

Date: 02/08/2017

Market: ES mini

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

News:

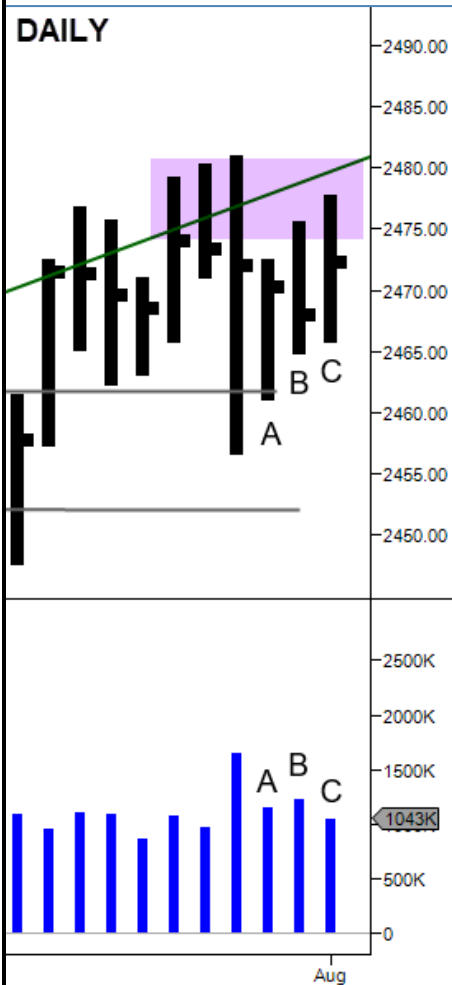
Yesterday:

HIGH: 2477.25

LOW: 2466.25

CLOSE: 2472.25

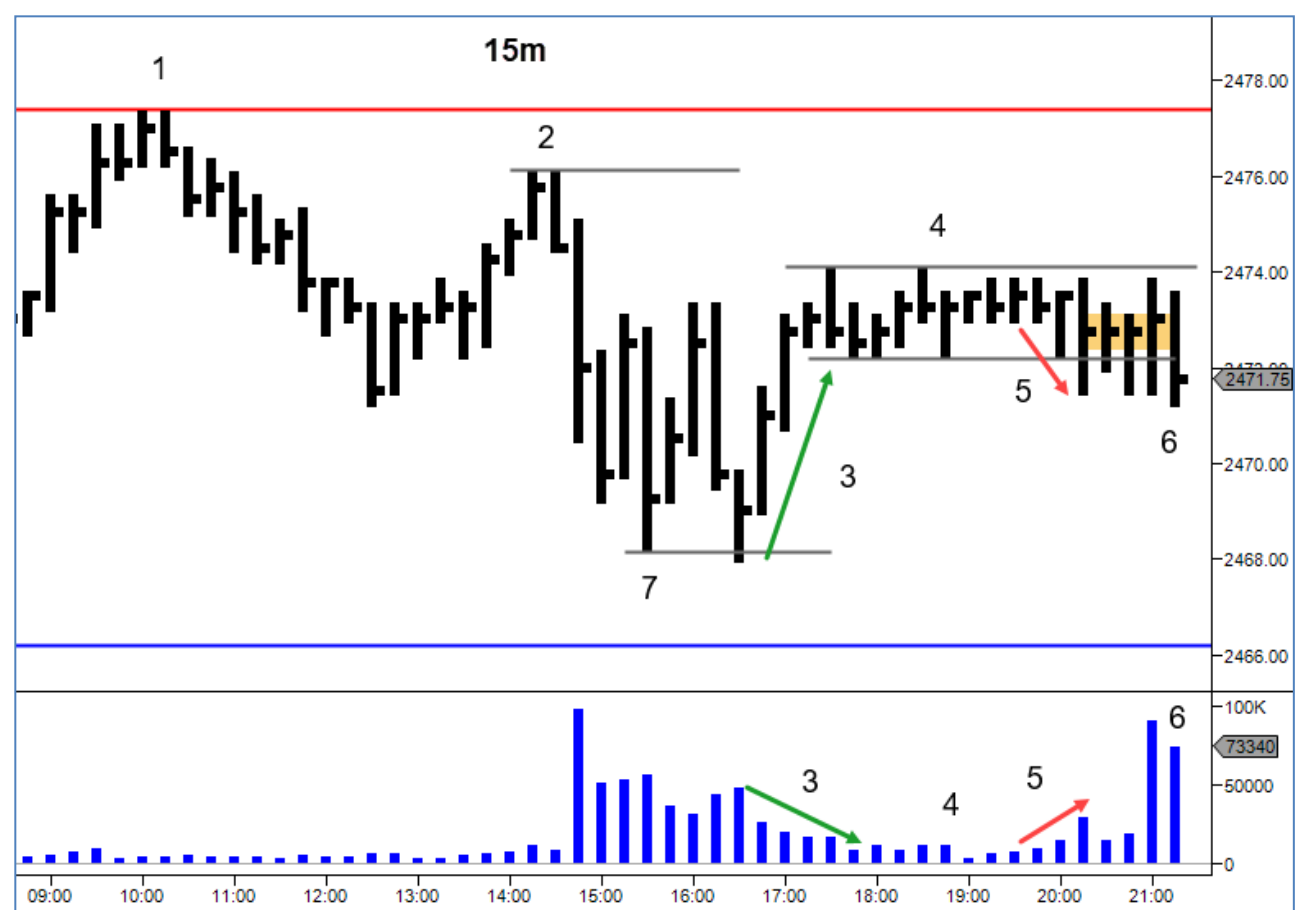
Other levels: res:2495.00, res:2480.50, sup:2461.50, sup:2451.50, sup:2440.00, sup:2337.00, sup:2428.00, sup:2417.00



