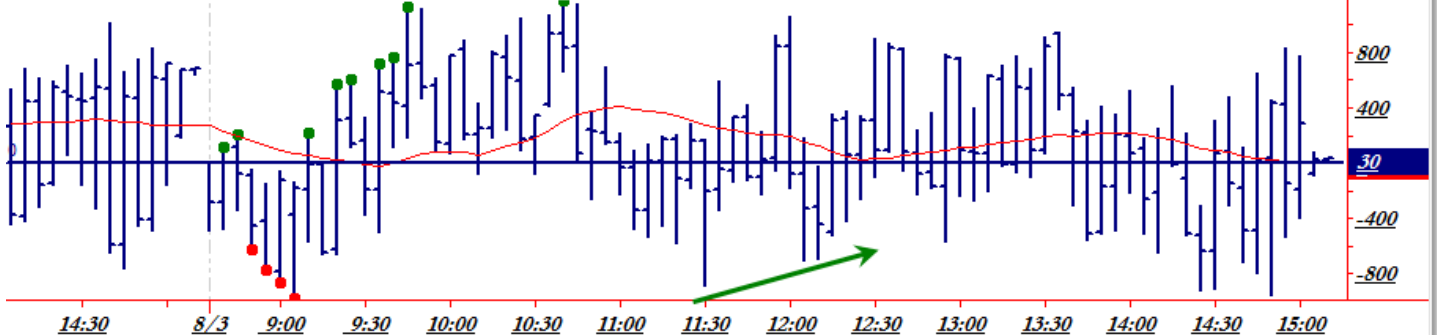
Daily "Idealized Trades" Report

S&P 500 ETF: SPY

SPY - 5 min ARCX 08/03/10 L=112.33 -0.43 -0.38% O=112.48 Hi=112.77 Lo=111.85 C=112.21



STICK - 5 min NYSE 08/03/10 L=30 -649 -95.58% O=-73 Hi=1174 Lo=-979 C=30





I will be conducting a special webinar tomorrow/Wednesday on Market Internals:

Link to Wednesday - 12:00 noon EST / 11:00am CST - Webinar:

"Breadth, TICK, and VOLD - How Market Internals Lead the Way"

http://www.media.qualitytech.com/client/mta/2010_0804/222895/launch.htm

Hosted by the Market Technician's Association.

This webinar is open ONLY to MTA Members and those who I invite with this address above if you are not an MTA member. As a subscriber, I am inviting you to the webinar using the direct link, but please do not tell others about this link - this is not a public webinar.

Feel free to join if you will be available during the 'lunch' session tomorrow - I'll explain how to use these three key market internals to spot turns in the swings of the indexes in the manner I show in these reports - only of course I'll have an hour and many examples to discuss for you!

If there's a such thing as a "Triangle Day," this was it. No - that doesn't exist, but it was officially a range day that took the shape of a symmetrical triangle as price converged about the apex at \$112.40. On Range Days, we look for divergences and reversal candles to form at the Bollinger Band Extremes for our trades, though we don't always know a range day will form off the open. In fact, we had a "Gap and Run" situation off the open. Let's look at the trades and see at what point we were confident - objectively from the chart - that the day had taken the form of a Range Day.

1. DUAL DIVERGENCE, BULLISH ENGULFING, TRENDLINE BREAK

We had a push down off the open - which you could have traded short if you were very, very aggressive given that price failed to rise above the 50 EMA on the opening push - that ended with a positive dual divergence (1-min) with a bullish engulfing candle coming off the \$112 level, breaking a declining trendline at \$112.10 which was your official entry. You want to enter on the break of the trendline and play for a move back to the 20 or 50 EMA at \$112.40, but as you were in this trade, you could see that TICK continued to be strong as did price, so you should have been prepared to sell at the \$112.40 level but held on to see how far price might break through it - which it did. You actually could have stayed in this trade, but exiting on the bearish engulfing candle at 10:00am was a safe play.

2. CRADLE, TRENDLINE BREAK

Price formed a spinning top candle just before the 20/50 EMA positive crossover which came slightly later. Price then broke the small falling trendline (1-min) at the \$112.80 area triggering a re-entry long off of a bounce off EMA support and quick pullback in price. Place your stop under the 20/50 EMA confluence at the \$112.30 area and play for a higher target, one of which includes yesterday's closing price which would officially fill the gap... strangely enough, we did get an official gap fade trade today, but it wasn't of the classical sense - and it reminds us why we should WAIT 15 minutes or so to see if price pushes up into the gap fade zone, which didn't happen. Anyway, yesterday's close was a price target, was the upper Bollinger Band - and price hit both with a clear spinning top candle and small negative TICK divergence (1-min) and clean negative momentum divergence (5-min) at the \$112.70 area, triggering your exit.

Keep in mind that price sliced through the 20/50 EMA confluence at 10:00am and then on the downswing did it again, which was our first clues that the day could be developing into a range day. I wouldn't recommend shorting at the

\$112.70 area as price could have easily found support at the 20/50 EMA convergence, but the fact that it did not do so clued you in to expect a potential range day, leading you to trades 3 and 4.

3. BOLLINGER BULLISH ENGULFING, DUAL DIVERGENCES

This was actually a very easy trade to recognize, as price pushed to a new swing low at 12:15pm at the lower Bollinger that was not confirmed with the TICK or 3/10 Oscillator, and the bullish engulfing candle gave you your official entry at \$112.30 to play for the upper Bollinger Band at \$112.45, which occurred in a choppy, frustrating up-swing that led to trade #4 with the same logic.

