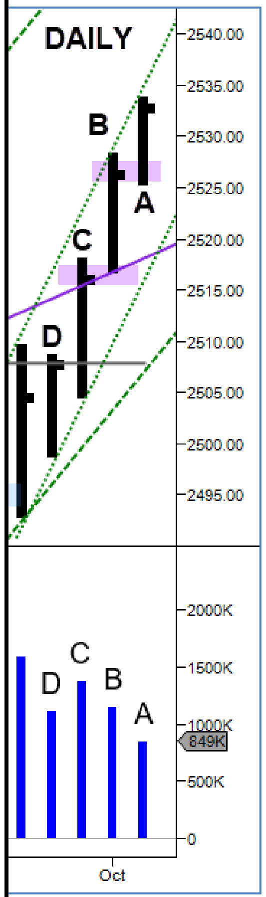
Date: 04/10/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

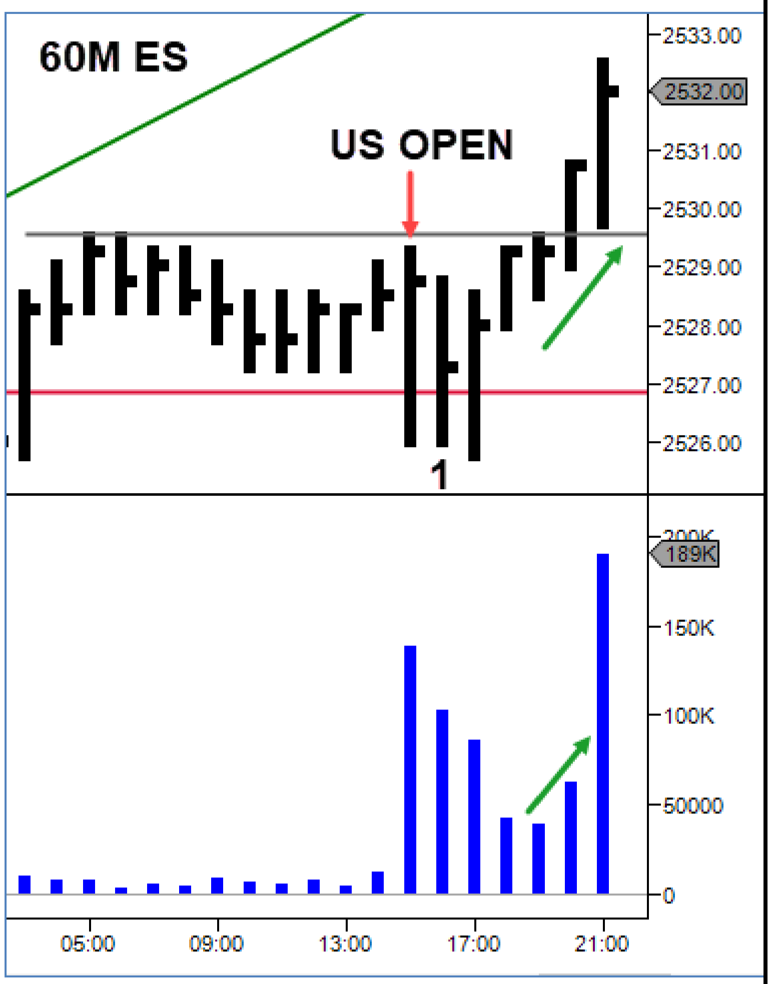
Yesterday: **HIGH:** 2533.50 **LOW:** 2525.50 **CLOSE:** 2532.75

Other levels: res:2540.00, sup:2507.25, sup: 2494.25 – 2495.25, sup:2488.50, sup:2477.50 - 79.00, sup:2461.00



The S&P has now rallied for the 5th consecutive day in a row, losing no ground during this advance. Note the minimal pullbacks; price is unable to break under the previous day's close, a subtlety of strength (purple highlights) Bar A – first thing we notice is that volume has reduced, yet is in alignment with the spread (volume reduces, the spread narrows, Bar C has higher volume with a wider spread, Bar B has less volume and the spread narrows a little) ergo all in alignment, nothing out of the ordinary.

