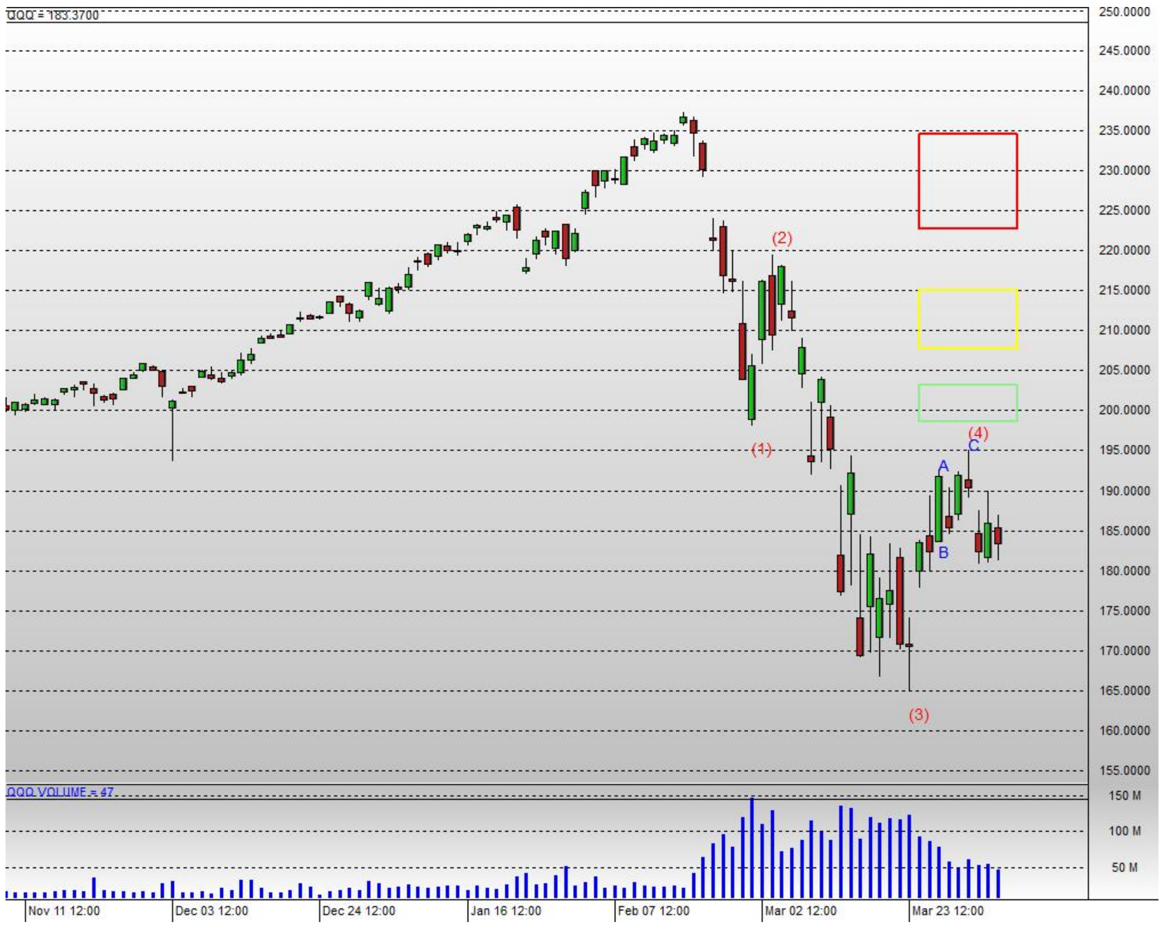
Market Overview

Figures for March Nonfarm Payrolls were released on Friday. And, the -701,000 figure reported was far below some analyst's expectations.

In the week ahead, traders may want to remember that PPI figures for March are due on the 9th.