The S&P's has made minimal progress to the upside, but progress none the less - we have a higher high, a higher low and a higher close. We have had no downside follow through from B (this we would class as bullish) However the supply area (purple area) as mentioned in yesterday's edition has still held, we cannot close in this area. Volume has declined a little and the close for arguments sake is mid, not overtly bullish behaviour.

Looking deeper via the 15m chart, we gain some clarity. The behaviour is not bullish. During the premarket session we make highs at 1, US opens and we're unable to test resistance at 2, we're met with instant supply (both bearish). The market reacts to 7 and holds a higher level of support (bullish) as we rally to 3 volume declines (bearish). The market goes sideways for a few hours; is this holding gain's or is it the lack of supply? Hard to tell (neutral) We break local support at 5 and volume increases (bearish) The next few bars (orange highlight) note the closes, all back above support (bullish) then bar 6 prints, taking into consideration the previous bars volume,

we get our first close under support (the lowest close for 4 hours) (bearish). Taking a macro view of the day, price is unable to test previous swing highs (bearish). Taking a mere count of market behaviour we have to conclude that the market wants lower prices to find demand, first level to test is support at 2466.25.



**Game plan:** Scenario 1 - highs made first; price breaks yesterday's highs unable to sustain price/alternatively if we break the all time high and find supply, as we trade back down we could have a potential daily upthrust - either way wait for a weak rally back to a resistance level and apply bearish setups

Scenario 2 - highs made first; break yesterdays high decisively with decent demand, wait for a weak pullback to apply bullish setups. This could be a difficult play as we have many active resistance levels - yesterday's high, supply line and the all time high, holding a position or jumping onboard near these levels is not advisable

Scenario 3 - lows made first; back to support at 2461.50 with a weak approach, selling of poor quality. Look for demand to emerge and apply bullish setups. Minimum target yesterday's high

Scenario 4 - lows made first; breaks support 2461.50 decisively/or bars A low, wait for a weak rally back to resistance and apply bearish setups. If we break the low of bar A, we must be nimble as we have another level of daily support 2451.00 right underneath.

