

Date: 20/09/2017

Market: ES mini

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

News:

Yesterday:

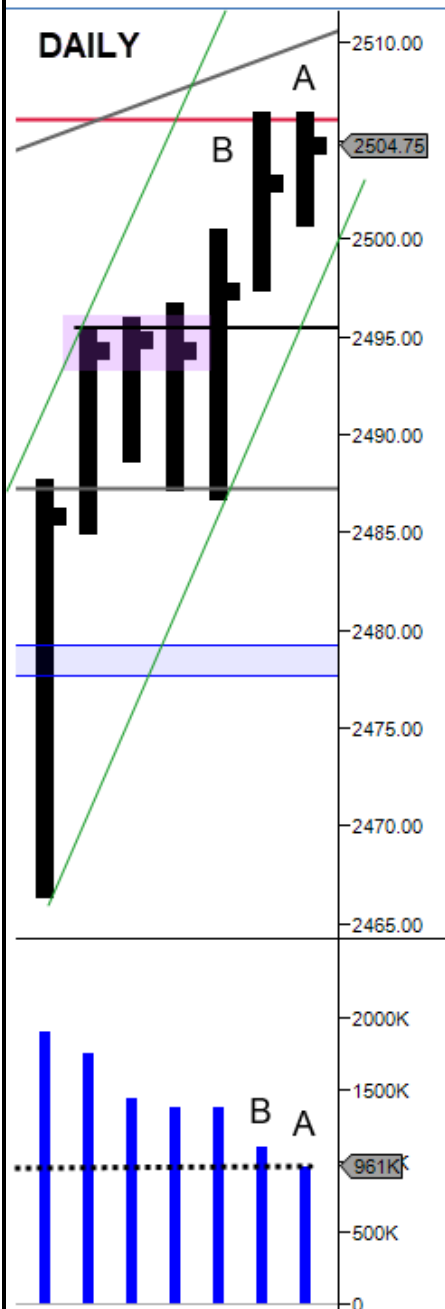
HIGH: 2506.00

LOW: 2501.00

CLOSE: 2504.75

Other levels:

