

Date: 02/06/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:** Employment

Yesterday: **HIGH:** 2430.50 **LOW:** 2410.50 **CLOSE:** 2429.50

Other levels: res: 2461.00 (weekly supply line), sup: 2424.00 sup: 2417.75, sup: 2403.75 (multiday), sup: 2375.00



The S&P's is proving to be very strong. We drive up to A breaking resistance with fairly low effort and A to B is just a simple pullback. B tested newly formed support, by springing and we get a great response. Yesterday we acknowledged a great deal of buying emerge at the lows via the 60m, and the lack of supply after the sharp selloff. This paved the way for bar C, as supply was absorbed at B (we know this due to the higher volume and spread) we moved freely with less friction, hence we get a strong up move resulting in C, due to the lack of selling pressure. Smaller timeframes give no insight for further analysis, it was a trend day. After trend days the market does like to contract, it's possible (but not always) to be range bound, giving the market time to digest and stabilise.

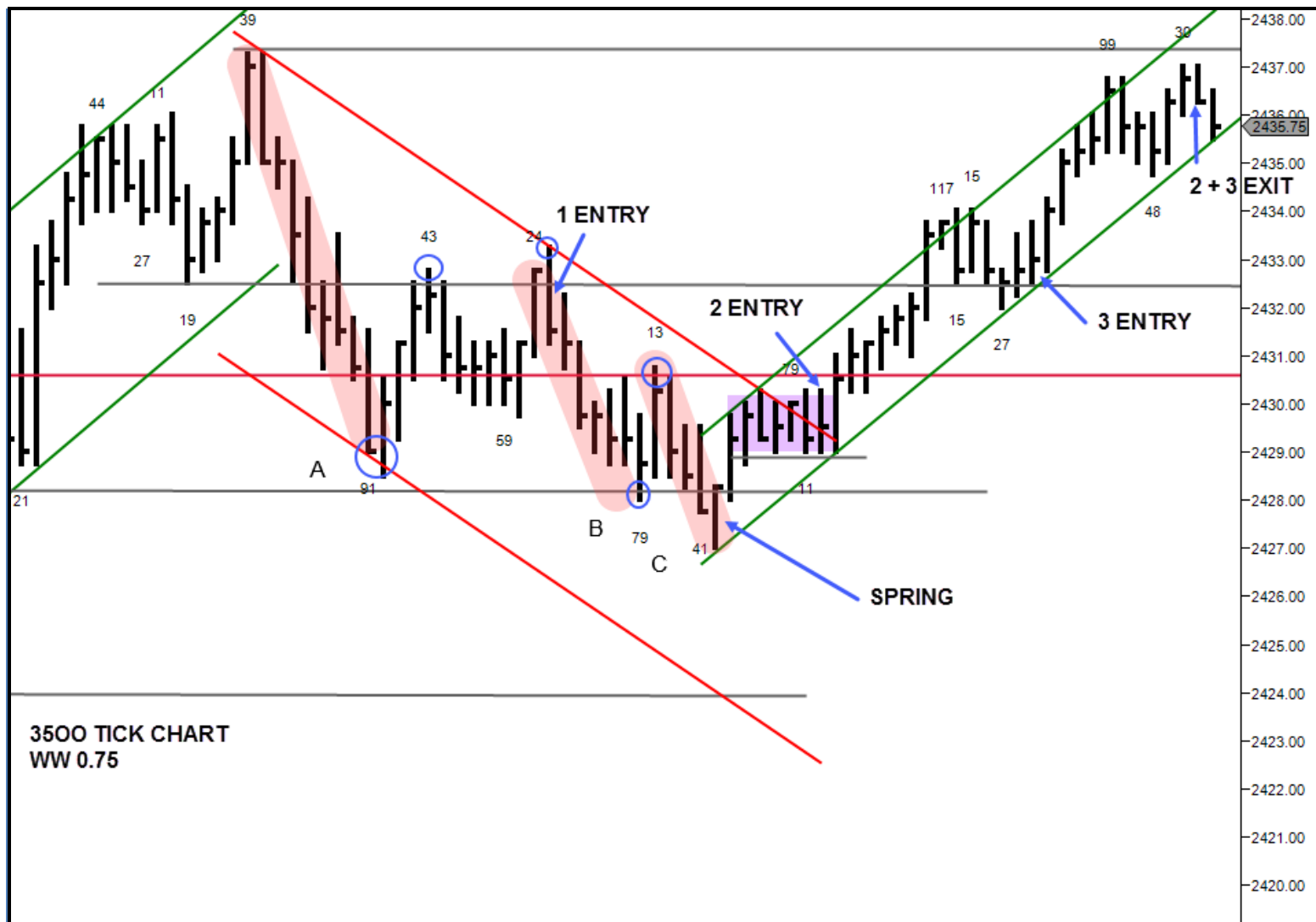
Game plan: Scenario 1 - Lows made first, expect support at 2417 to hold/or the 50% retracement level at 2420.00, this general area, look for diminishing supply and demand at support level for long opportunities. (Unlikely play as this would require a 13 point retracement, which is not a characteristic of a range bound day)

