

Date: 27/07/2017

Market: ES mini

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

News:

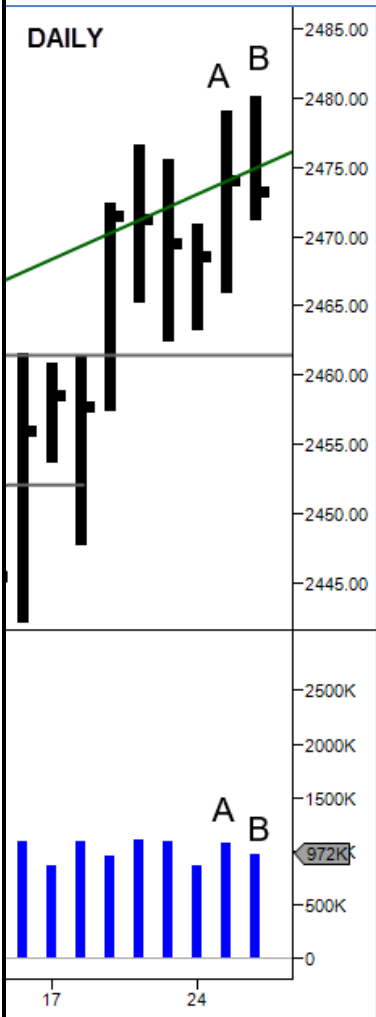
Yesterday:

HIGH: 2479.75

LOW: 2471.50

CLOSE: 2473.25

Other levels: res:2495.00, sup:2461.50, sup:2451.50, sup:2440.00, sup:2337.00, sup:2428.00, sup:2417.00



The S&P's is in a vulnerable position, bar B has upthrusted A (on a smaller timeframe) reverses to close weak back under yesterday's close and the supply line (weak behaviour) Buyers were unable to sustain price above A before reversing, they had every opportunity for higher prices. Importantly the close is the weakest of any bar we can see on the chart (last being the 6th June 17) and the supply line is clearly having an effect; every time we pass through, sellers emerge and we end closing back under (weakness). From the daily we would expect a degree of negativity for tomorrow - how much is hard to tell, technically we have been making higher highs and lows yet looking deeper into the markets via intraday we have seen fairly weak demand, it's been the lack of supply that paints a picture which is hard to interpret.

The 60m doesn't provide any additional insights. We upthrust the prior days high (A) at B, in the process making a new all time high. From B we react with supply at C, yet if we compare the first couple of bars volume - it isn't that overt. Late in the day towards the US close we spring the overnight low (D) with a decent spread and

firm close showing demand. Due to Bar D being the US close it's hard to read as many types of traders are active, saying that the next logical move would be to test the highs

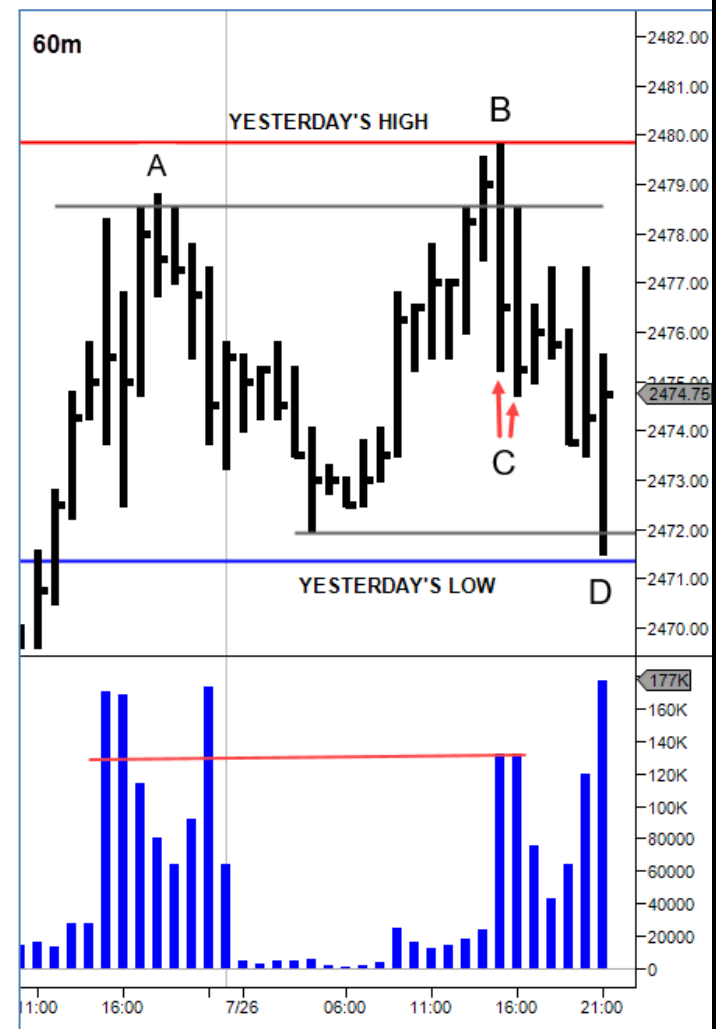
Game plan: Scenario 1 - highs made first; breaks yesterday's high decisively with good demand, wait for a weak pullback and apply bullish setups at a support level