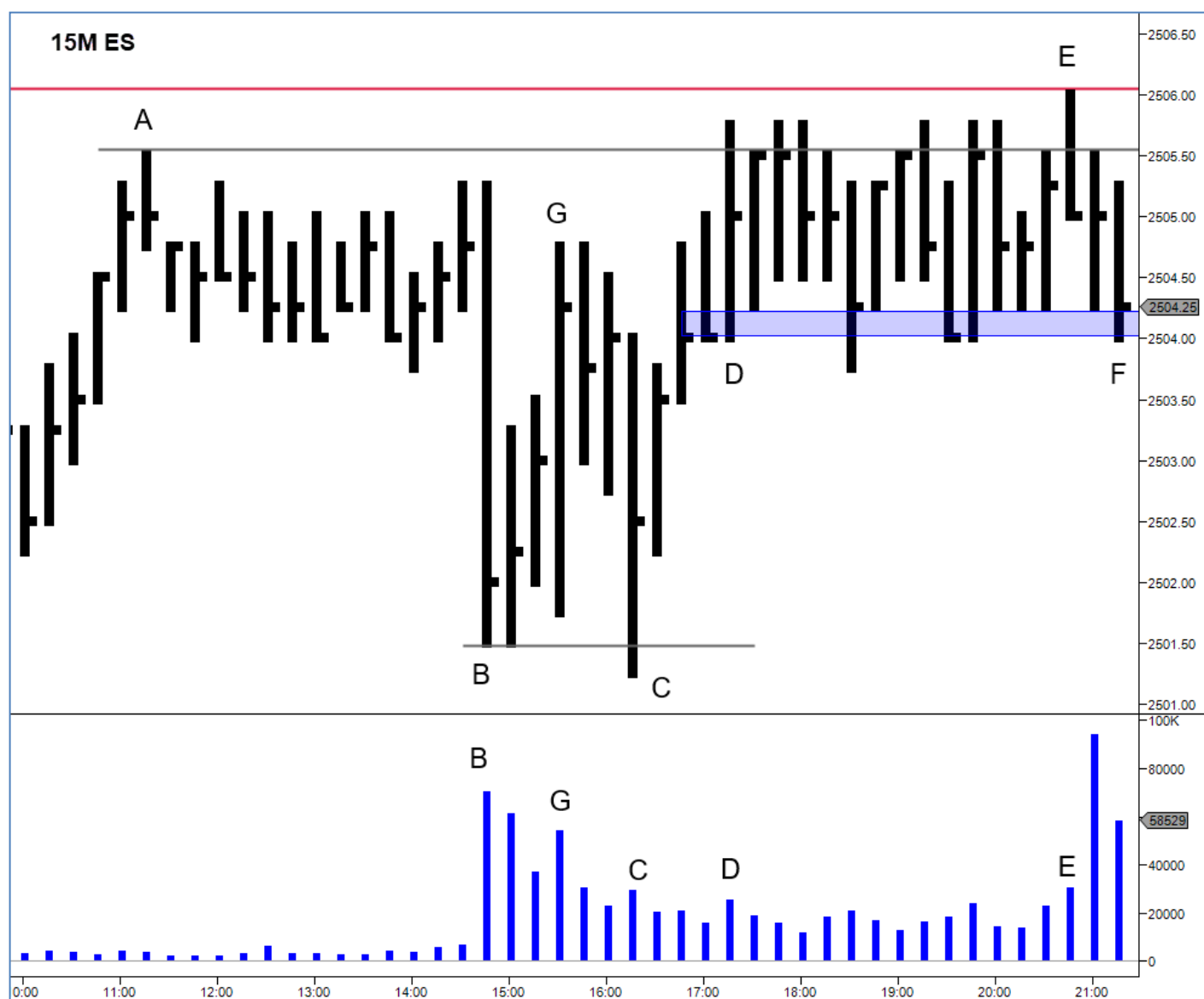
res: 2508.00, sup: 2495.00, sup:2486.75, sup:2477.50 - 79.00, sup:2461.00, sup:2457.00 sup:2451.50,



This is the first time during the past couple of weeks that the S&P's has shown some potential weakness. We have the lowest volume with the smallest spread that is an up bar, technically a no demand bar at the highs. This is not the bar we would associate with bullish behaviour. This does not equate to the market collapsing, perhaps a more complex pullback or the beginnings of something larger. We cannot ignore that overall price action reflects bullish behaviour across all major timeframes to include the daily, weekly and monthly. It's important to remember the timeframe we trade with, all our analysis is dealt from an intraday perspective - if I were holding a swing position there is not enough cause (bar A) to exit my position

