

Date: 13/06/2017

Market: ES mini

Timeframe(s): Intraday – 5m,15m,60m,3500T

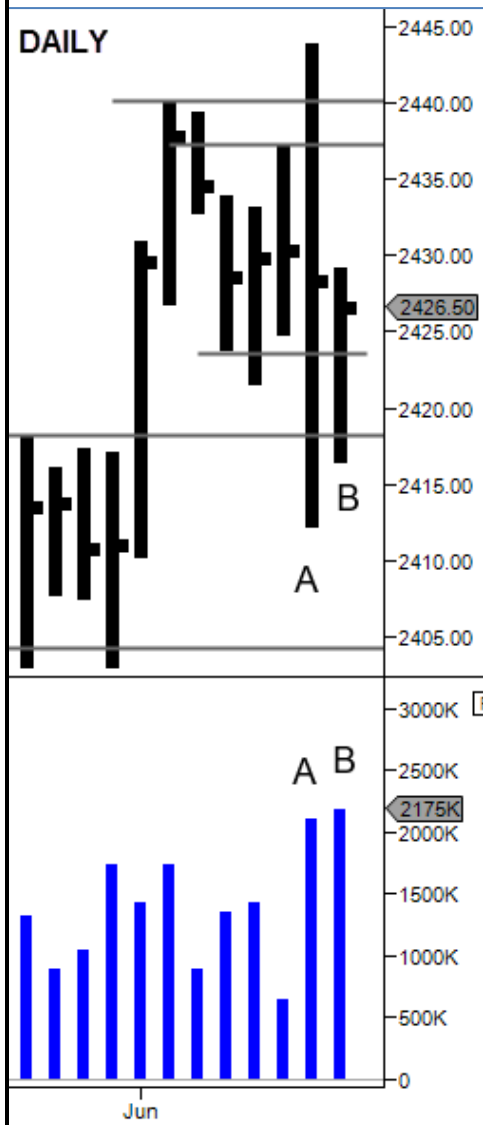
News:

Yesterday: **HIGH:** 2428.75

LOW: 2416.75

CLOSE: 2426.50

Other levels: res: 2471.75 (weekly supply line), res: 2436.75 (range high) res: 2443.50, sup: 2417.75, sup: 2403.75



First thing we note is the volume at B, its slighter larger than A, yet the spread is half at best. BUT we tested the lows and found no further supply, the bulls took charge and we rallied to close back above support. We could argue a case of effort vs. result. From our previous analysis we knew the high volume had to be tested, it was clearly successful due to yesterday's close. Bar B is an inside bar and although technically a down bar, does shows strength. Consulting lower time frames can we obtain nay additional info?

Yes - I am pleased to share with you one of the most important concepts of Wyckoff – This is the accumulation phase (the other being distribution). This is text book pure Wyckoff at its best. This is such a beautiful example of the accumulation phase (via 5m) and also serves as a conduit to showcase the fractal nature of the markets. (Phases/patterns that appear on daily, weekly timeframes also appear on small intraday timeframes).

SC – a selling climax - for this to occur we should be at the end of an aggressive sell off/downtrend. Yesterday's action was that indeed. It doesn't correlate perfectly (due to the overnight activity), but the principles and concepts are still valid. The selling climax should have higher volume and a firmer close, however thinking in multiple timeframes, if we combine the spread of the SC and previous bar we have a firm close and high volume. Thinking in multiple timeframes is extremely useful and a skill in itself - it will take time and practice, it's an advanced thought process, that can open up an additional layer of information

AR – an automatic rally

ST – secondary test

UT – upthrust

Spring (also a secondary test)