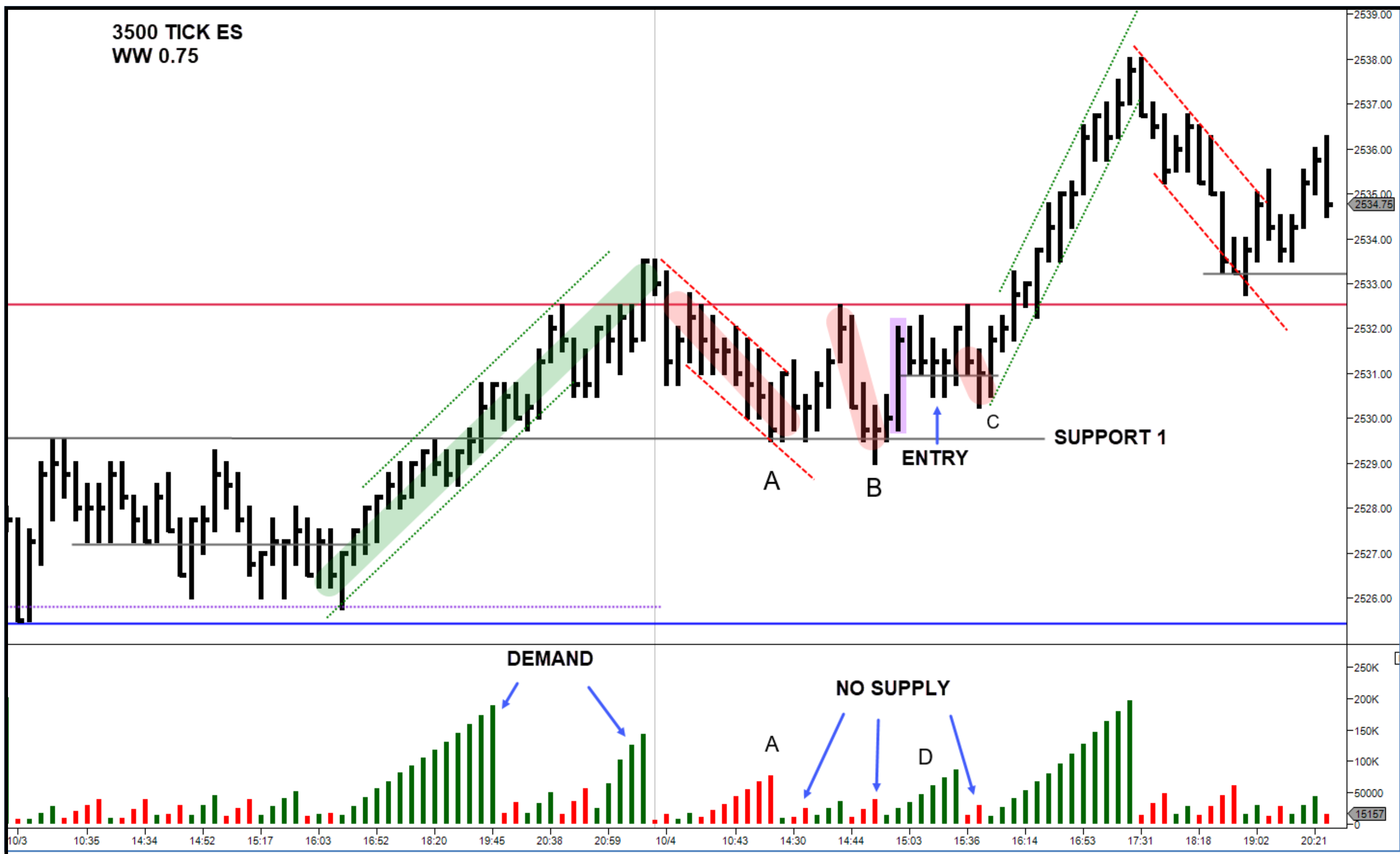
The market has made all time new highs with the lowest volume we have seen since the 7th September; would we classify this as no demand? Possibly, but taking into consideration the nature of price action and the fact we have recently broken out of a trading range, price can at times appear to rise on low volume, why is this? One reason, the lack of supply, there is no upside friction, it only takes a little effort (buying force) to push the market higher. We can view a trading range as establishing dominance (a battleground) before the break; the market can achieve this by either absorbing the opposing force or by dominating, when the market absorbs (in this case the sellers) price can appear to levitate upwards (this phenomenon has been discussed in previous Chronicles) Via the daily we would still hold a bullish tone, there is no evidence of supply, although we must take onboard that volume has declined on the rally and price is respecting the micro channel



