

Date: 21/07/2017

Market: ES mini

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

News: Jobs, Philly Fed

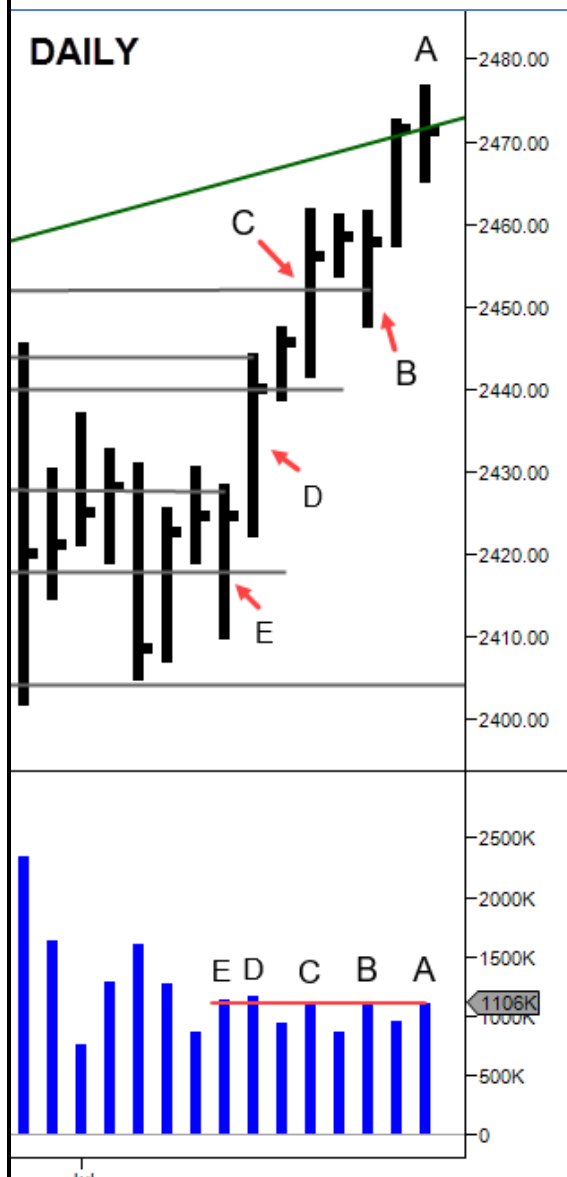
Yesterday:

HIGH: 2476.25

LOW: 2465.50

CLOSE: 2471.25

Other levels: res:2495.00, sup:2461.50, sup:2451.50, sup:2440.00, sup:2337.00, sup:2428.00 sup:2403.75, sup:2417.00



An interesting day for the S&P's that has resulted in an interesting close (right under the supply line) How do we interpret this bar? By comparing, contrasting and taking into account the context. Bar A has the same volume as bars B to E, bars C, D and E are bullish, closing firm with decent spreads making good upside progress etc. Bar B, dips into a support, finds no further selling and reverses to close firm, not as bullish by visually comparing to other bars, but accomplishes a great deal. Bar A, spread has narrowed a little and is the weakest close out of all the bars since the uptrend has begun. Does this action make sense? Yes, contextually we have a supply line that has been in play since mid march, we would expect some sort of selling pressure. This doesn't mean the S&P will suddenly react to produce a large move to the downside, after all were in a strong uptrend, it's our job as traders using the tools from Wyckoff and VSA to analyze the quality of the selling, does genuine supply show its hand? From this action via the daily, we would expect a pullback of sorts

The 15m confirms that lower prices are on the cards, we have supply to the left as indicated by the orange highlights, as we

