Chart of the Day
Here's a trick to keep you safe in a wild market. $SPY

November 20, 2025

Scott reviewed the S&P 500 ETF Trust (SPY), emphasizing a crucial risk management rule that has kept him out of recent downside volatility: Only look for and take long trades when SPY is trading above its 50-day moving average. He pointed out that the 50-day simple moving average acts as a key guardrail that defines the near-term intermediate trend. When the market is below the 50-day MA, it typically signals a trend change or increased volatility, and traders should be in cash or heavily on the sidelines. He noted that waiting for confirmation above the 50-day MA is more important than trying to catch the exact bottom, as it puts the trend clearly in the trader's favor and provides a definitive line in the sand for risk definition.

Next Steps:

1. Implement the 50-Day MA Rule: Adopt the rule to only engage in long positions when the SPY is trading above its 50-day moving average to ensure trades align with the intermediate trend.
2. Move to Cash/Sidelines: As SPY is currently trading below the 50-day MA, allocate capital to either cash or heavy sidelines, avoiding new long risk exposure until the market reclaims this level.
3. Monitor SPY's Key Moving Averages: Closely watch for SPY to clear the 50-day moving average as a confirmation signal for re-entering the market and initiating long trades.
4. Define Risk with Moving Averages: For any future long trade, once SPY is above the 50-day MA, use the 8-day (accelerated trend) and 21-day (strong trend) exponential moving averages as secondary guardrails for entry and stop placement.
5. Review Trades for Trend Alignment: Conduct a review of current long holdings to ensure they align with the overall market trend (when the SPY is below the 50-day MA, individual stocks are at high risk of volatility).

Transcript:

0:00: Hey, everyone, good evening.

0:02: It's Scott at Scottrades on X with Stock Marketentor.com and your chart of the day.

0:09: Want to take a look at the Spyder S&P 500 ETF Trust.

0:13: This is Spy.

0:15: Now, I haven't been involved in the market for the last couple of days, really haven't really been doing much trading at all.

0:22: And that's because I have a rule that has saved me from participating in a lot of downside volatility.

0:30: Just by watching some of the major indexes.

0:32: And so that rule that I have is watching my guardrails.

0:37: On the chart here, you can see I have the orange line, blue line, red line, and black line.

0:43: This is the 8-day exponential, 21 day exponential, and 50-day simple moving average.

0:48: Now, these have been great guardrails to really keep me on the right side of risk because typically, if we are above the blue line and trending up, we're in a really strong market.

0:59: When we're holding above the 8-day, a lot of times we're in an accelerated strong market.

1:04: But when we're below the 50-day moving average, that is usually a sign that something's not right with the market, or at least we're getting a near-term trend change.

1:14: And so I would definitely recommend, if you're struggling in this market right now, just to use the rule.

1:19: To only be long stocks and looking for long entries when the S&P 500 via Sy is above the 50 day moving average.

1:28: That typically means that the near-term intermediate trend is intact and you want to be long risk assets.

1:34: When we are below the 50 day moving average, things can get Hairy, and you typically don't want to be involved in that kind of market.

1:42: Now, I can use that pretty much anywhere and keep myself safe.

1:47: So on the way down, a lot of times a close under the 50-day moving average means, yeah, you know, we might get a bounce, but it also means a lot of volatility that I might not want to be involved in.

1:58: On the upside, waiting for the market to get above the 50 day moving average is also a great signal, as you can see that here in April, where the market started to trend up finally, once it got above the 50 day moving average.

2:14: That's where the real uptrend started.

2:16: Now, you may look at this and go, well, yeah, but you didn't catch the bottom here and you missed out on that.

2:23: I actually don't care about that.

2:24: If I'm looking to follow a trend here on Spy, I'm fine waiting for confirmation of a move above the fifty-day moving average, just so that I have a line in the sand where I can define my risk.

2:37: And so I definitely recommend being in cash or heavily on the sidelines.

2:43: When the market is under the 50-day moving average, and being back involved in stocks when the market is above the 50-day moving average.

2:51: So if you just use that one rule, I think it's gonna change the game for you in terms of your trading because it's gonna put the trend in your favor.

3:00: So that's just one thing that helps me, and I hope it helps you.

3:03: For more tips, strategies, and trading ideas.

3:06: Definitely check out stockmarketmentor.com.

3:08: I hope to see you there.