



# Daily "Idealized Trades" Report

## S&P 500 ETF: SPY





Today's day structure was quite interesting, particularly if you pull back the 5-min chart to incorporate yesterday's session - you'll see a classic Rounded Reversal / Arc pattern form that guided today's sell-off comfortably in a "Mirror Image" fold-back pattern. That was the (slightly) higher timeframe pattern that dominated today's session, and the best trades came through short-selling retracements up into EMA resistance after the initial morning breakdown that triggered the sell-off bias.

### 1. CRADLE SELL

We had an EMA breakdown after multiple negative divergences formed on yesterday's closing high. You actually could have shorted the breakdown under the 50 EMA at the \$106.50 level, but the better trade was to wait for a nice pullback - given that price formed positive divergences at 9:30 - to see if you should establish a short-sale position. That chance came with a "Finger" - the spinning top that poked just above the 20 EMA at the \$106.70 level - and then 're-break' back under the 20/50 EMA lines. Price then stagnated at the 20/50 EMA crossover - the "Cradle" - and formed a bearish engulfing bar at 10:30am, triggering entry either aggressively AT the EMA crossover (\$106.35 level) or on the break under respective candle lows (\$106.30). Either way, the stop was above the EMA crossover at the \$106.50 level to play for a test of the 200 SMA, lower Bollinger, or 'unlimited' downside target - yes, you could have taken this cradle trade short and held on into the close... though you would have endured a mean whipsaw at 11:30 as price again jammed above the 50 EMA and collapsed back under it.

### 2. EMA RETRACEMENT SELL

This wasn't a fancy trade like the Cradle, but it was an identical set-up (except that the moving averages were already bearishly crossed) as the earlier Cradle. Short the break under the shooting star candle at 12:25 at \$106.20, stop above \$106.40, and play for a lower target or other buy signal. You could have exited as price rallied off \$106.00 support level or the positive dual divergence off the lower Bollinger Band at \$105.80. I would NOT recommend a buy off this buy set-up given the down-trend, but rather a "stand aside and wait" signal.

Also, notice the FAILED Wyckoff Sign of Strength at 11:30 am as price formed two new TICK highs and then broke above the 50 EMA. An aggressive trader might well have gotten long here, but we did not see a meaningful close above the 50 EMA nor above the upper Bollinger or any sort of follow-through after the spike above. That should at least have made you 'less bearish,' but ultimately, the sellers invalidated the Wyckoff Sign of Strength with a new TICK low at 12:30, turning the tide and the expectation back for lower prices to come.