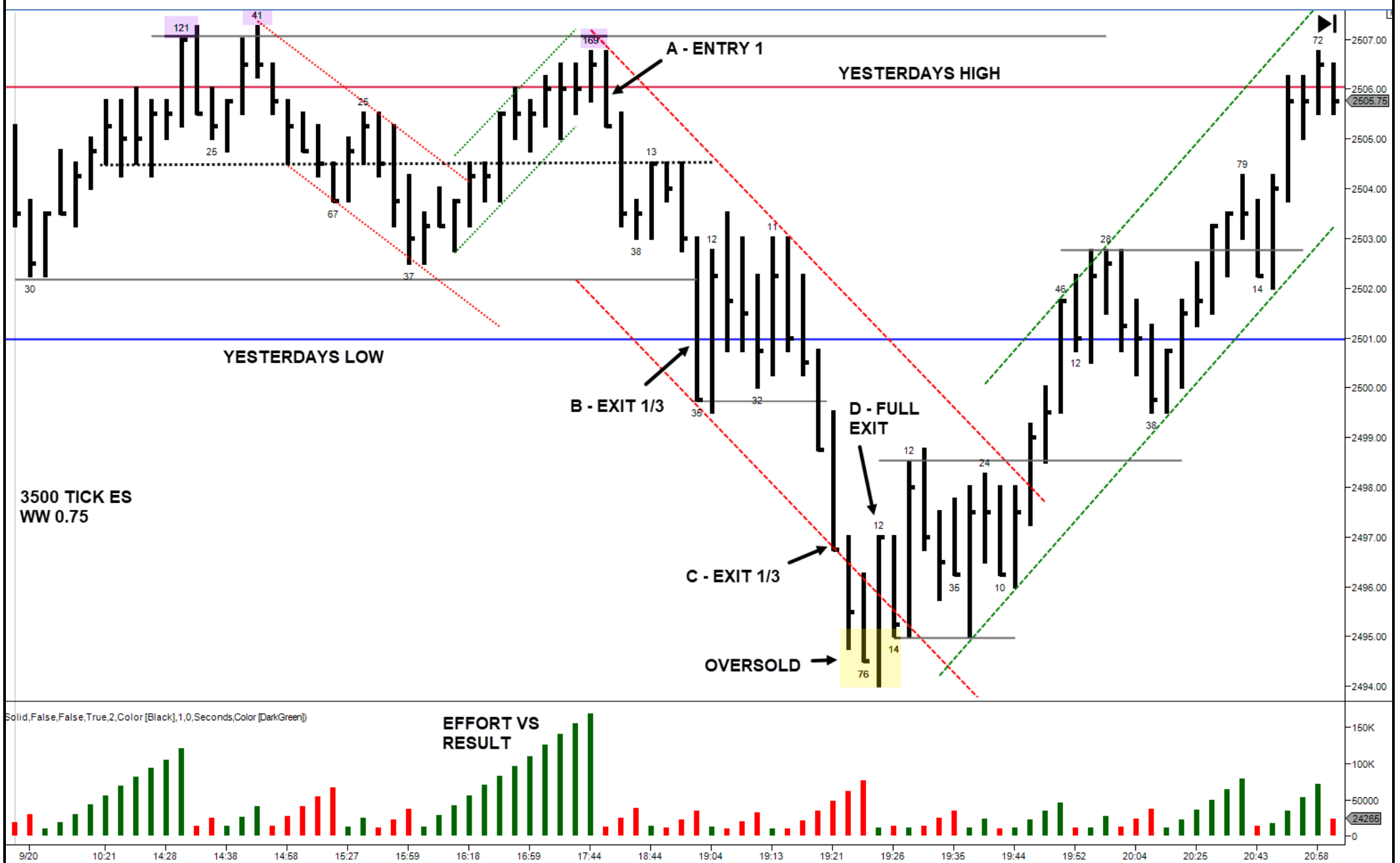
The 15 chart illustrates the lack of willingness for higher prices, price was literally range bound for the majority of the session that includes subtle hints of weakness. First thing we notice is the inability to break above the overnight high at A, we try for 4 hrs (D onwards), price is unable to close above this resistance level - this indicates that sellers are pressing on the market, capping upside progress. The US opens at B and sharply moves the market down; there is some buying at G, yet volume spikes giving this bar a climatic feel. Bar C more weakness; the market manages to push the market down again, we are met with buyers and spring support to close mid bar, however the nature of a spring is break the last swing high and we are unable to do this, sellers are halting upside progress (as mentioned).

Bar E - tests the all time highs at 2506.00 and we are immediately hit with supply, resulting in a weak bar (hidden upthrust) with increasing volume. The following bars are the US close and difficult to interpret, but with a macro perspective of the day we would expect lower prices, the highs have been rejected and it's natural for the market to now seek demand at a logical place and this would be a support level. This is the nature of trading in its most simplistic form, bouncing between levels of support and resistance trying to find either strong selling or weak buying and vice versa, we do not need to make trading more complicated then it is.



