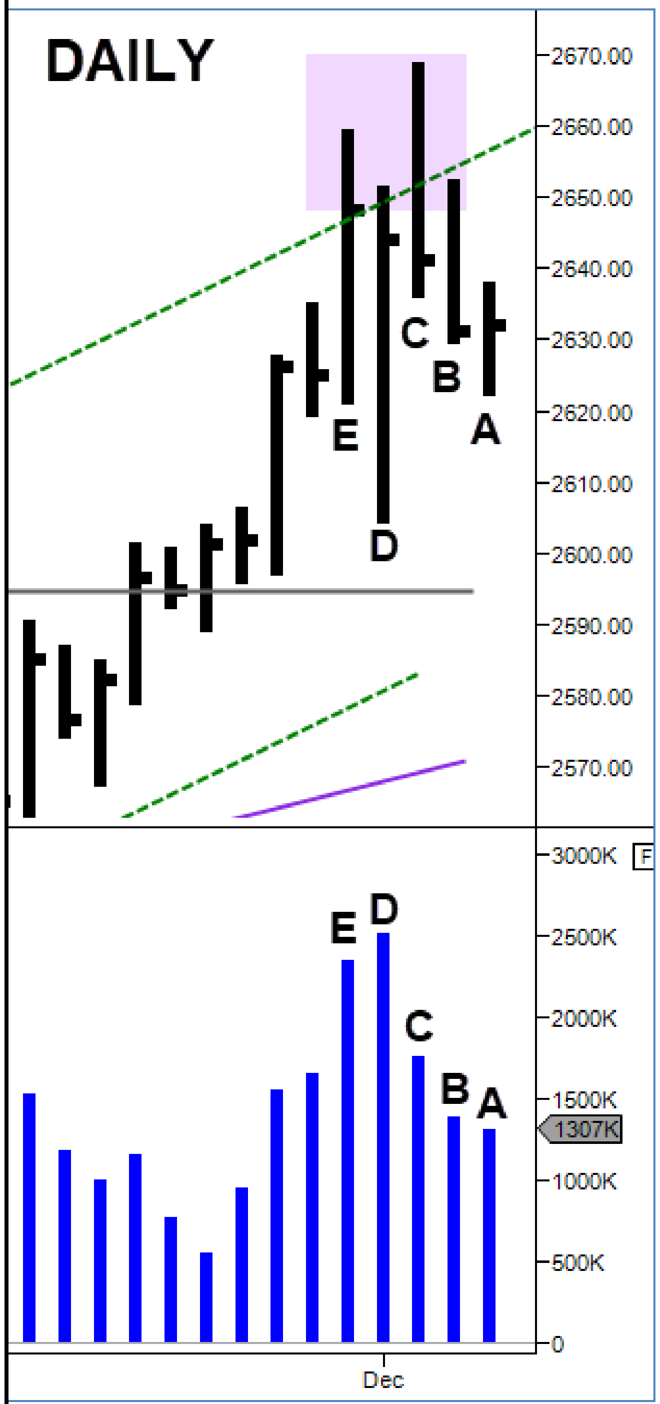
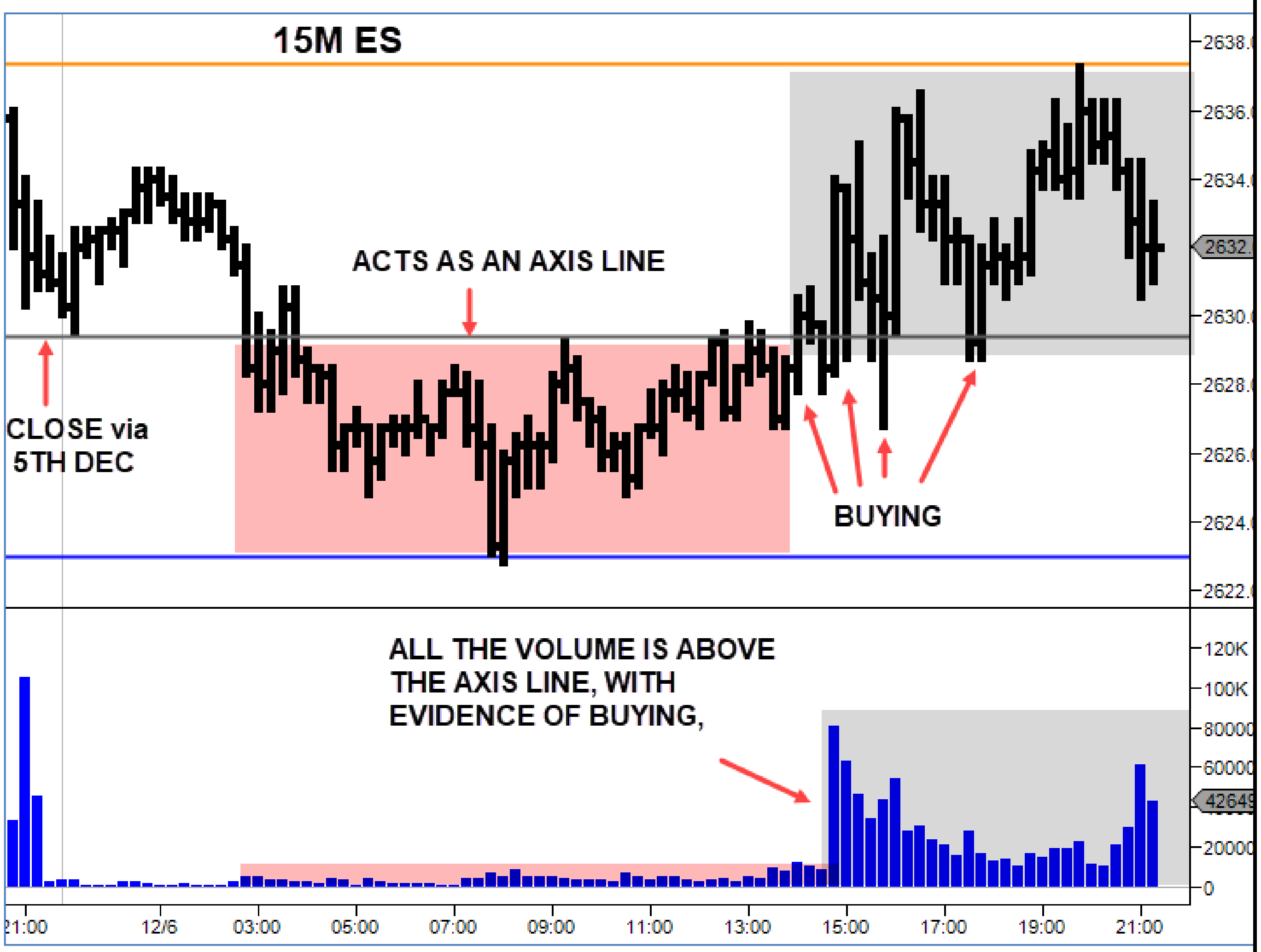
Date: 07/12/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2651.50 **LOW:** 2630.00 **CLOSE:** 2631.00

