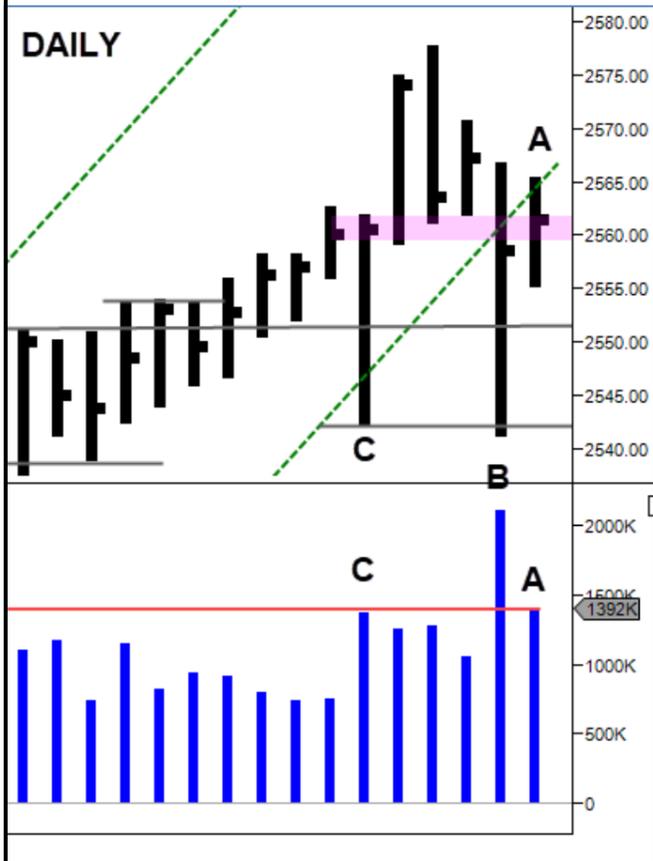


Date: 27/10/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2565.00 **LOW:** 2555.50 **CLOSE:** 2561.50

Other levels: res:2577.25, sup:2550.75, sup: 2542.50, sup:2538.00, sup:2528.00 -29.00, sup:2507.25



A very interesting day for the S&P's, bar A dips under the close of B finds no further supply and reverses to close fairly firm in the midst of our high trading area of activity (purple highlight). The market produces the second highest volume we can see on the chart, what does this mean? First we can make the assumption that we have a case of Effort vs. Result, comparing the volume and spread to that of C, with very similar volume, the spread is roughly 40%, the question we ask ourselves; has demand overcome supply? or has supply overcome demand? We come from strength (bar B) as lows have been rejected and bar A is technically an up bar. The highs have been rejected via the demand line yet the close is right in the upper boundaries of our supply zone.

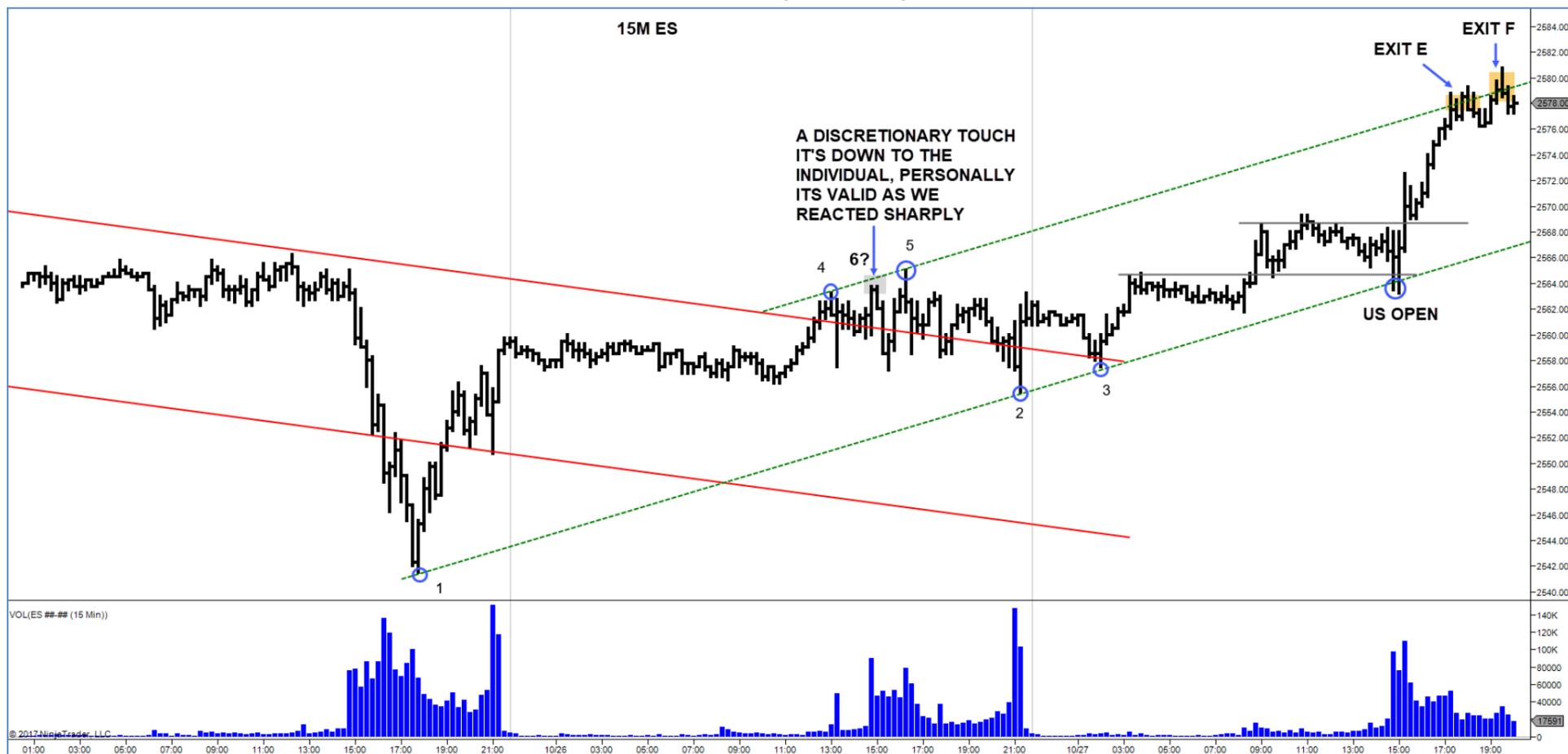
When in a known supply/resistance area, one would assume that sellers would show their hands, yet with all that volume why haven't we reacted? We have the opposite occurring by printing a higher close and low. Do we apply our Wyckoffian logic "through disconfirming supply, we get the presence of demand"? If we are