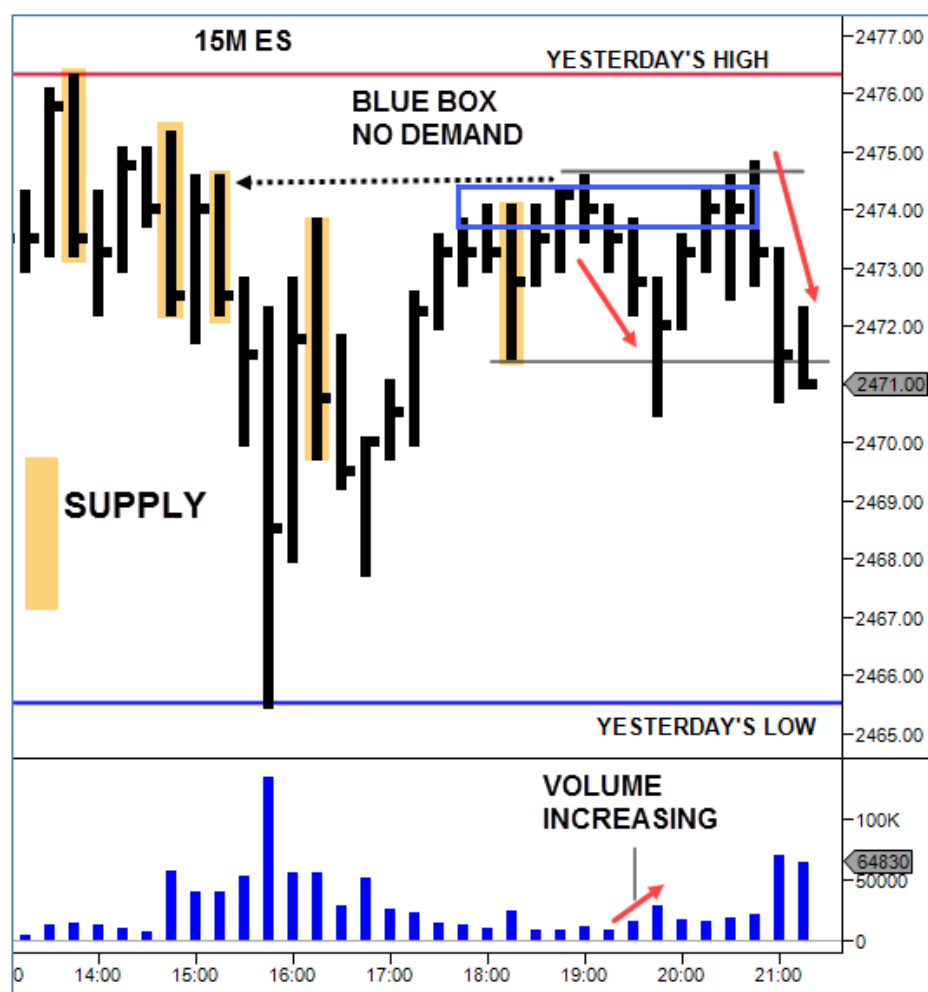
approach this area (blue box), we see no demand - no volume of any sort. As we react back down to local support (A) volume increases (bearish). Towards the US close (B) volume increases, we would expect some further downside follow through. First obvious target being yesterday's low

Game plan: Scenario 1 - highs made first; break yesterday's high, buyers unable to sustain price (alternatively struggles to break) look for supply to emerge and apply bearish setups. This play would have an upthrust feel, depending on the quality of selling we could be set for a longer sharper pullback

Scenario 2 - highs made first; breaks highs decisively, wait for a weak pullback to apply bullish setups (yesterday's high should act as support)

Scenario 3 - lows made first; look for weak supply and demand to emerge at yesterday's low (2465.50) or multiday support (2461.50). This area will be a major test for the sellers, if they can drill through both of these levels we are due further downside movement. If we hold, the market should continue northwards or at least some lateral movement (building cause). If we hold, look for springing action via the support levels

