



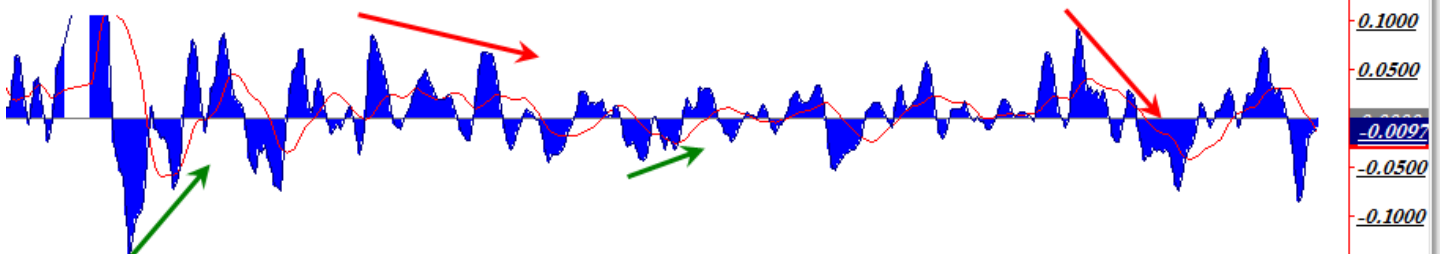
Daily "Idealized Trades" Report

S&P 500 ETF: SPY

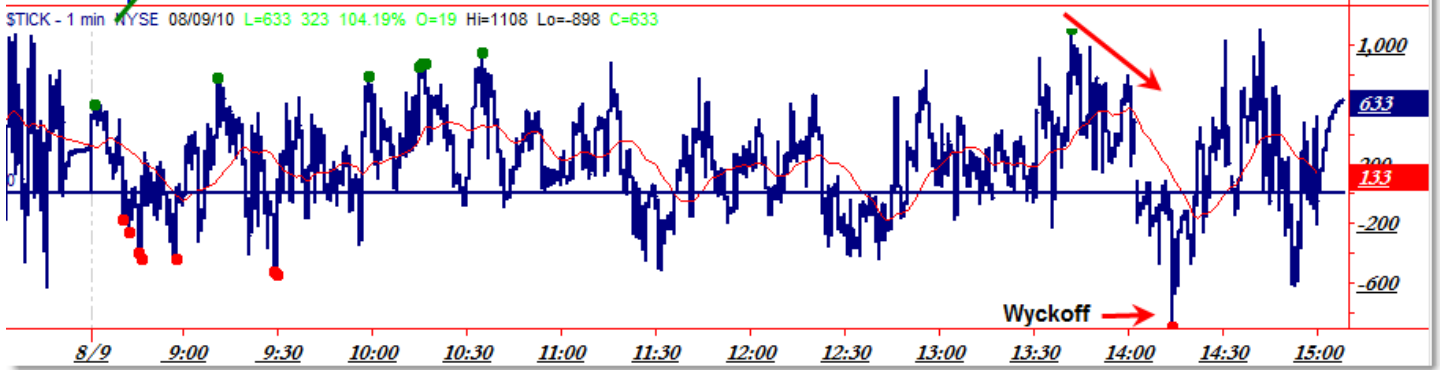
SPY - 5 min ARCX 08/09/10 L=113.02 0.63 0.56% O=112.92 Hi=113.18 Lo=112.32 C=112.99



SPY - 1 min ARCX 08/09/10 L=113.02 0.63 0.56% O=112.92 Hi=113.18 Lo=112.32 C=112.99



STICK - 1 min NYSE 08/09/10 L=633 323 104.19% O=19 Hi=1108 Lo=-898 C=633



Today gave us another creeper Range Day ahead of tomorrow's "Fed Day" announcement at 2:15 EST - you should be keenly aware of the expectations (discussed later in the report) and repercussions that could come from tomorrow's event. Hopefully - at least for intraday traders - this string of range days will end and we will have a sustained price movement one way or the other (with higher volatility than this!) that we can trade. Be on guard for that.

As it was a range day, there were few 'idealized trades' - and remember that not all days offer great opportunities. Today was one of them.

