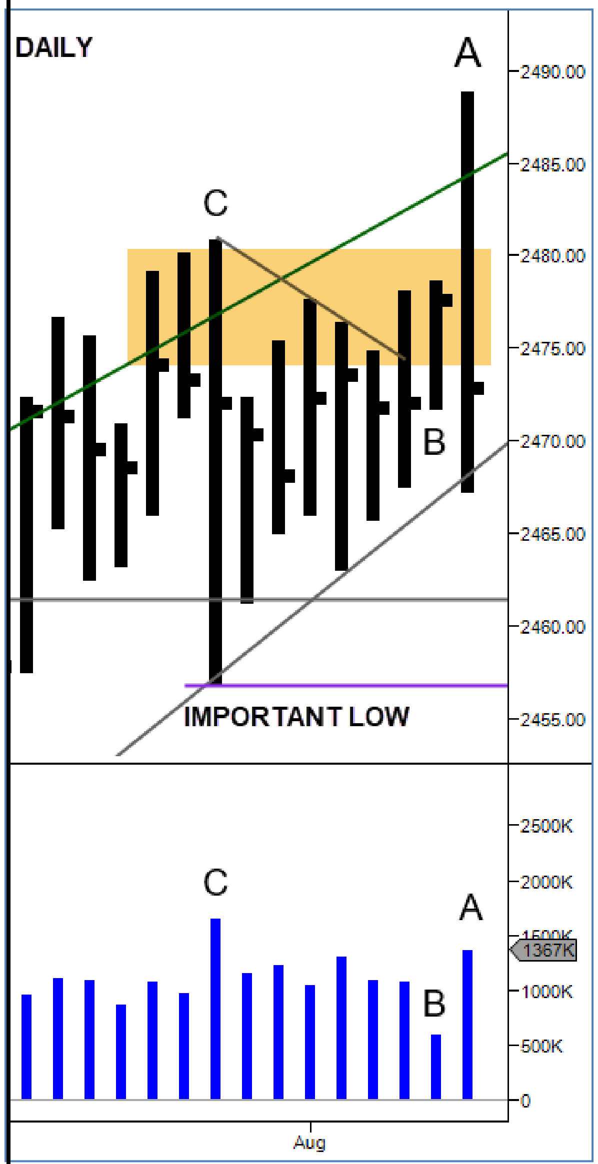
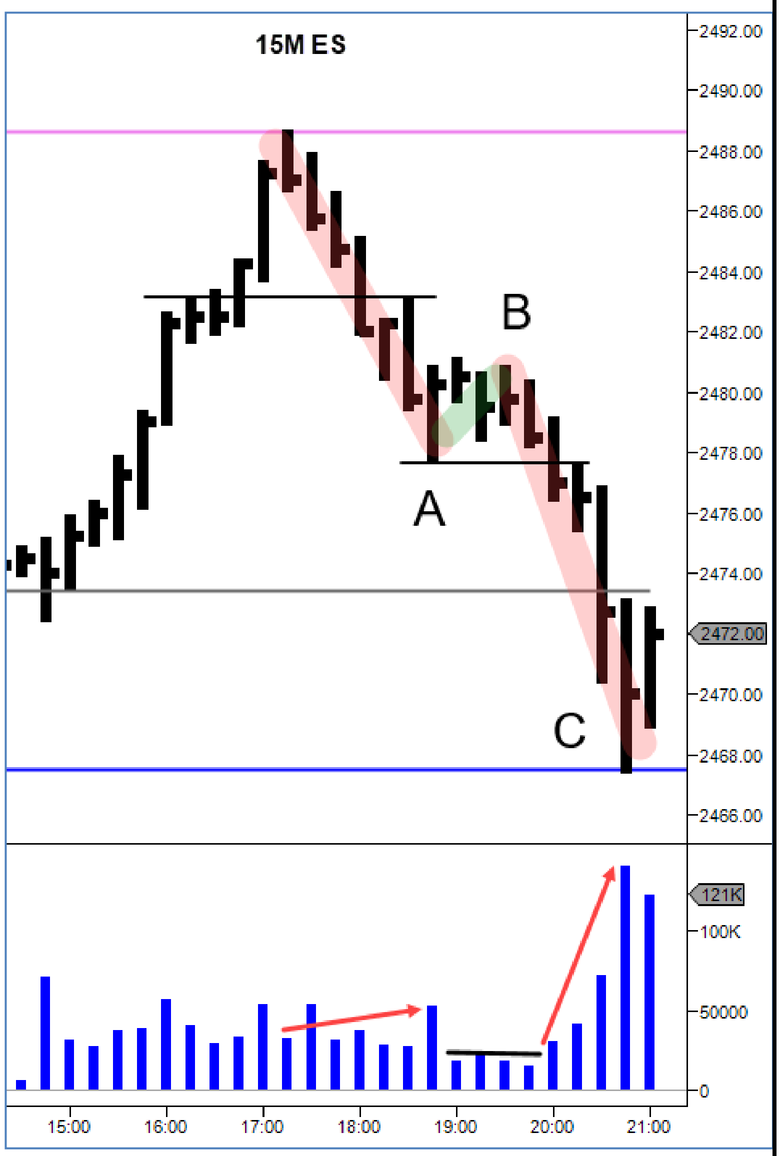
Date: 08/08/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2488.50 **LOW:** 2467.50 **CLOSE:** 2472.75

