

Date: 18/08/2017

Market: ES mini

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

News:

Yesterday:

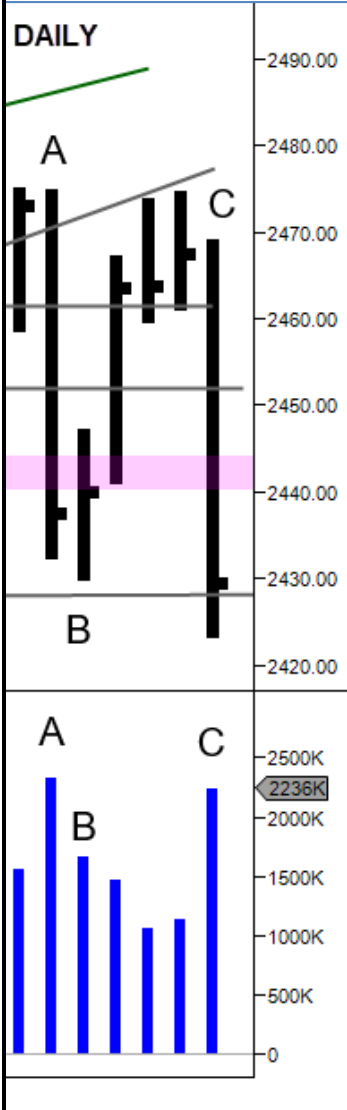
HIGH: 2468.50

LOW: 2423.75

