

Date: 16/10/2017

Market: ES mini

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

News:

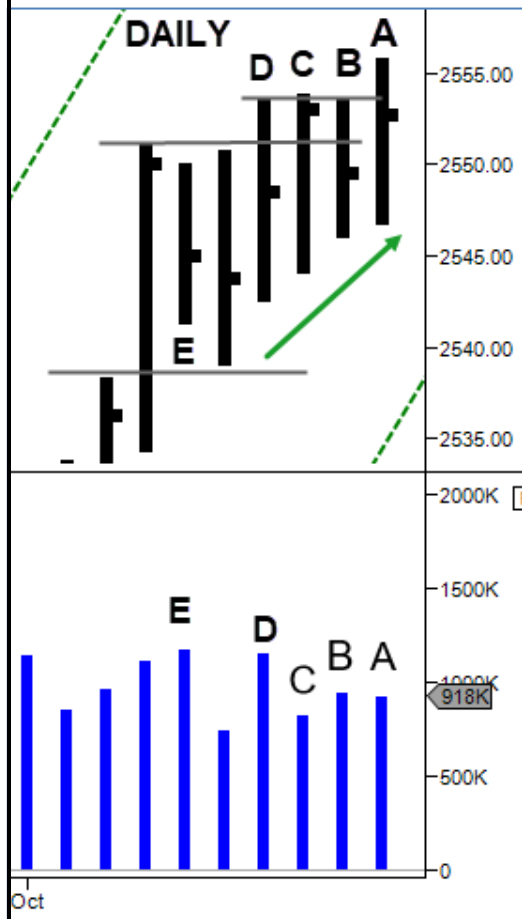
Yesterday:

HIGH: 2555.50

LOW: 2547.00

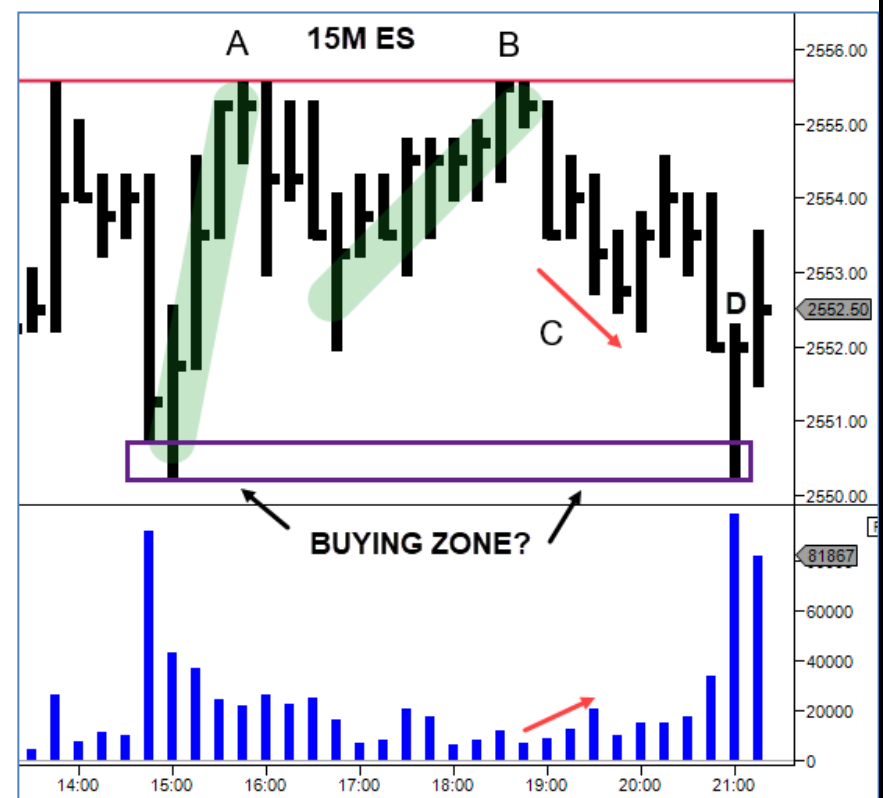
CLOSE: 2552.75

Other levels: res:2553.25, sup:2538.00, sup:2528.00 -29.00, sup:2507.25, sup: 2494.25 - 2495.25, sup:2488.50



The S&P's has continued to push on up making new all time highs, although there is a little negativity as we close back under resistance, yet given the context of the market this behaviour is not overtly weak, why? The daily lows are rising for the 5th consecutive day in a row; the buyers are slowly but surely edging their way higher. Bar A prints a higher high, low and close with average volume, not weak action, if supply was evident the market would produce a upthrust with a surge in volume and a weak close. It's possible that we have an absorption scenario; although we don't have much structure or data to work with there is clear supply at bars E and D, as the lows lift at bars B & C, with the spread narrowing and volume increasing we have characteristics of absorption and the fact lower prices are being rejected emphasises this thought process. From a daily perspective there is no reason for lower prices, to the contrary there is potential absorption (bullish behaviour) a long with the subtlety of price action (rising lows) odds favour higher prices

