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Trade Lesson and Pre-market Report for Monday, August 15, 2022

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Bottom line for this week:

From last weekend's Report:

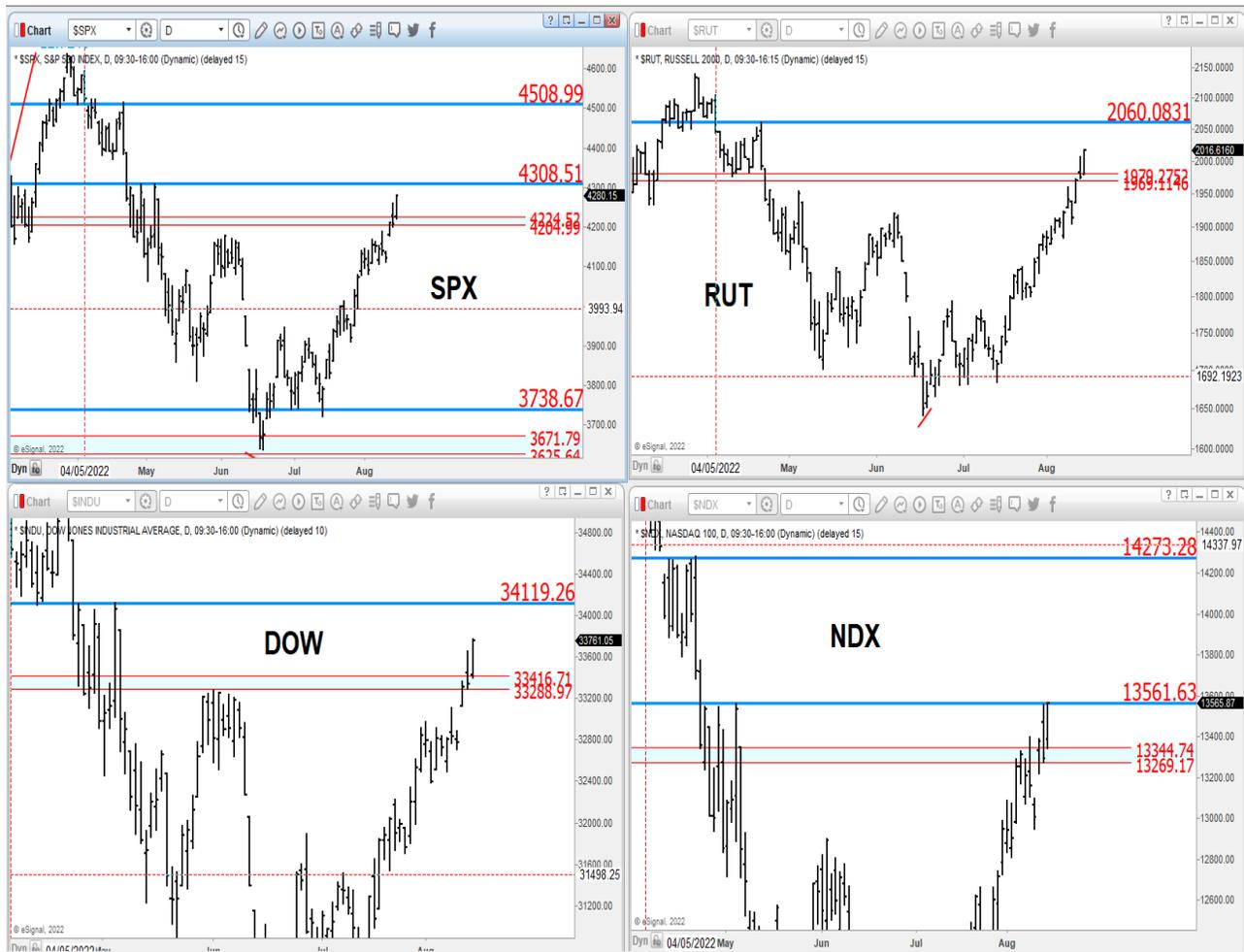
We head into next week with the SPX/ES, NDX/NQ and RUT/RTY all closing positive on Friday and at upper extremes of important KRAs (Key Reference Areas). My guess is we see an attempt to break higher, and possibly quite sharply.

Following PRICE ACTION through the lens of Auction Market Principles is the most powerful and certainly the most objective form of analysis one can use. Momentum has been the strongest it has been since the January top. The indices are likely to trade higher, but unlikely to trade higher at the same rate of change that we saw beginning Wednesday and following through into Friday's close.



Daily KRAs:

In strong trends, especially to the upside, the downside extremes previous day and the day before that will typically hold any retracement. Eventually that level will break and that is the initial signal at least a short-term top could be forming.



SPX

From last weekend's Report:

The SPX is in a make-or-break condition. If it closes above 4177 there is nothing above until near 4300.