Scenario 2 - highs made first; breaks 2479.75 buyers unable to sustain price, look for weak demand and supply to emerge. Wait for a weak rally back to a resistance level and apply bearish setups.

Scenario 3 - lows made first; support holds at 2461.50 look for weak supply on approach, demand to emerge and apply bullish setups

Scenario 4 - lows made first; break support decisively at 2461.50 with selling of good quality, look for a weak rally back to resistance and apply bearish setups

Scenarios 3 & 4 are unlikely and would be difficult to trade. We have the average true range in play (at the moment approx 16 - 20 points). A retracement to 2461.50 is pushing the boundaries especially a break further to the downside - of course not impossible, but with the lack of supply in this market odds favour a hold of 2461.50



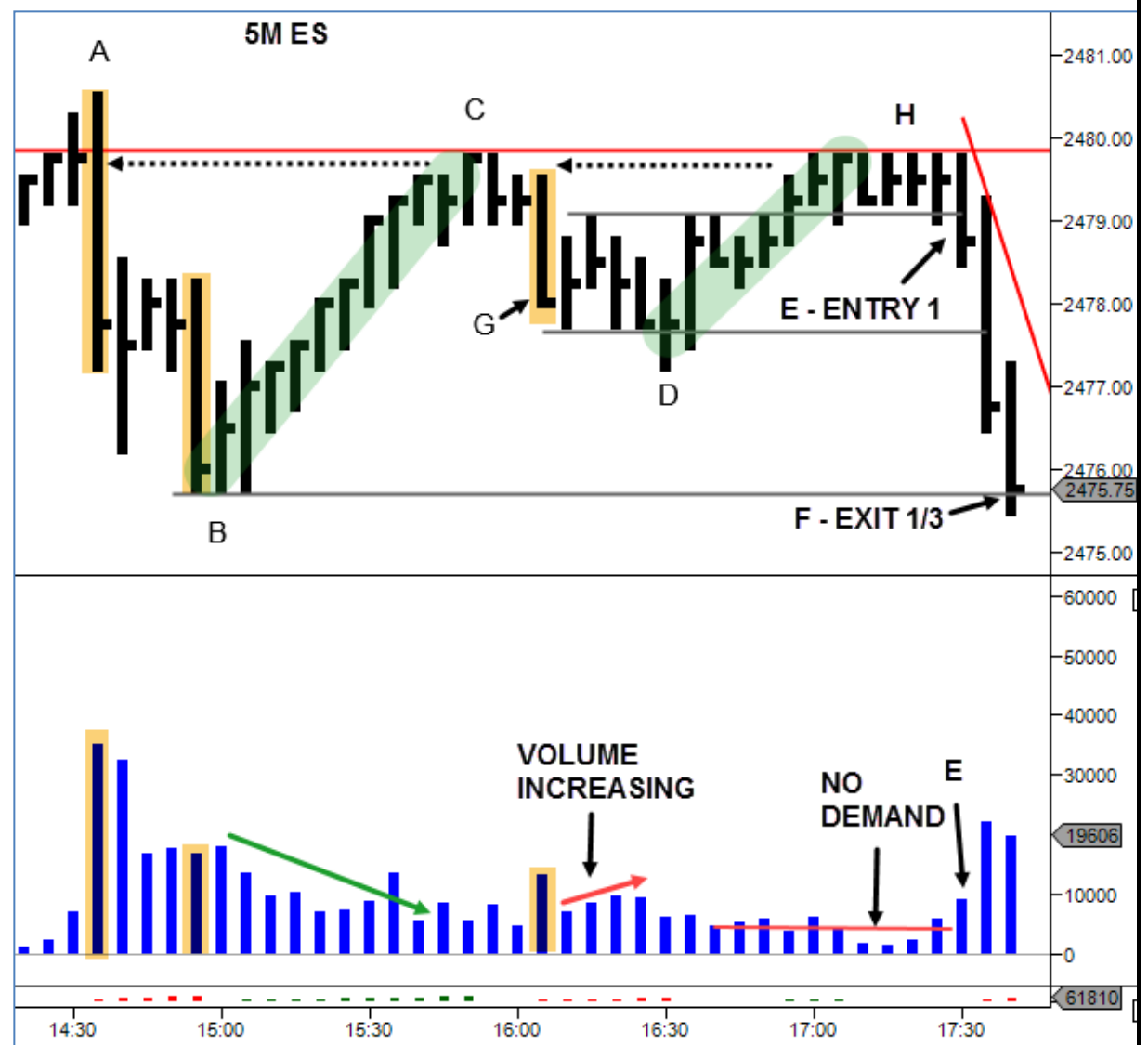
During the premarket session we make new highs literally by a tick or two, then A the US opens and we slam down - this has occurred 3 times in a row. Within the first 5m of the US open the market sells off aggressively and today was no different (check the prior couple of Chronicles) we react to B with bars of good quality, large spreads with good volume. We proceed to hold a local level of support at B. We rally to C and volume declines, however price action kind of gives a solid feel to the move, a continual grinding up move, we have seen this in the past recently where the market likes to grind its way into new highs. Bar G - we have supply with a pop in volume, we ark over to D with increasing volume - volume is increasing to the downside albeit only by a tick or two, but something is off, unusual behaviour (nothing to do at this point) As we rally from D volume drops off significantly and we have no demand in a previous area of supply (H), exactly the same setups we have traded twice in a row from Chronicles ES250717 & ES260717 (although with a different flavour, the principles remain the same)

