



## Daily "Idealized Trades" Report

### S&P 500 ETF: SPY





Despite the big turnaround in price, I can't find anything "foul" that happened in terms of the downward move (expected) and then the upside breakout recovery in the afternoon - not expected, but telegraphed WELL in advance by the market and TICK and the "Popped Stops" positive feedback loop. Price found support at the triple confluence (see 30min chart) at \$111 and then a bullish fire ignited into the close that was telegraphed by a "rounded reversal" formation which gave way to your first sign of true bullish strength - the Wyckoff Signal at 1:30 CST - which preceded the upside breakout above the 50 EMA by 15-minutes. We then had a simple Popped Stops move into the close that squeezed the overconfident bears/short sellers. Today is a testament to technical (chart) purism, against bias, and towards constant monitoring of price/market structure.

## 1. CONFLUENCE EMA RESISTANCE, 'DEAD CAT BOUNCE,' DUAL DIVERGENCES, JOBS REACTION

The Jobs Report was worse than expected - though not surprisingly so (we still added private sector jobs) and the market fell accordingly after the report. The futures stayed down all the way until the open, though there was a corrective push higher that began just prior to the open. If you trade gap fills, this was a potential set-up for you but the best trade came from playing the move into confluence resistance at the \$112.40 level and the break of the rising trendline at \$112.20 - either way you placed and trailed a stop above the 20 EMA (as I mentioned in last night's report) and played short, entering either at the EMA confluence or on the trendline break.

And the market fell exactly as expected, giving you a very, very easy profit with seven big down bars in a row. Price formed a spinning top then bullish candle off of dual divergences at \$111 (see the 30-min chart) which gave you a nice exit... and potential "scalp" long if you are aggressive and comfortable trading countertrend on a trend day - which I do NOT recommend.

## 2. ABC PULLBACK, TRENDLINE BREAK, 20 EMA PLAY

Generally, on a trend day we want to short ALL pullbacks to the 20 EMA - and so far we expected a Trend Day. We had an 'abc' pullback just shy of the 20 EMA, and price broke the rising trendline with a bearish bar at \$111.30, triggering an entry with a stop above the 20 EMA at \$111.50 to play for a retest of the prior low or perhaps a full new low. Buyers instead supported the price just above the lower Bollinger Band, causing this to be a failed sell-short trade... which was your FIRST warning sign that the buyers may be getting ready to stage a rally. If something SHOULD happen (price make a new low) but does NOT happen (new low did not form) then it often leads to a greater than expected move in the OPPOSITE direction (bullish breakout). That's my favorite saying and I hope you understand its importance.

## 3. POPPED STOPS, WYCKOFF SIGN OF STRENGTH

I mentioned earlier that this was a normal turnaround. We have three types of days - Trend Days, Range Days, and Rounded Reversals. Rounded Reversals are the "enemies" of Trend Days, so you have to be on guard for the potential for a RR to form. Look for a rounded price shape to the day, a break above the 20 EMA, and any break above the 50 EMA - particularly on a Wyckoff Sign of Strength - to show you in advance that the price structure may be forming/shifting to a Rounded Reversal.

That's exactly what happened - according to the classic/expected parameters of Rounded Reversal days. Your first clue was the FAILED trade #2. Your second clue was the flattening/rounded arc that developed from 10:30am to 1:30pm... your third clue was the crystal clear Wyckoff Sign of Strength (new TICK high on the session at 1:30 when price was FAR away from making a new high) and your final clue was the official price break above the 50 EMA and horizontal resistance line at \$111.50. If you as an intraday trader held short above \$111.50 - you did the wrong thing from an odds/probability standpoint. You can't always capture profits, but you can prevent losses, and if you had a strong bias

"The Jobs report was bad. The daily chart is bearish. The market HAS to fall" and you held short as a day-trader above \$111.50 - then pay particular attention to today's development as an educational lesson - it is one of the best examples of how a Rounded Reversal develops in real time with PLENTY of advance warning. Bias can cause you to miss the clues that the charts cleanly showed in advance of the actual breakout at 2:00pm.

So, traders willing to trade long on the breakout to play Popped Stops did so on the break above \$111.50 and the aim was to hold the buy position as long as possible while price continued its rally and Positive Feedback Loop. That means that short-sellers - blinded by their bias - were forced to buy shares to cover along with buyers/bulls - hopefully like yourself! - were buying for whatever reason, including playing Popped Stops.

There was an initial blip which could have triggered a sell/exit at the \$112 level, but if you held through that normal sideways pullback, the market surged higher into the close.

We're not here to explain why the market does what it does or where the buying pressure came from. It could be aliens from outer space putting money to work in the US Equity Market - on their planet, bad news is good news so they came in to buy. It doesn't matter. It could be the US Government propping up the market and preventing it from going lower so Democrats don't lose as many seats in Congress in November. Still doesn't matter. Conspiracy theories are fun but you're here to make money. Period. You want to Fight the Fed? Good luck. They have more money than you. Remember - they print money. You can't do that. Your job is to monitor price, assess opportunities, trade classic/good set-ups, manage risk while in the position, and exit when odds of continuation deteriorate, be that at a profit or a loss. Whether you saw it or not, the market gave clear signals in advance of the afternoon turn - signals I highlight and explain consistently in every day's report.

