

Date: 18/09/2017

Market: ES mini

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

News:

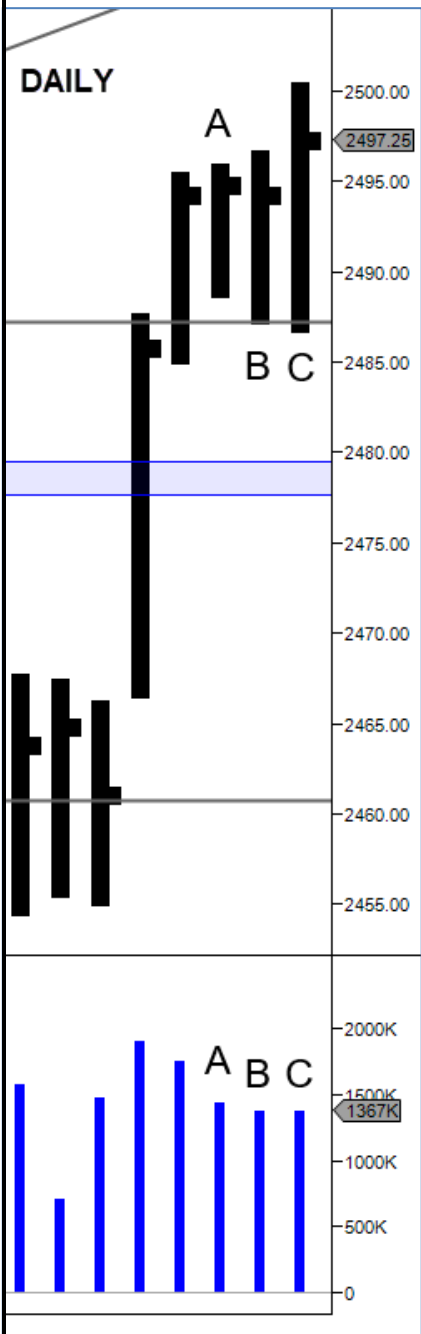
Yesterday:

HIGH: 2500.00

LOW: 2487.00

CLOSE: 2497.25

Other levels: res: 2508.00, sup:2486.75, sup:2477.50 - 79.00, sup:2461.00, sup:2457.00 sup:2451.50,



The S&P's has continued to show strength by making a fourth consecutive new high in a row and by making the highest close of all time. Bar C is strong; it dips under bars A & B only to reverse and close firm (holds support) breaking the highs and importantly the cluster of closes, its shows a willingness for higher prices. The key here is volume, bars A to C have the same volume, yet we make better progress via bar C producing a wider spread, this indicates the lack of supply. As all the price action of late (last 8 bars) has been bullish we need to see the evidence of supply, bar C disconfirms supply - by using Wyckoff logic we get the confirmation of demand by disconfirming supply, ergo we expect higher prices for tomorrow's trading

The 60m chart confirms the strength in a more visual, positive manner:

Bar A - We spring overnight support; this results in bar B which is a great response - a wide spread with decent volume and a firm close. Some negativity is expected as we have resistance that has held on 3 occasions (red circles), hence the close, sellers manage to push it back under. However bar B is strong, it has the widest spread and volume of any up bar on this chart, this kind of demand will not go away easily

