

Date: 10/08/2017

Market: ES mini

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

News:

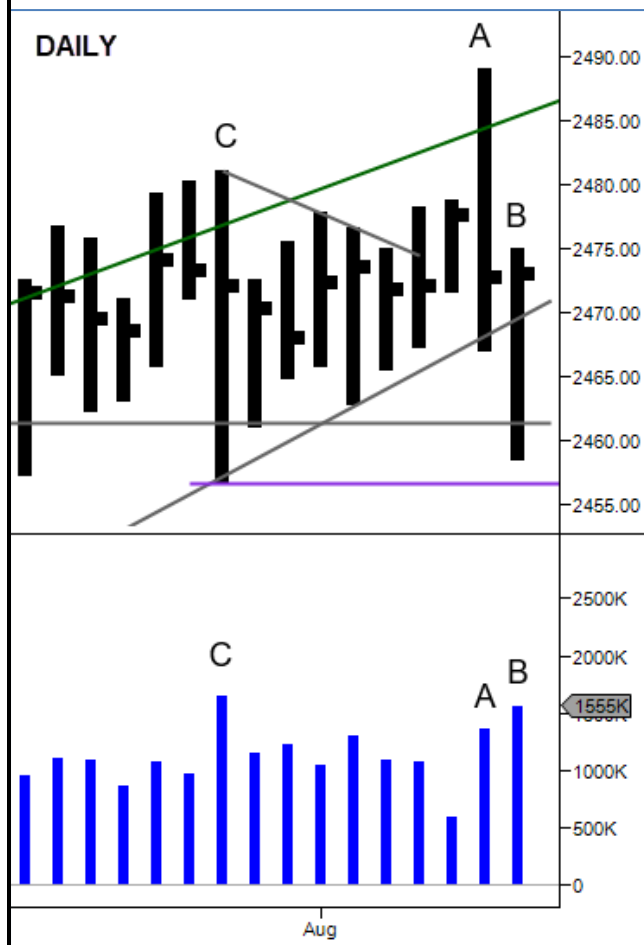
Yesterday:

HIGH: 2488.50

LOW: 2467.50

CLOSE: 2472.75

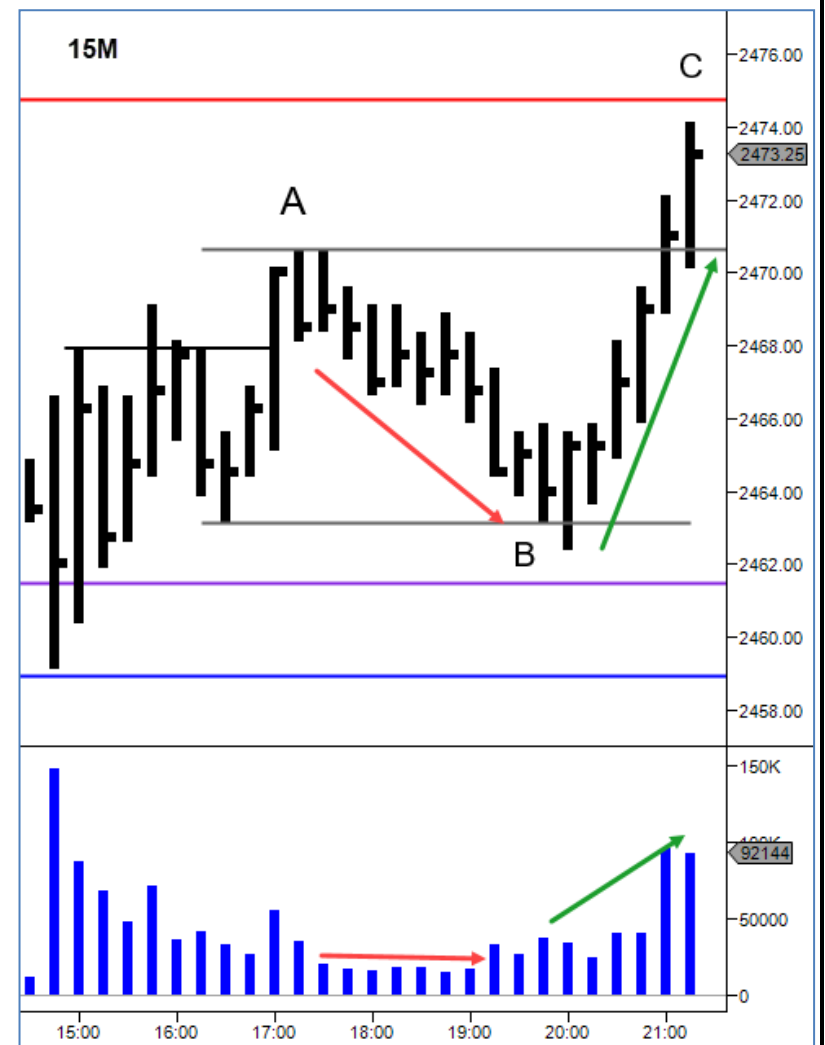
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The S&Ps followed through from bar A, to only find demand in the buying zone between two levels of support 2461.50 and 2457.00, this price action was to be expected. The volume was heavy with a spread slightly smaller than A indicating that much supply is in this bar. The bar closed firm near its highs and back over the supply line, slap bang right in the middle of congestion - all bullish behaviour. If the market was truly strong and bar B was genuine demand we wouldn't of closed the same as A, we would have closed above A. Although bar B looks very strong, what did the bar actually accomplish in terms of net upside progress?