Other levels: res:2660.50, sup:2625-26.00, sup:2593.50, sup:2560.00-61.00, sup:2550.75, sup:2542.50, sup2538.00



The S&P is primed for a rally of sorts, why? The market became vulnerable for a downturn at E as we became overbought in a working trend channel (purple highlight) we then reacted via D (to be expected) however buyers came in force at the lows and we end up closing firm (although a downbar) Bars E and D combined must be interpreted as climatic action, all that effort (volume) with no real result. Bar C is a hidden upthrust which is a decent response - NOTE that the close of C is under the previous 2 closes, and it achieves this with relatively lower volume. This bar tells us a great deal; sellers are pressing the market with less effort and succeeding, and buyers are unable to hold a higher close; where was all the buying we had seen previously via D? The action of bar C also induces a bull trap; this may add further fuel to the decline if we break a significant level of support by the ''fake break'' traders covering. Bar B there is continuation, then we come to A, the market stalls, and holds with a close above the low and close of bar B. This tells us for the time being that sellers have withdrawn and a rally of sorts is on the cards. NOW as traders we need to gage the quality of buying to determine future direction especially from a swing trading perspective. Due to the climatic action, being overbought and an upthrust, a decent play to the downside we would ideally like to see a no demand bar print (from a daily perspective) However being intraday based (for this instrument) the market has kindly alerted us to the possibility of higher prices for tomorrow (odds highly favour) this is where our attention should go