Scenario 2 – hold gains, as yesterday produced a 20 point bar, a bullish retracement would be 20-25%, (approx 4 to 5 point maximum pullback from the close). Look for support/lack of selling pressure and use long setups. First target being the high at 2430.50.

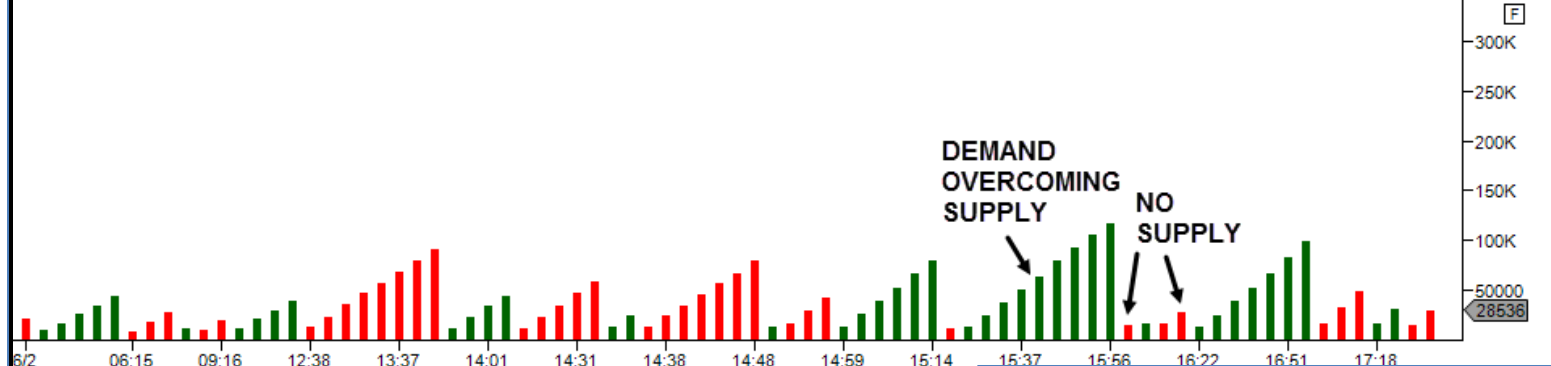
Scenario 3 – Highs made first, find a lack of demand, supply enters the market, we would want to knife through the high (support) at 2430.50 with ease, wait for a weak rally/price action and short. Alternatively on our reaction support holds, and we look for long opportunities.