The 15m chart suggests higher prices. The US opens and we drive to A, price action is choppy, buying quality isn't great, but we have held the multiday support and importantly the

low of bar C via the daily 2457.00. From A, we react to B with very little volume (no supply) hold a higher level of support and rally rest of the session to C. Price action is strong with decent spreads closing firm and increasing volume whilst breaking the previous swing high. The last couple of bars could be considered climatic as volume is twice as much as the previous up bars, yet spreads are equal - this suggests hidden selling, although higher volume is of no surprise as it's the US close, many types of traders are active

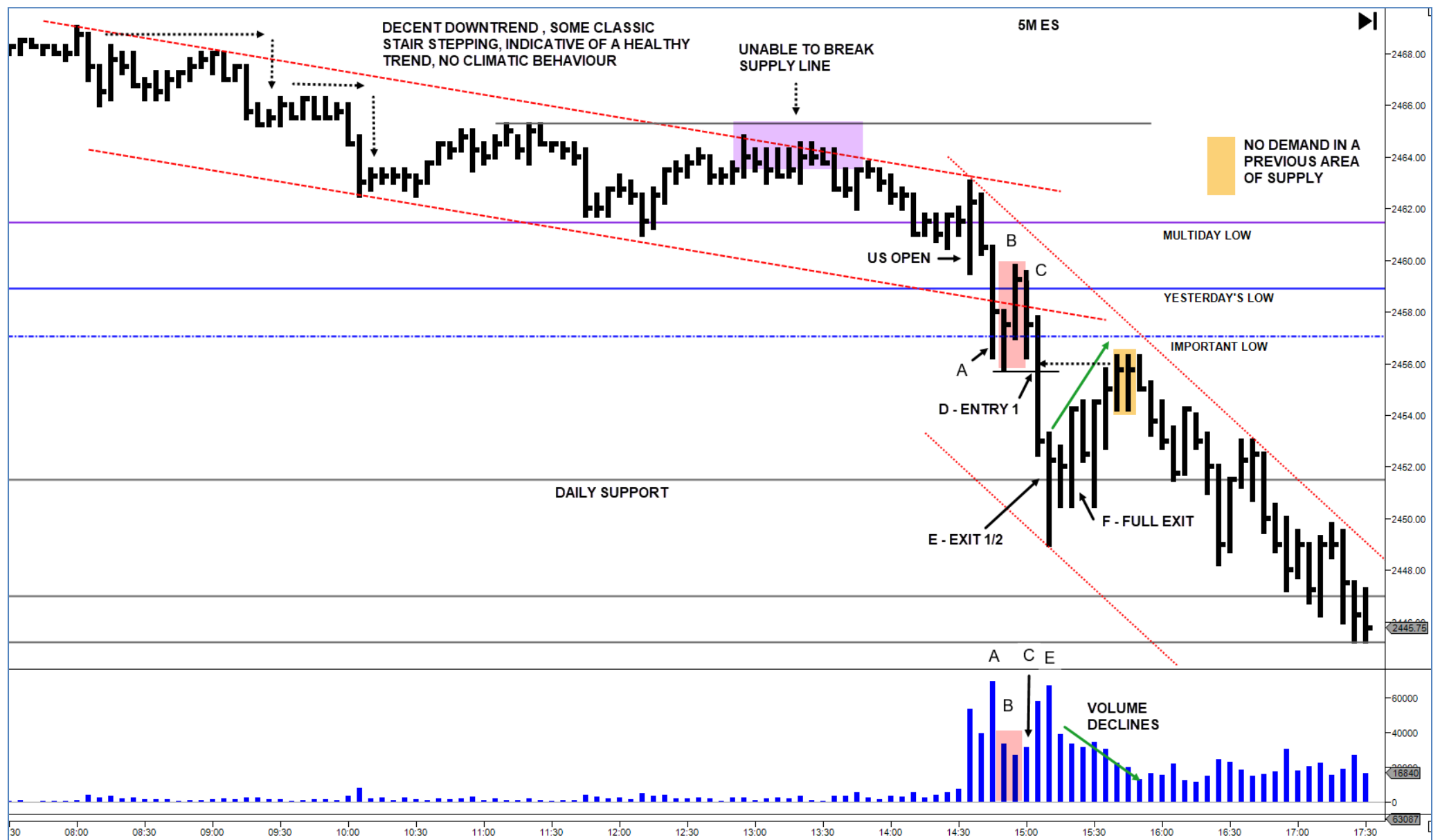


During the overnight we make no upside progress from the close of yesterday and we start to drift down. As illustrated via the 5m chart we get a beautiful stair stepping trend, this behaviour is a tell tale sign of a true trend, something we haven't seen during the overnight, we lose 14 points, a significant amount for premarket hours. The purple highlight hugs the supply line with resistance overhead; the bulls are unable to penetrate leading to further weakness.

The US opens and we spring the multiday low, however we get no upside follow through (a failed spring is weakness) we fall further breaking yesterday's low and the all important 2457.00 level via bar A; this level I have mentioned in the Chronicles for over a week. As we rally to B volume declines dramatically (pink highlight). Bar C - no upside follow through, reverses to close weak back under yesterday's low and dips into 2457.00 with a slight increase in volume. Bar D - Entry 1, as we break local support and previous bars low I let the market pull me in with a sell stop. Why? Apart from the weakness mentioned above via the tick chart supply is in control; the previous down wave was 61k, followed by 97k, we try to rally with 50k contracts (purple highlight Z) it pops its head above the supply line and resistance being yesterday's low (supply confluence) and we immediately reverse back under, as price starts to react supply volume is building. The 5m chart is the trigger as mentioned (bar D). A classic Wyckoff rally back to ice setup

Bar E - Exit 1/2, first support (+4.50 points), Bar F - Full exit, we have a spring bar at E (strength) as this bar breaks the previous bars high, full liquidation, we are due a rally of sorts logical place being the all important resistance at 2457.00 (+3.00 points)

As we rally from F my ears perk up, why? We have mass activity, a couple of editions ago I mentioned how tick charts measure activity and that the lack of bars by a certain time indicates slow range bound trading. In the first hours trading for today we have produced a larger chart (printed more bars) than the whole of that days in question trading. Ergo we have the potential for a great days trading; so far we have weakness and if it continues we could be set for a trend day. If this is the case we need to be more aggressive and alter our trading style. When the market has mass activity I tend to only use tick charts, as reading wave volume in real time is easier and less taxing on the brain. With volatility 5m bars can produce 4, 5 or 6 point bars, very hard to establish stop management protocols. This is discretionary and merely a personal preference

