

Date: 03/10/2017

Market: ES mini

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

News:

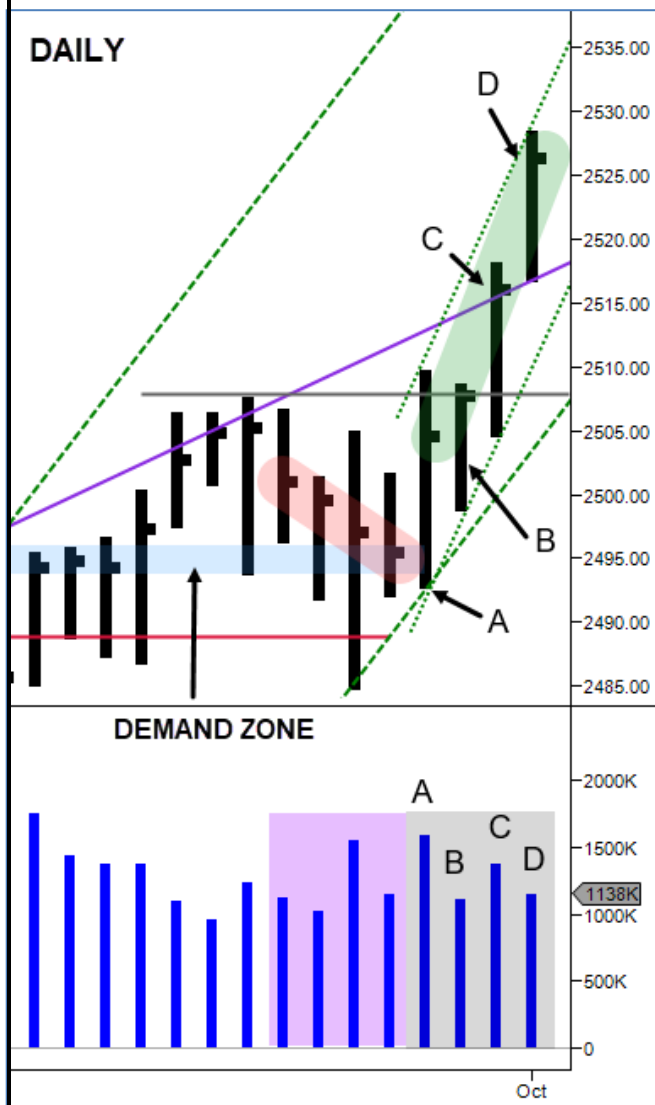
Yesterday:

HIGH: 2528.00

LOW: 2517.00

CLOSE: 2526.25

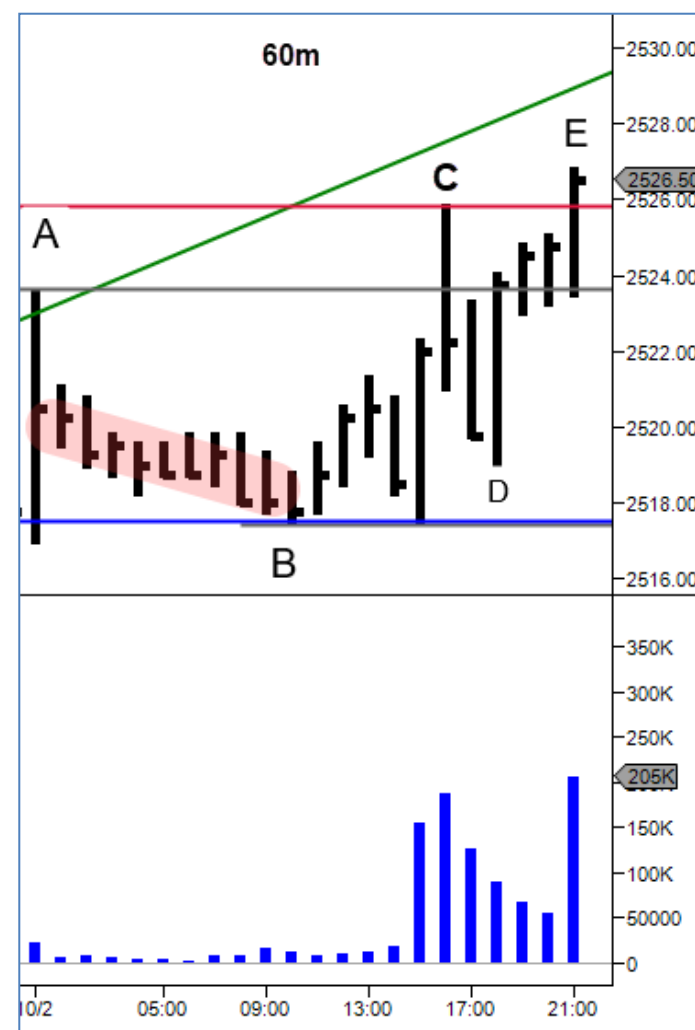
Other levels: res:2535.00, sup:2507.25, sup: 2494.25 - 2495.25, sup:2488.50, sup:2477.50 - 79.00, sup:2461.00



