

Date: 16/01/2018

Market: ES mini

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

News:

Yesterday:

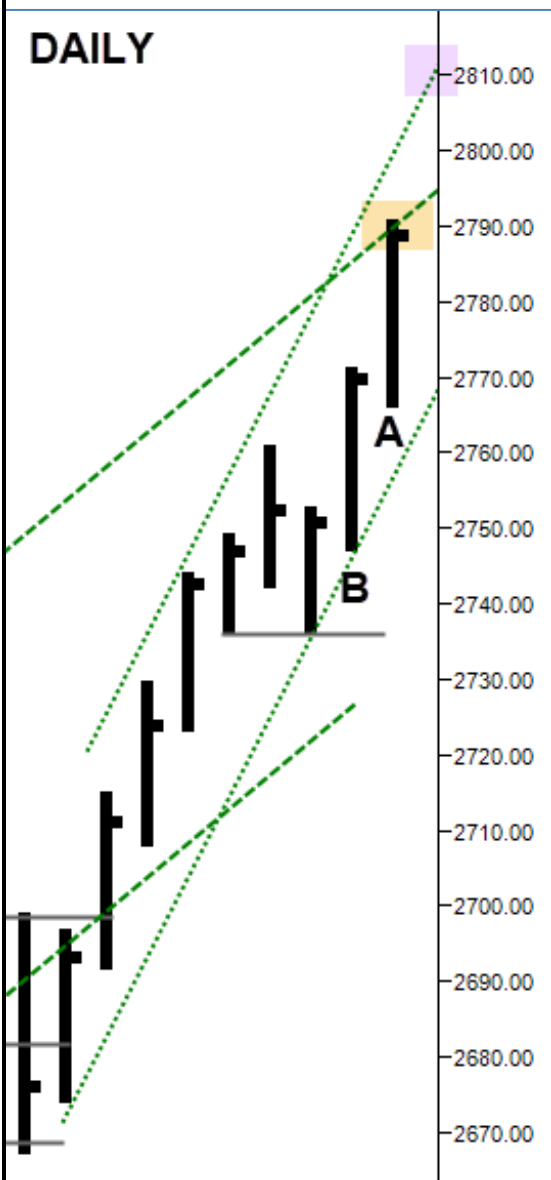
HIGH: 2752.00

LOW: 2736.50

CLOSE: 2750.50

Other levels: res:2809.50, sup:2749-51.00, sup:2736.50, sup:2698.00, sup:2668.00, sup:2625-26.00, sup:2593.50,

### DAILY

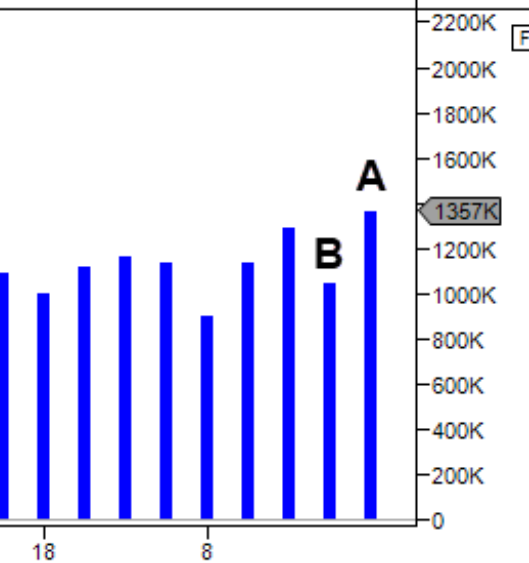


Nothing more to say about the strength in this market, it's defying all expectations, however there are couple of subtle signs:

1- The bullish angle of ascent is unsustainable, we are rising too fast too soon (Wyckoff named this hypodermics)