The 15m chart clouds our daily perspective. The US opens and we fall sharply that instantly resolves itself, with a reversal type of formation and continues to rally via A making a new all time high. The market revisits this area at B; note the quality of buying. Waves A to B (green opaque) are worlds apart, buying is of poor quality at B, spreads have narrowed, volume declines; sellers note the weakness and take advantage resulting in a deep pullback all the way back down to the daily low, where bar D bounces off the exact same level as the previous low, this action is demand; in Wyckoffian terms we would label this action "volume off the bottom" in an ideal world the spread would be larger, but it's the action that speaks. In a nutshell "volume off the bottom" is caused by the professionals simply absorbing all the supply thrown off the market and moving the instrument up - it usually indicates a trend reversal/turnaround (always occurs at a support level). Being the US close it is very hard to determine the strength or validity of this bar; if this action occurred any other time of day (except the open) this would be a strong sign of strength, even more so if the bar closes higher than the previous bars close or high.



Recap; the highs have been rejected where we saw a lack of demand at B, sellers bring it down followed by bar D that is screaming strength, yet there is ambiguity due to it being the US close. NOTE - over the years I have observed that many moves are disguised during the US close as the professionals can take advantage of the liquidity (high volume) from the various types of traders and establish positions, it happens more often than not for it to be coincidence. A tell tale sign is that the level (if ever tested) is strictly protected, i.e. aggressive buying should occur, why? To protect their initial positions

During the overnight we rally to test the overnight highs, giving credence/validity to Bar D via the 15m chart (genuine demand) we bounce around in a range for a few hours before the US open.

Bar C – Entry 1, why? We break the all time high at A, with evidence of supply, we try and push higher at B with further evidence of supply (no net upside progress, closes fairly weak with a pop in volume and smaller spread, supply is clearly present) At C we print a lovely little no demand bar in a previous area of supply (B), bar C is an up bar that has the lowest volume not only for the last 2 bars, but the day. This was a very tentative short as support is directly below and of course from our analysis we expect higher prices; note - we have gained 6 points from the overnight lows. Taking these factors into consideration clip size was reduced, we must be nimble and alert in this trade

Bar D – Exit 1/2, first support (2.50 points), Bar E – Full exit, huge demand has entered the market, an extremely bad bar for any short positions. Full liquidation occurred before the close (only by 3 ticks) we don't wait for our stop to be hit; if we can read the bar in real time (in this case approx 30's before the close) just exit, there is always another trade, odds favoured this bar to be of strength. We have a price action aberration, a bar that has volume higher than the US open, this behaviour is noted (+3.75 points)



Bar H – Entry 2, why? We have established buying bars (purple highlights) these bars confirm the strength of the bar E (price action aberration) there is an awful lot of buying in this bar and its professional money, not retail traders. As we react via F, volume disappears, the spreads narrow, closes are off the lows; this is buying of poor quality (with demand in the background)

Bar G, huge surge in volume with a firm close off the lows, bar H the same action again, an instant buy. Clearly the market is being supported at this level. NOW if we pay close attention to the 15m V2 chart, we have revisited the demand zone area we noted yesterday, its picture perfect with all the pieces of the story coming together, a story of waning supply in a previous area of demand with evidence of aggressive buying via bars G & H on the smaller timeframe (spring setup)

In previous editions of the Chronicles I have noted the importance of multiple time frame analysis for trade setups, the process is difficult to illustrate in text and charts; perhaps in the near future I shall make a video underlying this important aspect of day trading



Bar J – Exit 1/3, overbought in the channel near resistance (+2.75 points) Bar K – two exits; overbought in channel (+3.00 points) to reverse back inside after touching resistance (+2.50 points) The trade has been held for near 3 hours and hasn't taken off, price action has become sloppy, not my favourite trading conditions

Today's trading provided clear signals, although the context was slightly unhinged with the no demand setup; trading this setup is a judgement call dependent on confidence, experience and account size. If one trades a 100 contracts adjust your size clip accordingly to 25 or 30 contracts (clip size adjusting should be in your trading plan) bear in mind risk was minimal with a stop above the high of B (a mere 1.25 point stop) let the market prove you wrong, never be afraid to pull the trigger. However, if trading with one contract this is a much tougher trade, in-fact trading with one contract is never a good idea especially with the S&P's, if your account is small I would strongly recommend to trade 2 contracts via the NQ, being able to take partial profits and move stops to breakeven provides the basis for a creating a positive mindset, you create an important habit of locking in profit; with 1 contract this is very hard to achieve. Once your account has grown, move to the S&P's if you desire; time to lock in profits and call it a day

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