The S&P's has finally broken to the upside with decent price action. Trading was previously confined to a trading range that eventually gave way to the upside at bar C with a decent break; a pop in volume with a firm close. Bar D we get continuation/follow through giving the 4th consecutive up day in a row. In last week's Chronicles we placed emphasis on the struggle for lower prices with the emergence of the demand zone. Look how we come down via the red opaque highlight; the closes are relatively tight (with four down bars) in comparison to the green opaque (bars A to D) these four bars have ease of movement to the upside, netting four times the amount of progress. The volume histogram shows the same amount of volume was used in each of the 4 bar moves (down bars represented by the purple highlight and the grey highlight is the volume for the up bars) By comparing and contrasting these four bar moves we can extract a story of strength and want to be buyers as we have a bullish market (the market is hard to push down and easy to move up) However, the move to D from the break is quite aggressive, almost parabolic (rising too fast too soon) this often indicates a pullback/correction of sorts. Taking that into consideration we have no other reasons not to be buyers for tomorrow's trading, plus we

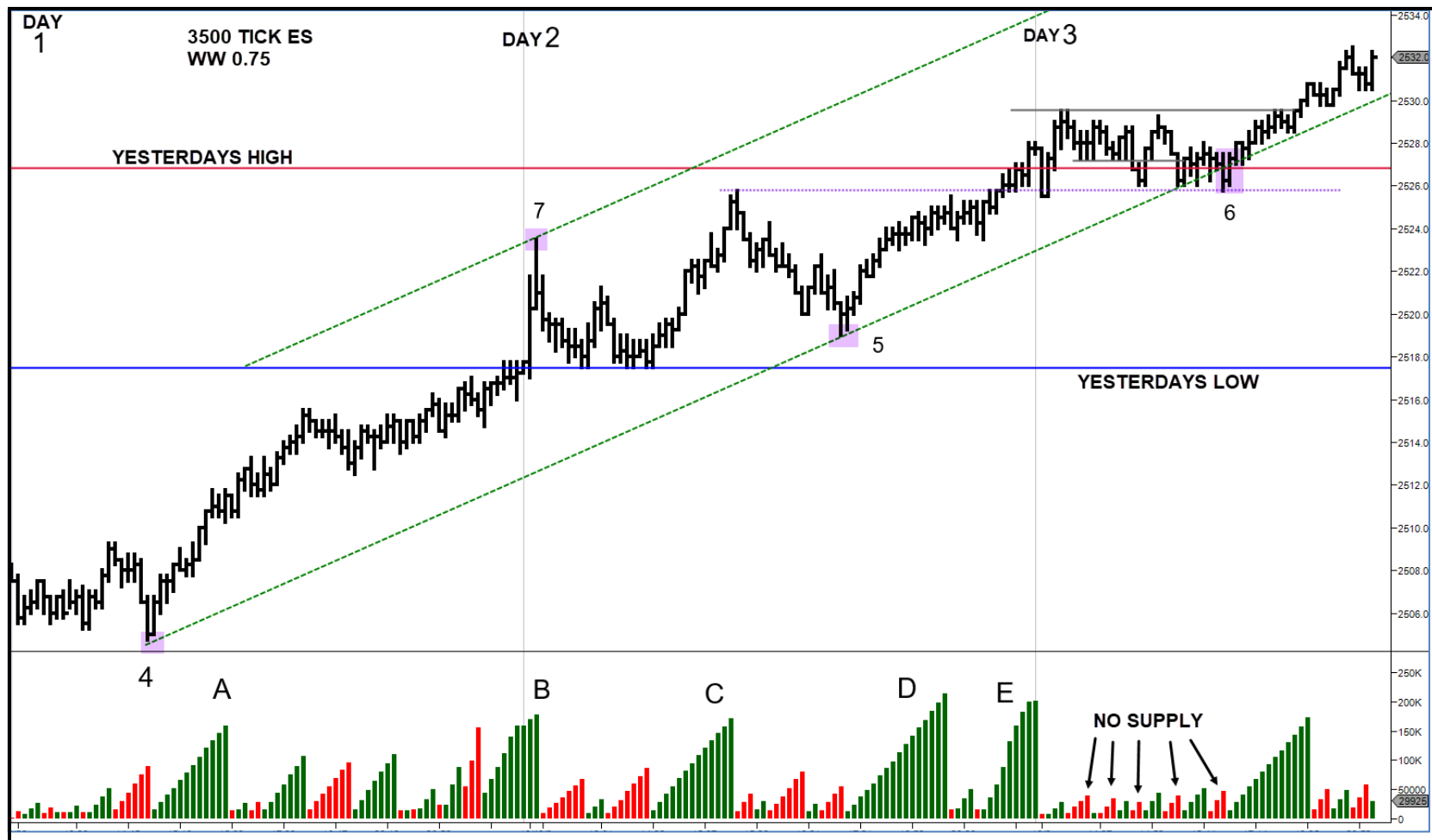
have momentum on our side; until the market states otherwise we must look for long opportunities