During the overnight price was stuck in no man's land trading within a 2.50 point range (importantly unable to test resistance, yesterday's high - 2477.50), Within the first hour of trading we slam down hard to A - entries to this point were very difficult, we could let the market pull us in with a sell stop via bar H as we break support; however from my perspective this is not sound trading - the previous upwave was fairly strong and there was a general lack of a clarity for an entry, we could easily spring local support. Even though this play adheres to our overall analysis and we expect a test of support at 2466.25, there was no valid setup, which is OK, there is always another trade; it's of vital importance to stick to our master trading plan.

The orange highlighted area is of extreme interest, why? By all accounts we should have seen some follow through from bar 1, yet for 35m we hold under resistance unable to react further down. We should pay close attention to this phenomenon as it occurs time after time - in a nutshell the market is refusing to go down. In previous Chronicles I have mentioned the importance of the first hours trading, the first 60-90m are often reversal points for the day's trading, and being at yesterday's low is another important concept, why? As previously mentioned daily highs and lows are very important levels for many types of traders. Especially institutions where they sell the break of daily lows and buy the break of daily highs, a simple yet very effective method (once you know how to operate effectively)

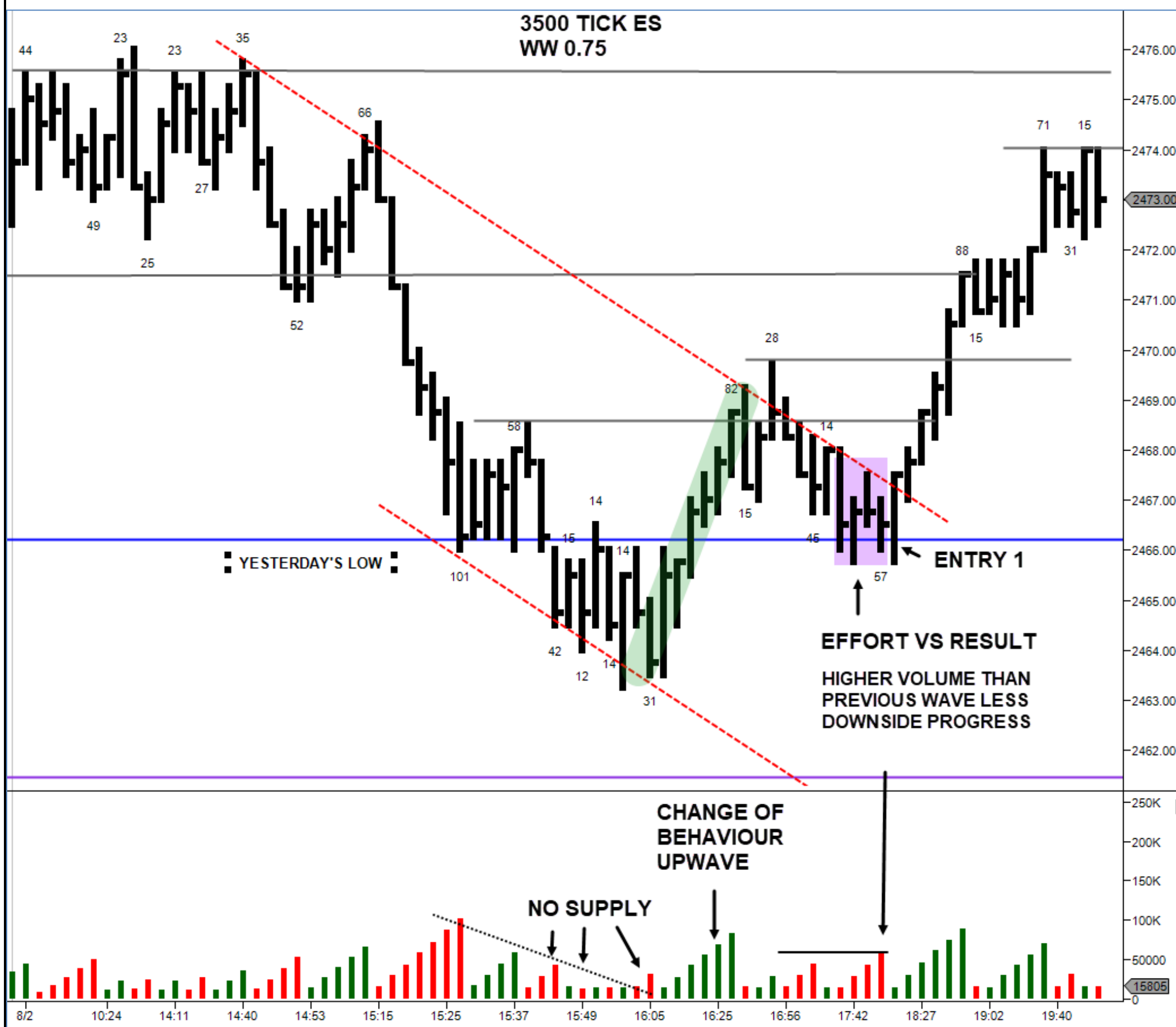
Let's look deeper into the bars under support, there is one bar in-particular that perked my ears up

