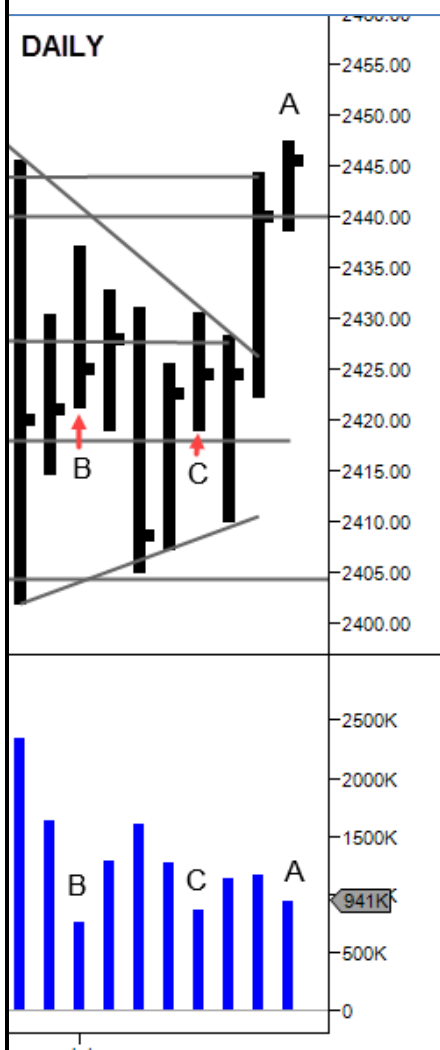


Date: 14/07/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:** CPI, Retail, IProd

Yesterday: **HIGH:** 2447.00 **LOW:** 2439.00 **CLOSE:** 2445.50

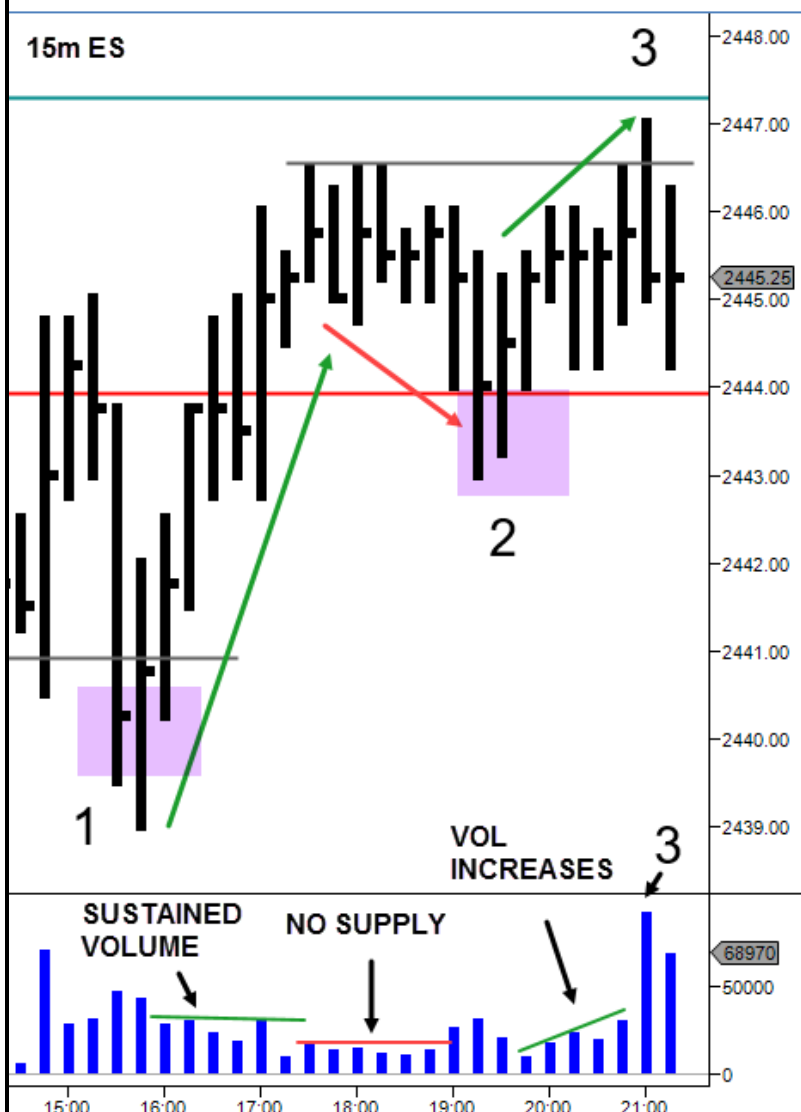
Other levels: res:2451.50, sup:2440.00, sup:2337.00, sup:2428.00 sup:2403.75, sup:2417.00, sup:2475.50