4. BOLLINGER SPINNING TOP, DUAL DIVERGENCE, UPPER TRENDLINE

This time you had a clear descending trendline you could have drawn to connect the prior price highs which aligned with the upper Bollinger Band at \$112.50 which also formed a spinning top. Enter short at this area, place a stop above the trendline at \$112.60 and play for a move to the lower Bollinger... but price broke down from the triangle, giving you your final "breakout" trade.

5. SYMMETRICAL TRIANGLE PRICE BREAKOUT

On the breakdown through the rising lower trendline, price formed a nasty bearish candle, triggering your entry at \$112.25 to hold short into the close, or when a compelling buy signal formed. We didn't really see any buy signal, so you should have held short into the close or as near to it as possible, as price trailed lower in a creeping 'breakout' mode, giving you a profit. Trail the stop above the 20 EMA in case price rallied to 'break' the breakout which did not happen.



Using the Ideal Grid, roughly \$1.30 was possible in today's "Range-bound" session.

SO FAR TODAY		CST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(3,930,355.60)	9,372,342	8:45	13,302,697.60	0.53
(1,377,685.00)	8,727,574	9:00	10,105,259.00	0.53
(946,870.00)	11,710,427	9:15	12,657,297.00	0.35
(1,369,650.50)	5,515,866	9:30	6,885,516.50	0.28
(1,851,018.00)	5,041,278	9:45	6,892,296.00	0.30
834,330.10	6,291,079	10:00	5,456,748.90	0.28
(2,462,978.10)	2,895,906	10:15	5,358,884.10	0.31
(1,119,163.60)	5,036,939	10:30	6,156,102.60	0.23
508,003.60	6,525,914	10:45	6,017,910.40	0.28
(1,360,332.50)	3,011,997	11:00	4,372,329.50	0.28
(1,535,651.90)	3,974,097	11:15	5,509,748.90	0.27
(180,041.40)	3,624,868	11:30	3,804,909.40	0.27
(927,061.70)	2,266,286	11:45	3,193,347.70	0.21
(1,363,498.00)	2,349,300	12:00	3,712,798.00	0.24
980,745.10	4,189,985	12:15	3,209,239.90	0.23
(1,846,251.70)	1,644,011	12:30	3,490,262.70	0.24
(1,285,523.50)	2,369,182	12:45	3,654,705.50	0.36
(952,165.20)	2,834,799	1:00	3,786,964.20	0.45
(2,309,459.10)	3,113,329	1:15	5,422,788.10	0.28
(3,294,674.70)	2,826,167	1:30	6,120,841.70	0.29
(2,007,536.00)	3,711,411	1:45	5,718,947.00	0.31
(2,589,467.73)	2,917,226	2:00	5,506,693.73	0.31
(2,315,151.00)	3,530,835	2:15	5,845,986.00	0.40
(2,742,925.82)	4,410,722	2:30	7,153,647.82	0.33
(5,073,842.91)	5,630,543	2:45	10,704,385.91	
(3,746,076.00)	13,286,559	3:00	17,032,635.00	
(1,702,473.12)	4,877,255.46	Ave.	6,579,728.58	0.31

It may be a factor of the season - summertime - but volume has been trailing off lower and lower each day.

Today is no exception as volume traded 1.7 million shares under the 10-day SPY average.

Use the updated info if you track 15-min SPY volume going forward.



Price found 'rolling' support on the rising 20 EMA as shown, closing exactly at the 30-min average. That's interesting, and it doesn't give us much information going forward. A move under \$112.00 should lead immediately to a move back to the \$111.50 area, but price could also support here and rally back above \$112.50 then \$113.00, and if that is the case then you certainly want to play Popped Stops long.

We're in the same situation where everything - quite literally everything - seems to be indicating that odds strongly favor lower prices yet to come, but we're in that mode where price is king, so while we should perhaps expect lower prices due to the technical nature (divergences, overhead resistances), we should equally be prepared - as a trader, not an analyst - to trade long for Popped Stops of the frustrated, confused, angry bears/short-sellers who continue to rush to the exits (buy to cover) on each new pop higher in price. Of course, take a short bias under \$111.50 but long for popped stops above \$113.



Price has key support at the \$112 area from the rising 20 EMA on the 60min chart as shown, and any break under \$112 likely sends the index lower to test the 50EMA at \$111. That is your short-term play: Short to target \$111 if under \$112, but long otherwise.

For whatever reason - and it's not our job to obtain that reason - there seems to be a very powerful bullish force undercutting the bears and jamming their positions out (stop-losses), and the force seems to buy on every single dip in price. This is apparently the current reality, and as long as that force continues to jam prices higher, you should be aware of the "Positive Feedback Loop" and "Popped Stops" that occurs when something that "Should" happen (price going down) does NOT happen (price going UP harder because bears rush to cover and bulls rush to buy). That played out perfectly on Monday and could still be the dynamic under the market going forward. Don't complain - trade!



I'm hearing chatter that people are labeling this push up as a 5-wave advance, particularly one of an "Ending Diagonal" so I drew out that possibility in the chart. If price breaks back under 1,110, we could see a swift downside move particularly one that sweeps price under the now bullish confluence 20/50 EMA crossover at 1,096. For now, look for 1,095 to be support and short only under 1,090 unless you're playing intraday scalps. If this market was artificially held up the last few weeks, expect a crash to come soon, but by the same token, if the buyers/bulls can hold up prices and push the S&P 500 above the key 1,130 level that everyone is watching, you can almost guarantee that a big wave of Popped Stops will rush the market higher perhaps to 1,150 or even 1,170 that you can anticipate and trade. Do NOT get caught short above 1,130 as you would risk a rapidly up-moving market of popped stops that other traders will be anxious to trade and profit from.

Remember, Friday is the big Jobs Report, so it's possible - if we don't get a break above 1,130 or beneath 1,100 - that the market will stagnate here until that report and THEN break strongly up or down.