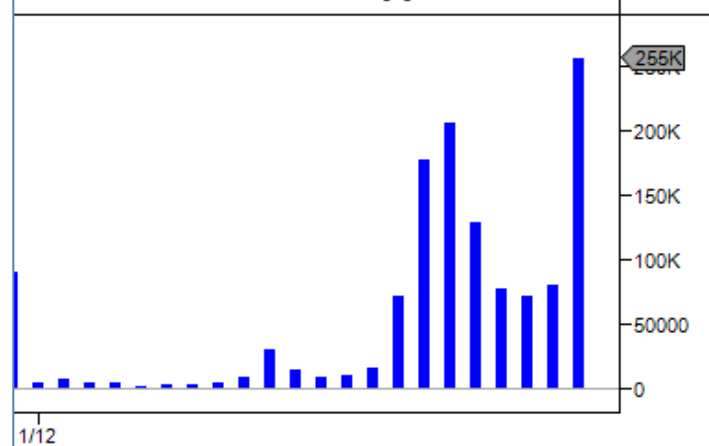
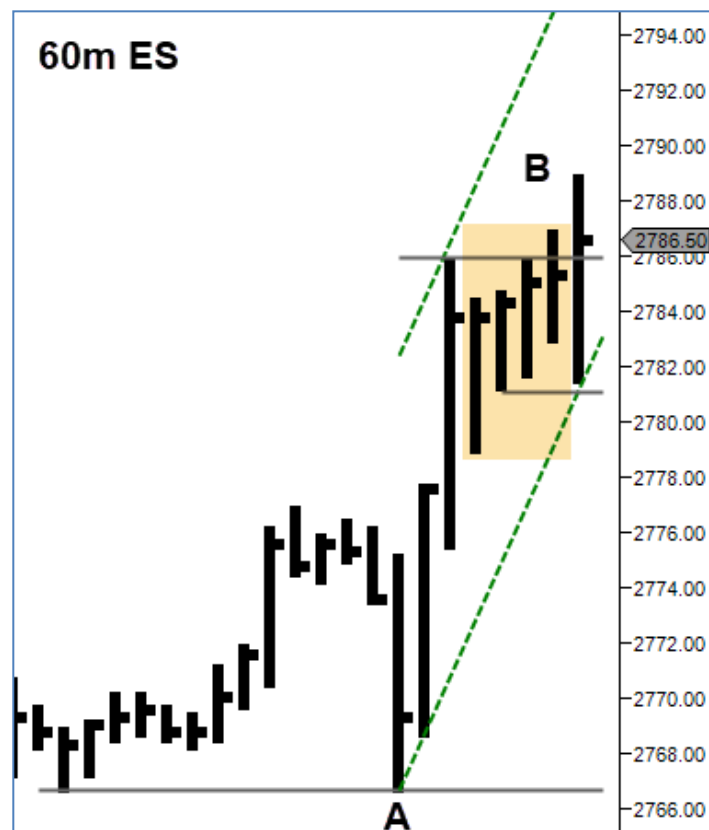
2- Price has reached the supply line via the major channel (orange highlight) and shortly thereafter we have another form of resistance via the micro channel (purple highlight). We have 2 areas where we would expect negativity, some selling to occur, and given the AVT (average true range) of recent activity we could well test both areas, if we break the major demand line we are in an overbought condition with resistance overhead. Given the close of bar A and the volume we would expect the major supply line to be broken. The volume is a little high coming into resistance; although giving the nature of the close, it would be fair to assume that sellers were being absorbed, and of course momentum will have its part to play (continuation). Odds highly favour a break via the daily chart, BUT we will be in an overbought condition with resistance overhead. By the very nature of market structure we have levels to work with

The US holiday and weekend trading were not used for analysis. The 60m chart confirms the strength by using a type of absorption that hasn't been mentioned before in the Chronicles. The market shakeouts at A (weak longs) testing overnight support that holds, from here we drive up all day. The orange highlight is a type of absorption. Think logically about the price action; each bar dips down before reversing to close firm - every bar is making a higher high, higher