An interesting day for the S&P's, it appears we're flirting with the all time high being a mere 4.50 points away. What's of interest is the spread and volume, the spread is the smallest since the 5th June, the volume contextually is fairly high - comparing to bars B & C which have lower volume the spreads are considerably larger. This gives additional information: either

- a) The bulls are absorbing any selling (which we know exists to the left) or
- b) hidden selling

Although the spread is small there has been a fair amount of activity we know this due to the volume. Technically this could read as a no demand bar in a previous area of supply; however this bar is the second highest close of all time in the history from the S&P's. In yesterday's Chronicle we mentioned a possibility that the market could provide a tight range bound day to build cause for a break to the upside, indeed this occurred - we need to look deeper via another timeframe for additional insights



We had an opportunity for lower prices at 1; we hold and drive up with sustained volume (bullish). The bears have a chance to react, as they do volume declines indicating a lack of supply (bullish) At 2 we have another opportunity for lower prices, sellers didn't capitalize and we end up springing (bullish), on our advance volume increases (bullish) 3 is the close and have said on numerous occasions can be difficult to interpret as many types of traders are active. From this additional breakdown we can deter that the market had 2 opportunities for lower prices and failed, the only reaction we get is weak indicating a lack of supply, we must conclude that buyers are absorbing the selling and expect higher prices

Game plan: Scenario 1 – highs made first; break yesterday's high/all time high buyers unable to sustain (potential upthrust) as we react we must be cautious due to the many support areas we need to see a clean break and a weak rally to apply bearish setups

Scenario 2 – highs made first; break the all time high decisively, wait for a weak reaction to newly formed support and apply bullish setups

Scenario 3 – lows made first; if we break 2440.00/yesterday's low 2439.00 decisively with decent price action look for weak rally back to resistance and apply bearish setups

Scenario 4 – lows made first; look for weak selling as we approach the 2442.00 -2439.00 area, if we get the confirmation of demand apply bullish setups

If the market is undergoing absorption like yesterday's action we could be set for another tight day's trading. Absorption in nature is to transfer contracts with the least amount of energy expenditure possible; this makes it efficient and cost effective, whilst maintaining a hidden agenda - unreadable to most

Bar A – entry 1 (tick chart) why? Demand is in control with successive upwaves producing 73k and 79k contracts, we get a weak pullback back to yesterday’s high which is a demand confluence (support, and an old demand line from the channel (purple dots), the pullback had half the volume with 33k contracts. We acknowledged from our premarket analysis the lack of supply, it’s still the case. Holding onto this trade was extremely difficult, it’s not until bar B via the 5m that gives confidence for the long position as this was confirmation that we’re going through absorption. We have known supply to the left (being the all time high) via the daily we get a strong move up. We hold a tight trading range and start to hug resistance, every reaction from Z volume decreases, all tell tale signs of absorption

Bar C – entry 2, add additional contracts, reasons above (we’re undergoing absorption)

Bar D – exit 1/3 (+1.5 points),

Bar E – exit 1/3 remainder (+4.25 points) this bar felt a little climatic

Bar F – exit 1/3 (+4.50 points) first negative bar with a pop in volume stop moved

Bar G full exit (+7.75 points) we become oversold in our channel that has held all day (tick chart)

Today’s trading required much patience and thanks to Wyckoff’s work on absorption provided some much needed confirmation and an additional setup. Trading absorption as mentioned before is highly skilled and takes much practice (many world class Wyckoff experts do not trade these) it’s a personal favourite of mine as absorption often (but not always) is not tested, this is due to the nature of absorption - it eradicates all supply, hence no need to test

The market feels as if it has more to give to the upside, for myself - time to bank profits, have an early finish and call it a day

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