Before The Close - Daytrading Secrets

Confirmations   4/23/06
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If only there were a way to tell if new highs or lows in the S and Ps will hold. Perhaps there is.

Using the Mini Russell as a Confirmation of S & P Moves

In chart 1 the S&P 500 gapped up open. After a brief pullback it had an extended rally of almost nine points. Most traders would think a rally of this kind of strength should continue up. Let's see.

Chart 1

The market pulls back for a few bars. Then it proceeds to new highs around 12 noon marked at "A". This is a new pivot high which usually means strength.
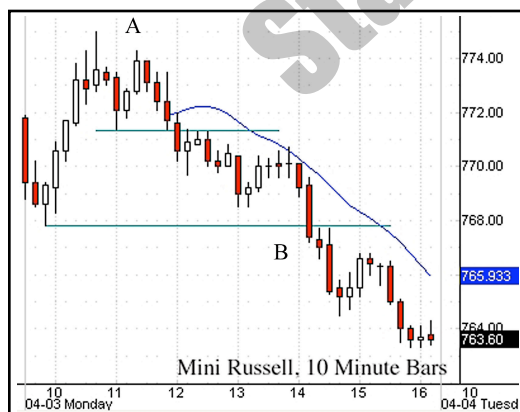

Chart 2

Chart 2 shows the same day's action in the Mini Russell contract. Note when the S&Ps make new highs marked at "A", the Mini Russells do not. This is "Non-Confirmation" of the S&Ps move. The continued upmove in the S&P500 is in jeopardy.

A few bars later, the Mini Russells make a new pivot low and fall below the open of the day. This is a clear sign of weakness.

Both markets stall at this point. Moving sideways until just after 2:00 pm. At this time on Chart 2 we see the Mini Russells make a new low for the day at "B". This is important because the S&Ps are far above their daily low. A short position in the S&Ps could be taken here. You could wait until 2:10 when the S&Ps break below their two hour congestion lows.

The S&Ps break down hard from here. They move down to and through yesterday's close. The Mini Russells were doing the same.

An early "tip-off" of this potential divergence might be had by looking at the two markets morning rallies. The S&Ps showed a strong, extended move. The Mini Russells however, showed a less convincing rally. A rally that only went 3 points above the open of the day, ending in 3 big "tails" - this is weakness.

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