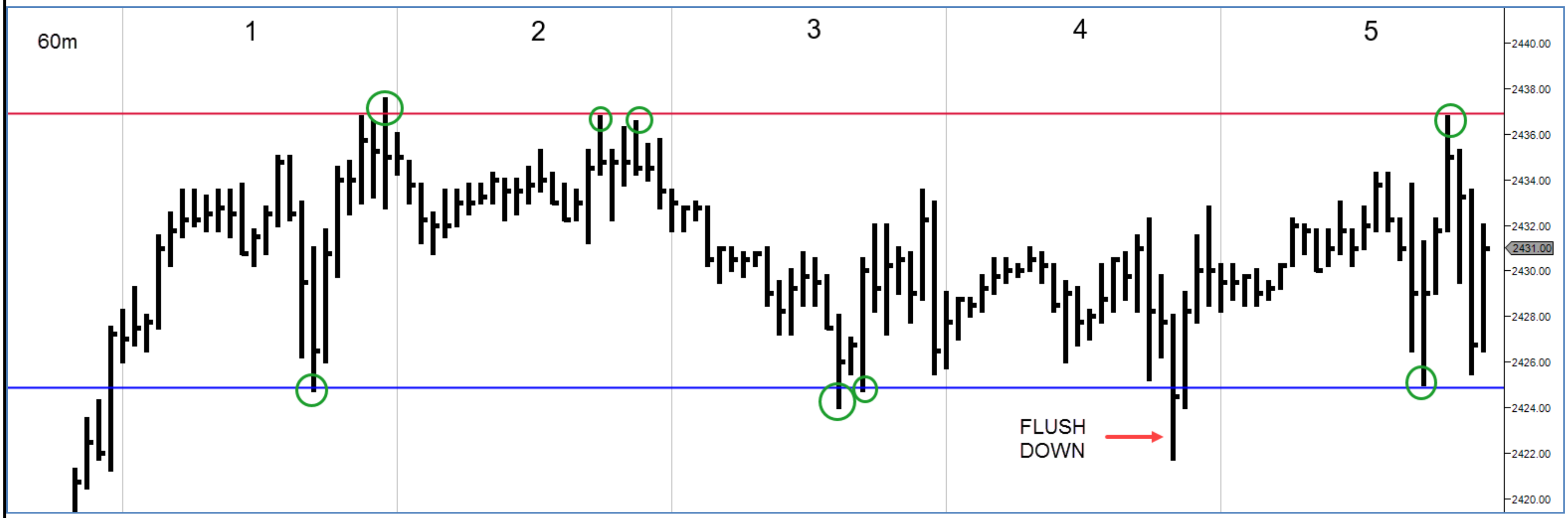
Date: 09/06/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2436.75 **LOW:** 2425.00 **CLOSE:** 2430.25

Other levels: res: 2466.00 (weekly supply line), sup: 2417.75, sup: 2403.75 (multiday)



We have an established 12 point trading range via the 60m chart that gives us our structure for today's trading. It's been bouncing between support (2425.00) and resistance (2437.00) for 5 consecutive days with multiple touches (green circles). Trading ranges can be difficult to read - they usually build a cause by either distribution or accumulation. The cause built gives us the breakout – which is the effect. Cause and effect is one of the governing principles of Wyckoff, it can be used in a variety of contextual scenarios, from trading ranges, waves and other major patterns. Two important questions to ask; how tight is the range and the duration? A tight, long trading range will explode with great ferocity as it's had time to build a large cause. The flush down (as above) loses energy as this uses some of the cause, the effect as we breakout will lose some of its potential. Apex's as they coil down gain great energy hence the usual aggressive breakout we associate with them. As we have had a flush down and reversed to the upside this would indicate that we should break to the upside, however on day 5 we tested both the upper and lower extremes of the range. Not the close – slap bang in the middle after testing both of the extremes, this market feels primed to break. Using mere price action we can see better quality buying occurs at support (large up bars closing firm) than the quality of selling at the highs. Odds favour an upside breakout. The direction isn't important, it's a fool's game trying to place a position inside of the range, wait for the break in either direction and study the nature of the pullback or rally back to either support or resistance dependent on the direction of breakout.