Today is a wonderful example - a great lesson in itself - of these concepts. How bias is bad, how markets forecast likely moves in advance (in terms of odds/probabilities and NEVER certainties), and how active trade/market/position management is far superior to lazy/casual management (as in "Well, the Jobs Report is bad so I'm going to stay short all day regardless of what happens").



There were two big trades on the session - the morning breakdown and the afternoon popped stops. There really wasn't much profit to be made besides those. Given the three trades above, roughly \$2.00 was possible in today's session.

SO FAR TODAY			10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	CST	15-min VOLUME	RANGE
4,000,031.50	16,585,989	8:45	12,585,957.50	0.47
1,436,105.00	10,475,324	9:00	9,039,219.00	0.47
(4,161,380.50)	7,602,960	9:15	11,764,340.50	0.38
(671,394.20)	6,329,430	9:30	7,000,824.20	0.30
3,857,392.00	10,986,157	9:45	7,128,765.00	0.30
10,220,431.00	16,734,292	10:00	6,513,861.00	0.27
7,816,263.10	13,892,002	10:15	6,075,738.90	0.26
1,047,513.70	6,737,089	10:30	5,689,575.30	0.20
(830,699.50)	4,505,132	10:45	5,335,831.50	0.22
1,176,976.60	5,246,564	11:00	4,069,587.40	0.26
100,249.60	4,024,658	11:15	3,924,408.40	0.23
798,227.40	3,921,022	11:30	3,122,794.60	0.23
(150,253.20)	2,853,775	11:45	3,004,028.20	0.21
(889,189.50)	2,240,560	12:00	3,129,749.50	0.19
106,645.90	3,316,170	12:15	3,209,524.10	0.22
(133,950.90)	2,728,746	12:30	2,862,696.90	0.22
(8,517.40)	3,262,675	12:45	3,271,192.40	0.24
620,467.10	4,120,486	1:00	3,500,018.90	0.26
281,033.50	3,905,438	1:15	3,624,404.50	0.24
(1,029,020.60)	3,218,814	1:30	4,247,834.60	0.24
(1,390,493.82)	2,946,498	1:45	4,336,991.82	0.27
5,568,063.18	10,369,177	2:00	4,801,113.82	0.29
3,595,881.45	9,153,171	2:15	5,557,289.55	0.30
3,019,486.18	9,783,191	2:30	6,763,704.82	0.28
316,081.27	8,508,188	2:45	8,192,106.73	
2,144,585.36	16,538,306	3:00	14,393,720.64	
<b>1,416,943.62</b>	<b>7,307,146.69</b>	<b>Ave.</b>	<b>5,890,203.07</b>	<b>0.27</b>

Today's sharp downside action and bearish breakdown... followed by a bullish recovery... was met with higher relative volume in the SPY.

Look very closely at the morning session and you'll see that volume DID NOT confirm the rally higher, which set-up the likelihood (signal) for lower prices and as we got those lower prices, volume surged. Volume stagnated through the afternoon consolidation and then rose to higher than average levels on the upside break, leaving today a "draw" between buyers and sellers.



In the potential updated Elliott Wave count, we may have officially started the first and second waves of the daily chart Wave 3. This count will be invalidated with any move above \$113, which we would expect would lead to a big - very big - popped stops breakout to the upside. Barring a push above \$113, chart odds still overwhelmingly favor lower prices, but as I've been cautioning, we're traders, not forecasters, so - as today showed us very clearly - we need to monitor price to see how it behaves with our expectations and positions.

Price found support at the confluence of the 50% Fibonacci retracement as drawn, 200 SMA, and 'round number' support at \$111. The upside movement that came off this support confluence likely spooked the bears who just got short and sent the market flying higher into the close. It's theoretically possible to see a push up to \$112.80 to close yesterday's gap, and again any solid push (not just by a few pennies) will likely ignite a bullish fire/explosion of price higher. Anything less and the gravity of price will take over and send the market lower as expected by the data/structure of the charts.



Technically, we have to label what happened on the 60-min frame as a vicious bear trap - as price sliced officially through key support of both the 20 and 50 EMAs, formed a spinning top 'in the middle of nowhere' (on this frame) and then burst back to the upside, trapping the shorts and jamming them out of their positions into the close.

Look for any sustained move above \$113 to continue this Popped Stops burst/impulse higher and trade it long, but if the market begins to form lower timeframe negative divergences (they're already there), then play very aggressively short on any downside move back under \$112 and especially under \$111.



I hate to say that nothing changed today... but nothing really changed today (from a daily chart perspective). We're still trapped between 1,225 as upside confluence resistance and 1,100 as confluence lower support. This market is carefully balanced between bulls and bears right here - at least from a technical/chart standpoint. **What does that mean?** We know that in 2012, the market is not going to be between 1,100 and 1,130 - so price has to breakout one way or the other - it's one of the absolute certainties of the market. Price HAS to move. Change - it's the only constant. Odds still favor a sharp downside break which may have begun today with the downward impulse that tagged support at 1,110 and bounced (perhaps temporarily) up off the key confluence support. The conversation I wrote from last night still is in play - everything I'm looking at from a chart standpoint suggests that price will be traveling lower in the days/weeks ahead. That much is obvious to almost anyone who applies simple or complex charting methods. However, we're traders - not analysts - so while we expect a downside break, we will also understand the power of the "Popped Stops" and unexpected upside breakout to the upside above 1,130 to throw the sellers off balance and draw in skeptical bulls to break the market VERY violently to the upside that would target 1,170 on any meaningful break above 1,130.