QQQ Daily

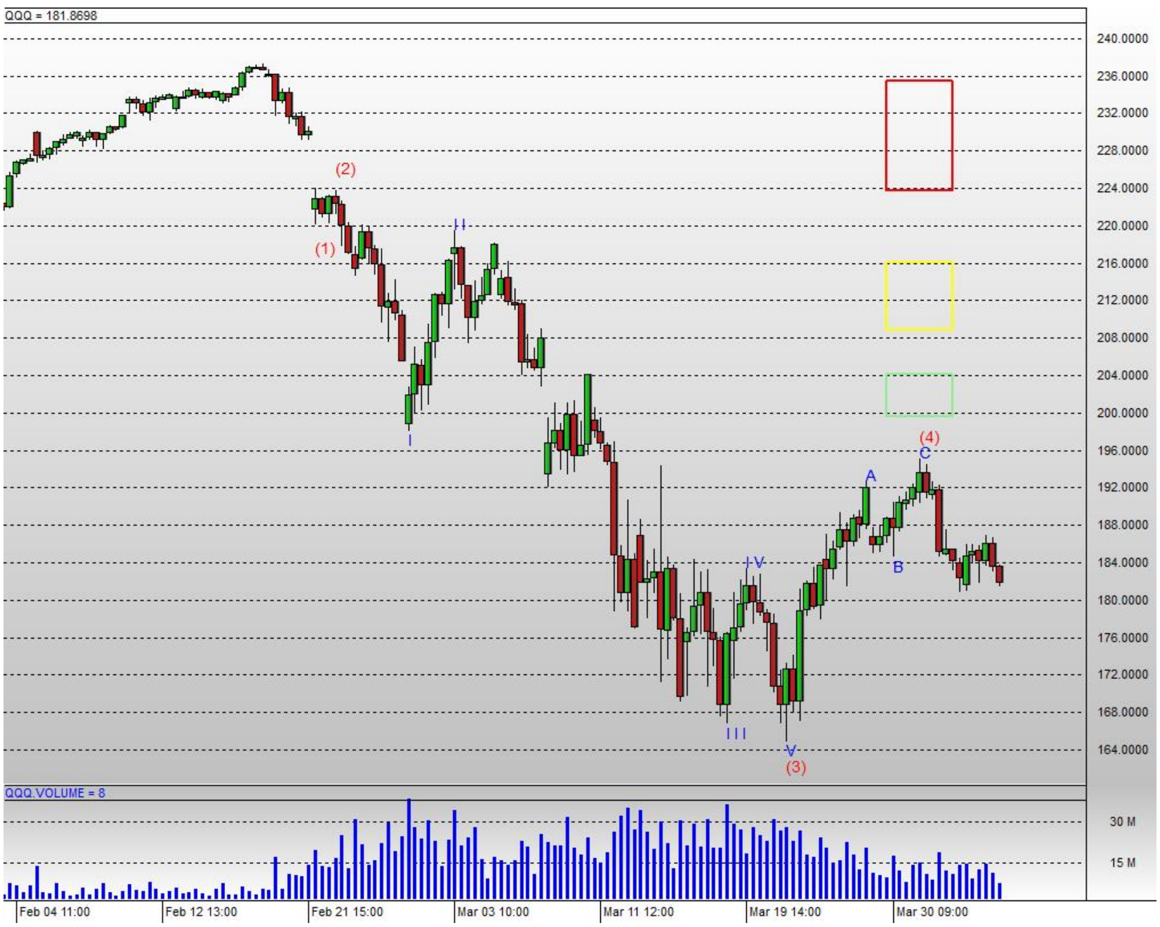
Starting this week's analysis with the QQQ daily chart above, we can see that this market started the week higher. And, after challenging the previous weeks high, the market finished near the highs for the day.

On Tuesday, the market began the session slightly lower. And, after reaching a new high, the market slipped and finished in the bottom portion of the day's range.

When trading resumed on Wednesday, the market began the trading day with a gap to lower lows on the open. And, after a rally to fill the gap, the market slipped and finished lower on the day.

Thursday's trading session began slightly lower. And, after challenging the previous day's low, the market rallied to finish around the middle of the day's range.

On the final day of trading for the week, the market began the session slightly lower. And, after losing ground during the day, the market backed away from session lows to finish around the middle of the day's range.



QQQ 120 Minute

Drilling down to the 120 minute time interval for the QQQ, we can see that IntrepidTrader has identified the current wave as wave four on this timeframe. Also, we can see that the fourth wave trades to the 196.00 price area.

