

Date: 12/12/2017

Market: ES mini

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

News:

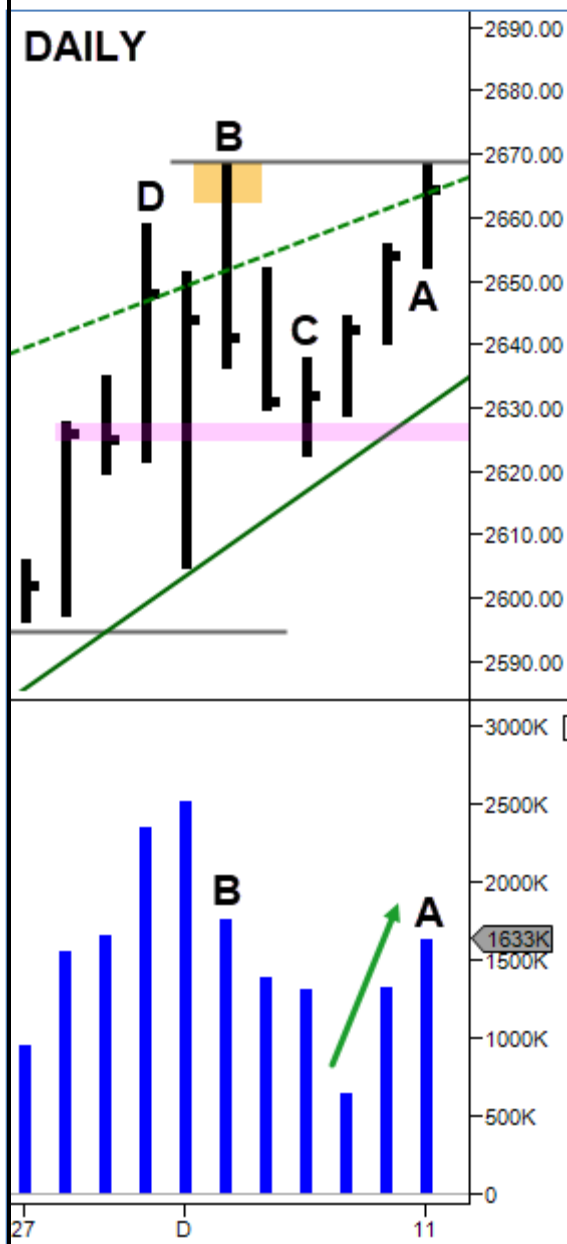
Yesterday:

HIGH: 2667.75

LOW: 2652.25

CLOSE: 2664.50

Other levels: res:2660.50, sup:2625-26.00, sup:2593.50, sup:2560.00-61.00, sup:2550.75, sup:2542.50, sup:2538.00



The S&P's once again has shown relentless aggression by shrugging off the perceived weakness via the climatic behaviour and bar B. After the minimal reaction to C the market rallies to A with increasing volume. If we were to have a bearish bias, bar A should print a no demand bar (a narrow spread up bar with the volume being less than the previous 2 bars) here we get the opposite. The market would need to print a weak rally into the area of B (previous supply) to apply short plays; through disconfirming supply we get the confirmation of demand.

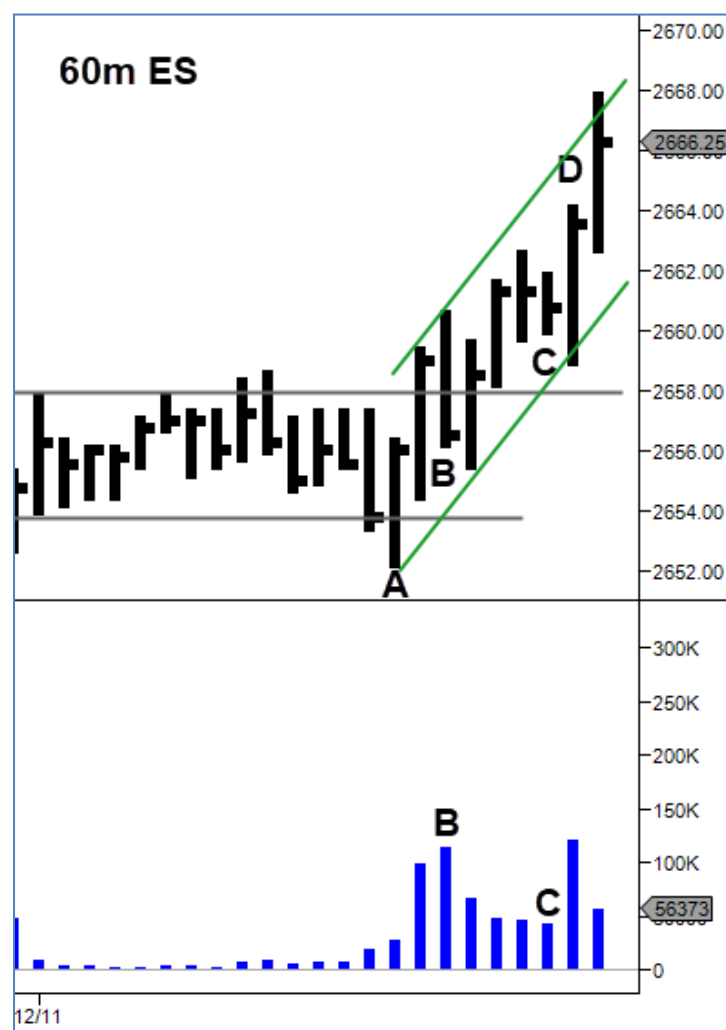
Bar A *relatively* does have high volume, and could be considered Effort vs. Result; however we are in a previous area of supply and there would be a great deal of trapped traders covering their positions, this action leads to higher activity and of course we interpret this as volume. Many long positions would have been established via the break of bar D's high (bar B orange highlight) then as Bar B reverses to close weak there would be a great deal of trapped bulls. NOW as price revisits this area there are many traders happy to liquidate at breakeven or for a very small loss, in addition we also have support and resistance traders adding fuel with additional selling at the highs - all this action combined leaves us with high volume.

