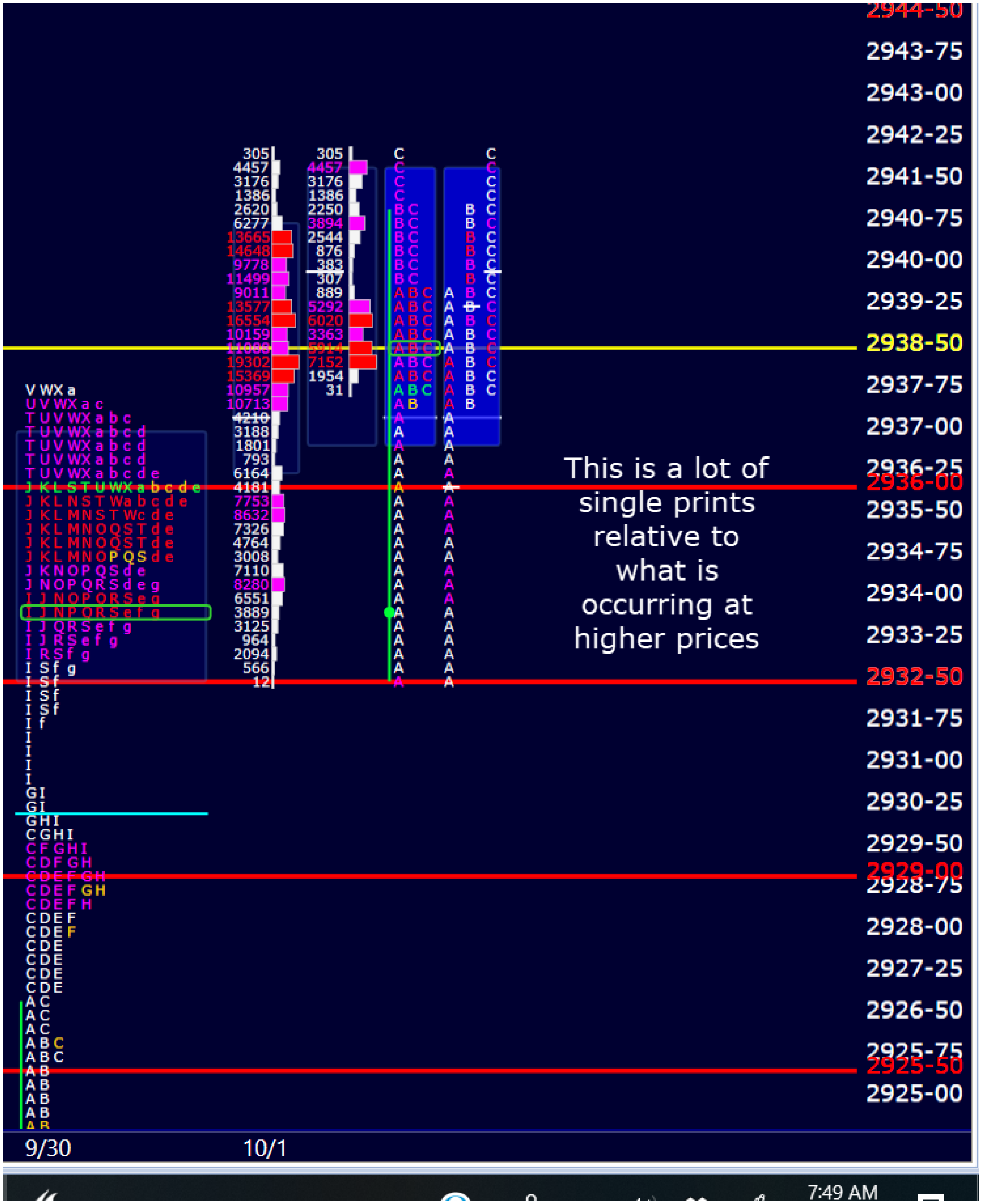
# RECAP & PREPARATION REPORT FOR 10-02-2018