disconfirming supply we would assume that demand has taken the reins and we are absorbing supply (via the purple area) this action makes sense, BUT is a very tough call.

The 15m chart enhances our thought process for the possibility of absorption. We have a working channel of 4 days that becomes WAY oversold at A and returns to trade back inside proceeded by B, and this is the crucial element to this analysis, we bounce of the demand line, not once, but twice! The interpretation that one must take away is that channel is back and working, it's valid. Ergo when the market tests the supply line via C look how much trading has passed back and forth, refusing to go lower and in-turn severely weakens the upper boundaries of our channel. If we look to the left, the market is perfectly situated for absorption; the original break down bar. All signs suggest absorption and if so, odds favour higher prices for tomorrow; instant gratification should be seen, because a sign of strength bar always follows absorption



The US opens and the first thing we note is that we have rallied 10 points during the overnight from yesterday's US close, a significant move. It's the 15m chart that creates a strong story of strength. We have a working channel with 5/6 touches; via the US open we touch twice and hold, bounce off with strong buying, NOTE the closes, NOW we look for long positions. Having resistance directly above is not an ideal trade location, we must wait patiently.



Back to the 5m chart; the market produces a new momentum high (A) that breaks resistance with buying of good quality and increasing volume, a good wave up (green opaque) as we react acknowledge the price action; over lapping bars, mid bar closes, the wave volume although is fairly high (less when I executed) was Effort vs. Result, its crystal clear to see the difference between the buying and selling quality - compare the price to action to A with the pullback to C (down wave) worlds apart. In addition we hold support via our entry location, we are unable to push down at the point of execution (triple of cluster of closes) the market is kind and prints another couple of bars thereafter to jump onboard.



The setup is a classic pull back after a new momentum high, or from a Wyckoffian viewpoint; "Back Up to the Edge of the Creek" (BUEC) in an ideal world we would see weak selling on the reaction, with today's setup one needs to be able to read the Effort vs. Result, luckily if you have been reading the Chronicles you would have recognised the behaviour and the simplicity of the setup. The comparison analysis between the quality of buying and the poor quality of selling is vital, along with structure holding nicely, plus we have a background of strength via the 15m chart and now confirmed absorption via the daily, we have every reason to be buyers

Bar D – Exit 1/3, first resistance (2.75 points), Bar E – Exit 1/3, resistance via the 15m chart, overbought in our channel (+8.25 points), Bar F – Full exit, price is unable to reach supply line (minor sign of weakness) and reacts to the adjusted internal resistance line (green dotted) that results in the weakest close of a bar since our position was initiated (+9.25 points)

This week's trading has provided much welcomed volatility, gives us traders opportunities. The S&P's has been relentless in nature and has continued to drive to new all time highs, has shrugged off two weak bars. A point and figure chart might have to be constructed as all levels are being smashed. Although we have spotted weakness, there are no signs of distribution. How much more does the S&P's have to give? Time will tell, time to lock in profits, finish early for a long weekend and call it a day

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