During the overnight price holds and we manage to test yesterday's highs with a large upwave (121k contracts), yet via the US open (5m chart) we are immediately met with selling; the sellers manage to close it back under resistance and again 10 mins later after a failed attempt to break (41k upwave via tick chart), we now know that sellers are active in this area and are defending this level.

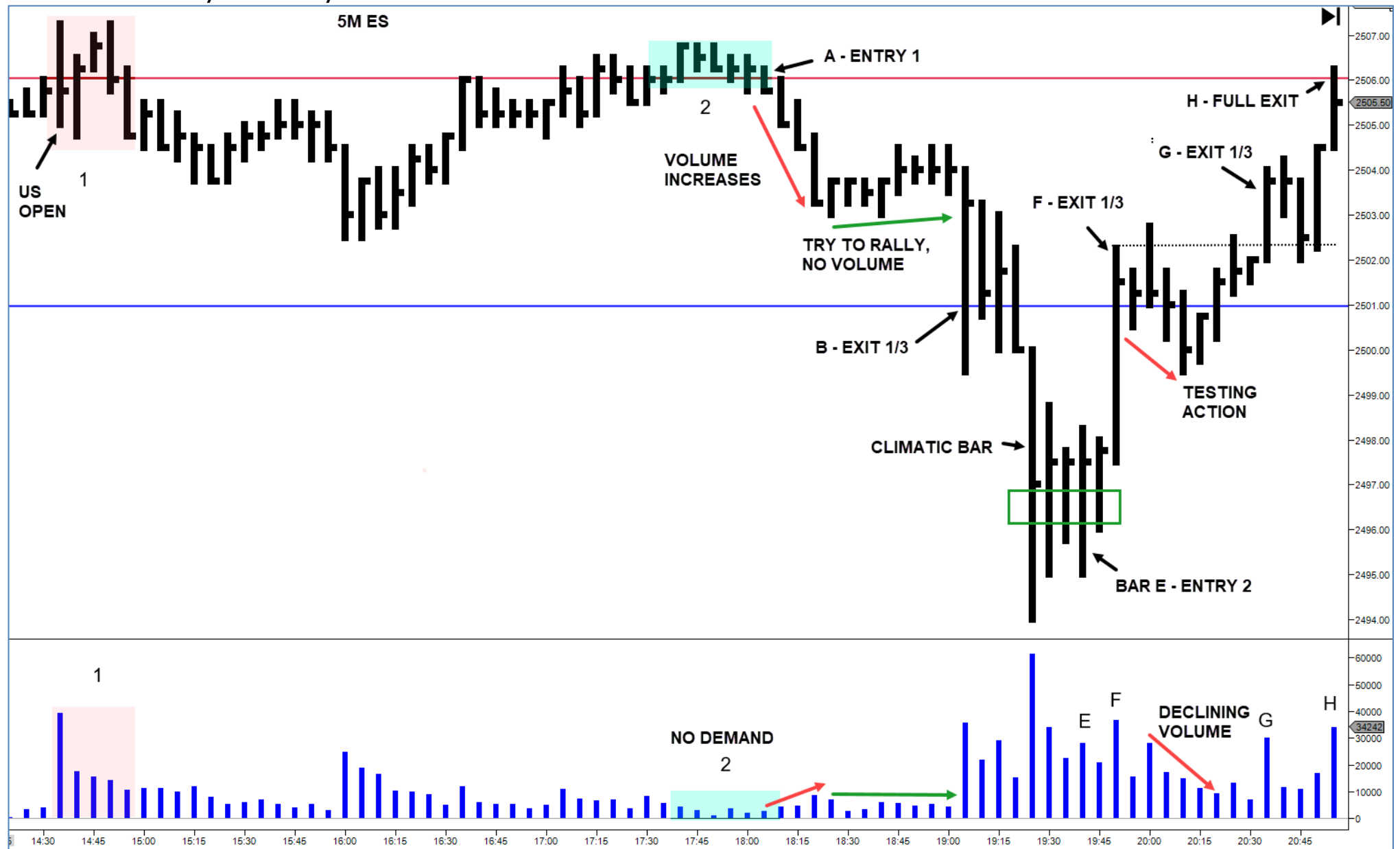
This leads us on to A – Entry 1, why? We come back to resistance via the 5m chart and try to break with "no demand" (compare the highlighted areas 1 and 2 in terms of price action and volume) with 8 to 10 times the volume at 1 the highs were rejected, as we approach 2 with little to no volume, odds favour resistance holding. Wyckoff states "It takes equal or greater volume to break a previous area of support or resistance" this could not be any clearer, a great example. The first close under resistance is an instant sell. For additional insight into the setup, we consult the tick chart; what's of interest is the Effort vs. Result wave – with 169k contracts, we are unable to test the highs, making less progress with higher volume, all this extra activity is hidden selling. The nature of Effort vs. Result is to eradicate the opposing force (in this case buyers) if done successfully there should be no friction to the downside as most buyers have been absorbed, hence price can move sharply with little volume – this is a very important concept to understand. Both charts combined provide a powerful setup, with different glimpses as to why. The 5m provides a clear entry point, and the tick chart suggests a larger move, ergo let the trade breathe