Other levels: res:2508.00, 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 finally breaks into new highs, only to reverse and close back under the supply line, knifing through the supply area to close back into congestion (orange highlight) this behaviour is weak, no bullish interpretation. The market is an upthrust position via a daily timeframe, has the potential for a large retracement, if we closed under the congestion area or the low of C, the market would be poised for an extreme sell off. The spread is large with decent volume and closes weak, the demand line held, but nothing more to read into this, it's a logical place to find buying in addition the average true range was coming into play. On a side note when we have this behaviour from either side (bullish or bearish) a decisive break that reverses back into congestion the odds highly favour that the market will test the lows of the trading range, this has an extremely high probability. It's not only the force of momentum but a characteristic of how the markets operate - bouncing between support and resistance trying to find the dominate force, if supply is in the market as demonstrated by A, the logical place for demand is the nearest major support level.



The 15m provides crystal clear clarity. We react to A with increasing volume after the highs have been rejected smashing through support on the way. The market finds support and tries to rally, looking at the nature of the rally to B, its lacklustre to say the least; volume diminishes, spreads are narrow closing off their highs – this is no demand. From B to C we get further downside continuation with decent selling, volume expands, a little climatic towards to the end - to be expected as we're at a major support level and the US close, volume naturally increases. In a nutshell 2 large down waves with increasing volume and a no demand rally = major weakness. Downside action is highly probable for tomorrow's trading

Game plan: Scenario 1 – highs made first; looking for price no higher than the high of B or C, with a lack of demand, wait for demand to emerge and apply bearish setups. Bear in mind the high of B is approx 50% retracement level from A and in the supply area

Scenario 2 – highs made first; no real plays to the upside. There are many obstacles to overcome; the highs of B & C, supply zone, supply line and the new all time high – these are all areas of resistance making it difficult to establish long positions

