12/1/22 (-$24)

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TL;DR

In this trading analysis from December 1, 2022, the author reflects on market movements following JPow's comments, emphasizing the need for selectivity and patience in trading. Key scenarios are outlined for potential market behavior, along with personal trade experiences and lessons learned about avoiding impulsive decisions.

Grade: C-

Goals: Be more selective and raise winning %

Reminders/Aphorisms:

- Don't fight the trend;
- Be patient, take good set-ups
- Respect at least 2:1 R/R

Overview: JPow spoke and the sheep think he was "dovish" so the market flew yesterday on thoughts the economy is doing better, which he said it wasn't. However he said they may slow down rate hikes so people went nuts. On the daily we had some of the biggest volume of the year. We are opening the day up off of the close yesterday. Yesterday we had over a 10 pt move. We are also testing the macro downtrend started in January 2022. We may reject hard at the trend line, or we could break out and get a massive green move. It's the first day of the month so it will be difficult to tell. Potential scenarios:

1) We will likely come down at open to previous day close at 407.68 and from there I expect a bounce up towards premarket high. From there, the next zone up is around 411-412, where the macro downtrend also rests. This will likely be a good area for a short if price action looks good. The short will likely come back down to previous day close.

2) We could just keep moving up and test the 411-412 zone and break through, with no real zone above that until the 420 level.

3) If we do happen to get a big red move - which I think is unlikely, we will have to move through previous day close (407.68), then premarket low (406.58) and then the next big level is 403-404.

Trade Analysis:

- Trade 1 was a trend continuation short trade. We had a strong move down and rejection at 410. Some sort of PMI numbers came out and we crashed hard. We consolidated below VWAP and I missed the first leg down because I was on the phone. We then consolidated around premarket low and when we broke down past that I took the short for a 50c move. This was a clean perfect trade. The 5m did look extended but can't think like that.
- Trade 2 (not shown) was a trend continuation short trade on the 5m on a suboptimal set up. We had bounced off 405 and had a little consolidation on decreasing volume.

I was looking for the move down to 405 again but got stopped out for my 25c risk. This wasn't a great trade and I don't believe I would take it again.

- Trades 3 was the same trade as #2 above. This was probably a FOMO trade since I lost half my profits on the last trade. I was looking for a rejection at the 306 level.
- NOTES: I started the day off with a picture perfect trade then went red on stupid trades.

Lesson moving forward: PATIENCE. Not every day will provide opportunity and there's no reason to force anything.

FAQ

What was the market reaction to JPow's comments?

The market reacted positively, interpreting JPow's remarks as dovish, despite his indication that the economy was not improving.

What are the potential scenarios for the market?

Three scenarios are outlined: a bounce back to previous close, a continued rise testing higher resistance, or a significant drop below key levels.

What lessons did the author learn from their trades?

The author emphasized the importance of patience and not forcing trades, as impulsive decisions led to losses after an initial successful trade.

What was the outcome of the first trade?

The first trade was a successful trend continuation short, resulting in a clean profit after a strong move down.

How did the author's later trades perform?

The later trades were less successful, with one resulting in a stop-out and another likely driven by FOMO, leading to a loss of profits.