Bar B – Exit 1/3, first support (+4.75 points), Bar C – Exit 1/3, oversold in channel (+9.00 points), Bar D – Full Exit, we became way oversold in our down trend channel and penetrate, buyers step in and close it back inside the channel. Plus we have a potential climatic bar via the 5m (+7.25 points)

Via the 5m chart from entry A, notice the volume subtleties; as we react volume increases, a healthy sign for our shorts, we try rally and price action is capped (unable to make higher prices) spreads narrow and volume declines this is also good for our shorts; these clues help us to hold our trade, it indicates/hints that sellers are in control

Bar E – Entry 2, why? We have a climatic bar/stopping volume that indicates that buyers are present, but what’s of MAJOR interest that cries out for a long position is pure price action, the next 3 bars are screaming strength, the market is refusing to go down, every time we pop down, buyers step in and close it firm – NOTE the clustering of closes all around the same level, we have a buying zone/accumulation area on a 5m min chart (green box) Bar E itself; dips under the previous bar giving ample opportunity for sellers to take it down lower, yet buyers step in and close it firm back in the midst of the clustering, an instant buy via the close. The market offers another bar for an entry if missed E; we have 5 bars refusing to go lower, that’s 25min of trading, this is a long time to stay at the same level considering the amount of volume/activity present, odds favour a rally of sorts, first level to test - yesterdays low



Bar F – Exit 1/3, First resistance (+2.75 points), we were previously sellers and if we still hold a bearish stance we would expect a weak rally back to resistance, test, see supply emerge and apply bearish setups, however we get the total opposite, the market prints a sign of strength bar, buying of decent quality, firm price action and accompanied volume. NOTE – as we react from F volume declines, a healthy sign – this whole action is testing bar F and is successful, expect higher prices

Bar G – Exit 1/3, a spike in volume, potential climatic bar (+6.25 points) in hindsight this was probably absorbing supply to the left. Bar H – Hit major resistance that held 3 times previously, near the US close (+8.50 points)

Today’s trading provided clear cut opportunities: being able to read the chart and interpret the strength of selling or buying was a key component for today. We had a price action aberration via the climatic bar, it’s rare to see volume eclipse either the US open or close, our ears were perked as that kind of volume mid-session is suggesting a potential move was occurring (large players were positioning themselves).

Entry 2 – this setup provided a much better result than expected; a rally was on the cards due to the mini buying zone, but after that sign of strength bar and the light reaction thereafter the logical place to test was yesterdays high and was hit. By using this methodology and reading the market as it unfolds helps to alleviate any market biases, to switch from a selling mindset to a buying mindset is psychologically difficult and does take practice, time to lock in profits and call it a day

Email: feibel@yahoo.com