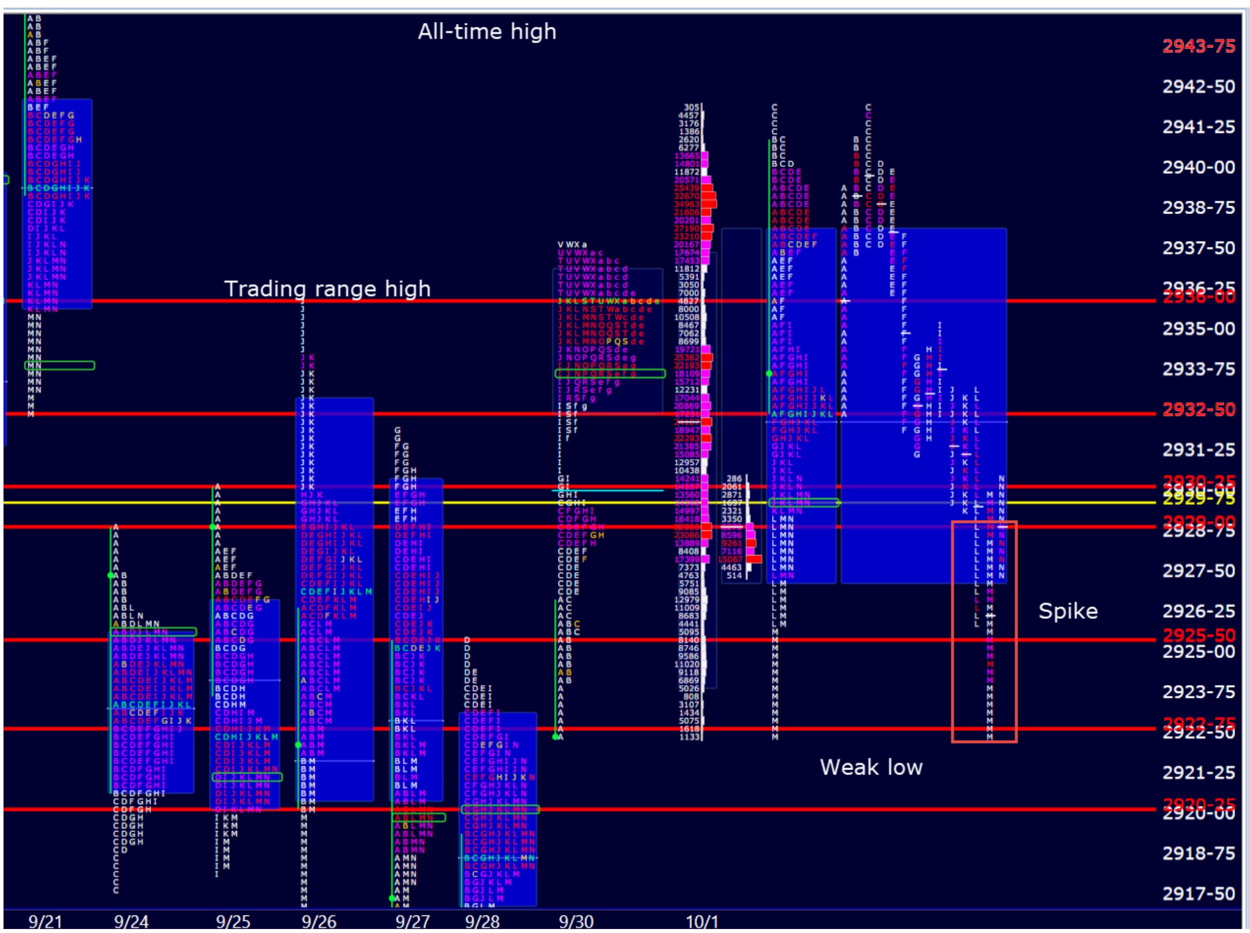



Many of you will immediately ask, “what is too many single prints” and I will respond with I don’t know. It is something you gain with experience. When I looked at the single prints

I immediately reflected on how much trading was taking place above all those single prints; it didn't appear to be proportional. Trading is an art and not a science, that is where our true edge comes from.

I am currently reading a preproduction stage book by Linda Bradford Raschke and came across the following quote from Hunter S Thompson.

"The edge… There is no honest way to explain it because the only people who really know where it is are the ones who have gone over."




The overnight emotional longs, who were joined by new early morning day timeframe longs, got caught as there was no new meaningful buying coming into the market following the opening. The A period single prints, discussed above, were the first indication that these weak longs were in trouble; the second was the sluggishness of the rally. The gradual deterioration, throughout the session, which left a series of weak or poor lows continued to telegraph their weakening position. Unless you understood their inventory position, it would've been a very difficult day to trade. Unless you understood their inventory position, you probably took some longs throughout the session.

If you understood their position and appreciated the continuing poor or weak lows and had a great deal of patience, the liquidating trade late in the day was the best trade of the session. You could have also sold into rallies, however, I didn't but rather just stayed with an earlier put position.

The slowness of the market going lower was an indication that we were seeing only liquidation rather than a more potent combination of liquidation and new money selling.

Tomorrow starts the first official session of the Fall Intensive - we will review today's trading during the early morning webinar. Monday was an important educational session. Intensive Clients should continue to press us until you are sure you appreciate Monday's trading.

Monday's market posts should be copied and placed in a special educational folder along with the daily Profile.