The SPX closed the week at 4280. I would be quite surprised if we do not see at least 4300 early next week. While I do not expect the present rate of change to continue, there is nothing objective from an Auction Market perspective above 4300 that provides a specific level to watch. Above 4300 the SPX is in an elevator shaft that extends to near 4500.

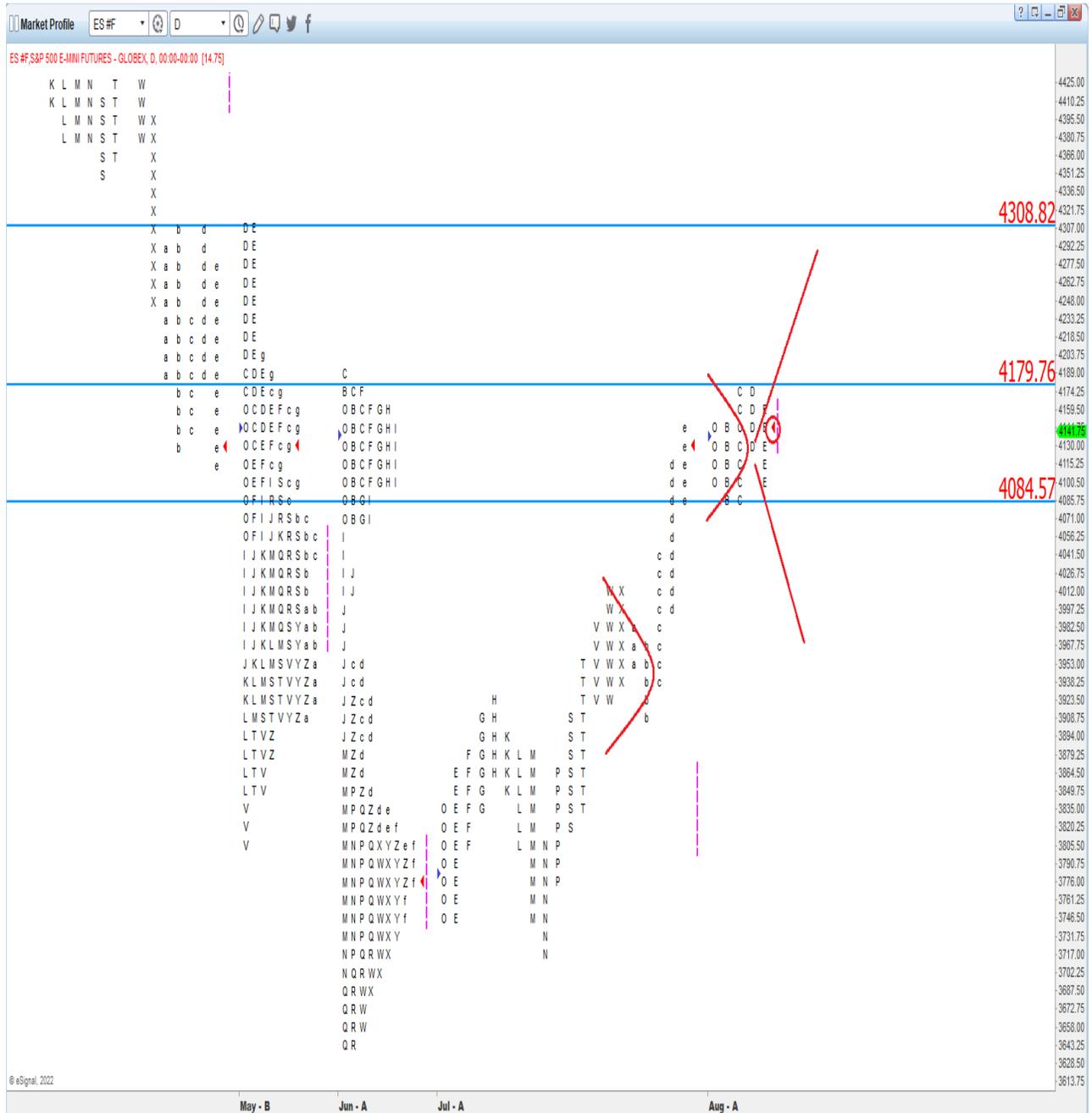
So, we *could* trade higher, *maybe* a lot higher, but my guess is things get choppier on a day-to-day basis.