1. 20p EMA BREAK, TRENDLINE BREAK, REVERSAL CANDLES

This was your standard retracement trade back to the rising 20 EMA after a complete "filled gap" trade. Unless you are an aggressive trader, the gap fade happened too quickly to position safely into - so the next best thing to do was try to play the 'bounce back' retracement if support held either from yesterday's close or the rising 20 EMA - both were the case. There were a few entries to this trade - the first being the candle break above the bullish hammer that formed at 9:05 CST, or the (almost) price touch of the rising 20 EMA at 9:30am, or the breakout above the falling trendline at 9:45, or finally the official price touch of the 20 EMA at 10:30... or the price breakout above the \$112.70 swing high at 10:05. This is a good example of how you don't have to get the perfect entry to get a trade on, specifically with regard to aggressive (buy on the pullback to the 20) or conservative (buy only on a price break above a trendline or resistance) tactics. Either way, the stop was trailed under the 20 EMA and good target was a retest of the opening high of \$112.90, which formed a doji candle at the upper Bollinger Band - triggering a safe exit.

The market consolidated for the rest of the afternoon and actually formed a Rounded Reversal pattern (see 1-min chart) or 'arc' trendline (I described that in detail in Friday's report - it's the exact same thing) that resulted in a price breakout from the upper Bollinger Band and horizontal trendline at \$112.90 at 1:30 - your next and final trade.

2. ROUNDED REVERSAL BREAK, BOLLINGER BAND SQUEEZE, BREAKOUT

This was your standard breakout - and I wish it gave us a nice Wyckoff Sign of Strength like Friday (it didn't) but still a breakout is a breakout. The nice rounded arc formation gave a bit of a clue, but the official trigger was the big bullish breakout candle of 1:30 (13:30) - and you could have treated this as a breakout trade (play long as long as possible) or Popped Stops (same logic).

A good exit was to monitor the price to see the 1-min negative TICK and momentum divergences that undercut the price high above \$113 (the 'glass ceiling is slightly broken at the moment), and the bearish engulfing bar that formed off the upper Bollinger Band at 2:00pm (14:00). Price broke back to the falling 20 EMA, forming a clear Wyckoff Sign of Weakness (new TICK low when price did not make a new low in the afternoon session) but that was quickly erased by a push up to retest the high - no trade into the close.



SO FAR TODAY		CST	10 DAY AVERAGE	
DIFFERENCE	15-min VOLUME		15-min VOLUME	RANGE
(2,737,763.00)	10,410,361	8:45	13,148,124.00	0.52
(3,646,338.60)	6,719,844	9:00	10,366,182.60	0.52
(6,718,701.20)	5,490,452	9:15	12,209,153.20	0.39
(3,364,451.30)	4,317,197	9:30	7,681,648.30	0.28
(3,543,097.60)	3,270,559	9:45	6,813,656.60	0.30
(2,269,364.20)	3,089,302	10:00	5,358,666.20	0.26
(3,404,951.60)	2,547,300	10:15	5,952,251.60	0.28
(3,418,796.00)	2,623,318	10:30	6,042,114.00	0.23
(908,466.10)	4,466,579	10:45	5,375,045.10	0.27
(2,254,030.40)	1,856,485	11:00	4,110,515.40	0.29
(3,979,199.30)	1,174,236	11:15	5,153,435.30	0.22
(1,966,648.30)	1,913,377	11:30	3,880,025.30	0.25
(1,025,167.80)	1,906,263	11:45	2,931,430.80	0.19
(2,866,765.00)	833,728	12:00	3,700,493.00	0.25
(2,176,603.80)	865,533	12:15	3,042,136.80	0.24
(1,691,162.70)	1,910,555	12:30	3,601,717.70	0.26
(2,769,488.30)	1,552,756	12:45	4,322,244.30	0.33
(2,671,391.60)	2,004,822	1:00	4,676,213.60	0.42
(3,877,032.70)	1,242,215	1:15	5,119,247.70	0.30
(5,250,268.40)	1,194,451	1:30	6,444,719.40	0.28
(47,847.45)	5,739,461	1:45	5,787,308.45	0.34
(2,974,798.91)	2,623,417	2:00	5,598,215.91	0.33
(2,183,060.73)	4,193,148	2:15	6,376,208.73	0.40
(5,694,303.36)	1,870,046	2:30	7,564,349.36	0.36
(7,256,900.00)	4,467,576	2:45	11,724,476.00	
(8,838,101.91)	9,873,919	3:00	18,712,020.91	
(3,366,719.24)	3,390,650.00	Ave.	6,757,369.24	0.31