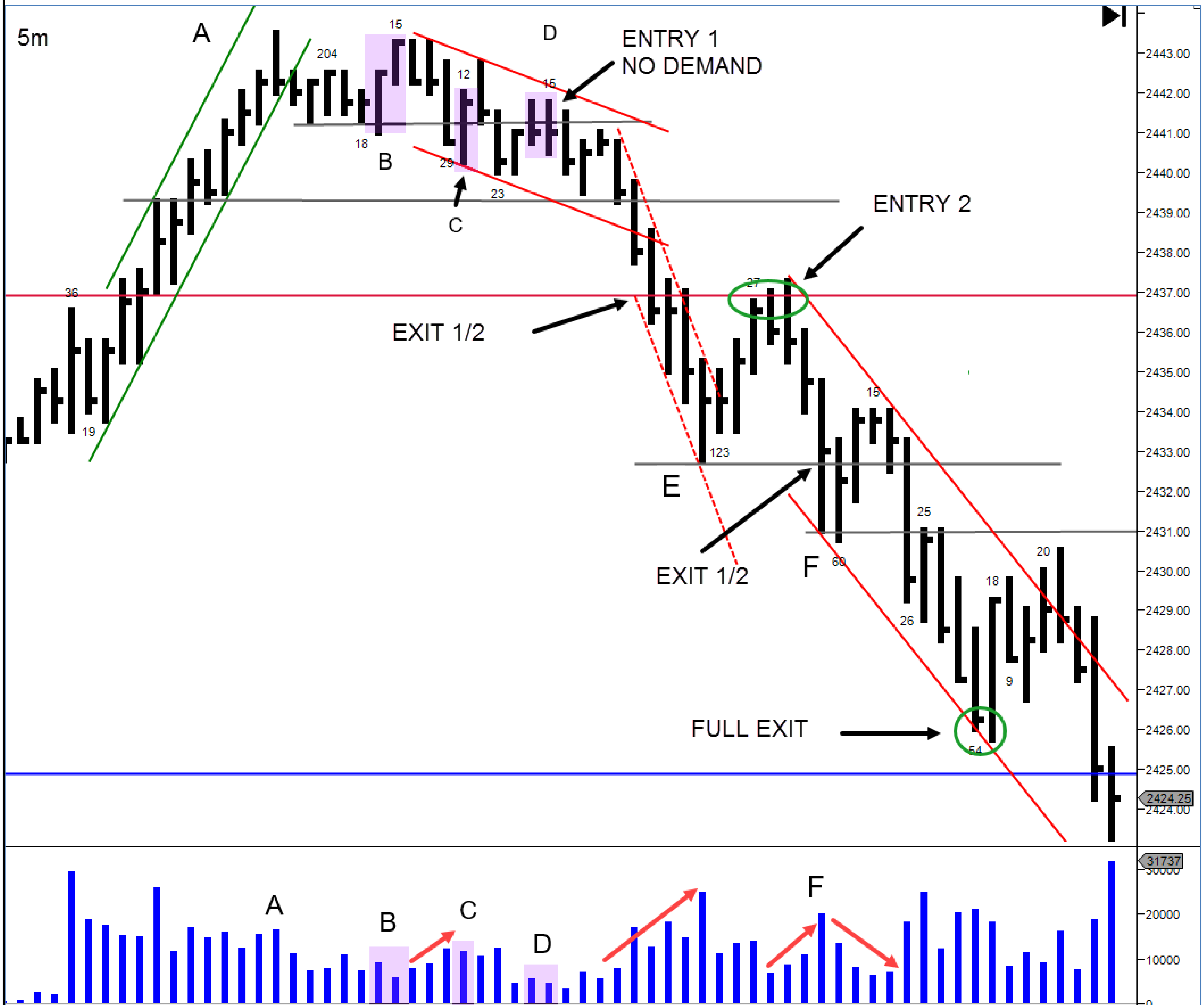
Game plan: Scenario 1 – highs made first; break out decisively with good quality buying. Wait for a weak pullback back to newly formed support (2437.00) Apply long setups

Scenario 2 – highs made first; breaks out, buying is weak, pullback is strong, look for short opportunities. False breakout, (fakeout)

Scenario 3 – lows made first; break out decisively with good quality selling. Wait for weak rally back to newly formed resistance (2425.00) Apply short setups

Scenario 4 – lows made first; breaks out, selling weak, rally is strong, look for long opportunities. False breakout (fakeout)