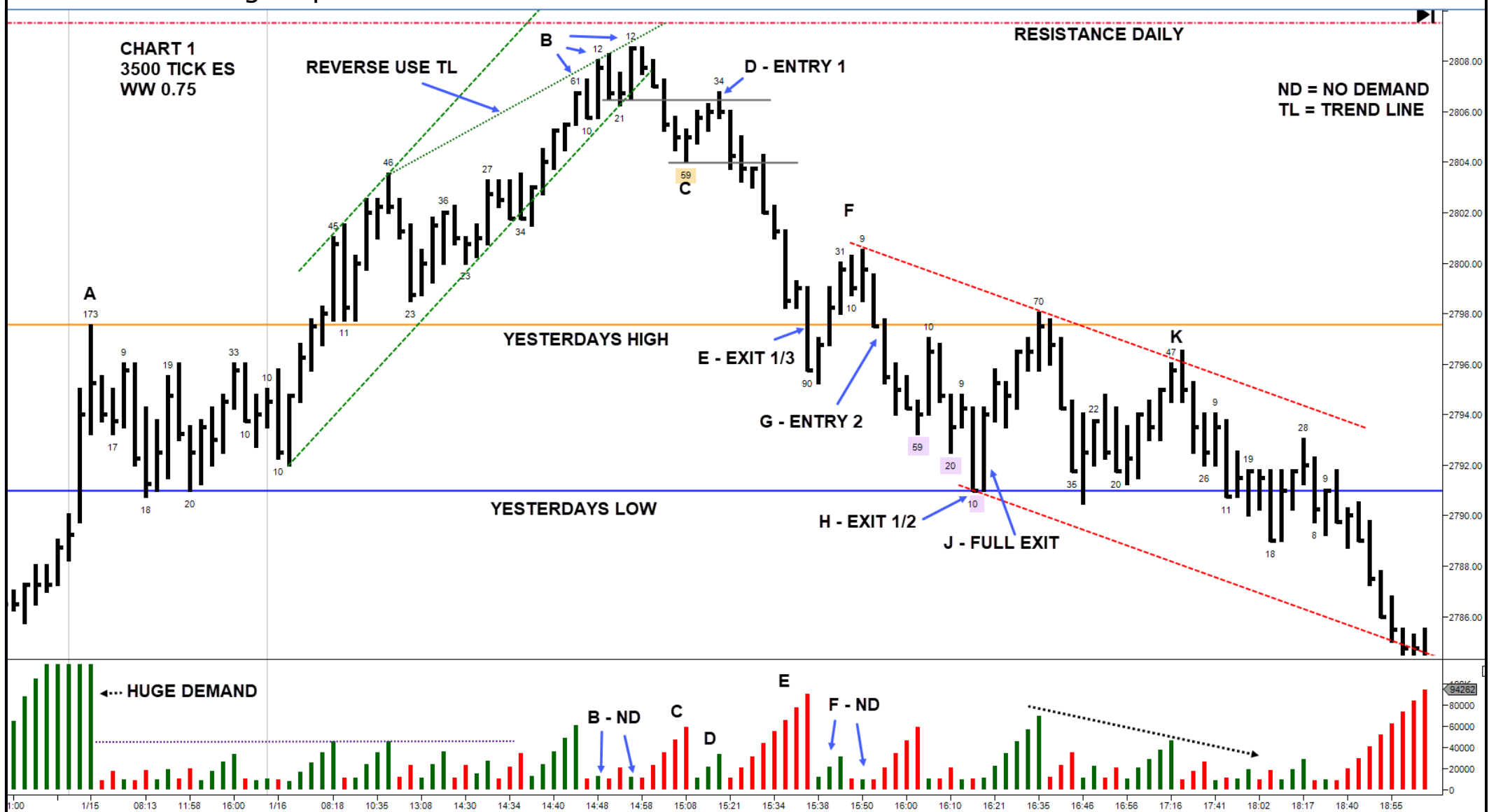
low and higher close. Every push down draws out supply, then buyers step in overcoming supply, that results in the prices we see (buyers are swamping the supply that exists) Does this action make sense?, yes, we are at a supply line (last tested 4<sup>th</sup> December) therefore selling would be expected. Both timeframes combined, highly favour a break into fresh new highs, although we must be aware that the market will be in an overbought condition, possibly near a resistance level, with a case of hypodermics.....