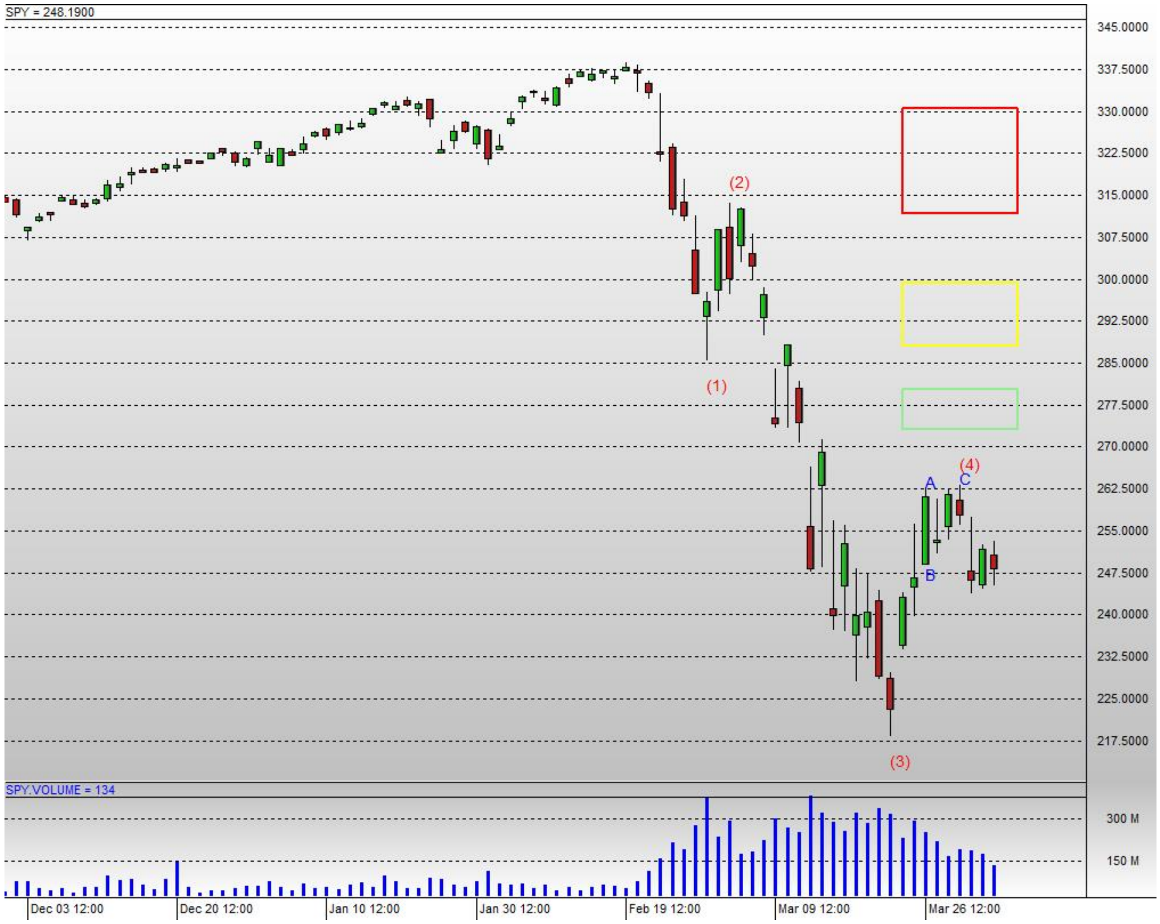
When some traders see the market enter the fourth wave, they may begin to ask themselves when the corrective wave will be over, and the market resume its trend. And, if a trader has benchmarks by which to make this determination, it may give him an edge in the markets.

One of the benchmarks that seasoned Elliott wave traders look for to determine whether or not the current wave is finished is to compare the current correction to the corrections within the current wave. This method allows a trader to compare the market's current behavior to its previous behavior. And, this is very different than employing an optimized backward-looking indicator.

To employ this benchmark in the chart above and determine whether or not the fourth wave could be over, a trader would compare the correction, which begins at the end of the fourth wave with the previous correction within wave four. In this case, the corrective wave within wave four would be wave B. So, to make the calculation, a trader would take the length of wave B and add it to the end of the fourth wave. This would allow him to make a determination as to whether or not the current correction is greater than the previous correction within the fourth wave.

While this and other technical analysis techniques are not infallible, they do provide a trader with a way of comparing or contextualizing the current information that is gleaned from a price chart with previous information available on the chart. In doing so, a trader is more able to align himself with the market rather than fight it.

In the week ahead, traders may want to watch the 120 minute time interval for the QQQ. If this market decides to trade below the end of wave three (shown in red) within this bearish five-wave sequence, this will be our confirmation that we are in the fifth wave on this timeframe. However, if this market decides to sustain its corrective tone, it is possible that the minor ABC correction within the major fourth wave could relabel.