Bar B was negative and sellers won the battle for the day, we come back and revisit this area via A; the question we ask ourselves: did the sellers emerge once again and defend their positions? Or have the buyers

absorbed the selling pressure? From price action alone via the daily timeframe, we certainly would have to give to the upper hand to the bulls (absorbing). Let's look to smaller timeframes for any other potential insights

The 60m chart during the overnight holds gains with a 4 point trading range, which we spring via bar A and break the range to the upside. This is immediately met by B; which is negative, a spike in volume and reverses weak back inside the mini range, from here we would expect lower prices, but this is immediately reversed and we drive up for the rest of the session. Bar C we have a clustering of closes and an inside bar, bar C shows the inability for lower prices, there is literally no supply. Note - price has adhered to a lovely little channel, this action in itself shows buying of decent quality; price has a certain degree of decorum (gives validity)

For all intents and purposes we should be looking for long plays tomorrow as both the daily and smaller timeframes are in alignment. We must be cautious though as sellers could easily emerge at higher prices; they might be waiting to see how much presence/force/energy the bulls have, before exerting supply once again. When dealing with daily timeframes, buying and selling zones can easily be a 5, 10, 15 point range



The 15m chart right from the US open provides a clean readable trade. During the overnight price bounces within a 5 point range, note the reaction from D, selling of poor quality, price is struggling to push this market down (narrow spreads, closes off the lows etc) market finds support at A, then revisits at B (spring) which results in a strong close, followed by bar C that is identical in movement/spread, yet closes firmer with less volume – this signals a lack of supply to the astute trader. The action of both bars B & C reject lower prices at a level of support; we must be a little cautious as yesterday's high has held at E, F and G, but if we tell our story of strength and the associated volume with moves, odds favour a break to the upside.



One can either enter directly via the close of C via the 15m chart or use the 5m chart for a more precise entry.

Bar A – Entry 1, why? (5m chart) Strength in the background via the daily and rejection of lower prices with the 15m chart, plus via the 5min chart we have tested with the previous 2 bars, followed by bar A that dips under the previous bar to reverse and close firm with an increase in volume – an instant buy, the market is now poised for higher prices. All time frames are in sync.

Bar B – Exit 1/3, first resistance, which has held four times previously, wise to book some partial profits (1.50 points). On the advance the market prints a shakeout bar; this bar eradicates weak longs and also tests bar E for the last time. Stop was moved directly under the shakeout bar after the close.