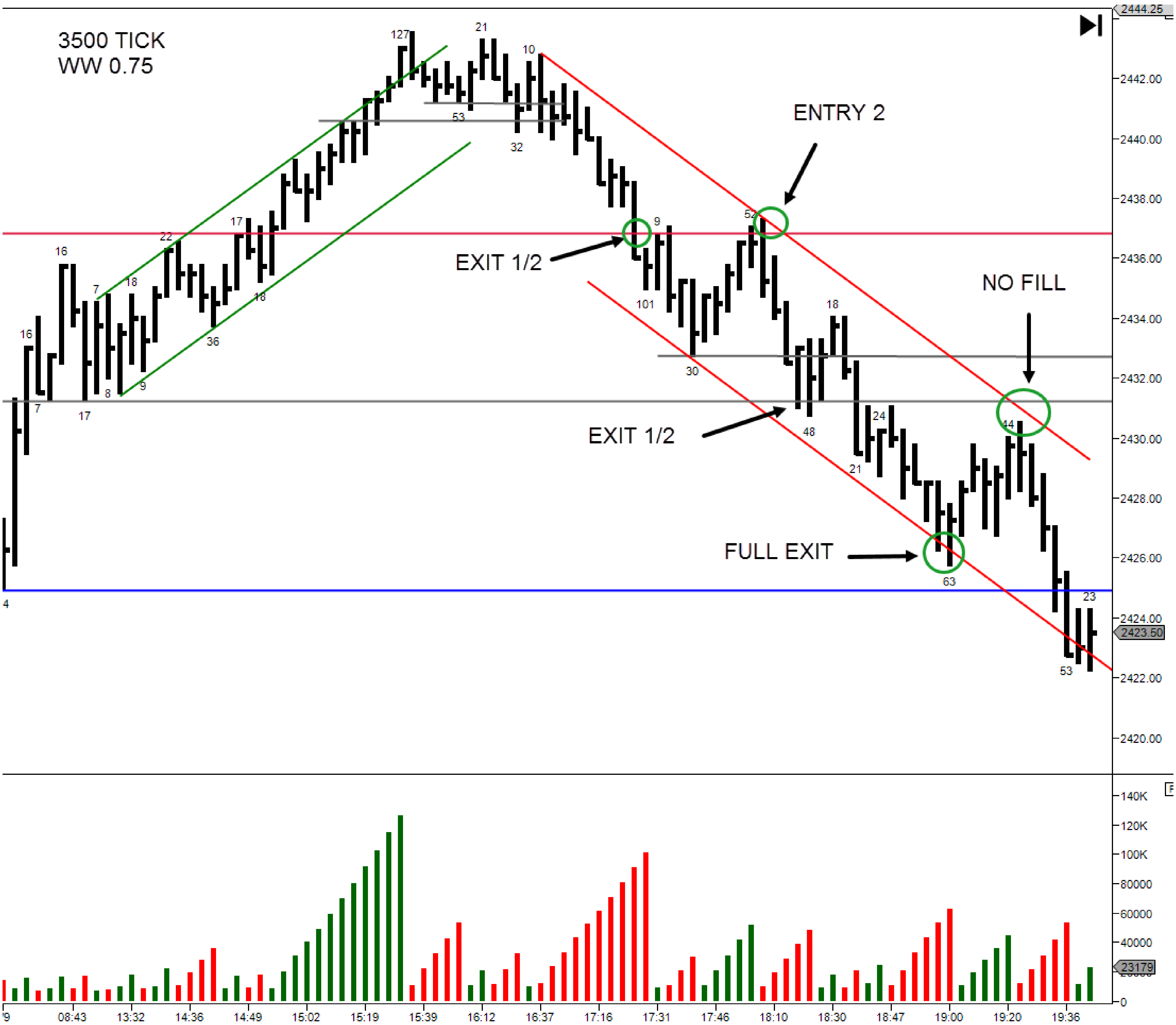
US opens and we drive to A, the buying quality isn't the best, we're hugging the demand line from the channel, (unable to gather enough force to test the supply line) this subtlety is noted. Bar A is negative - a hidden upthrust with a slight increase in volume, we break the demand line and hold a level of support. At B we try to rally and volume decreases, from B to C we react and volume increases. Bar C we try to rally, it's immediately reversed and we close lower on increasing volume. We then have our first entry at D, why? This is the 3rd attempt to rally; volume is lowest for the day price is unable to close above a local support level. Where has all the buying gone? With the demand volume its clear to see demand to A produced 204k contracts, from B; 16k contracts, C; 12k contracts and to D; 15k contracts , where has all the buying gone? If there is no demand left, sellers will take advantage. The buyers are completely exhausted. We cannot ignore the demand volume behind us, a tight 2 point stop above A. We have enough reasons to play for a short down to support



(breakout zone) Entry 1 - ½ clip size. First target hit 2437.00 (+3.5 points) as we get to E my ears perk up - volume increases to the downside and look how we get here, this is selling of good quality - closing weak and importantly the reaction has only taken 6 bars. Compare the advance to A, price action is choppy and takes 12 bars for more or less the same distance.

We have a bearish change of behaviour. It was a fake break out. We are eager to see resistance tested via a weak rally back to established resistance (2347.00). Entry 2, why? The down wave produced 123k contracts the rally a mere 27k, with all the other indications of weakness we have a text book short play with full clip size. Exit 1/3 at E support (+4 points). Exit remainder at 2426.00 as we become oversold in our channel and support 1 point away. Lock in profits (+11 points).

When we played our first position via Entry 1, we didn't know that the market would provide such a fruitful day, initially our first target was support. By reading the market as it unfolded we were able to determine that sellers took control by E. Entry 2 is a much better trade than entry 1, due to the fact that we had solid confirmation hence the full clip size.



I like to use both tick charts and 5m charts. The tick chart produces much better structural points (S&R lines, trend channels etc) as it condenses the data the chart is easier to read, clearer - from my perspective. There was a limit order that refused to fill (as shown) which was unfortunate, it's one of my favourite set ups as its trading with the trend, and has confluence via the supply line (channel) and horizontal support. There's always another trade. Lock in profits, call it a day.

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