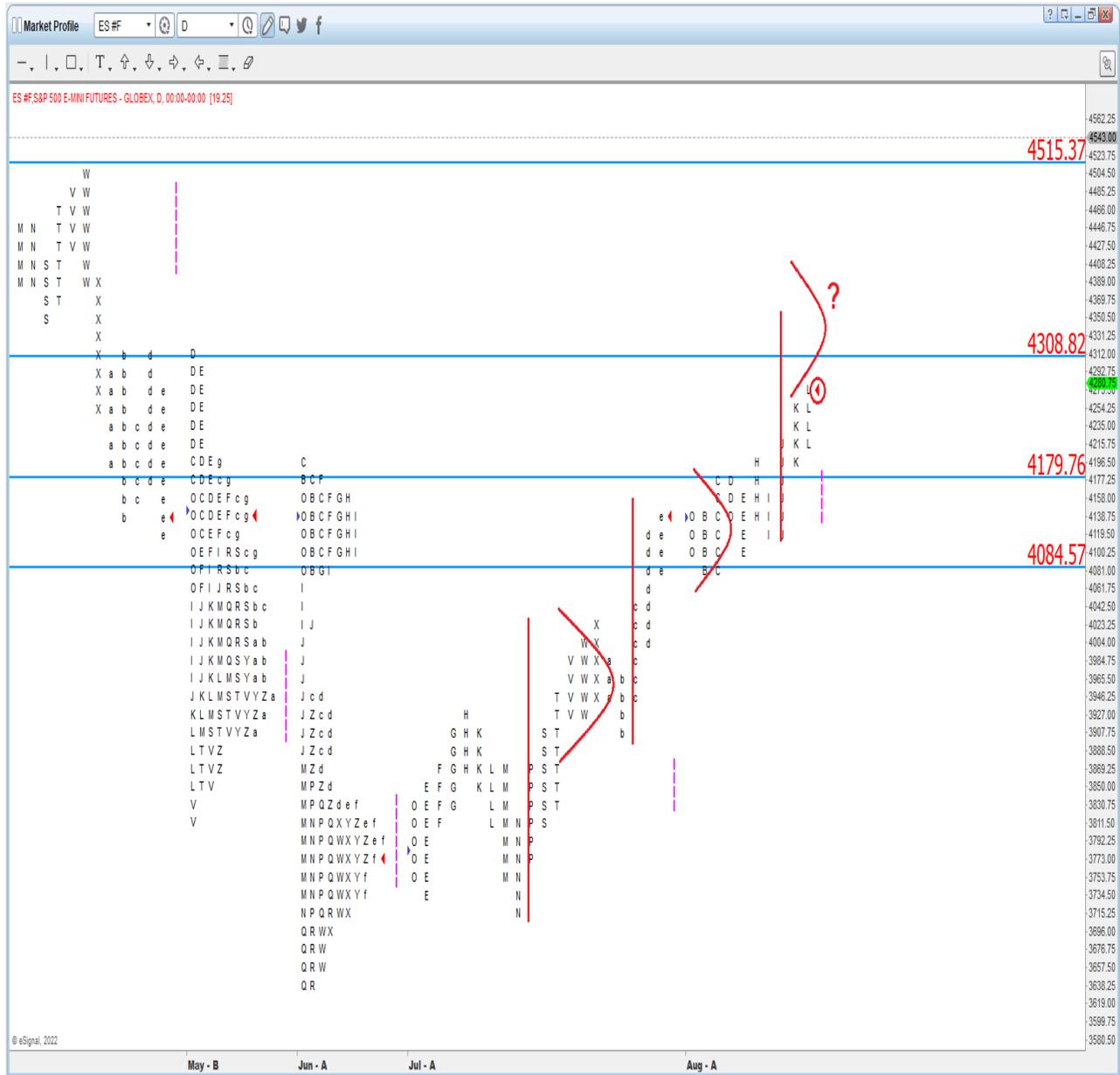


Profile Perspective (DAILY):

Last weekend's schematic:



Update:



Internals

From last weekend's REPORT:

The last three weeks have been a text-book display of the relationship between price and breadth in a bull trend. It is quite possible we see another expansion in breadth before a retracement of some relative significance begins.

Breadth closed Friday at +1800 - very strong, but below the +2186 close of 8/10. Breadth should continue to make lower highs into whatever top is formed in the next week or so. If SPX 4300 is reached and breadth is clearly weakening, be alert for at least a short-term top.

Also, it has now been two months since the last -2000 closing breadth reading. Even in bull markets it would be time to be on alert for that event. When that does occur it will be very important in helping to determine where we are from an intermediate term perspective.





From last weekend's Report:

*Watch for another breadth spike to the upside, but one that is not likely to exceed recent breadth highs. **That spike might coincide with a break to the upside in the indices from present critical levels as outlined above.** IF this plays out as outlined, that has a good chance of being very near at least a short-term top of relative significance. This will be monitored and reported on a daily basis for Members.*





The SPX closed above the June volume node on Wednesday accompanied by a large breadth thrust (+2234) that actually exceeded the breadth thrust of 7/27. Friday's closing breadth was +1822, lower than that of Monday, but still quite strong. The continued strength in breadth on Friday suggests higher prices will be seen prior to any significant top, perhaps similar to the recent 7/27 - 8/03 period.

Also note that breadth has not contracted below -1200 in a month. When it does it may mark the beginning of the most significant retracement in two months.

We will be analyzing this in real time each day.





No change:

I've been pointing this out for several weeks: A VIX that continues to drop is bullish.

VIX now has its first weekly close below 20 since April.