I've heard from some traders that today was one of the lightest volume days of the year - surpassed only with lighter volume from days in April... just before the very violent downside market crash they now call the "Flash Crash" of May 6th and the subsequent down move that took price from 1,220 to 1,010.

I don't mean to be an alarmist - only a technical purist - but one would assume history to repeat, in that a contraction in volume as price rises and rises in 'creeper' mode has preceded some sharp market down-moves. Be on guard that this IS a possibility, and should be a warning to buyers to be very cautious as long as we're under 1,130.

Though today was almost completely a creeper move higher from period to period, volume was lower across the board, trailing the 10-day SPY average by 3.3 million shares.

The reality is that traders seem to be taking a neutral - on the sidelines - posture ahead of the Fed Decision tomorrow at 2:15 EST - it is likely that is the best course and to react to what happens rather than to forecast or anticipate it and be caught on the wrong side of a potentially violent market move.



If you want to be a chart/analysis hero, you'll explain all the reasons the market is poised for a hard fall. These include the dominant short-term Elliott Wave count, Fibonacci overhead resistance, negative internals, momentum, and (especially) volume divergences, so on and so forth. There's no point in discussing in great detail what perhaps should be obvious to us all - odds favor a market fall.

However, as a trader, you'll want to take that information and then take one extra step and set-up a game plan without bias. Meaning, you see and understand the chart evidence strongly suggesting a market fall ahead. You prepare to trade that fall if that is indeed what is about to happen, shorting on the way down according to your timeframe and methods. However, you also recognize that - BECAUSE - the chart evidence is so obvious, it means that a lot of traders are already positioned short, and they have placed their stops above \$113 (1,130 in the S&P 500). That means that any unexpected breakout - which could be triggered by 'bullish' comments from the Fed tomorrow - will force those eager

short-sellers to abandon their positions, buying to cover their short positions at a loss, and if buyers also step-in and buy the breakout - especially if the TV news crew tout the bullishness of the Fed - we could see a very violent upside break that would shock a lot of traders and confuse many people.

At times like this, it is best to stand aside neutrally, understand the odds (bearish bias), and then play what actually HAPPENS as opposed to what you believe, or the chart says is SUPPOSED to happen.



In terms of the levels to watch on the 60-min chart, watch for a break under \$112.50 (20EMA) and \$112 (round number and 50p EMA).

Notice the negative divergences, but realize that the charts are showing a wall of resistance at \$113 that - if broken - would likely lead to a powerful price breakout to the upside. Anything else and the market will fall as so many traders think it will.



I think a lot of us factored in that the Jobs Report on Friday would be the catalyst that broke us out of this range we're in between 1,100 (moving averages) and 1,130 (massive resistance), but it turns out that - after an initial downfall, traders supported the market in anticipation of whether the Fed would 'print money' in another quantitative easing policy, boosting the weakening economy. So now, the consensus is "IF the Fed announces it will be buying mortgage backed securities or any other form of QE, THEN the market will bust strongly to the upside above 1,130, taking out bears' stop-losses and rising up to and perhaps beyond 1,150." OR "IF the Fed does NOT announce any QE policy, or has further negative comments on the economy (unlikely), THEN the market will likely break sharply lower, and any move under 1,100 and particularly 1,090 should be shorted aggressively as buyers/bulls throw in the towel and take their stop-losses."

In a market as compressed as this, you're better off standing on the sidelines as it appears so many traders are doing (look at the volume) and then trying to play the breakout above 1,130 or under 1,090 - and keeping to your intraday tactics until then.