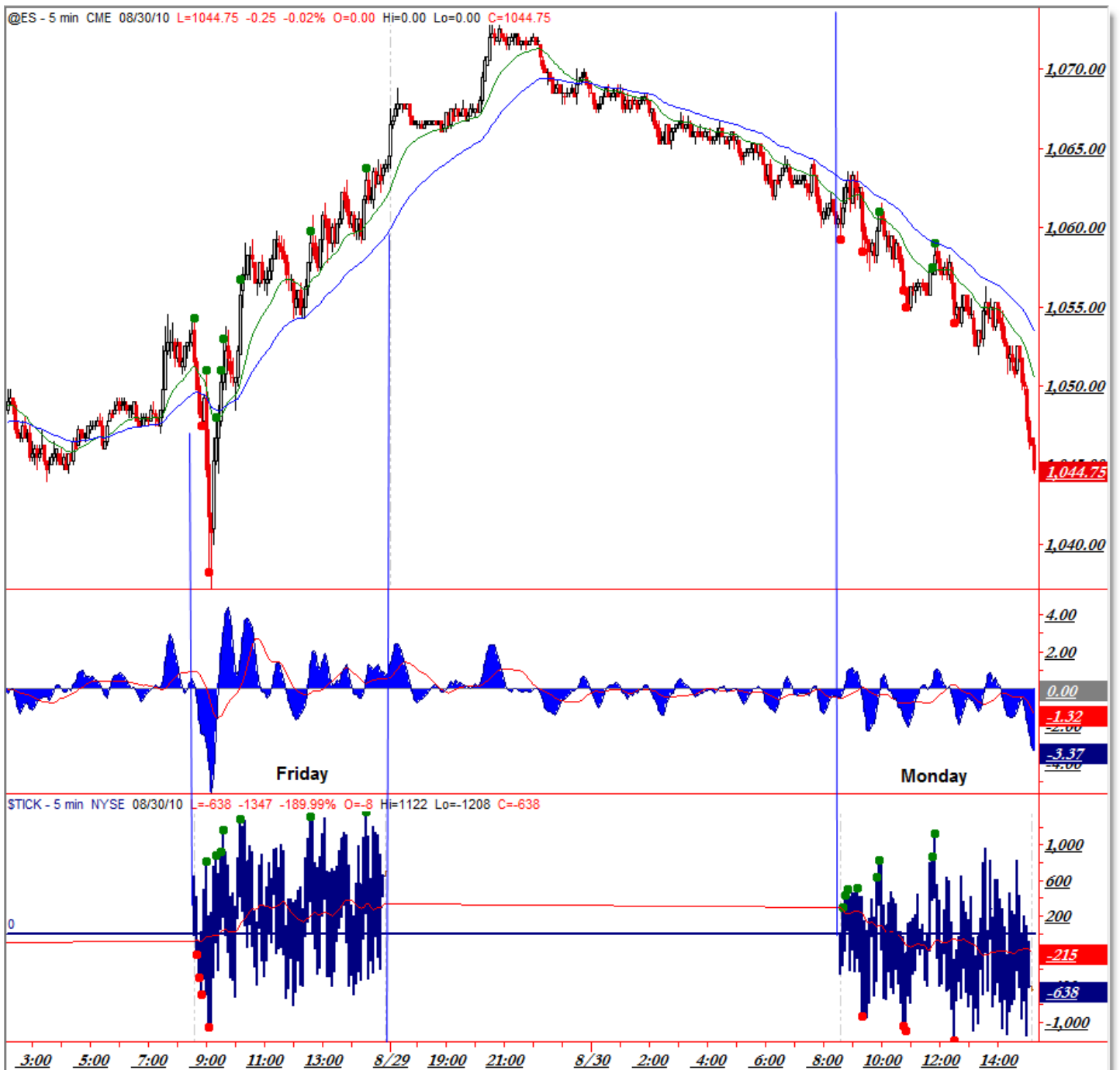
### 3. EMA RETRACEMENT SELL / BREAKDOWN

This trade had the exact same parameters and expectations as the prior two, only you could have entered short at the EMA convergence at the \$106 resistance level - placing a stop above the 50 EMA at \$106.20 - or on the breakdown under the prior low at \$105.80 - though I would recommend shorting INTO resistance as opposed to waiting for a breakdown. This trade triggered and followed-through into the close in a strange and somewhat unexpected Type II trend day down.



Using the idealized trades grid, roughly 90 cents were possible today (the last trade profit is cut-off at 45 cents).

This was one of those days where you monitor price closely - there wasn't a very clear bias off the open - such as a big gap down that did not fill - to expect a full trend day lower, but that's what developed.



This chart shows how watching the overnight market can give clues about the next trading day - price peaked above 1,070 (in the @ES futures) and then sold-off steadily through the night and into the early morning on Monday, and price continued the sell-off during the day.