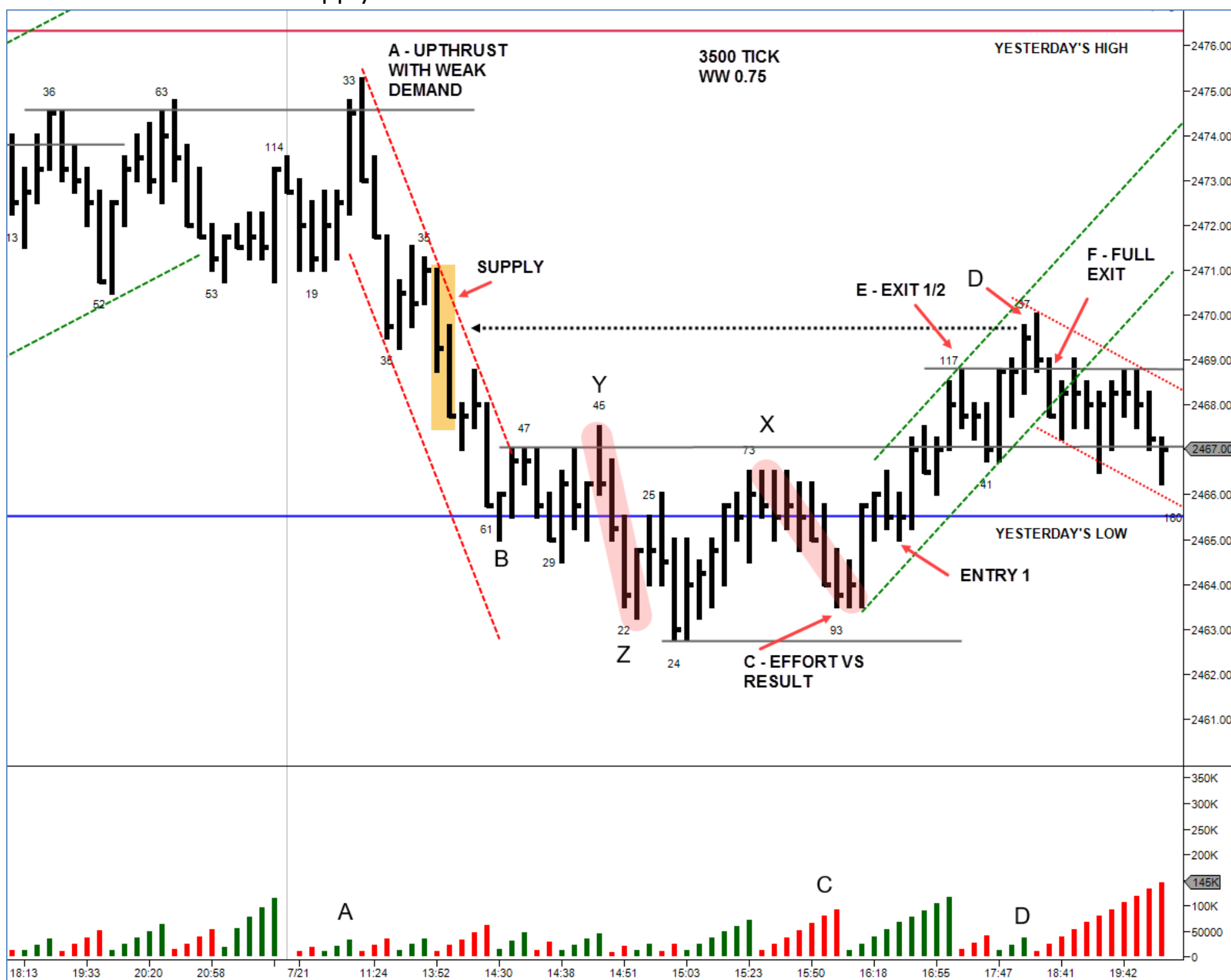
Scenario 4 - lows made first, break 2465.50 and 2461.50 decisively, wait for a weak pullback to either resistance and apply bearish positions, first target being 2451.50. We wouldn't anticipate any further downside progress due to the average true range via the daily being in play



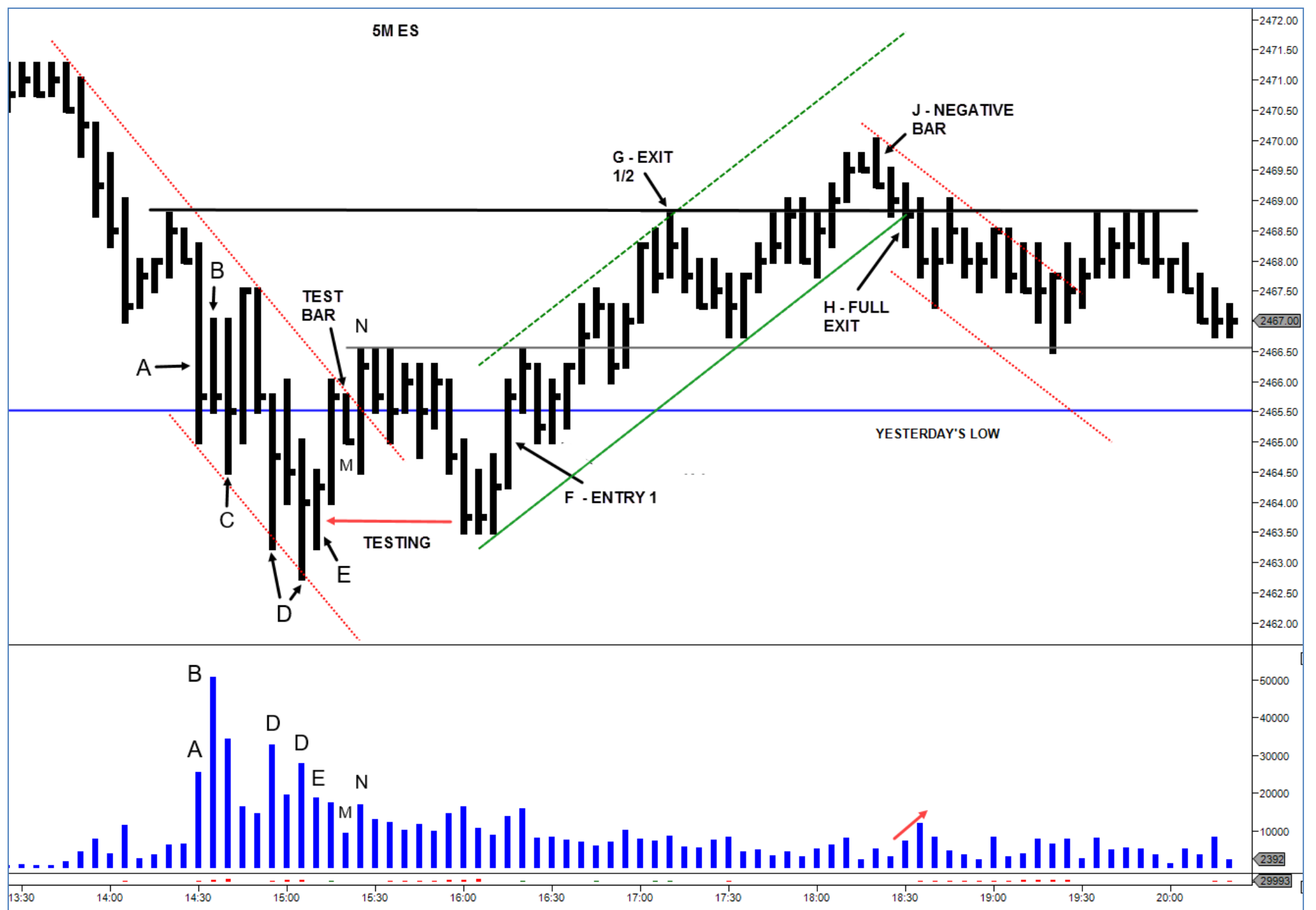
We get the best move during the overnight at A via the tick chart. We upthrust resistance with weak demand (33k contracts) this creates a 10 point reaction to B, we halt right at yesterdays low - a picture perfect move. Both the 5m and tick chart provide the first entry.