SPY Daily

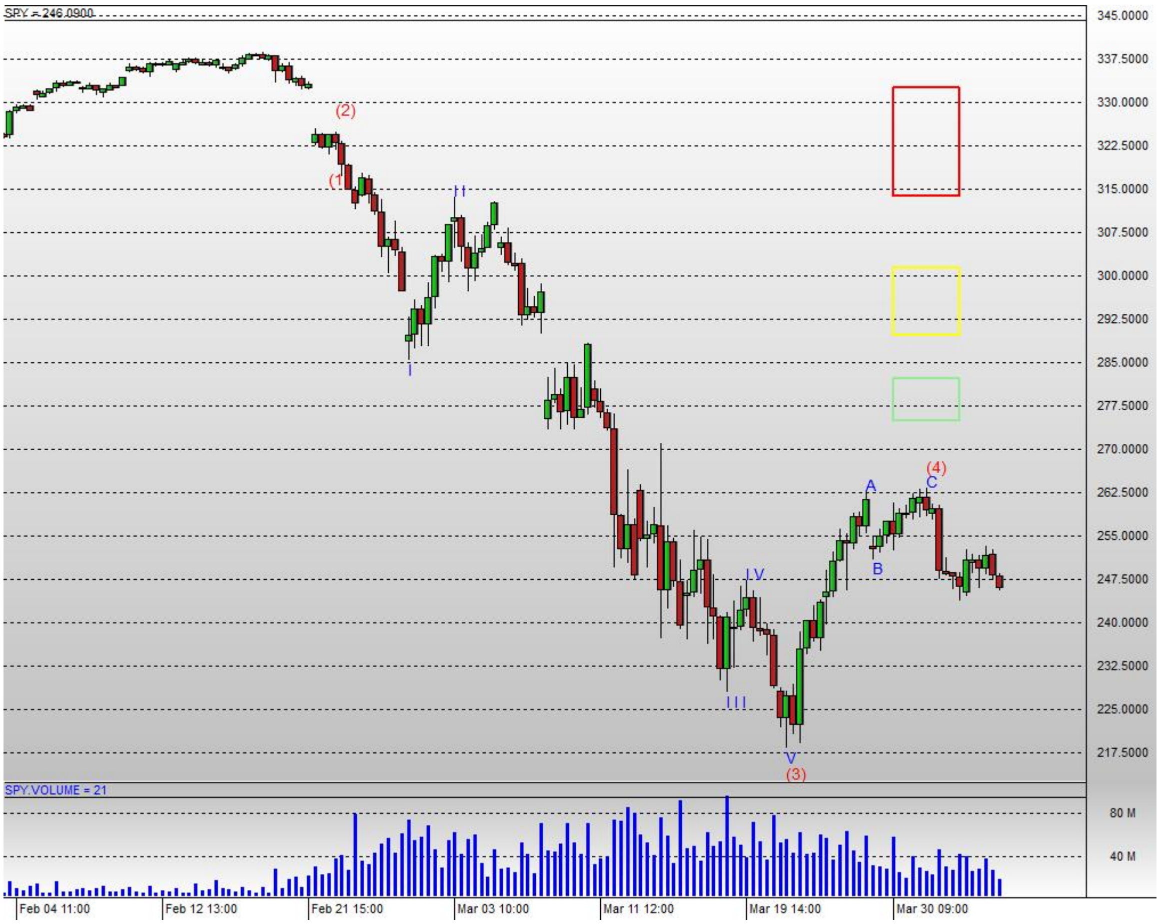
Continuing to the SPY daily chart above, we can see that this market started the week slightly higher. And, after a brief dip into the red, the market continued to rally as the trading day unfolded. All in all, the market finished higher and near the highs for the day.

Tuesday's trading session began slightly lower. And, after a brief rally, the market lost ground and finished near the lows for the day.

When trading resumed on Wednesday, the market made a gap lower on the open. And, after filling the gap, the market finished slightly lower on the day.

On Thursday, the market began the session slightly lower. However, the market was able to rally higher as the session unfolded. All in all, the market finished higher and near the highs for the day.

Friday's session began with a lower open. And, even though the market exceeded the previous day's high, it seemed unable to rally much higher. Instead, the market lost ground during the session and finished around the middle of the day's range.



SPY 120 Minute

Moving down to the 120 minute time interval for the SPY, we can see that IntrepidTrader has identified the current wave as wave four on this timeframe. Also, we can see that the fourth wave trades to the 262.50 price level.

A gap occurs when the range of one bar or candlestick does not overlap with the bar or candlestick, which precedes it in the chart. When this happens, there may appear to be a break in an overall trend.

When a gap is observed on the chart, this typically means that the market is moving very quickly. Therefore, it's not uncommon to find gap moves in a third wave since the third wave of an impulsive wave sequence tends to be associated with increases in volatility and momentum.

Another interesting development that occurs or associated with price gaps is that the market tends to retrace to these price areas. This is known as filling the gap. As such, the observance of a price gap can provide technical traders with useful information when entering or exiting the market.

In the week ahead, traders may want to watch the 120 minute time interval for the SPY. If this market decides to trade below the 217.50 price level, this will be our confirmation that we are in the fifth wave on this timeframe. However, should this market decide to sustain a move above the 262.50 price level, it is possible that the minor ABC correction within the major fourth wave could change.

Good Trading,

Sam Perdue