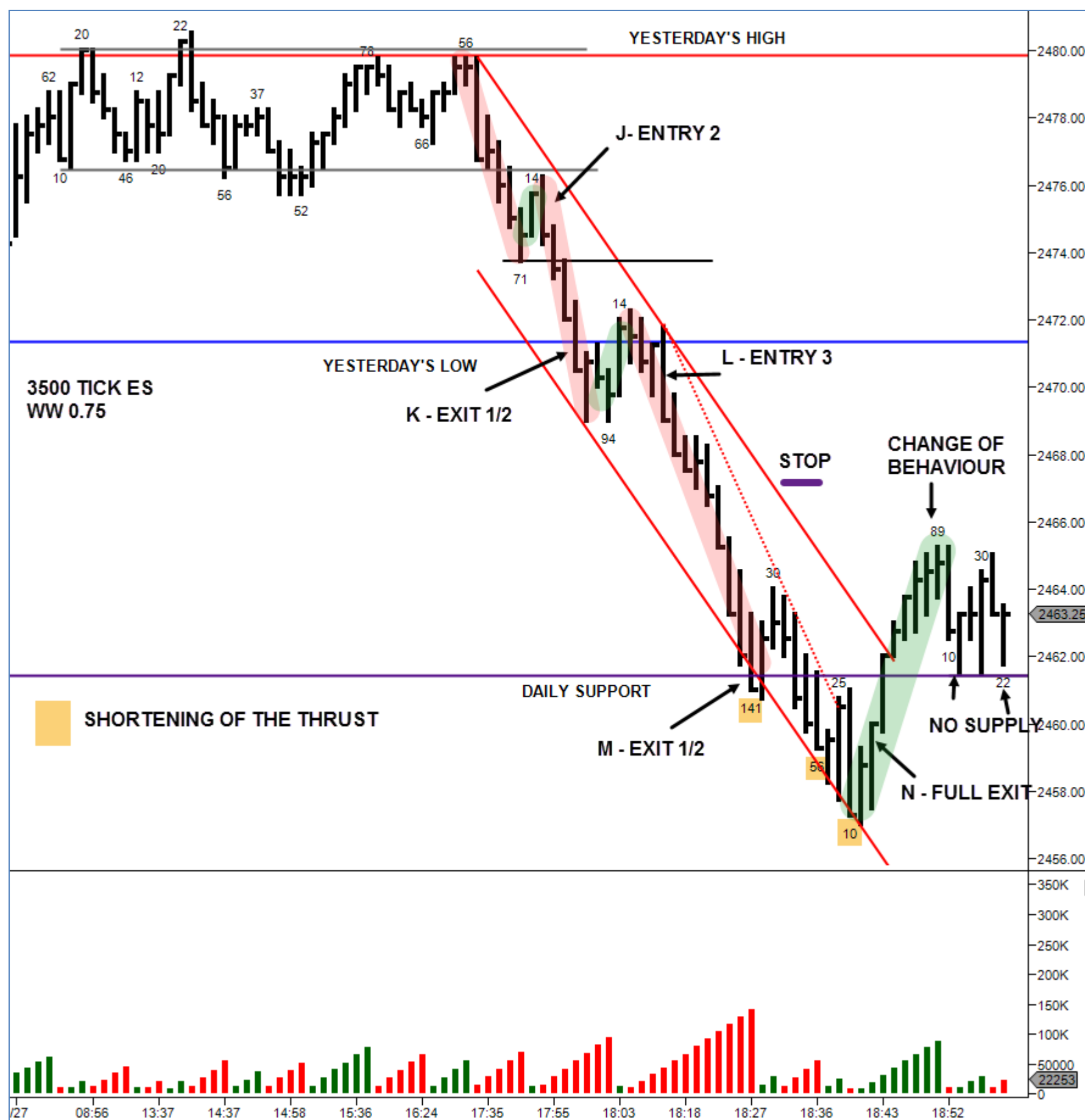
E - Entry 1, why? We have no demand in a previous area of supply (orange highlights) at resistance (yesterdays high) This is a classic setup - looking deeper via waves compare the up wave from D to H, from that of B to C and A to B. Wave A to B has wide spreads, decent volume with weak closes (selling of good quality) B to C spreads have narrowed, volume has declined, D to H spreads even smaller and right at resistance volume is almost non-existent. Ask yourself does this buying have enough force to break through A? The buying quality has fallen off the wagon, odds favour a hold. As we close under local support at E with a weak close and volume has increased significantly, an instant sell. F - Exit 1/3 at first logical support (+3.00 points)