### 60m ES



First thing that draws my attention is the lack of demand as we are moving into new highs, the move to A has very high demand with 173k contracts and dwarves all other waves via the volume histogram. As we drive higher via B there is shortening of the thrust (each successive wave higher is making less and less progress to the upside) we have 61k contracts followed by two 12k contract up waves; clear no demand into new all time highs, and where does this occur? One point from the micro supply line (red resistance) via the daily chart, clear no demand via a small timeframe at DAILY resistance. An aggressive trader could execute a position.

This leads to bar D – Entry 1, why? We have a plethora of reasons; price is unable to reach the supply line from our channel with price holding a reverse use (double bearish) we break the demand line from our channel and local support to C (double bearish). The wave down (59k orange HL) is a “change of behaviour” draws out the largest downside volume and wave down (double bearish). NOW we wait for weak rally to short, which prints at D (an upthrust) a sign of weakness in itself. And most importantly don’t forget we have no demand on a small timeframe at DAILY resistance. This setup is text book and has the infamous Wyckoffian story of weakness; I highly recommend printing this edition and to study, as it incorporates many Wyckoffian principles that work in harmony to produce a story of weakness. It also includes multiple timeframes analysis, and by piecing both components together, we have one of the strongest setups within the Chronicles (in terms of odds favouring our position being correct) Due to price respecting daily structure, we want to hold this trade for as long as possible



Bar E – Exit 1/3, first support via yesterdays high, (+8.25 points)

Bar G – Entry 2, (add additional contracts) Supply in complete control with E downwave (90k contracts) proceeded by diminishing up waves (F) (31k and 9k) No demand on the latter upwave. Being close to support, entry was placed 2 ticks under support to pull me in

Bar H, Exit ½, support via yesterdays low, (+15.25 points and +6.25 points)

Bar J, Full exit, shortening of the thrust to the downside, 59k, 20k and 10k waves to the downside (purple highlight) This behaviour at support is not overtly weak, combined with the price action via bar J, a full exit was executed (+12.50 points and +3.75 points)

There is a potential trade via K and in hindsight should have been executed, we have two areas of supply confluence (resistance and supply line) plus diminishing upside wave volume

On to chart 2; a continuation of today's trading. This is one of the subtleties of working with tick charts. When the markets are active it produces a larger chart than normal, and each tick may represent 3 minute bars instead of the usual 5m bar (give or take). This reflects as volatility, and gives us a licence to trade more aggressively, as the back and fill will be less

Bar E – Entry 3, why? Upside wave volume has died via A, B and C, we then proceed to break yesterday's low with a huge wave down to D; the largest wave on the chart with a 106k contracts, supply IS in complete control. Followed by a weak rally via J, which is no demand; as we break the local support the market pulls me in. NOTE – the turquoise highlights, an amazing six times the supply line has held giving the channel VALIDITY.

Bar F – Exit 1/3, first bar that breaks the mini channel. Note the low demand, gives confidence to hold (+3.00 points)

Bar G – Exit 1/3, oversold in two channels, where we have included a steeper angle of descent. When price accelerates at such angles it often signals the end of the trend/the potential for a reversal (12.75 points)



Bar H – Full exit, micro channel broken, see evident spurts of buying (+8.75 points)

The manner in which this channel has panned out, starting with 6 supply line touches has given us WAY in advance areas of interest for potential liquidation. The way price can adhere to this structural element and contain itself, giving us subtle readings and data is nothing but extraordinary; I genuinely find the use of trend channels far more rewarding than horizontal support and resistance. They simply contain more information; granted they require a higher level of skill, confidence and artistic licence to use, but well worth the effort. It's one of the core fundamental skills that needs to be mastered, yet is often neglected by the majority of traders. Regardless of methodology becoming an expert in this simple field will open up the charts

Today's trading has provided various opportunities, far too many for me to illustrate them all. The volatility was much welcomed and produced a 40 point day (over the AVT) From a personal perspective, giving the nature of today's action and the ability to read the "no demand" at daily resistance, trade management on my behalf was poor. The higher timeframes should have been used (15m and 60m) this would have enabled me to hold onto positions longer. Never mind; this will be worked on in the near future, ever striving to become the best version of myself within the markets - there is always another day and another trade, time to lock in profits and call it a day

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