

Date: 18/01/2018

Market: ES mini

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

News:

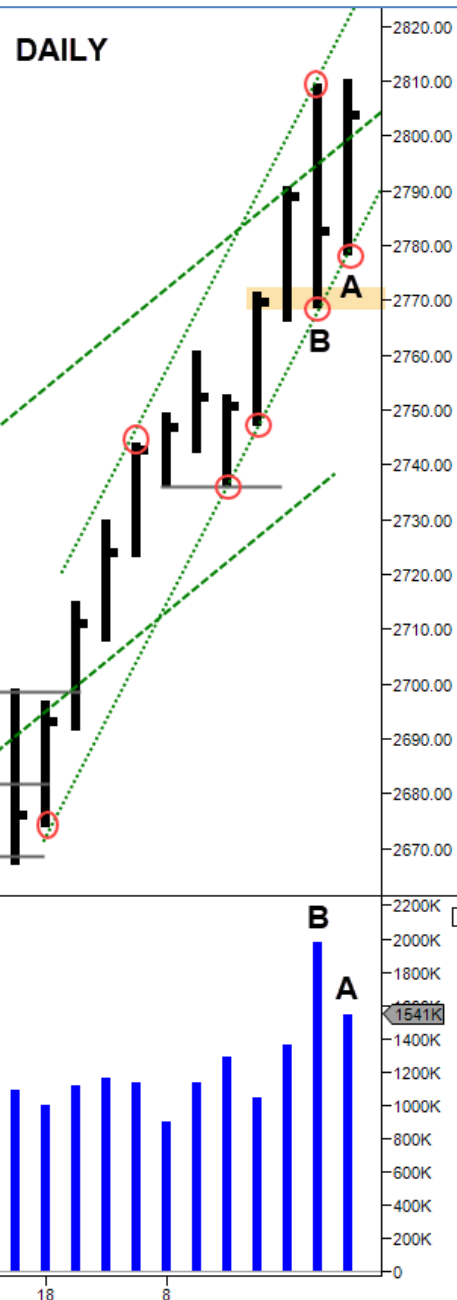
Yesterday:

HIGH: 2809.50

LOW: 2779.00

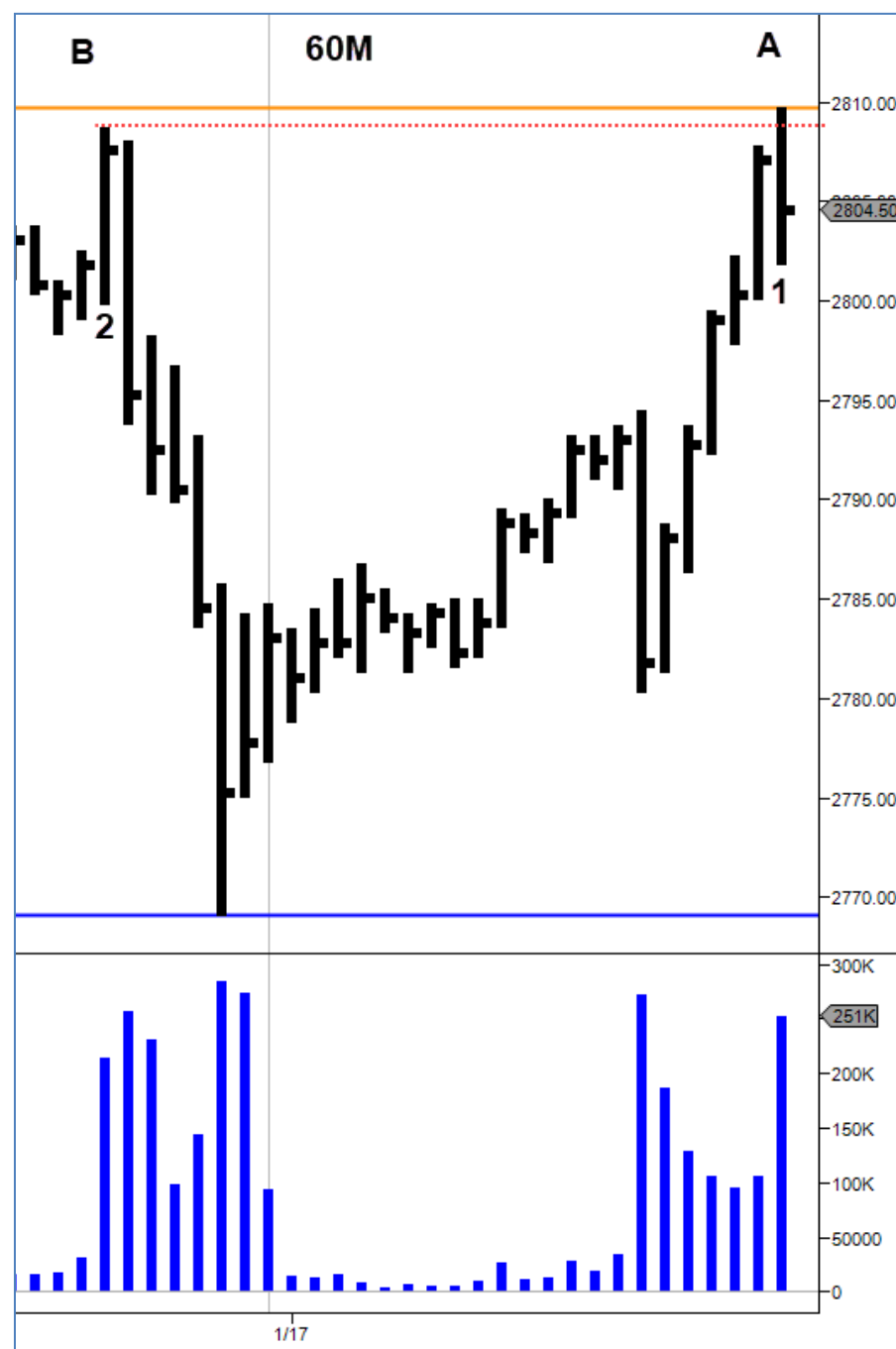
CLOSE: 2803.50

Other levels: res:2830.00, sup:2770.00, sup:2749-51.00, sup:2736.50, sup:2698.00, sup:2668.00, sup:2625-26.00,



