STOCK MARKET MENTOR®

Chart of the Day

Is Datadog ($DDOG) in the dog days of summer?

August 11, 2026

Dan Fitzpatrick breaks down current broad-market conditions ahead of critical inflation releases, noting that the CPI report tomorrow and the PPI report on Thursday are poised to drive near-term price action. **Dan Fitzpatrick** explains that he would welcome a temporary broad-market pullback in the S&P 500 (SPY) to test prior resistance-turned-support levels around 7600 (or even down to 750), as a successful support test would confirm market health and potentially trigger a massive short squeeze among heavily shorted hedge funds. Turning to specific trade setups, **Dan Fitzpatrick** analyzes Datadog ($DDOG), describing its strong post-earnings recovery back above its 50-day moving average as a classic "shakeout" pattern. Despite recent intraday volatility and inverted hammer candlesticks, **Dan Fitzpatrick** emphasizes that Datadog's strong buying demand after opening gap-downs suggests a potential run toward new highs, providing a defined risk framework for active traders.

Next Steps:

1. Prepare for Macro Inflation Volatility: Monitor market reaction to Wednesday's CPI and Thursday's PPI data, watching for a potential broad-market pullback in SPY to test support near 7600.
2. Track Support Tests for Re-Entry Signals: Evaluate SPY price action around key technical support levels to confirm whether institutional buying steps in before adding broad market exposure.
3. Execute Datadog ($DDOG) Shakeout Setup: Monitor $DDOG as it tests resistance at its 50-day moving average; look for upside continuation toward new highs with a tight risk management stop set at 2% to 3% below entry.
4. Fade Over-Leveraged Short Sentiment: Use prevailing hedge fund short positioning as a potential bullish contrarian indicator for short-squeeze rallies.

Transcript:

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00:00:02.280 --> 00:00:26.170

Dan Fitzpatrick: Hey, Dan Fitzpatrick here. I want to look at Datadog today, but first, just a general comment. Tomorrow is the CPI report, and then Thursday, we're going to get the PPI. That's probably going to move the markets, hopefully, for me, and I mentioned more about this in our… in my strategy session, hopefully down. Like, I would love to see the market tank.

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00:00:26.220 --> 00:00:35.550

Dan Fitzpatrick: Because we're up a little bit, resistance, excuse me, support, prior resistance, support is a little bit below.

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00:00:35.550 --> 00:00:44.409

Dan Fitzpatrick: And so, I want to see the market come back to test that level, because if it does, that really gives us a good tell.

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00:00:44.410 --> 00:00:57.270

Dan Fitzpatrick: for what's next. If the market comes down, and I'll show you the S&P in just a sec, but if the market comes down to test that level, and that, quote, passes, in other words, it does find support there.

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00:00:57.630 --> 00:01:05.770

Dan Fitzpatrick: We could see another spurt of buying, especially since, apparently, hedge funds are mostly short.

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00:01:06.070 --> 00:01:12.620

Dan Fitzpatrick: Which… Of course they are, because they're always flipping wrong. So…

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00:01:13.960 --> 00:01:17.220

Dan Fitzpatrick: take that with a grain of salt. It's actually…

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00:01:17.760 --> 00:01:30.009

Dan Fitzpatrick: a pretty big grain. They're typically wrong. And so, that's why you never hear about any of them making a crap load of money, but you do hear about… about them blowing up sometimes, and sometimes.

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00:01:30.010 --> 00:01:54.930

Dan Fitzpatrick: just about blowing up the market. Kind of like Archegos, Melvin Capital, nice trade on GameStop, dude, and a few others as well along the way. So, don't pay attention to what hedge funds are doing, unless you want to just fade them, but I think you do want to just pay attention to what the market's doing, try to make a little sense out of it, but ultimately, think about it this way.

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00:01:54.930 --> 00:01:58.000

Dan Fitzpatrick: If the market doesn't make sense.

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00:01:58.130 --> 00:02:08.689

Dan Fitzpatrick: then maybe it's not important for it to make sense. As long as you understand how stocks trade, and you're in sync with it, and

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00:02:08.690 --> 00:02:19.509

Dan Fitzpatrick: You are able to understand what's going on in the market, what's going on with your stock, to a point where you're not just flipping a coin.

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00:02:19.770 --> 00:02:40.389

Dan Fitzpatrick: Or saying, you know, damn the torpedoes full speed ahead. You want to have… you want to be trading with some kind of control, but it actually starts with understanding market movements and things like that. So, I want to get to the charts, but first, look, if you're not a member of Stock Market Mentor, check it out, man. Seven bucks.