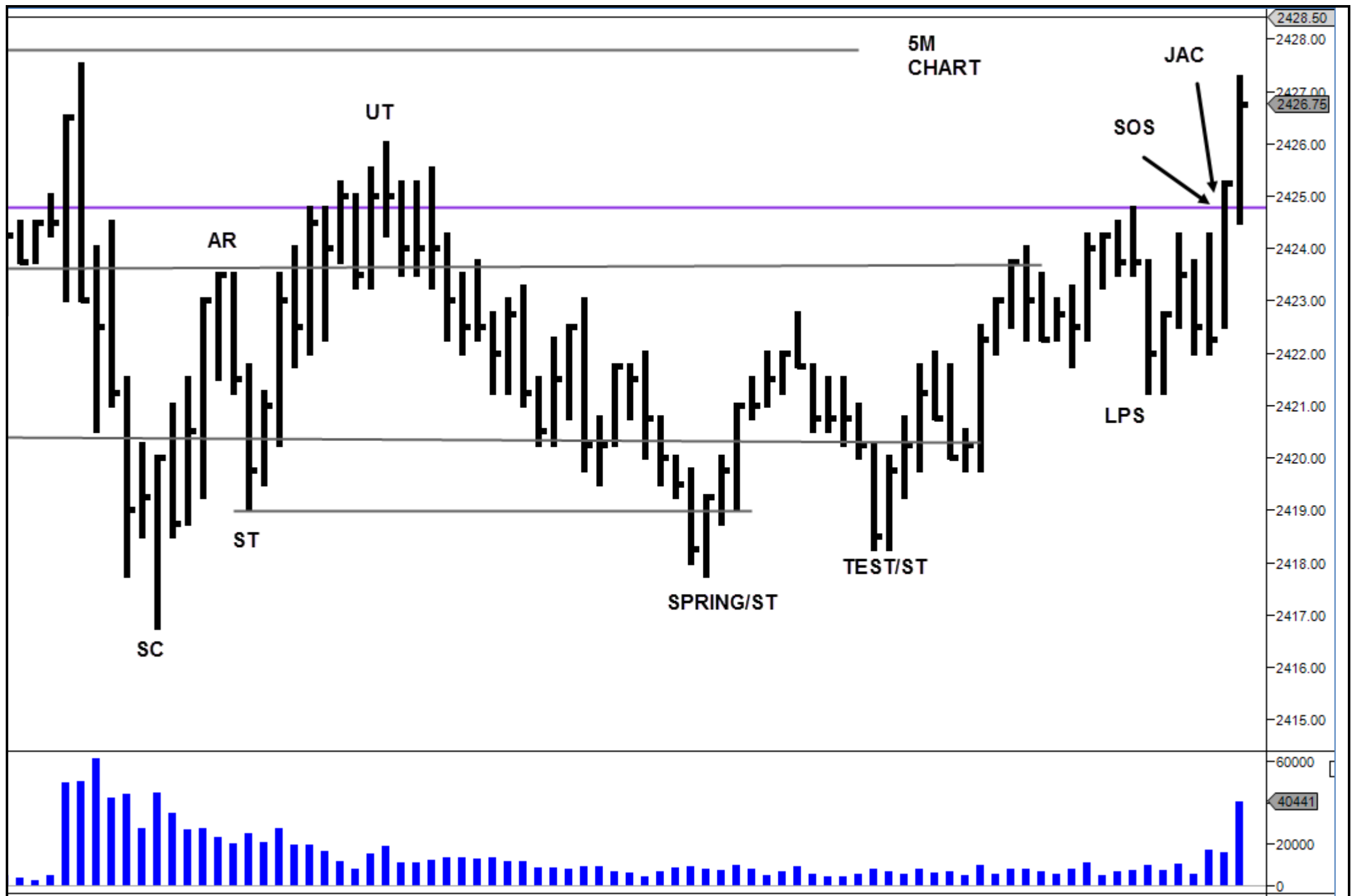
Test (tests the spring and is also a secondary test)

LPS – last point of support

SOS – sign of strength, demand proving itself

JAC – jump across the creek, coined by Bob Evans (a student of Wyckoff who made the Wyckoff teachings interesting by telling little stories about important Wyckoff concepts). In a nutshell we broke resistance and then get a BUEC – back up to the edge of creek. For testing purposes (test newly formed support) This BUEC is the most powerful trade from the Wyckoff playbook.