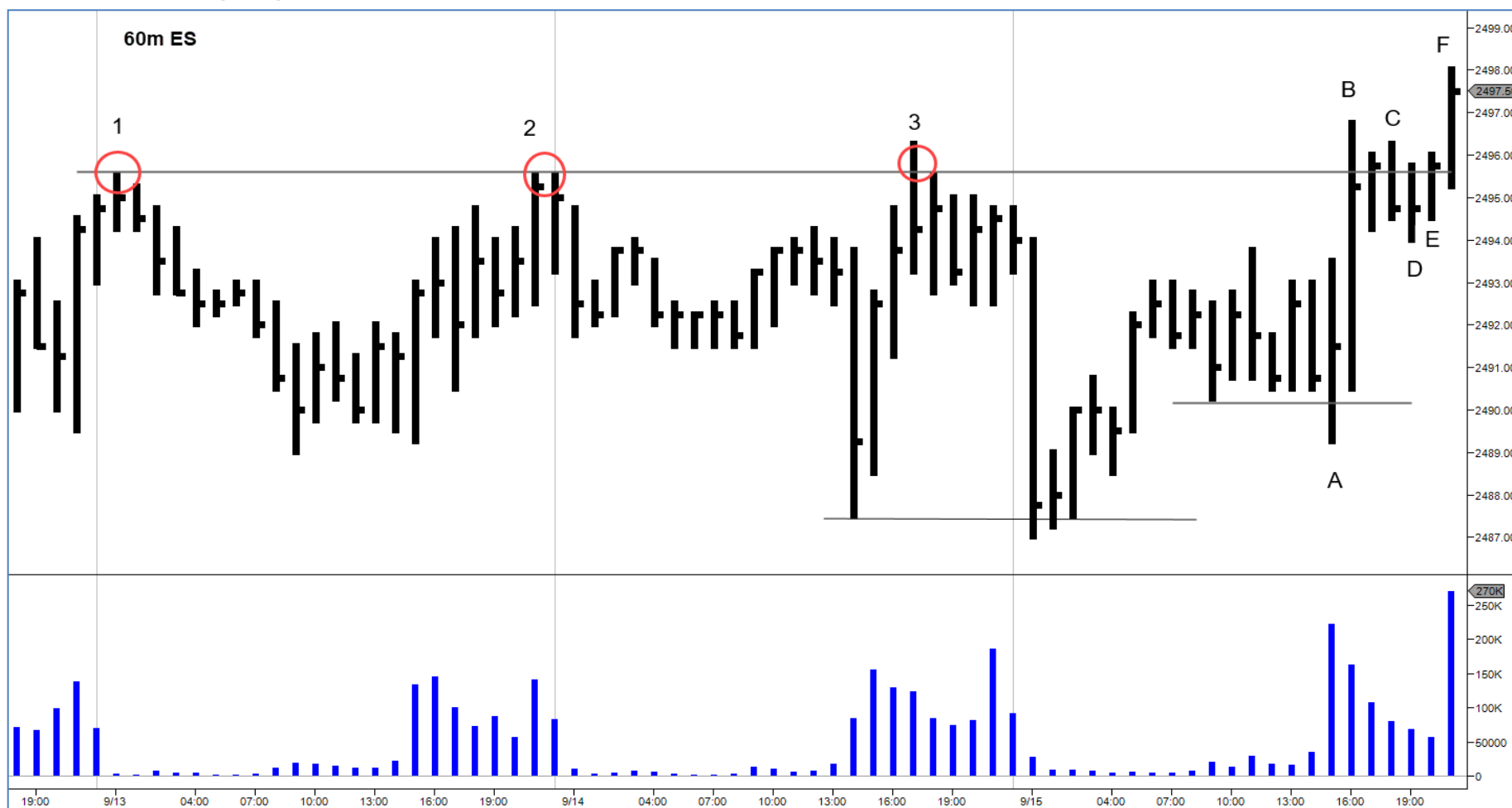
Bar C - A little supply enters

Bar D - A key bar, there is no follow through to the downside from C, as we break the lows buyers step in and manage to hold at the same price