Via the 5m chart we open at A with some selling, closing at yesterdays low (support), the market proceeds to print bar B an aberration; why? We have doubled the volume and half the spread from that of bar A, this bar makes no net downside progress, it visually looks weak, but far from it. From this we can deter that the volume has to be buying, it has to be otherwise we would have made lower prices. This is hidden buying at yesterday's low. The market penetrates a bit deeper, as we do demand emerges at bars C, D & E, with all this effort (volume) we're making no downside progress, the slight clustering of closes illustrates this well (orange highlight).

We get a strong bar that closes back above support, followed by a beautiful test bar (M) - ordinarily this would be a perfect opportunity for a long play, however contextually look where we are, its closed back under support after touching the supply line (one couldn't be blamed for trading this) Bar N is the confirmation we required, however the stop is out of my comfort zone, (I prefer strong signs of strength at the lows, less risk) as the market reacts down we get some testing action to the left, this indicates no further supply.



At this point we pay attention to the tick chart; we see effort vs. result and its huge, this whole wave (C) is hidden buying, the reaction from Y to Z makes more net downside progress with 22k contracts, where as the wave to C has 93k contracts making less progress, 4 times the effort with a worse result, again only buying can do this. Also we net more upside progress with the wave to X with 73k contracts, showing ease of movement to the upside. From 2 different charts we have had 2 clear cases of effort vs. result (hidden buying) we want to be buyers and the first close back above support (yesterday's low) is the confirmation we need.



Bar F – entry 1 via the 5m chart, reasons as above. Bar G – exit ½ first target hit (+3.00 points), Bar K - add additional contracts why? We have great demand behind us with 117k breaking resistance, the largest we have seen since the down trend has began - ergo we have a change of behaviour in waves (upwaves now larger than the downwaves) trading the first pullback after a change of behaviour is an excellent setup (alternatively we could name this as a classic Wyckoff setup – “back up to the edge of the creek”, BUEC (creek being resistance)

Bar H – full exit for entry 1, ½ for entry 2 why? I gave this bar an opportunity to close back above support, it failed to do so, we have negativity at bar J, (which is in a previous area of supply, shown via tick chart) we could easily come back to test support at N, unwilling to give back further potential profit, full liquidation (+2.75 points and +1.75 points) L – stop hit (+0.25 points)

Today’s trading would be difficult as we have the bulls from the trend and the bears from the supply line battling for control. The true move for today’s trading occurred during the premarket hours that resulted in yesterday’s low holding, followed by 2 cases of hidden buying. Is the market ready to continue north? Monday we shall see - time to lock in profits and call it a day

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