

Date: 01/08/2017

Market: ES mini

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

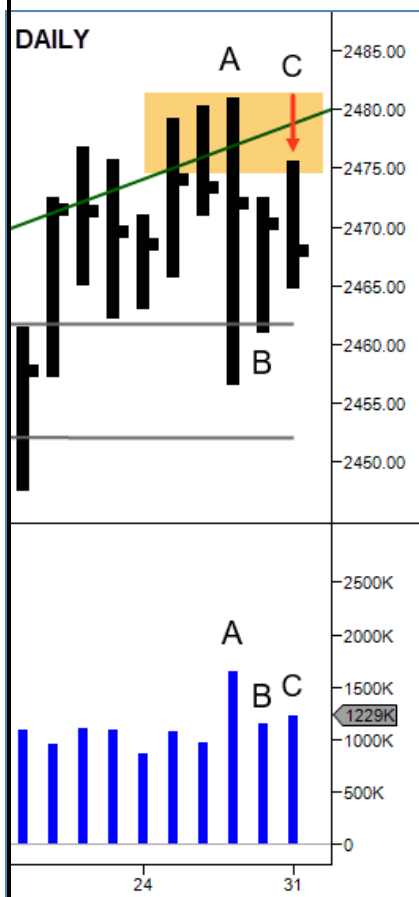
News:

Yesterday:

HIGH: 2475.00

LOW: 2465.25

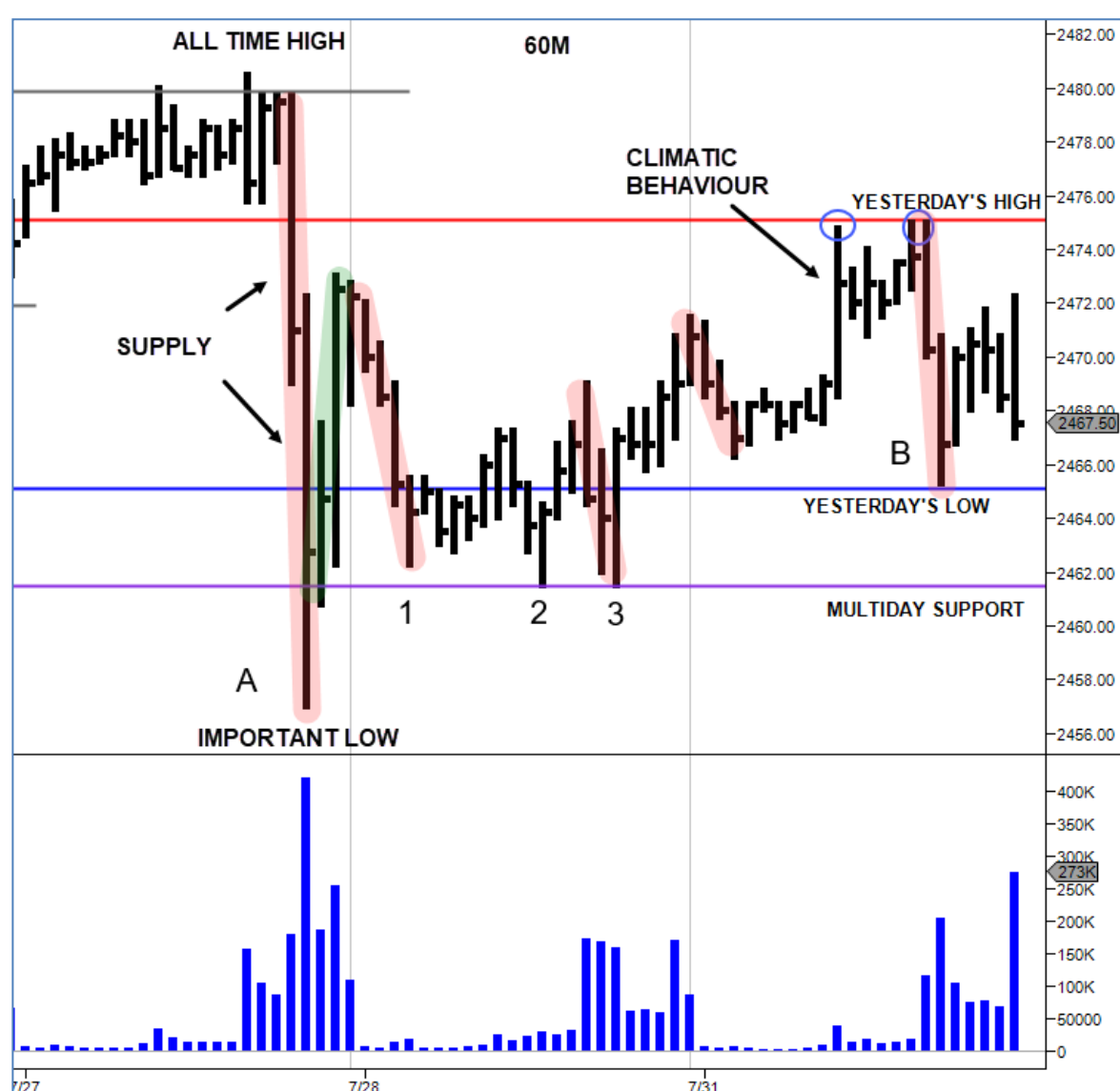
CLOSE: 2468.00



The S&P's continued north however progress was short lived. Sellers came in and we end up closing fairly weak under the close of B. Supply was to be expected as we have a supply zone as indicated by the orange highlight (NOTE - the market cannot close in this area) From the daily perspective we would expect lower prices, bar C was unable to penetrate deep into the supply zone or touch the supply line - we would have to assume that sellers came in early or alternatively a lack of buying, demand is weak