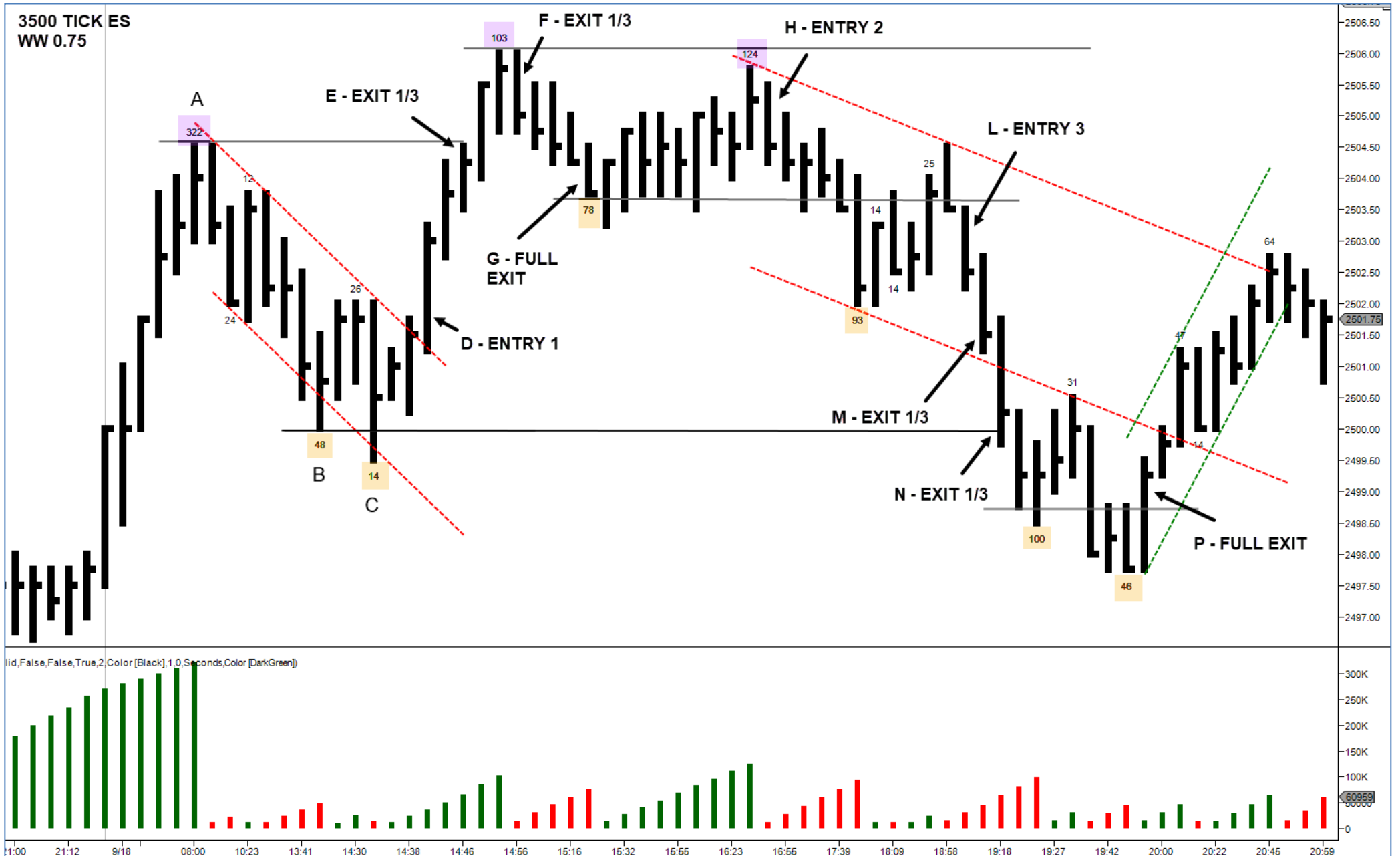
Bar E - The market closes above resistance, a subtle yet major tell

Bar F - Although this is end of day and many traders are active (hence the high volume), the market breaks into all new time highs and bounces off newly formed support ending with a firm close, we cannot ignore these facts. Odds favour higher prices for Monday's trading

All the price action has been very positive; Bar C was the only opportunity for lower prices and indicates the lack of supply (a test bar). We spring via the open (A) followed by a sign of strength bar (B) a test that results in no supply (C), proceeded by D that refuses to go lower and holds gains, at E we pop back above resistance and hold, finally F that results in all time new highs - there is zero weakness in today's price action

