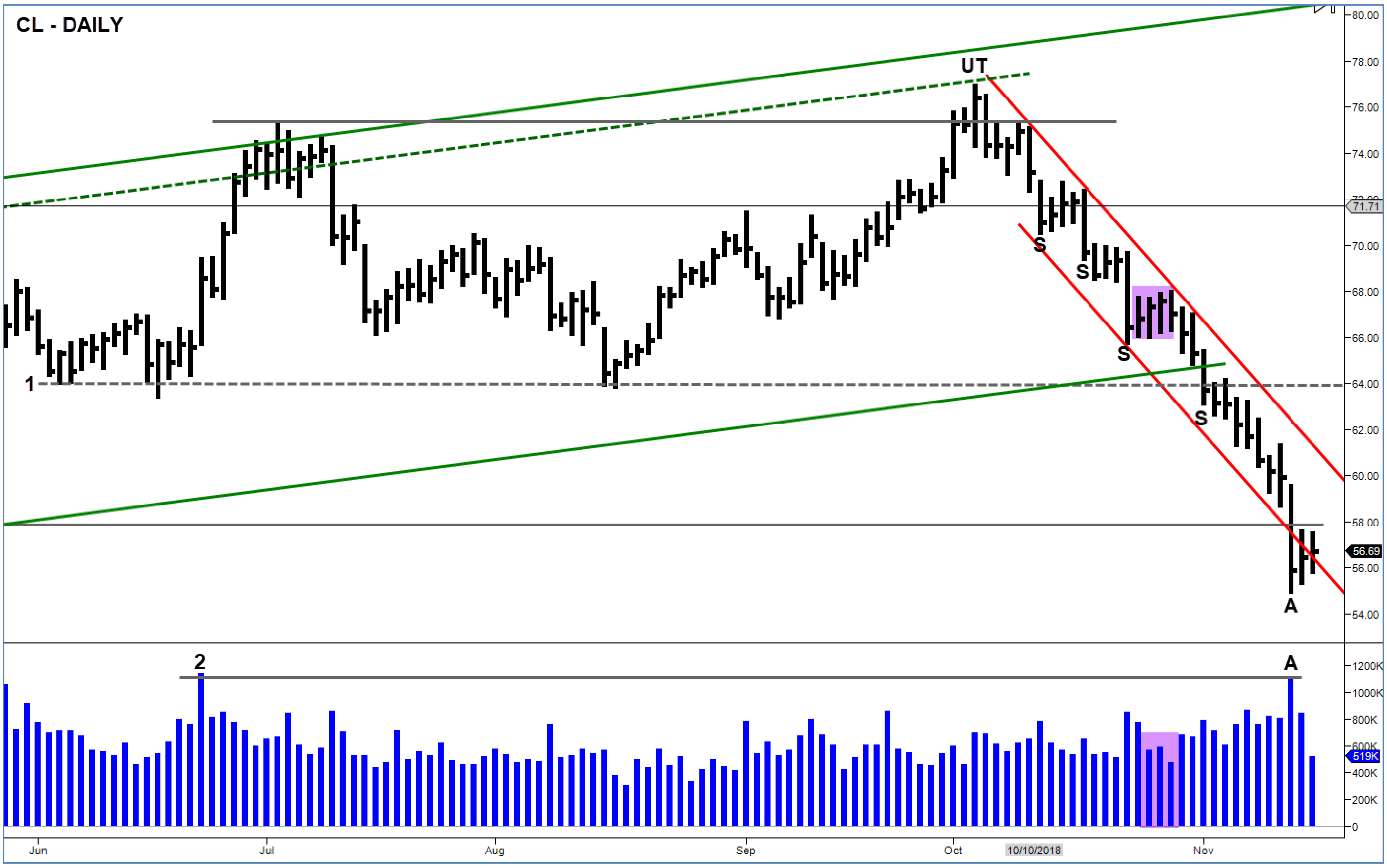
Date: 15/11/18 **Market:** CL **Timeframe(s):** Daily

Crude has been incredibly weak of late, which we have been shorting for a few weeks (as per tweets). There has been an incredible amount of private messages (emails) regarding as into why?

Firstly; we must establish that the setups/trading currently being shared via twitter are a mild glimpse into the daily routine or analysis that goes into each and individual setup. It's very easy to read a tweet saying 'buy here or sell here' and may appear simple; however there is only so much one can share via a tweet (although I have done my best to share any insights and setups, when they arise)

Second of all we must always use context, and most importantly higher timeframes for direction and sentiment. Most traders will analyse the chart towards the hard right, we read from left to right to gauge the strength or weakness, with the left of the chart being our trigger. The question remains, why is Crude weak? We need to look at higher timeframes



Early October we upthrust late June, early July's highs, which propels the market into the lows we have now. What do we note? Price adheres to a trend channel with beautiful textbook price action, we stair step down, with evidence of supply (S) breaking support levels on the decline, perfectly coupled with 'no demand' as seen via the purple highlight – we have selling of good quality and buying of poor quality. There is NO evidence of demand via the daily chart since the upthrust. As traders we should trade with the flow, following the path of least resistance, ergo short plays are advised as they have a higher odds of success, that's not to mean we cannot trade long plays intraday, however if one feels compelled, we must be aware of the trades limitations beforehand.

Bar A is of MAJOR interest for this instrument, why? There are two schools of thought:

1: Bar A has the highest volume since 2 (late June) with the characteristics being indicative of a selling climax (not a major selling climax in the Wyckoffian sense) a different flavour of climatic action, for those familiar with price action and advanced chart reading will recognize the process of price becoming somewhat climatic, towards the end of an established, well behaved channel

2: Bar A breaks a MAJOR support level, with excellent price action in terms of spread and volume, this gives the move validity. We need to crunch the chart to understand the significance of bar A, and what it has achieved (chart below). Bar A has managed to close under an axis line that

originated way back in October 2016 and it does so convincingly. On the decline price managed to break the demand line from the major channel and horizontal support (1) with ease (not even a bounce) this action is incredibly weak, as one would expect a bounce of sorts as we are dealing with a demand confluence. By using Wyckoffian logic of disconfirming demand at support, we get the confirmation of supply (additional weakness)

Both scenarios have different outcomes; if Bar A is climatic, we expect higher prices. Bear in mind that the market has every right to test resistance at 1 and still remain bearish (under 50% retracement of the swing down) if this occurs we must note that it will break the supply line from the down channel on its advance, and of course we analyse the rally to decrypt the force of buying to look for a short play (swing position). Alternatively Bar A is simply weak breaking structure as it should, ergo lower prices on the cards.

What is of interest is that after the close of today we have 2 inside bars; this pattern if you will is significant for a daily timeframe therefore holds significance. Many hedge funds and institutional outfits have strategies based around this coiling (think of a mini apex) from contraction comes expansion, a natural rhythm of the market...... if we break to the downside Crude could easily test the lows at 43.00, however that is long way off, there is much trading to unfold.

To conclude, 90% of all setups are part of the bigger picture and we must look to higher frames for guidance, hence why short plays have been prioritised. One may appear none the wiser from reading this, however the proactive astute trader will look to the higher timeframes (being the weekly and monthly) it's here where the true direction reveals itself........

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