The key to today's trading from our analysis is yesterday's high for scenario 2 and 3. This is where our attention should go

The market during the overnight climbed a further 7 points; this was momentum propelling the market. Being UK based I was in the market early and noticed a Wyckoff principle a "change of behaviour" (premarket 1345pm GMT). We have produced the largest down wave since the uptrend began (91k contracts) this was a bearish change of behaviour, when this occurs we look for weak a rally/price action. The first rally produced 43k contracts half that from the previous wave. We come back to this level at 24K contracts as we react, let the market pull you in with a sell stop (entry 1). Half position liquidated at support (+4 points) stop moved to breakeven for the remainder. We come back to support and we spring the lows (a bullish setup), exit all positions (+3 points). There's another important Wyckoff principle at play "shortening of the thrust", (SOT) this occurs at A, B and C, less progress is made each successive wave down in terms of price and volume – the selling pressure is diminishing (opaque red) An aggressive, experienced Wyckoff trader will trade the spring, for myself I needed more confirmation (as springs in a downtrend are generally a bad idea). This comes 30m later, where we get a "change of behaviour" (COB) in terms of price action. Note how price has held a mini shelf of local support. Every other time we have encountered support, resistance, supply or demand line we have had a reaction (blue circles) here were holding, and all the while demand volume is building. We can place a trade with confidence full clip size. We have SOT - indicating a lack of supply, we spring a support level (bullish), and we have a bullish COB with up wave volume at (79k) and a COB in price action (purple highlight) that also breaks the supply line. For all these reasons we can take a long position. We have tried to break yesterdays high on 3 occasions, if yesterdays high has held, it stands to reason that our logical target should be the overnight high 2437.50, first being support at 2432.50.

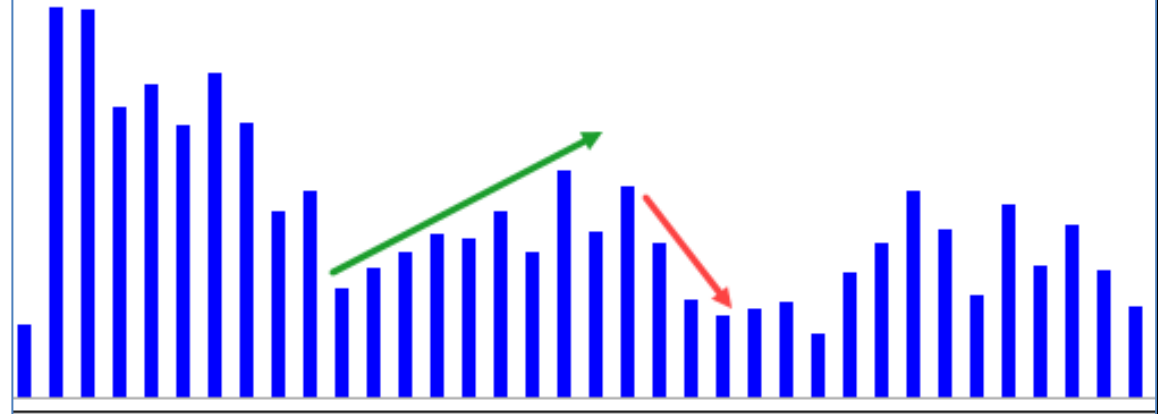


As we finally break notice the lack of supply with 11k contracts. This is excellent news for our long positions. First target hit 2432.50 (+3 points). Stop moved to 2430.50, worst case scenario (+2 points). The market holds support and if no position in play, we have the perfect opportunity. We have great demand behind us (117k contracts), the largest wave we've seen today, we react with no genuine supply 15k and 27k respectively, notice the closes, we can't close under support for one bar, a subtle sign of strength. The trend channel gives us



confirmation with our entry via 3 - by this point it's held successfully for 5 touches. This setup is the first pullback in a New Momentum High, regardless of method, indicators etc, this is a trade that most will take. We continue north, as we react from the 30K up wave. I exit all positions +7 points (2 entry) and +3.5 for the remainder (3 entry).

The 5m chart helps visually if not that familiar or coherent with reading wave volume. As we rally from our 2nd entry (from the spring), notice how volume expands to the upside, this is healthy sign for the bulls (regardless of any time frame), as we react volume declines (red arrow) this tells us that sellers are currently weak, supply is low, as we bob back up the support line, after seeing no supply (25k) contracts, take a long position.



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