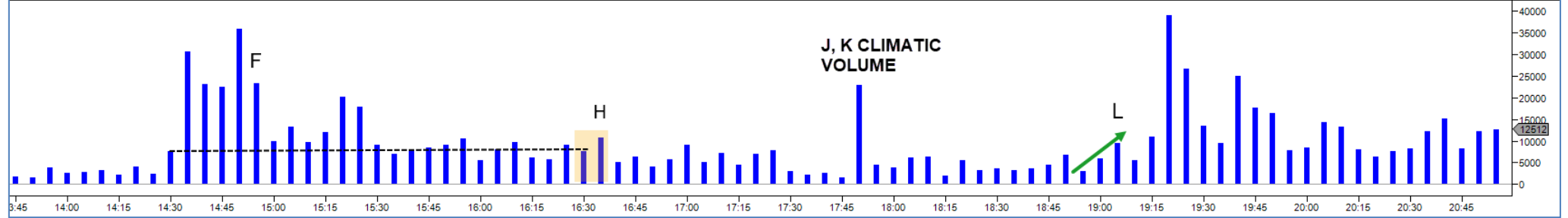
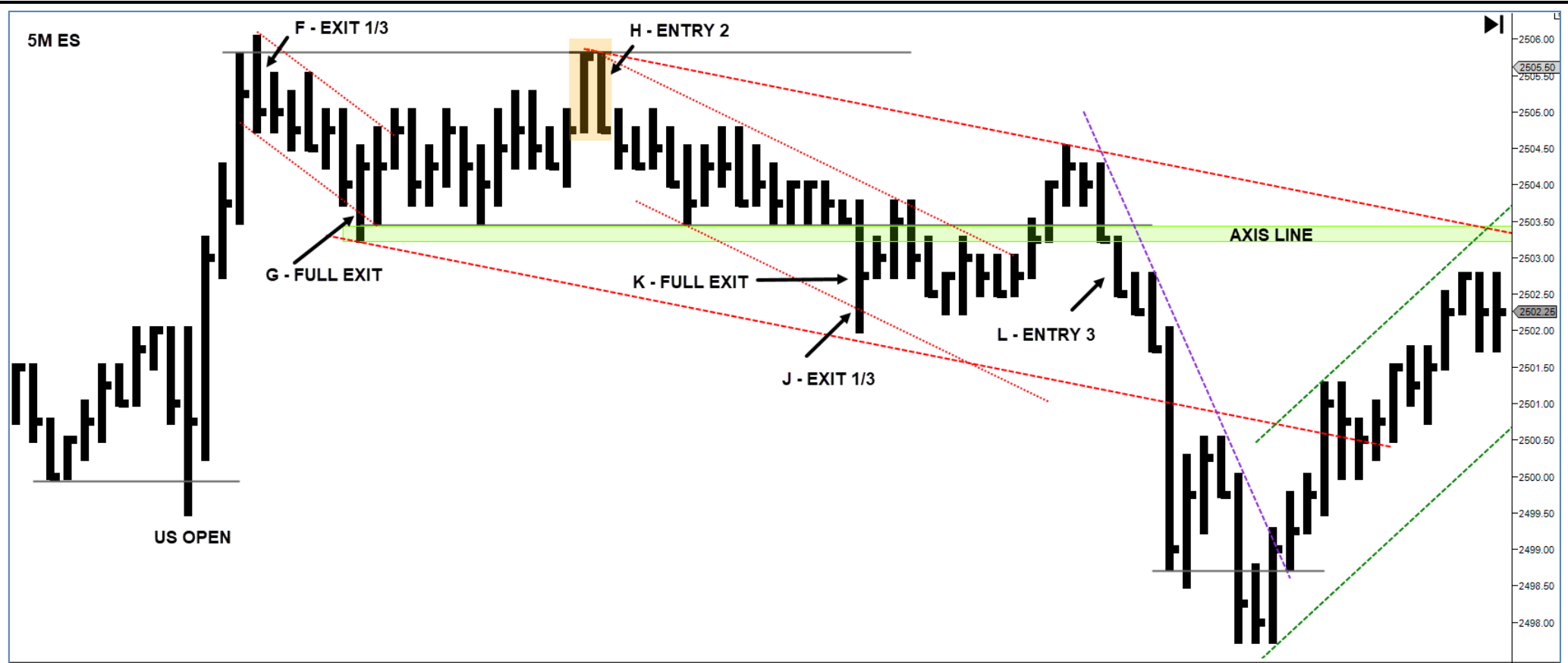