The 60m gives a more positive outlook; from the US open we only print one down bar via 1 (this closes off the lows indicating active buyers at support) as we rally volume increases and the majority of price action is strong with firm closes – there is no evidence of selling. Combining both timeframes as it stands we would want to be buyers for tomorrow's trading until the market says otherwise

During the overnight we react to A via the tick chart with the largest wave down we have seen for the last couple of days; however demand is still clearly in control with much larger up waves. The price action is sloppy on the decline and we hold support 1 which is unsurprising (selling of poor quality). We pullback again to support via B, where we see no supply (volume has completely dried up) The market pushes up and proceeds to hold a higher level of support (a subtle sign of strength) with another weak attempt to react via C (no supply).

A few folks will be thinking about wave D and its nature – Effort vs. Result; and they would be correct, but taking into consideration its nature and the background conditions this wave is positive, why? It's absorbing the supply we have to the left via A & B, we have a sign of strength bar (purple highlight) and we are holding a higher level of support, refusing to go down in a tight range (these characteristics are indicative of absorption). Before mark up can begin the professionals/large operators need to eradicate all supply to obtain larger profits. In the back of our minds we have to hold onto the notion that DEMAND is in control and its sellers that need to prove themselves, there is a little supply at A, but nothing to concern ourselves with, then the following attempts to react supply dries up, we NOW need to be assertive and look for long opportunities this leads to Bar D – Entry 1, why? All of the above, plus the addition of the 5m chart. The US opens and we drive up with good volume to yesterdays resistance, this is immediately met by A and we close weak on its lows with a wide spread. Bar B – our ears perk up, half the spread with a 1/3 more volume, a positive case of Effort vs. Result, this is an excellent sign as want to be buyers from our premarket analysis. Bar C - a good wide spread closing firm. Bar D - a test bar; lowest volume bar for the day, this is



shouting no supply, where is the selling we saw at A? As the bar closes it's an instant buy, this analysis along with the tick chart provided a clean entry. Positions could also be taken at E or F, both low volume tests, bar F is a better play as this would have been the lowest volume down bar for the day on top of support with strength in the background

Bar G – Exit 1/3, overbought in micro channel (+3.75 points), Bar H – Exit 1/3, overbought in two trend channels with a pop in volume and a mid close (+5.25 points) There is nothing wrong with a full exit at this level; due to the nature of today's trading and the way price is ascending higher with steeper trend channels, it was worth the hold. Trend channels were left in-tact and not deleted for your viewing pleasure; ordinarily they would be cleaned up/deleted when no longer in use. Bar K – Full exit, price was adhering to the channels then bar J prints and feels climatic, as price slips down to support, full liquidation (+5.25 points)

The market from here onwards doesn't provide any clear setups as price action becomes sloppy; although Bar M is perfectly fine for a scalp (few ticks). Bar L is climatic as we become oversold in our channel (classic behaviour), the following bar we have evidence of buying which is proceeded by no supply at support. Bar M prints with a solid pop in volume and trading back within our channel, we could instantly buy this; a lovely little bottom reversal. For myself there are too many obstacles overhead structurally for larger trade (as I'm not a scalper) - a supply confluence (resistance and trend channel). Today's trading was rare as it provided 3 clear cut opportunities to jump onboard the break to the upside, time to lock in profits and call it a day

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