Phenomenal, how yet again the S&P's has defied negativity, bar B is very negative; we have a large spread closing fairly weak with very high volume (highest since the 1st December) From an intraday perspective we would ordinarily expect lower prices, at least some form of downside follow through, this doesn't occur and bar A more or less holds yesterday's close and rallies to test the highs with high volume - this behaviour is rather strange for this market. The micro uptrend channel has to be mentioned, it has managed to contain price both from the highs and lows of B, and acted as support for A. This channel appears to be significant; it has held five times via the demand line and twice via the supply line, superb validity for a daily channel. This channel has been in play for days and the fact we cannot break it with all that volume from A & B is also a little abnormal; this is not a market I would want to swing trade to the downside that's for sure, especially given the recent bullish activity. However when this markets drops and it will, we could be in for a very swift sharp move down, a couple of hundred points in a couple of days. The orange highlight reflects a little area of support that may come into its own at a later date; it's validated by a daily close, a daily high and 2 daily lows. More importantly the fact we came down hard via B with downside momentum on our side and then price suddenly stalls, holding the level of support with a close well off the lows, and follow through from A; we can safely say that buyers have clearly emerged, look how they have propelled the market higher. Odds highly favour that buying will emerge at this level once again. Alternatively, it will take a huge sign of weakness bar with ultra high volume to penetrate this level

The 60m chart offers interesting insights; we can see the strength of selling from Day B; decent wide spreads and volume. Day A is also fairly strong pushing up, although if were to compare; the quality of selling was better than the quality of buying. What's of major interest that has captured my attention is that bar 1 with high volume (US close) has upthrusted yesterday's high (bar 2) However, here's the interesting part of the analysis; bar 4 and bar 1 have the highest volume for the day and are both negative, with the weakest volume being bullish. Not terribly sure how this fits in with the overall analysis, the key is to examine the pullback from the upthrust (UT). But the upthrust being the US close throws a spanner in the works, being as price action is king we would naturally expect a pullback from the UT, if the volume is weak and holds into the 50% range of the last couple of bars (A & B) we can look for bullish plays



US opens with a rally to A (unable to test yesterday's high) before reacting to B and does so with a very negative bar - wide spread and surge in volume (although we do end in an oversold position). Next, we would expect some downside follow through, yet bar C holds the close of B and rallies to close firm, then for 60m we hold gains (grey highlight), no downside follow through from B, why?

Bar M, huge volume (highest for the day) and closes extremely weak and under all the price action of the past 60m, it accomplishes a great deal, very weak bar.

Bar D dips under the lows of B & C, yet bobs right up to close back above support with a mid close, demand has emerged. What's important is the volume, much lower than B & C.

Bar E - entry 1, why? A spring, an instant buy via the close, bar E dips under the lows of D to reverse and close firm above the close of D right at its highs - extremely bullish, and it does with sustained volume, in addition we were also oversold in our channel. NOW, we have a confirmed buying zone. Bars M and B have very high volume, and we would expect negativity in this area as there will be a great deal of sellers protecting their positions, this kind of supply doesn't just disappear, we need to be careful with our long positions



Bar F - local resistance (+4.75 points)

Bar G - trading sideways in an area of previous supply, with no ability to rally (volume is very low) stop was moved, and hit (+1.75 points)

Bar H - Entry 2, why? Bar G closes off the lows (indicates buying) and the following bars rally to make a new high (for the last 60 odd mins). Bar G was a shakeout/tests supply to the left and does so with lower volume. Now, as we come back to support pay close attention to the price action subtleties; spreads are narrow, closes start to round under and cluster with the entry bar having the lowest volume down bar for the day at support, after a shakeout, with confirmed strength in the background (buying zone) and we come from a spring. The story of strength is immense, a must buy, any of these bars (orange highlight) are fine to enter, the market gives 20 mins for an entry. We are now poised for higher prices (although took a little longer than expected)

Bar J – Exit 1/3, overbought in channel (+6.25 points)

Bar K – Full exit, we use a reverse use of trend line (purple line) perceived as weakness as buyers can't muster enough force to test the supply line from our channel. The most obvious sign is that we upthrust the US session high, also note the clustering of closes (purple highlight) price is clearly rejecting this area (+6.75 points).

The UT is an excellent opportunity for a short, there is a triple supply confluence in play; resistance from the US open high, supply line via the main channel and the reverse use supply line, combined with the clustering of closes along with the bar itself (increasing volume, breaking the demand line etc) is an excellent short

Today's trading provided some whacky price action, although to be fair the opportunities were very clear giving ample time to jump onboard. Large wide spread bars can be difficult to interpret, just remember to sit back, take a macro perspective of the action and simply sit on your hands and let the market unfold. It's only when we look at how price reacts after the large bars can we get the confirmation of either demand or supply. When we can disconfirm supply via B & M, we get the confirmation of demand. Bar M is unusual as the huge volume and wide spread does not accomplish anything!! No major support levels were broken, no genuine downside follow through etc, this gives us an edge. Time to lock in profits and call it a day

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