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00:02:40.390 --> 00:02:46.260

Dan Fitzpatrick: Okay, I'm… I spent probably half an hour, 40 minutes, today just talking about

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00:02:46.260 --> 00:02:52.950

Dan Fitzpatrick: trading, helping people get their mind right. This is more about… more than just stock picking.

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00:02:52.950 --> 00:03:08.070

Dan Fitzpatrick: You know, any knucklehead can do that, and many do. But this is me wanting to make you a better trader. I really, really like to focus on that. If you have success, then I have success. If you don't have success.

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00:03:08.340 --> 00:03:27.270

Dan Fitzpatrick: then, you know, I don't know what I'm doing. So, I've got a vested interest in you, but only if you drop seven bucks. Come on, man, do that. I think, but I'm not sure. I think a pack of smokes costs more than that now. So, okay, let's get to the charts. So, first, the SPY, like I promised.

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00:03:28.450 --> 00:03:30.839

Dan Fitzpatrick: This is where we are right now.

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00:03:32.890 --> 00:03:41.890

Dan Fitzpatrick: So we had a nice move higher out of 76, 760, or 7600, and what I'd love to see is a pullback

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00:03:42.310 --> 00:03:43.620

Dan Fitzpatrick: to test.

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00:03:43.760 --> 00:03:56.480

Dan Fitzpatrick: this level right here. If we get this kind of pullback, and even… I don't think it's gonna happen, I can't imagine it happen, but even if it ultimately falls all the way back here.

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00:03:56.670 --> 00:04:04.619

Dan Fitzpatrick: down to, $750. Then that would… could turn out to be a great buying opportunity, frankly.

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00:04:05.080 --> 00:04:08.369

Dan Fitzpatrick: I think the only way that's gonna happen is boots on the ground.

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00:04:08.890 --> 00:04:11.149

Dan Fitzpatrick: I don't really see that. So…

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00:04:12.100 --> 00:04:15.870

Dan Fitzpatrick: Let's get to Datadog. So…

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00:04:15.870 --> 00:04:40.069

Dan Fitzpatrick: This was… I put this on the active trade list as kind of a different type of trade, because it was a sell-off. We… I kind of like these breakouts here, like this, but the reason this wasn't taken was because earnings were just a couple days away. But it's really, really nice to see, this big sell-off here on earnings, and then the stock rebound.

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00:04:40.100 --> 00:04:55.000

Dan Fitzpatrick: So, it's recaptured the 50-day moving average on volume, 2 days of big volume. This was a crappy close. And so you'd go, okay, well, that's the end of it. Stock gapped up a little bit, traded up big time.

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00:04:55.000 --> 00:05:06.320

Dan Fitzpatrick: Over 6%, and then, damn it, you know, came down and closed at the bottom of the range. That was 5.25% down, so the bears are in charge. Sell-off.

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00:05:06.400 --> 00:05:20.270

Dan Fitzpatrick: run higher, dip buyers coming in, bears saying, nope, boom! Selling their stock. So what happened the following day, as you would imagine, the stock actually gapped down, which is what happens when you get these

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00:05:21.030 --> 00:05:24.849

Dan Fitzpatrick: Called a Tombstone Doji, an inverted hammer.

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00:05:24.850 --> 00:05:48.260

Dan Fitzpatrick: Whatever you want to call it. When you get a candle that looks like this, most of the time, the next day, you're going to get a gap down. And all that means is business as usual. It's what happens after that that's most important. And here, the stock immediately turned around and marched up all day long, closed just about at the high of the day, totally eclipsed this high.

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00:05:48.260 --> 00:06:05.090

Dan Fitzpatrick: And now, this stock is back to test this same level, right at the 50-day moving average. So, this is a shakeout trade, which is what I'm looking at it as potentially being, not for sure. But if this stock

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00:06:05.510 --> 00:06:07.810

Dan Fitzpatrick: Let's put… I'll just put it this way.

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00:06:09.510 --> 00:06:12.210

Dan Fitzpatrick: If this stock starts to do this.

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00:06:13.060 --> 00:06:23.059

Dan Fitzpatrick: I think you're gonna see a stock go to new highs. So, I've got our risk set for right down here, depending on your trading style.

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00:06:23.270 --> 00:06:36.749

Dan Fitzpatrick: you know, you can set your risk at 2 or 3%. I've just framed the trade for you. A sell-off, little bit of indecision, big move higher, and then, today say, whoa, whoa, whoa, wait, not so much.

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00:06:36.850 --> 00:06:46.500

Dan Fitzpatrick: And then now I'm looking for that kind of move. So, anyway, that's all I got for you. I hope you guys are having a good week so far. If so, awesome.

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00:06:46.650 --> 00:06:54.460

Dan Fitzpatrick: 3 days left. If not, awesome. There's 3 days left to turn it around, okay? Alright, see you next time. Have a good one.