SO FAR TODAY		CST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(3,217,253.80)	10,199,823	8:45	13,417,076.80	0.54
(5,910,468.40)	5,774,873	9:00	11,685,341.40	0.54
(8,390,391.30)	6,291,174	9:15	14,681,565.30	0.34
464,283.00	10,620,383	9:30	10,156,100.00	0.31
(3,338,539.90)	4,688,290	9:45	8,026,829.90	0.44
(1,169,393.00)	5,033,710	10:00	6,203,103.00	0.25
(4,953,620.10)	3,446,859	10:15	8,400,479.10	0.38
(1,813,561.60)	4,062,477	10:30	5,876,038.60	0.24
(1,700,038.50)	3,896,530	10:45	5,596,568.50	0.20
106,954.20	5,569,548	11:00	5,462,593.80	0.20
(1,487,850.20)	2,107,805	11:15	3,595,655.20	0.20
(2,162,519.40)	1,414,417	11:30	3,576,936.40	0.21
(774,103.60)	2,368,217	11:45	3,142,320.60	0.21
168,900.60	3,618,159	12:00	3,449,258.40	0.23
(1,077,211.30)	2,556,946	12:15	3,634,157.30	0.24
1,558,017.70	4,769,493	12:30	3,211,475.30	0.20
(328,867.60)	3,194,565	12:45	3,523,432.60	0.29
(544,148.60)	2,984,264	1:00	3,528,412.60	0.19
(586,606.40)	4,430,289	1:15	5,016,895.40	0.28
(1,094,814.30)	3,626,024	1:30	4,720,838.30	0.22
(1,959,899.45)	3,336,075	1:45	5,295,974.45	0.24
(2,189,568.18)	3,032,283	2:00	5,221,851.18	0.31
(2,402,430.45)	3,302,596	2:15	5,705,026.45	0.37
(1,463,183.45)	6,383,145	2:30	7,846,328.45	0.32
(4,063,114.00)	6,660,219	2:45	10,723,333.00	
2,895,212.45	21,807,406	3:00	18,912,193.55	
<b>(1,747,469.83)</b>	<b>5,199,060.38</b>	<b>Ave.</b>	<b>6,946,530.22</b>	<b>0.29</b>

Strange - I would have expected more volume on today's sell-off down 1.5% day but that wasn't the case.

We're at a relatively low volume period of the year - coming up on the Labor Day holiday - but this type of volume is unusual. Anyway - from an objective standpoint, we would say that volume DID NOT confirm today's sell-off and thus should watch closely to see if any upward movement occurs, or further breaking of support. So today's signal was not as bearish as had it been accompanied on higher volume.



Right now, we have a short-term "ABC" structure in place that terminated at the \$107 target level - officially (well, almost) closing the gap from August 24th - that serves as a resistance point and the key for the future. Price has formed a clean parallel trendline as drawn, so these will be the dominant short-term levels traders should watch: \$105.25 as lower support (short if under \$105) and the \$107.25 level as overhead resistance and a possible upward target for any bounce that forms off the \$105.50 level. Today's high was undercut by a slight negative divergence from yesterday into the upper Bollinger Band (and doji) so the sell-off was not unexpected.

Watch closely how the market trades around the prior lows of \$105 and then the "manipulated" low of the \$104.45 level.



Price also hit up against the exact convergence of two trendlines as drawn which formed at the \$107 level - buyers were unable to push price above this level. As such, the parameters now are to be long for a continuation breakout signal if above \$107, but so far it looks like resistance may hold at \$107, meaning the market could continue its downward trend as seen above. There really are 'mystery buyers' who have tipped their hand, revealing that they are willing to rush in to save the market - if possible - on a retest of \$104.50, but the support may also be like classical levels where the more times a level is tested in a short amount of time, the MORE likely the level is to break like glass. The break would almost certainly send the market back to the 2010 low of \$101.

Right now, the market is in-between confluence resistance at \$107 and 'mystery buyer' support at \$104.50 so watch/trade your intraday charts closely.



To me, the obvious/dominant levels to watch include the 1,130 level (double top resistance) and 1,040 (quadruple bottom support). If indeed we do fall back to the 1,040 level tomorrow, it will be up to the market saviors to step back in and overcome the selling pressure and they have proven successful four times (with the exception of July's bear trap).

Volume came in at 2.6 billion shares - one of the lowest levels for the year (the others coming in during early August as seen above). Keep that in mind -as strange as it may sound, markets on LOW volume tend to be MORE volatile, as moves can develop and then continue as one side of the market plows over the other side. So right now, between confluence resistance at 1,080/1,090 and strong support at 1,040, be careful until we get a break either way.