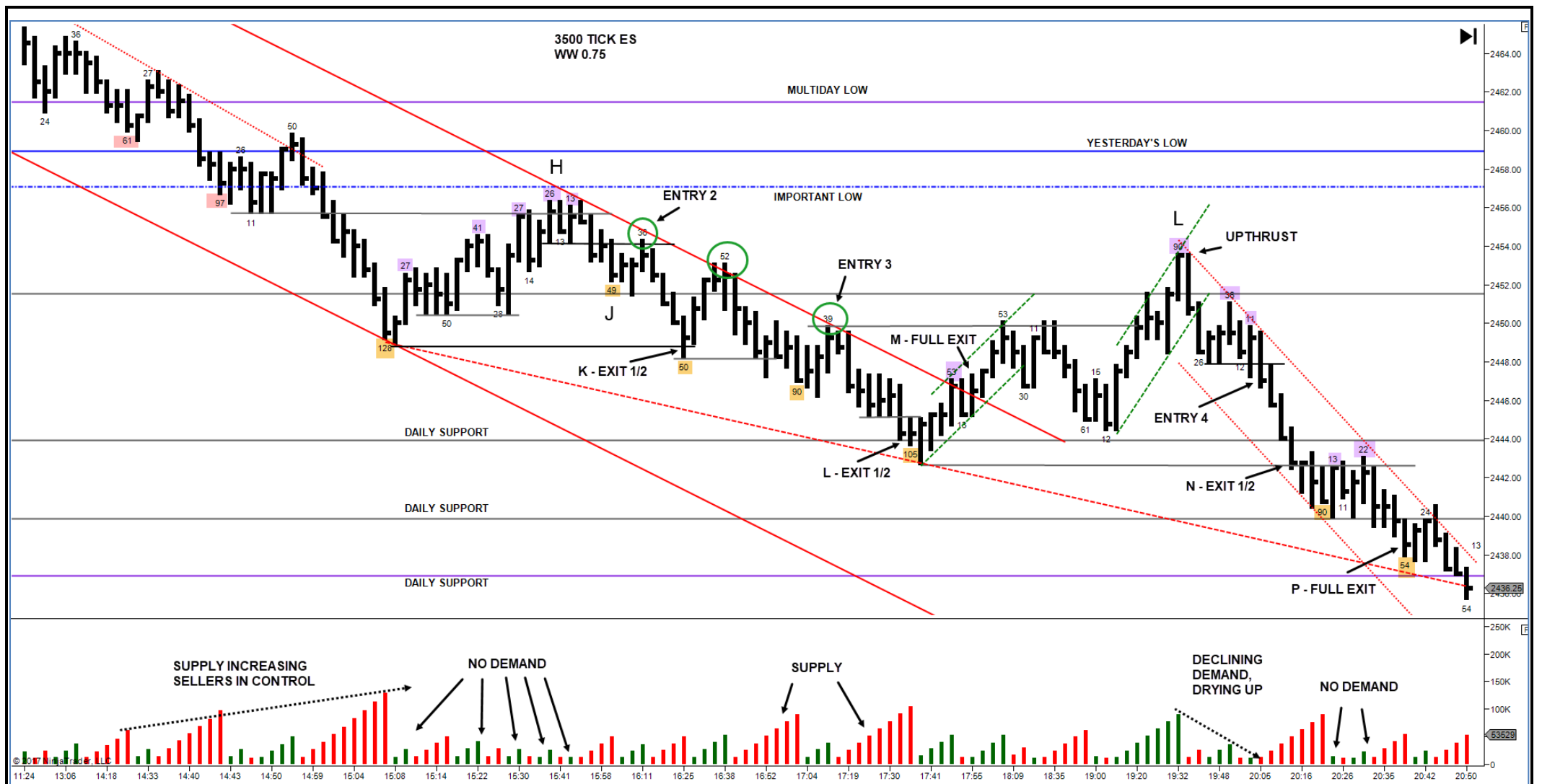


Entry 2 – why? The last down wave has produced the largest supply volume of the day 128k contracts with good movement and flow to the downside, supply is in complete control. NOTE - the wave volume histogram supply volume is increasing, a very healthy sign. As we rally from here demand volume is low with 27k, 41k, importantly at resistance 27k, 26k and 13k, this is no demand in a previous area of supply (wave down to the left) What's of interest is that price hasn't tested the all important level of 2457.00 this action alone is very bearish. At this point supply volume has also decreased on the rally to H - we wait patiently for a short opportunity. As we react to J, volume increases with 49K more than any of the previous upwaves, as we rally back to resistance we have a supply line (confluence) this results in an instant sell (limit offer out)

Bar K – Exit 1/2, first support (+5.00 points).

Entry 3 – Additional contracts, why? Supply still in complete control with additional 50k and 90k downwaves (importantly we are so deep under the important level of 2457.00 a rally back to test is highly unlikely, a trend day to the downside is most probable. We have been waiting for this day for a few days and need to take full advantage. The upwave from 90k (orange highlight) is 39k contracts, less than the previous upwave with 52k, odds favour this holding

Bar L – Exit 1/2, daily support level (+9.50 points) and (+6.00 points). Bar M – full exit, as we break the high of the 53k up wave. This action hasn't occurred during the whole of the downtrend. Odds favour a rally, due to the volatility we could easily test our original entry point (+2.75 points)



Entry 4 – why? The market produces a relief rally to L with fairly decent volume - 90k, however we start to fall breaking both the demand line and support, and during the process we produce an upthrust – all very weak considering the nature of today’s trading. We try to rally with 36k and again with 11k (purple highlight), demand is spent, there is nothing left in the tank. As we break local support I let the market pull me in with a sell stop

Bar N – Exit ½ , first support (+5.25 points), Bar P – Full exit, supply still in control with the last wave being 90k, we have two attempts to rally with 13k and 22k, (no demand rallies) with resistance and a supply line (a confluence) overhead we have no reason to exit. As we become overbought with a reverse use of trend line at a major daily support level (confluence) with 20mins left to the close, it’s worth liquidating (+9.25 points)

Today’s trading to the inexperienced may appear to be difficult with the volatile conditions, for those who have been trading for years thoroughly enjoy days like these (like myself) When the market has a dominate force as supply proved today we look to be aggressive in nature and have to remember one important factor - its demand that has to prove itself. We have stated that a break under 2457.00 would be a turning point for the S&P’s and a sell off was highly probable – this occurred, interesting days ahead..... Time to lock in profits and call it a day

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