The 60m chart doesn't give any clear indications. We have known supply to the left and cannot be ignored (A). The price action to yesterday's highs from the lows of A is lacklustre to say the least, we can see it's easier to push the market down (red opaque lines) than it is to rally; however price action is king and cannot be ignored. We had 2 touches where price failed; once with a climatic bar followed by no demand and then supply that drives the market to B, - this is where the S&P's is a little hard to read, why has the market halted

at this level? The natural support level to test would be the multiday level, where we see demand emerge as indicated by 1, 2, & 3. Holding a higher level of support has a bullish tone, yet the price action is fairly weak; this behaviour is to be expected, why? We are in the middle of a trading range - trading ranges are where the bull and bears fight for domination, the strong hands exchange with the weak hands etc, a lot of churning, pumping and up down. There is one vital piece of info, the low of A; if we break the low and hold (close under) we are due a more complex, deeper pullback, the alternative is the longer we trade above A, the more bullish the story and A is actually a shakeout (as previously mentioned) Quite an interesting time for the instrument.



**Game plan:** Scenario 1 - highs made first; price breaks yesterday's highs unable to sustain price, wait for a weak rally back to a resistance level and apply bearish setups

Scenario 2 - highs made first; break yesterday's high decisively with decent demand, wait for a weak pullback to apply bullish setups. This could be a difficult play as we have many active resistance levels - yesterday's high, supply line and the all time high, holding a position or jumping onboard near these levels is not advisable

Scenario 3 - lows made first; back to support at 2461.50 with a weak approach, selling of poor quality. Look for demand to emerge and apply bullish setups. Minimum target yesterday's high

Scenario 4 - lows made first; breaks support 2461.50 decisively/or bars A low, wait for a weak rally back to resistance and apply bearish setups. If we break the low of bar A, we must be nimble as we have another level of daily support 2451.00 right underneath.

During the premarket session we rallied back to yesterday's high on 3 separate occasions; in the European hours we even managed to trade for 90m above (only by two pints) before we reversed back down. From the US open (A) price falls sharply to B. As we rally volume declines dramatically followed by our first entry at C, why? Highs have been rejected 3 times, US opens with decent supply and falls 7 points, volume associated with the rally as mentioned above is weak. More importantly bar C is a no demand bar in a previous area of supply (A), compare the spread and volume of C with any other bar from the open, this is a classic, readable setup.

Bar D – Exit 1/3, first support level (+3.25 points), Bar E – exit 1/3 first time we have broken the previous bars high at the supply line (+1.75 points) stop moved to break even. Bar F – full exit, decent demand bar (+0.50 points)



We never know how much a trade will give, Entry 1 was a decent setup and the volume increased from bar C adding a further bearish tone to our trade. However the trade never took off - it was by reading the price action as it unfolded that we were able to lock in profits little and often, not hold a bias and get burned. It is a common occurrence to see a trade inside then turn against you for a loss; this can be infuriating especially if one thinks you have the best setup possible with everything going for it. From my perspective this is poor trade management; it is very hard to eradicate thoughts and feelings from trading, yet with this method by reading the market as it is can give a sense of clarity, whilst in the midst from the pressures of trading

Bar G – entry 2, why? Bars 1 to 5, lets analyze individually:

- 1) Supply
  - 2) Buying (spread is 3 times smaller, yet volume still fairly high, only buying can do this)
  - 3) Higher levels of buying (spread still small, volume higher, again only buying can achieve this)
- Compare to the movement from bar 1 with its associated volume. It's only by comparing and contrasting local bars that give us these imperative, clean insights into the market. These 2 bars are Effort vs Result (hidden buying) one of the 3 governing laws from Wyckoff
- 4) Buying
  - 5) Spring support (bullish)

If we analyse these bars as a whole (purple highlight) look how much volume is extracted "the effort" and the progress made to the downside "the result", with all that effort we get very little reward. So from disconfirming supply, we get the confirmation of demand. Ergo the spring bar at support is the perfect entry. This may be hard to comprehend and interpret as demand because the market is moving down, I totally understand; all I can say is to stick with this method and the charts will literally open up - it will take time, hard work and commitment. The quickest way to learn is when you find a concept that appeals to your nature and gets inside, go through the charts in your own time and find a 100 examples, go through it bar by bar to find a deep level of understanding. MORE importantly find examples when it doesn't work, that's when real understanding and growth comes from, it may sound counter intuitive but the process works.

Bar H - exit 1/3 (+3.25 points) first resistance, Bar J - exit 1/3 (+3.75 points) potential hidden upthrust. Stop moved to under support (purple HL) Bar K - full exit (+4.00 points), it's been a very tough hold, we have a clustering of closes (green highlight) market had an opportunity for higher prices and didn't capitalize, as we break the cluster, full exit

Today's trading was very enjoyable, setups were clear and concise. On another day we could have had a tiger by the tail via Entry 1 - what's important is that we traded what the market offered, being forever grateful for any banked profits. The trading is sloppy and stuck within a 2 point range that has lasted 2.5 hrs, it's an hour from the US close - time to lock in profits and call it a day

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