I could write pages and pages about the accumulation process, but I think it would be best to read from the original source itself. The accumulation process mops up any supply from the market, expect higher prices. Bear in mind this is a 5min chart so the cause built will give an appropriate effect. Do not expect the S&P to suddenly take off. For my swing trading portfolio, the accumulation phase is my main criteria for short listing instruments to trade, via a daily timeframe whether its stocks, commodities or futures. I have known accumulation periods to last from 3 months to 3 years (cause) and the effect is proportionate – we can always use a P&F chart for price projection when using higher timeframes for profit taking



Many people ask, why do I day trade? One simple answer - due to the fractal nature of the markets, the core principles are used more or less on a daily basis, you get to experience the same concepts time and time again - all be it with little variations. When it comes to trading the higher time frames, you have gained so much exposure to the variations that you can read the market better and in turn be better prepared. If only looking at daily charts, how often do the core setups play out compared to a 5m chart? Intraday trading keeps my chart reading skills sharp as it provides a broader range of trading. Swing trading (although more profitable) I find it relatively easy compared to intraday. Saying that nothing in trading is easy - just in comparison, swing trading is way less stressful

Game plan: Scenario 1 - lows made first; weak reaction to the creek (newly formed support), apply bullish set ups

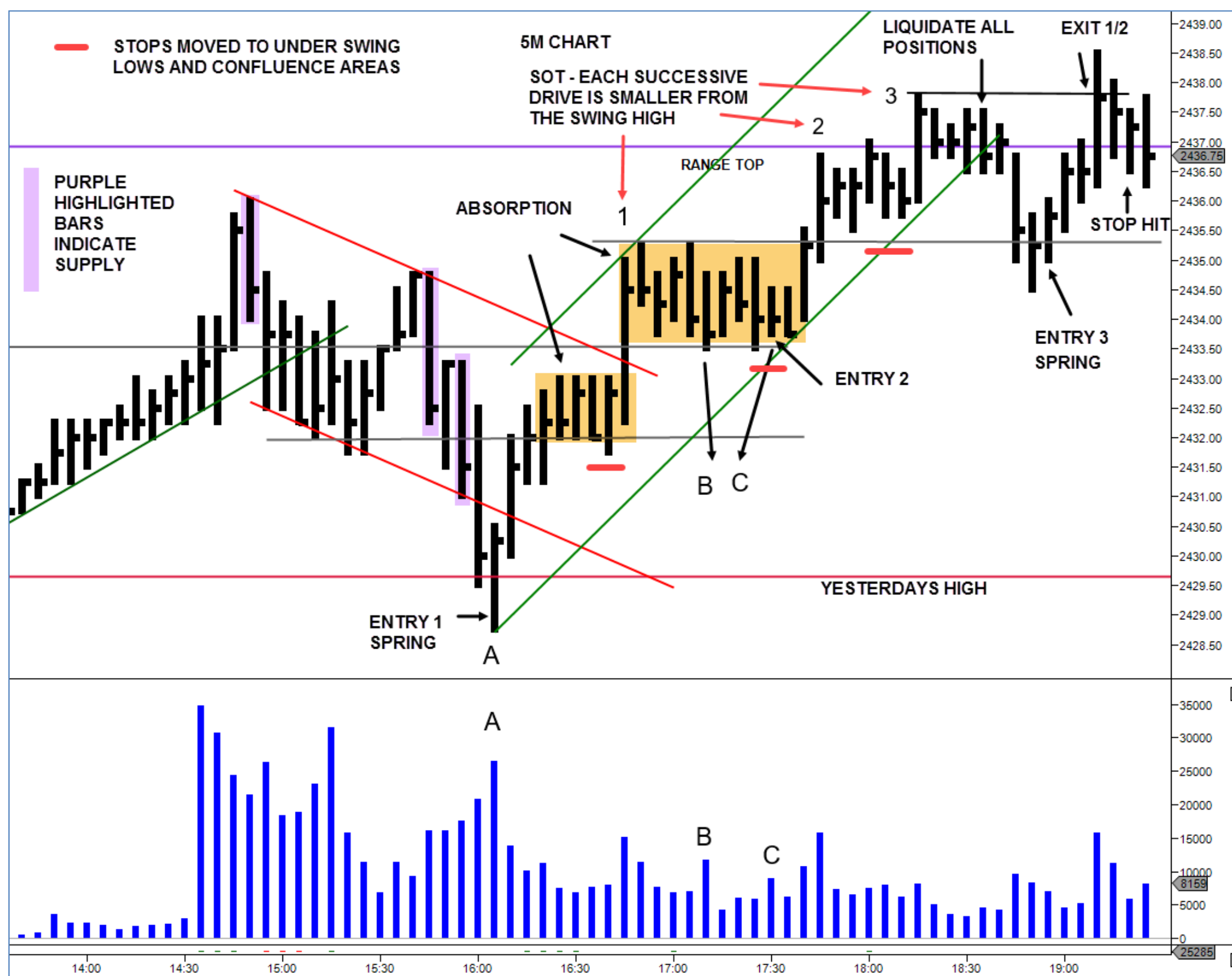
Scenario 2 - lows made first, hold gains, and continue north, looking for a reason to apply bullish setups. If we rally through the cluster of closes 2428.50 -2430.00 wait for a weak reaction, this could hold as support (also coincides with yesterdays high)