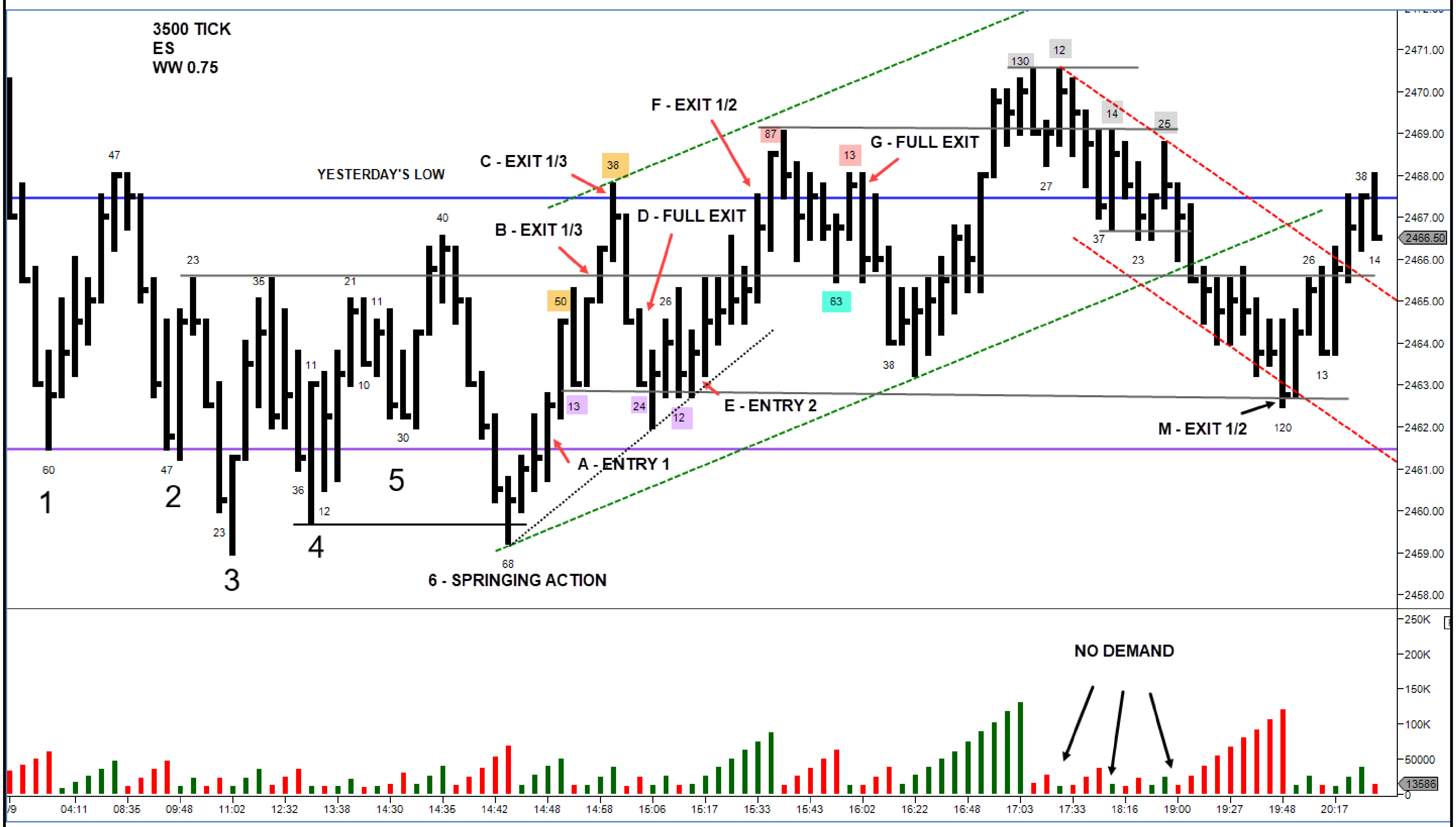
Scenario 3 – low's made first; look for weak supply and demand to emerge between the multiday low 2461.50 and low of Bar C 2457.00, a natural demand zone. Apply demand setups at support

Scenario 4 – low's made first, wait for a clean break of 2461.50 with selling of good quality and weak demand on the rally back to test resistance to apply bearish setups. Bear in mind the low of 2457.00 is 4.50 points away; it may be wise to see a potential break of this support level before entering. However this would compromise our average true range via the daily, a difficult scenario