The 15m chart displays behaviour that has not been mentioned in previous editions of the Chronicles. When trading revolves around the prior day's close/low, (especially during the whole of the US session) and we can see price pumping up and down through a line, the market may often respect this line and evolves into an *axis line*, serves as both support and resistance many times during the day. More often than not, it reveals a lack of movement for the day as the market is finding fair value (an equilibrium), both the spurts of demand (buying) and supply (selling) eradicate each other resolving in a stale mate. However here, when we have an axis line that holds once we have broken through, that contains the majority of the volume for the day, odds favour the axis line to hold and higher prices are on the cards (this occurs frequently and should be noted)

First thing we notice coming into today's market, is that we are rewarded with a huge edge via structure – the reverse use of trend line. Not many people use the reverse use of trend line, but Wyckoff was a huge fan as it often signifies a change in trend. When the demand line is not used in this channel (as price holds way above) and price adheres to a more horizontal level, less aggressive angle of ascent and we can draw a new line that the market respects (the red dotted line and orange highlights illustrate these concepts) we can gather vital info. Supply is drying up, or demand is coming into the market. We must take into consideration the background conditions and use contextually as always. The reaction via the channel is lacklustre at best, we just kind of grind down, no selling of decent quality, we must use all of the data the market provides, to build a better case of strength or weakness in regards to the forces of demand and supply.

From the US open price instantly tests the supply line, that is eventually broken and we drive to A (note the tightening of price using the supply line and the reverse use, aka converging lines) this builds force (demand) and we break violently. We are now looking for long plays, as our daily plan and 5m timeframe both suggest higher prices. From A we try to react and price halts for 30mins (holding gains) there is one vital clue that enables a long position here; the lack of follow through via Z, the sellers had ample opportunity for lower prices and didn't take advantage, the next couple of bars hold a higher close and increase in volume. As bar B dips under the local support (finds no further selling) and reverses to close over the midway point it's an instant buy – however clip size was reduced, the setup is not clean and with yesterdays high above there is nearby resistance.

Bar C – Exit ½, first resistance (+4.00 points)

Bar D – Exit ¼, overbought in channel (+8.50 points) This trade was under pressure early on, as we broke above the highs and couldn't rally from newly turned support, then started to drift down, stop was moved to the logical place (purple line) What helped to hold this trade and give it breathing room is the fact we would expect some form of selling at resistance, especially as we broke in a non-eventful manner (no thrust)

Bar E – Full exit, we break local support, in hindsight a weak exit, the demand line was still in play and unbroken (+6.75 points)

Bar F – Entry 2, why? We have shortening of the thrust to the upside, break the demand line and for the past 90 odd mins, price has been contained within a small tight trading range. What can we notice? Down bars are drawing out volume with decent wide spreads (turquoise highlights) and the buying bars in between are weak, with lower volume and narrower spreads, buying of poor quality. Combine this with Bar F, which is clearly weak with a huge spread and high volume (relatively) that closes on its lows - an instant sell. This proved to be an awkward hold until bar G, the market prints a no demand bar (note the lack of volume) If one didn't take the aggressive trade via F, G is a valid short and in-fact a better play than bar F, although in real time we don't know this will print

Bar H – Exit ½, main target hit (+3.75 points)

Bar J – Full exit, at support and buying has emerged with decent volume (+3.25 points)

Today's trading provided a couple of opportunities with the best play being the no demand entry via G, which unfortunately wasn't traded. As the future contracts are rolling over, the liquidity and price movement is somewhat out of sync and although we can read the market as it unfolds, it pays to be somewhat tentative as the market can catch you off guard, that's OK, there is always another day for another trade. Time to lock in profits and call it a day

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