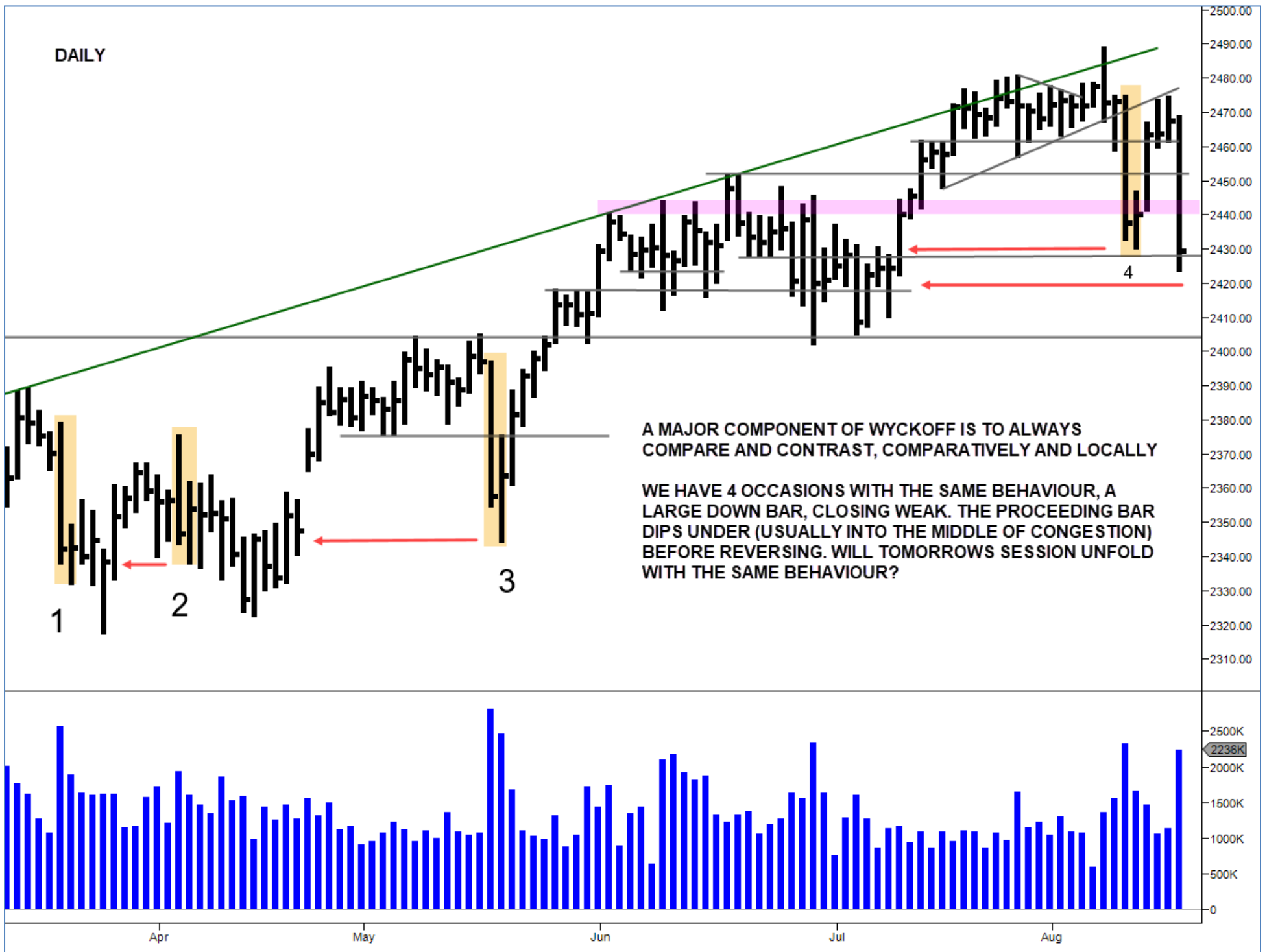
CLOSE: 2429.50

Other levels:

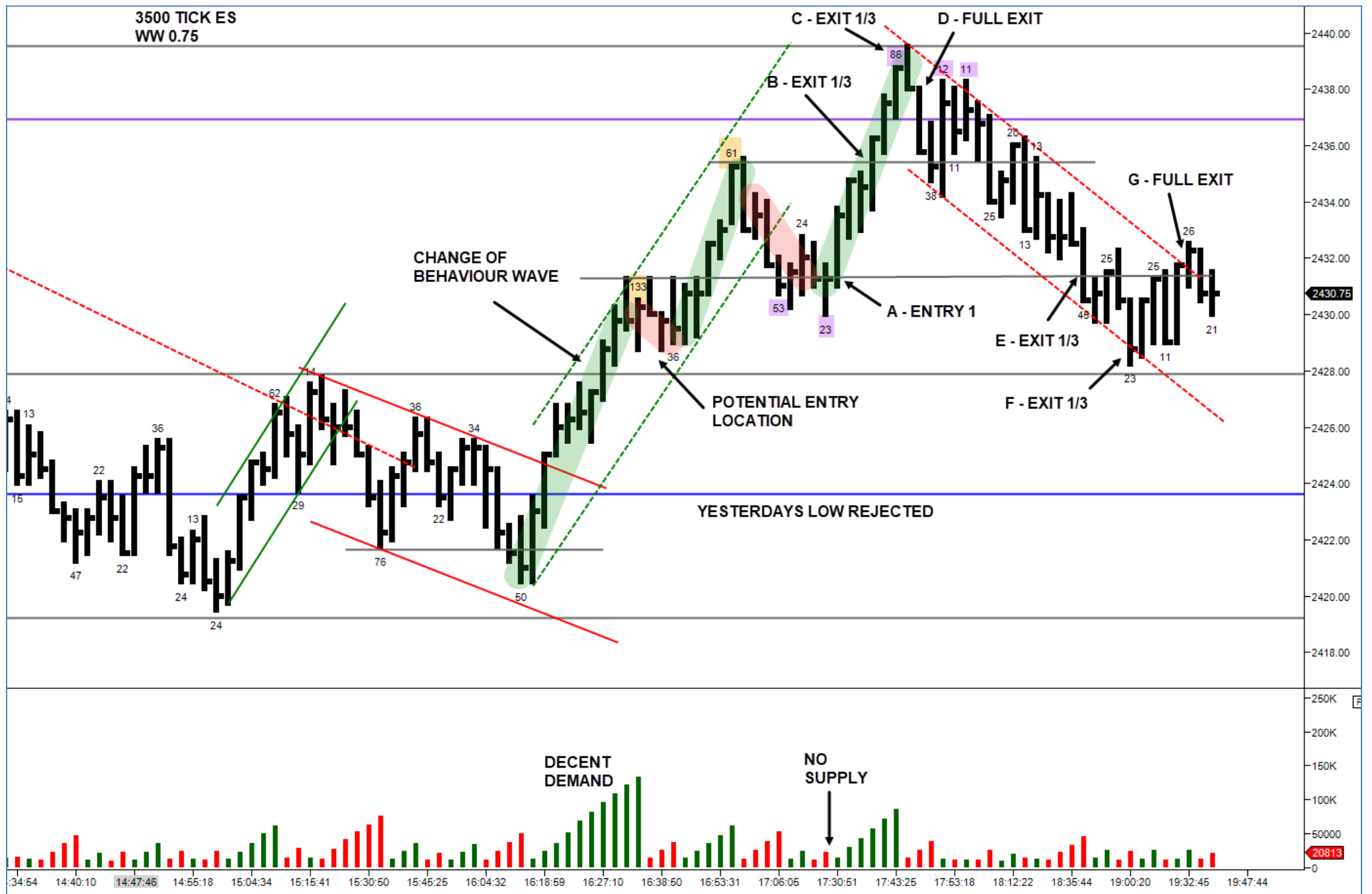
res:2480.50, res: 2474.50, sup:2461.50, res:2451.50, res:2440.00, res:2444.00 sup:2417.75, sup:2403.50