- 1) Supply
- 2) Buying (spread is a 1/3 of that from 1 yet volume is still fairly high, only buying can do this)
- 3) Buying (with some supply)
- 4) Supply, but buyers step in at the lows for a higher close (2<sup>nd</sup> lowest volume for a down bar since the open, indicates a lack of selling pressure - something to note)
- 5) Buying (with an extra 11,000 contracts to the previous bar, we make a higher high, low and close, this bar is an example of Effort vs. Result (hidden buying) It's only by comparing bars locally that we can gain this insight, a vital component of Wyckoff
- 6) Buying



From this point onwards we are looking for reasons to go long, the story of strength is not overt enough to make a long play; after-all we have weakness behind us, we may have a rogue bar (5) that indicates buying, however this could be down to short covering (people taking profits from their short positions via the open) we need more data

Entry 1 – Bar B, why? We now have a change of behaviour via the tick chart and 5m chart; the largest upwave since the downtrend began with 82k contracts. We react from here with 45k and then 57k contracts – we have another case of Effort vs. Result at support (very bullish behaviour) the purple highlight illustrates how much progress was made (lack of) with all that volume - compare to the previous downwave with less volume at 45k contracts it should become crystal clear. The 5m chart illustrates a different way to think of waves and that is by the angle of ascent. Z to A, W to 5 and X to Y, we can visually see the angle become less aggressive, this gives a clue that selling pressure is easing off. Of course this needs to be taken into context with the amount of demand present, but a subtle nuance none the less



Via the 5m is the entry where the wave volume flips, the bar itself dips under previous bar, finds no supply to reverse and close back above support with a surge in volume. In addition we are holding a higher level of support with the lows being rejected, breaking the supply line via our channel (we knew this in advance as price was hugging resistance a tell tale subtle nuance) - this trade has everything going for it.

It fascinates me how this trade has taken 2 hours to unfold from our initial interest via bar 5, there is no need to mention how much patience and discipline is needed for day trading, more so than other timeframes.

Bar C – exit 1/3, first resistance level (+4.00 points)

Bar D – exit 1/3, bar feels climatic large spread, huge surge in volume with a close of the highs, overbought in our channel (+6.25 points)

Bar E – full exit (+6.75 points) supply has emerged at resistance and the supply line (confluence) look to the left we're in a previous area of supply, it's unlikely (although certainly possible) that the market doesn't have enough fuel to break through the morning highs, we are 45m away from the close

Today's trading has been interesting, although the initial move was hard to jump onboard, by waiting diligently and patiently we were able to bank some profits with a fairly decent move. We never know how much a trade will give - however when we reject lows like today around a key time, odds favour a reversal of sorts and usually (but not always) the market goes on to test the US open high and frequently trades through it. Of course this is dependent with context ;if the market sells off aggressively losing 30 points in the first hour it's highly unlikely that we'll get to test the highs again. Time to lock in profits and call it a day

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