The 60m shows strength although not overt as the daily. At A there is some negativity as we close off the highs with a mid-bar, this is followed by a weak pullback to B (indicating a lack of selling force) At C we upthrust A with a pop in volume; if the close was under the previous bar or closed deep we would have had more of bearish tone. Bar C looks incredibly weak, but is actually an up bar. Bar D we manage to close back over the high of A and deep into C. Bar E is the US close, yet we hold above the high of C making new all time highs - this kind of price action cannot be ignored, the market feels relentless and the bulls want higher prices



Although the price action isn't crystal clear we can still gage sentiment, we have to remember that we are working in a probabilistic environment, and all we're trying to do is to stack the odds in our favour. By analysing the strength/weakness of supply and demand (buying and selling, bulls or bears) at key structural locations will provide an edge more often than not

Structure via the tick chart has provided today's only trade. We have an uptrend channel that has spanned three days; the demand line started at 4, respected twice at 5 with the supply line initiating at 7. Looking into the price action demand is clearly in control; the green upwaves (A to E) are much larger than the red down waves. As we have established that demand is in control, it's the sellers that need to prove themselves (this concept is EXTREMELY important). During the overnight we hold yesterday's highs unable to make any downside progress as illustrated by the 'no supply'. At 6 we have a demand confluence via the demand line (channel) and yesterday's high/swing high (purple dotted line) in essence a mini buying zone and is our entry location.