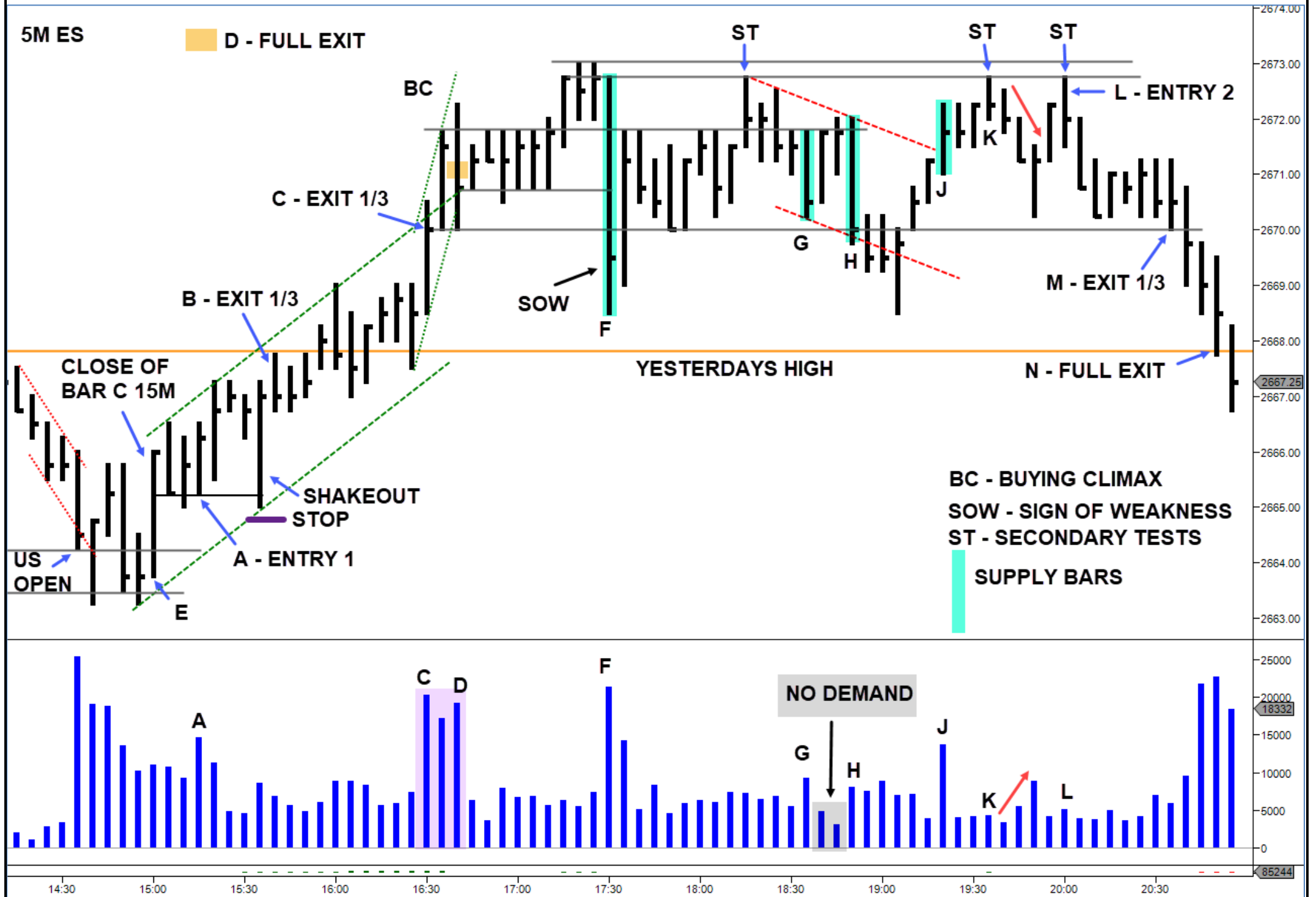
Bar C – Exit 1/3, overbought in our channel (+4.00 points)

Bar D – Full exit, price action becomes climatic (purple highlight) with huge surges in volume as we break our trend channel and the angle of ascent increases dramatically. As D prints, we have a potential 2 bar top reversal; not particularly clean, ideally we would like a close under the previous bar, but volume as stated earlier is very high (+4.50 points)

Bar L – Entry 2, why? This was a lovely little trade that the market was heavily hinting towards. By the time we arrive at bars G and H, we are thinking of "distribution". We have a buying climax, price then drifts upwards with no volume, then bar F prints, this bar in itself is a sign of weakness, but for all intents and purposes we could use the term "automatic reaction". The market then provides 3 secondary tests, all giving clear indications of supply. Bars G & H are supply bars, with no demand bars in-between them, note the volume (no ability to rally, grey highlight).

Bar J is clear effort vs. Result – look to the left we are in a previous area of supply (bars D, F, G and H) Bar K a secondary test, ask yourself; does this bar have enough volume to break through bars D & F? No. A short play could be entered via the close of K.

Bar L – another test in a previous area of supply and has more of a negative tone than bar K. There is a huge subtlety to all this action, the fact we cannot push above resistance, even though there is another level only 2 ticks higher. Sellers are aggressively defending this level, a tell tale sign of distribution. Many traders will be thinking why not the trade via K? well bar J is Effort vs. Result, and I wasn't sure if we were absorbing demand or supply at this level, odds did favour that demand was being eradicated. However it wasn't long until the market provided clarity; as we react from K volume increases (red arrow) absorbing supply doesn't operate in this manner (as volume expanded to the downside, this signifies active sellers) now that we know that demand was being absorbed. As bar L prints and closes weak, an instant sell. The main target being yesterdays high



Bar M – Exit 1/3, price is not breaking support and has held for 30 mins, stop moved to breakeven with partial liquidation (+2.00 points)

Bar N – Full exit, main target, very close to the US close (+4.25 points)

Today's trading provided many concepts of the Wyckoff/VSA methodology. The first trade was heavily influenced via the 15m timeframe giving extreme clarity to the setup, although being close to resistance, we as traders must determine the strength or force of either the bulls and the impeding resistance levels (cannot stress how important using multiple time frames is for ones trading).

The second trade was pure Wyckoff; it provided a different flavour of distribution; all the elements were there and perfectly readable. In the past when the market has distributed via the 5m time frame for some odd reason we always appear to react around the 8pm mark and liquidate heavily to the downside for around 15 to 20 points, on this occasion movement was limited, saying that due to the cause built (energy within the trading range of distribution) I would expect prices to at least test the lows at 2663.00. Time to lock in profits and call it a day

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