Scenario 3 - highs made first, weak rally to the high of the range 2437.00 find supply and a lack of demand, apply short setups

Scenario 4 - highs made first, knife through the range high 2437.00, wait for weak reaction and make a play for the all time highs (unlikely this would require a large spread over the average true range)

Entry 1 – a beautiful spring that most experienced Wyckoff traders would jump onboard. Think deep about the price action and volume relationship. The previous bar had decent volume and spread that ends closing weak. The spring bar dips under, to then reverse and close firm - back above support and the previous close on increasing volume, extremely bullish, trade full clip, stop beneath the low of the spring bar, minimal risk. A strong spring should break the last swing high. This bar had ample opportunity for further downside progress, where have all the sellers gone? The whole move flushed out weak longs and in addition this was also a bear trap (support and resistance traders would be caught off guard, by selling the break). We know this for a fact, how? The volume associated with the spring bar was 27K contracts with a relatively small spread, the buyers were absorbing any sellers present, like bag holding.

We have two areas that showcase another classic Wyckoff principle – absorption; one of my favourites, why? With absorption once the area has broken it's rarely if ever tested. Using this on a higher time frame is an extremely powerful setup - even some excellent Wyckoff traders do not trade absorption as it's notoriously difficult to enter. This was a weakness for my-self, however after time and effort I have managed to turn this into a major strength - like anything we're only as strong as our weakest link. Highlighting one's weaknesses and creating study plans is part of the process to becoming an excellent trader - not comparing results to others, but becoming the best version of ourselves, only we know the true amount of effort we put in.



Absorption is another lengthy topic – from a very basic stance, we hold a tight range and down bars should not have any effect regardless of volume, look at bars B & C, with all that volume were not making any downside progress, the buyers are absorbing the selling pressure. We must have supply to the left and come from a sign of strength (which a spring is in its own right). Entry 2 was

confirmation for me that this was indeed absorption, with all that volume, no downside progress, this is hidden buying.

Entry 3 - a spring. Not concerned that we broke the demand line, why? We had 2 drives up, both resulting in holding gains, we didn't react - very bullish behaviour. As we drive to the top of the range, we expect some selling and perhaps a more complex pullback, we knew ahead of time as we note, shortening of the thrust (SOT - 1,2,3) Soon as we see the 3 bar configuration using price action alone, we can tell that this market is not going down and the fact we print a spring, it's an instant buy, springs in an uptrend are most favourable.

Today's trading used some excellent Wyckoff principles, I feel privileged to be sharing them. The charts from my perspective are beautiful - its days like these that make all the time and effort we put into developing ourselves as traders worthwhile. Although it was a fruitful day in terms of points, more importantly it was the ability to execute effectively, gaining the edge from reading the charts correctly.

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