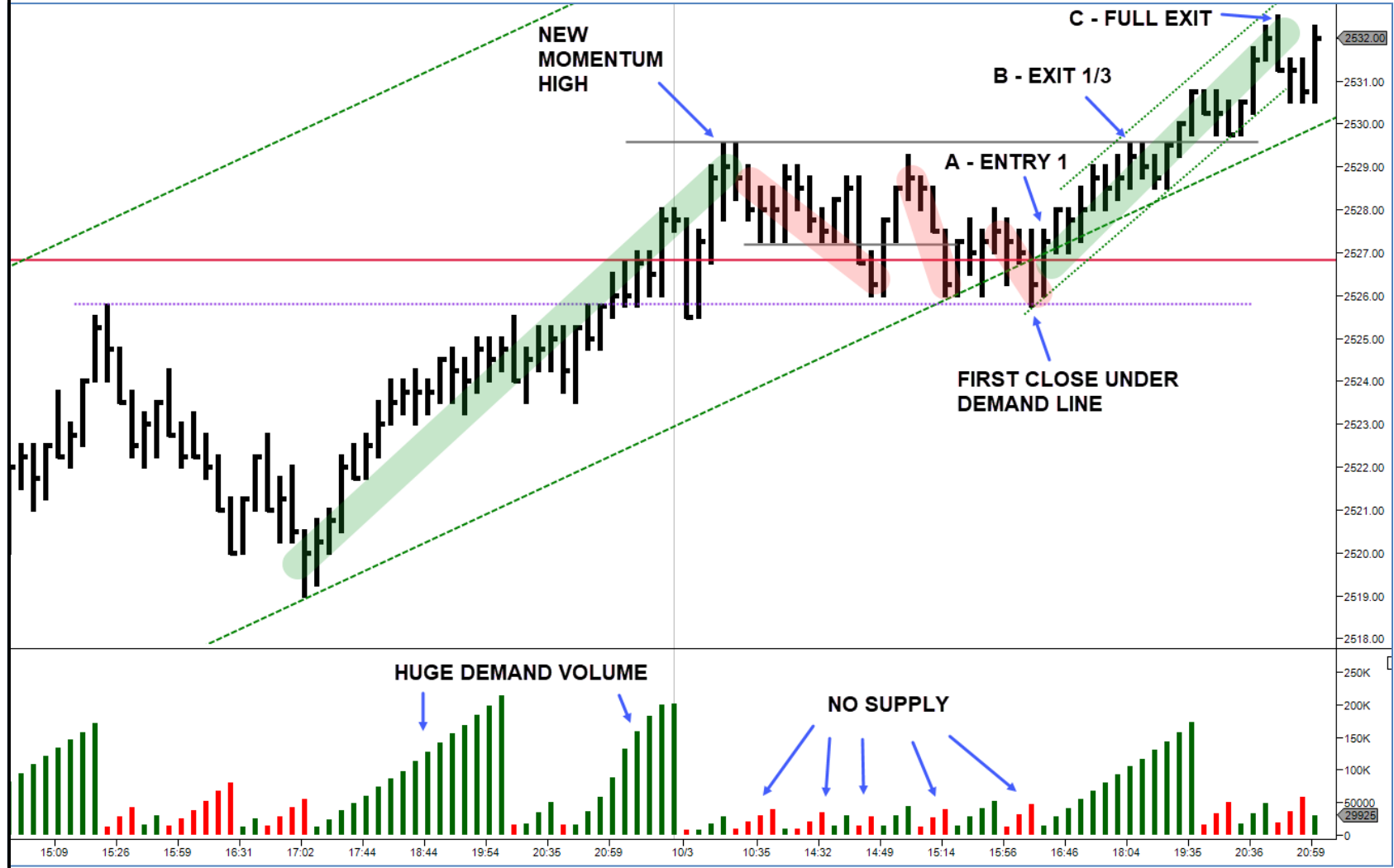


Bar A – Entry 1, Price action terms we have the first bar to close outside our channel and this is immediately reversed - an instant buy. This setup is a weak pull back after a new momentum high on top of a demand confluence; a beautiful trade.

Alternatively in Wyckoffian terms this would be a

‘Back up to the Edge of the Creek’ setup. The labelling is unimportant, understanding the trade along with its high odds of success rate due to the demand confluences, is a choice setup, a very powerful trade, especially if used on higher timeframes.

With new momentum highs we like to have a long stride up breaking a resistance area; a good solid wave with decent volume. Via the reaction we look for a weak pullback to newly formed support (here we get no supply) and its picture perfect as we have support and a demand line (confluence) What’s of great importance with a new momentum high is the fact that we expect another wave up, after a weak non-complex pullback (simple pullback) it’s the only crystal ball we get in trading as this pans out more often than not, around 85%-90%



Bar B – Exit 1/3, first resistance (+2.25 points), Bar C – Full exit, the first genuine negative bar we have seen since the uptrend began (mini channel) pops its head above the previous bar and reverses to close weak under the previous 2 closes in an overbought position (+4.00 points)

Today’s trading provided an excellent setup that is a firm personal favourite. The market didn’t take off and was extremely hard to hold; although we did have the comfort that price never put the trade under water - it was a slow grind up making higher highs and lows. Holding a trade for hours on end can take its toll on new traders psychologically, we start to doubt the setup and find reasons for an early exit. By reading the market as it unfolds truly does help to alleviate these unwanted thoughts/pressures, it keeps us focussed and in the moment. Time to lock in profits and call it a day

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