The S&P's had a monumental sell off, the cracks are beginning to show. In a previous edition we have mentioned the difference between the decline at A to the previous large supply bar back in mid May, which was a shakeout. This time round we had indications before hand, (no demand bar followed by the upthrust via the daily). Bar C supply emerges with force, pushing down the market with ease, breaking all support levels along the way with high volume and a weak close resulting in a lower low. The proceeding rally retraced further than expected - sellers were waiting to see how much demand was left in the market before taking additional positions (this equates to more profit, when dealing with 1000's of contracts, every point makes a difference). Usually (but not always) after a large bar 40 points or so, the following bar halts progress, as bar B does. Looking back in the S&P's to around March, for the last 4 occasions when we print a weak bar, with a wide spread closing on its lows the market has produced the exact same price action thereafter. It's not to say that we blindly trade according to this phenomenon, but to be aware that odds favour a dip under C to reverse and produce a rally, usually to a level of major resistance. Bearing this mind we have structural places for tomorrows trading in mind 2417.75 for support (give or take) this works out perfectly as its natural support and into the middle of congestion. If we end up reversing odds favour resistance holding at 2440.00



Market opens and we flirt with yesterday's lows for 2 hours before the market gives clarity by producing a change of behaviour up wave with 133k contracts, during this process we break 2 levels of resistance and 2 supply lines – good strength. We react and hold a very tight level of local support (potential entry location), here we are waiting for a test of support at 2428.00 to apply long plays by using market structure which unfortunately didn't materialise, that's OK - there is always another trade. However we do gain vital info, the market is unwilling to give any upside gains, by holding higher – additional strength. Armed with this info we have reasons to be more aggressive with our next opportunity. We rally with a further 61k, followed by a pullback, this time we get our first entry - bar A, why? Lows have been rejected (in accordance with our daily game plan), a change of behaviour in waves, we react with 53k followed by 23k back to support – indicating no supply at support. The price action in its own right is springing with strength in the background, a text book trade.



Bar B – Exit 1/3, first resistance (+3.25 points)

Bar C – Exit 1/3, daily support level (+7.25 points)

Bar D – Full exit, major selling via the 5m bar (+4.50 points)

B – Entry 2, why? (5min chart) Bar A is supply coming in the market, a very weak bar, a huge surge in volume with a close back under daily support, very, very weak. The next couple of bars go we make no progress and volume recedes dramatically – no demand. As we break local support the market pulls me in with a sell stop. In addition the market provides confirmation via the tick chart – at C we have 86k, followed by two further upwaves being 12k and 11k (no demand rallies) ask yourself, where's the all the buying gone? The market is telling us in advance a pullback is due. This fits in nicely with our premarket analysis, so is of no surprise to find supply here.

The tick chart was used for trade management as I prefer the structural integrity over the 5m for today's trading. Bar E – Exit 1/3, first support (+4.25 points), Bar F – Exit 1/3, become oversold in our channel and at support (confluence) (+6.50 points), Bar G – Full exit, first bar that closes above trend channel (+3.00 points)



The nature of this reaction was very slow, a grinding down move. If we consult the daily timeframe its planned out exactly to our premarket analysis; taking this onboard odds now favour sloppy trading for the remainder of today, as the close should be mid bar approx 2430.00, no more volatility. How do we know this? By comparing the previous days similar in nature (1 to 4) via the daily chart.

Recent trading has picked up significantly providing clear cut opportunities, these are normal market conditions we often go through periods of contraction and expansion. What's important is that we can adjust our trading and know when to be aggressive and when to lock in potential profits. We missed a potential pullback to jump onboard (first reaction from the change of behaviour

wave) even in hindsight the trade was far too aggressive for my liking, however when this happens traders can often think negatively of the potential missed profits, this can lead to further negative behaviour that has a domino effect leading to poor decisions. By remaining composed and unaltered we extracted vital info from the missed setup and were able to take a higher odds trade – there is always another trade. Time to lock in profits and call it a day.

Email: feibel@yahoo.com