During the overnight the S&P's had a dramatic upwave with 322k contracts (A). As we come into today's session we want to be buyers, this also coincides with our premarket analysis. Bar D is our first entry, why? Firstly there is buying in this market, that's evident (strength in the background) We produce a down wave at B with 48k contracts, the US opens during C and springs a local level of support (strength) and the corresponding downwave is only 14k contracts indicating no supply (strength) as price breaks the supply line via our downtrend channel (strength) the market pulls me in. The story of strength is strong and although a reaction of sorts is expected we must note that the pullback from A is fairly deep for a truly bullish market. The 5m chart is also very strong in price action at this time. Some Wyckoffian traders would enter via the close of C, there is strength behind us; price respects the demand line (channel) and is unable to close under. There is also a buying confluence; being the demand line and support – A perfectly valid entry, however on this occasion I wanted additional confirmation, breaking the supply line 6 ticks away was worth the price



Bar E – Exit 1/3, first resistance (+3.00 points), Bar F – Exit 1/3, its clear to see why via the 5m chart; a potential hidden upthrust position with the addition of the previous bar being semi-climatic, there is enough cause for a pullback of sorts, (+3.50 points), Bar G – Full exit, as we break the demand line via the down channel on the 5m chart, stopped out (+1.75 points)

Bar H – Entry 2, why? This 2 bar reversal action (5m chart) is testing the previous weakness at F, where we first saw signs of supply. NOTE – the volume, worlds apart, Wyckoff states "it takes equal or greater volume to break a previous area of support or resistance" ergo odds favour this level to hold. We have other signs of weakness also, the rally from G to H is lacklustre, where is the demand we saw from the US open to F? (Green opaque highlights the lack of poor buying) the market is finding it hard to push up – only the presence of supply can cause this. Via the tick chart we have a case of Effort vs. Result in waves, with higher volume (124k contracts) then the previous upwave (103K contracts) we are unable to test resistance and more importantly, the progress made to the upside is limited making roughly a 1/3, so with all that extra volume and inability to push higher, we know that supply is present and having an effect (green opaque clearly highlights the struggle for higher prices). We NOW want to be sellers, hence the entry at H



Bar K – Exit 1/3, become oversold in our channel (+2.50 points), at K (same bar) full liquidation at the close, bar has a massive surge in volume and closes mid bar, buying is present a rally is on the cards (+2.00 points)

Bar L – Entry 3, why? Via the tick chart we have increasing volume to the downside 78k, followed by 93k contracts, the previous upwave is Effort vs. Result (full of selling). The market then tests newly formed resistance with 2 weak rallies (no demand) highlighted on the chart. There is a story of weakness and would call this a classic “rally back to ice setup” as we could interpret today’s trading as distribution (chart to follow) As we break the axis line via the 5m chart the market pulls me in

Bar M - Exit 1/3, at demand line (+2.00 points), Bar N – Exit 1/3, next support (+3.25 points), Bar P – Full exit, closed back above support in a spring position, NOTE – the wave volume has halved with 46k on the last attempt down, a subtle tell of strength (+4.00 points)



Today’s trading has been classic Wyckoff incorporating many core principles including distribution; this helped to set up the thinking/thought process for trade 3. When this was combined with 2 weak rallies illustrating no demand, it’s a highly favourable setup. If this occurs on higher timeframes it’s a choice trade and can be on occasion extremely fruitful. Time to lock in profits and call it a day

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