The rest of the day was standard text book trading. J - Entry 2, why? We have a change of behaviour with 71k to the downside, followed by a weak rally back to resistance 14k contracts. We would class this as a new momentum low - down waves are now larger than the upwaves, it's the largest downwave in size and volume to the downside, in addition we have decent supply from the price action via the 5m. As we break support from the 5m (F - exit level) we let the market pull us in with a sell stop. K - Exit 1/2, yesterdays low a logical support (+7.75 points) and (+5.50 points)

L - Entry 3, why? Exactly as the same above, we have continuation of supply with 94k, and another weak rally with 14k. We had to be cautious entering this trade as we could be in a potential spring position from yesterdays low. As bar L pops it head above support (yesterday's low) and the previous bar to reverse back down and break the previous bars low, I let the market pull me in with a sell stop. We have white space beneath us at this point with 2461.50 as our only level of support, we could have a good trade on our hands

M - Exit 1/2, daily support level (+14 points) & (+7.75 points). Now my thought process is that we have a tiger by the tail and it's setting up to be a trend day to the downside, we're at major support that could potentially spring or halt progress, plus we have already reacted 18 points from the highs, the question is how much more does this market have to give? There are no signs of demand in this market, let's make a play for lower prices. As M was liquidated stop was moved to the purple highlight, slightly above the 50% retracement.





N – Full exit (+8.75 points) why? We have classic shortening of the thrust (SOT), a major component within the Wyckoff method and this is a beautiful example. We come down with 141k, 56k and 10k contracts (orange highlight) this tells us that supply is drying up, the selling pressure has ceased, less volume is drawn out, and the successive downwaves are making less and less downside progress and importantly where is this happening? At a major daily support level, this gives the action validity. Not only do we have SOT we become oversold in our channel as it's hugging the demand line. We exit as we break above the previous bar and close. Full liquidation as we know a rally is on the cards. As I'm producing this edition we can see a change of behaviour to the upside and two low volume weak reactions back down to daily support - these are actually excellent places for a trade. Unfortunately I have clocked off, not to worry there is always another trade, time to lock in profits and call it a day

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