Bar A – Entry 1, why? Tick chart: During the overnight we have flirted with a major support line (2461.50) testing it 5 times!!! We come down at 6, spring a local support to reverse back above, this action is aggressive buying; how do we know? By the fact it takes 4 tick bars to complete in a very short amount of time, this indicates high activity. As this was unfolding it was the 5m chart that gave confirmation with a close back over support after a deep penetration with very high volume

Bar B – Exit 1/3, first resistance (+3.75 points), Bar C – exit 1/3, next resistance being yesterday's low, an important level (+4.50 points), Bar D – full exit, (Z via 5m), very weak bar with increasing volume, could easily test the lows (+1.25 points)

Bar E – Entry 2, why? We have rejected the lows on 6 occasions with the last attempt resulting in a spring. The following up waves (orange highlight) are 50k contracts and 39k contracts, we have a change of behaviour upwave in both price and volume. It's the highest demand we have seen all day and night. We now wait to see the nature of the selling. The market responds with 24k and 12k downwaves (to the left an additional 13k) where's the supply we had at 6, with 68k? We can interpret that the presence of demand combined with the lack of supply, whilst holding a higher level of local support, bouncing off the demand line (black dots) with a spring bar 4 bars back that supply for the time being has dried up. This trade although screaming strength, was difficult to take - clip size was adjusted. When market conditions are volatile and price action is acting out of character (to recent trading) there is nothing wrong with reducing contracts, this must be incorporated into ones trading plan



Bar F – Exit ½, resistance (+4.00 points) Bar G – Full exit, after holding the trade for 30m with no upside progress combined with the lack of demand on the second wave 13k (pink highlight) after the previous down wave producing 63k, our long positions aren't in good shape - as we break the low of the previous bar, full liquidation (+2.75 points). With this trade the market had every right to test support back near the entry point, after being 6 points onside I'm unwilling to break even. On this occasion we hold and rally for a further 7 points, that's OK, profits were banked - there is always another trade

Bar H – Entry 3, why? We have a climatic bar to the left, followed by some negativity. As we react volume decreases, yet fairly sustained (if we compare and contrast). As we rally (orange highlight)where's the buying gone, we saw via the climatic bar? Volume is very weak; a no demand rally with poor price action, closes are mid bar off the highs (indicates that sellers are capping progress).

Bar J – Exit 1/3, confluence of demand line and support. NOTE - reaction volume is weak (+2.25 points). Bar K – full exit, bounce of support with good price action, volume and close - stop was hit (+0.25 points)

Bar L – Entry 4, why? This was the easiest trade of the day: via the tick chart we have had 4 successive up waves with 130k, 12k, 14k and 25k contracts (grey highlight) demand is tiring, during this process we have broken through two levels of support, making lower highs and lower lows. The last 3 down waves are higher than the previous 3 upwaves, combined with negative price action (purple highlight) all adds up to bearish behaviour. This is where the power of tick charts comes in into its own, eyeballing volume via the standard histogram of individual bars is extremely difficult to interpret, I would say untradeable. Luckily with the use of cumulative volume, the charts open up providing additional data. The 5m chart was used as the trigger; as we break under support and the supply line (confirms additional weakness) the market pulls me in with a sell stop

Bar M – Exit ½, confluence of demand line and support (+3.50 points), Bar N – full exit, a spring bar with a spike in volume (+2.25 points) The spring bar is a valid trade; however very difficult to jump onboard, we have been in a down trend for near 3 hours (although no genuine supply) have a supply line just above the close, a nearby resistance level above that, too many obstacles, wise to bank profits. NOTE - on the reaction to M (red opaque) volume increases, we hold for 3 bars go nowhere and volume declines (black arrow), this indicates the lack of demand and helps to hold the trade

Today's trading was difficult and not particularly enjoyable, right from the open we had uncertainty with choppy, volatile action, this was too be to be expected due to yesterday's decline and the lack of follow through, bulls and bears are battling for ground, time to lock in profits and call it a day.

Email: feibel@yahoo.com