## PREPARATION FOR TUESDAY

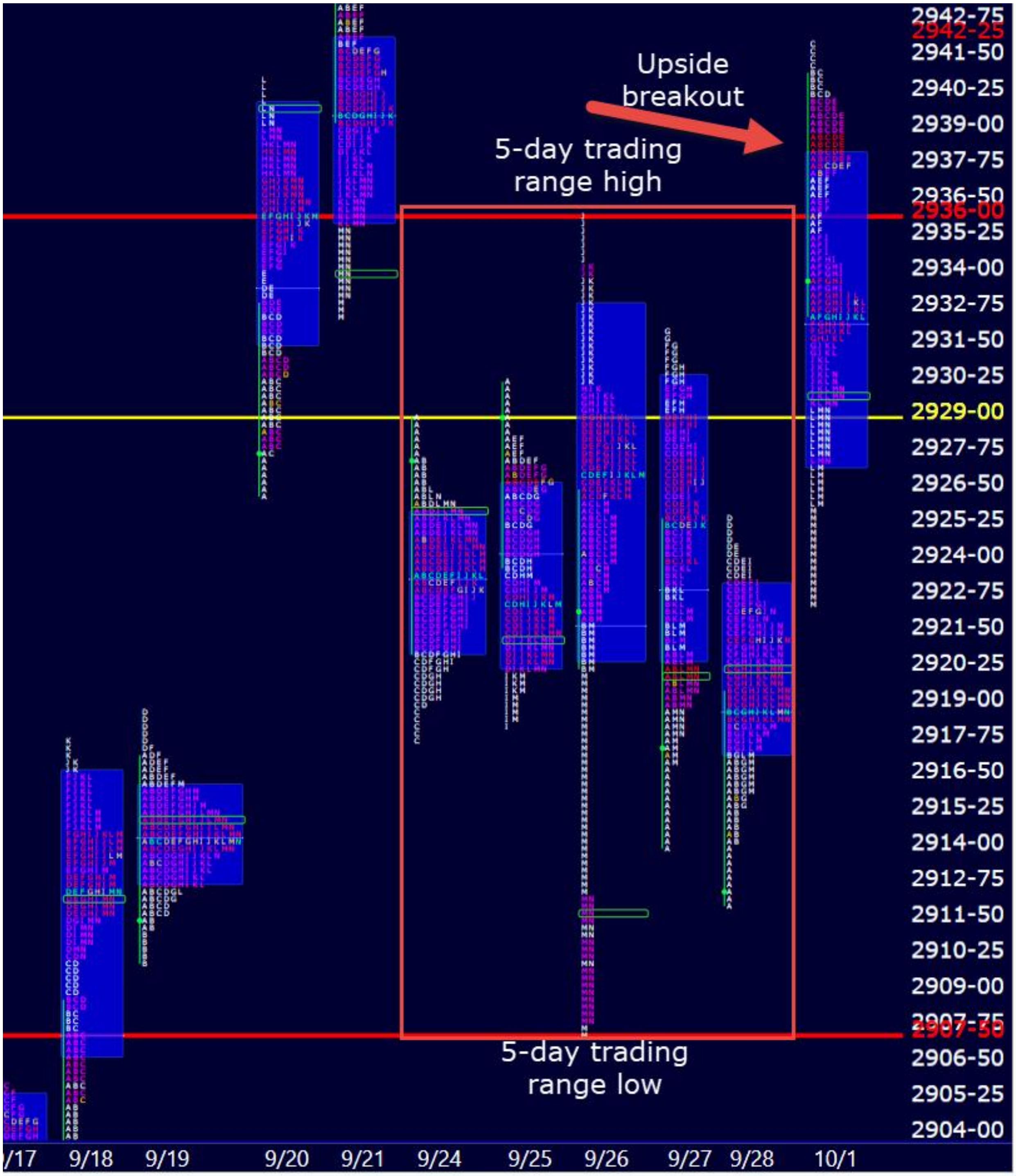
### SPIKE

A spike is a late price break that occurs before the market has had an opportunity to confirm if it is accepted or rejected. I'm going to treat Monday's late break as the spike and the spike rules are as follows:

1. Opening below the spike, with downward continuation, is evidence that price did not go low enough to cut off the selling.
2. Opening and trading within the spike (lower spike) shows acceptance of the spike and is generally considered to be negative.
3. Opening and remaining above the top of the spike is positive as it demonstrates that the lower prices were rejected.

## VALUE AREA

Except for the first three half-hour periods, prices rotated lower throughout the day, however, value was clearly higher. This is a caution against becoming too negative.



Coming into Monday the market was in a five-day trading range; Monday delivered an upside breakout failure. This is generally considered negative with the downside target being the 5-day trading range low.

I am neutral as I prepare the report. For me to be negative, I would have needed to see a combination of at least unchanged value to go along with the upside breakout failure.

**SCENARIOS FOR TUESDAY MORNING**

1. Opening and remaining above the top of the spike is positive and increases the odds of another rally towards the all-time high.
2. Opening and remaining within the spike and below is negative, as we would see lower value as well as further penetration back into the five-day trading range.
3. Opening and remaining below the spike is the most negative position for Tuesday morning.