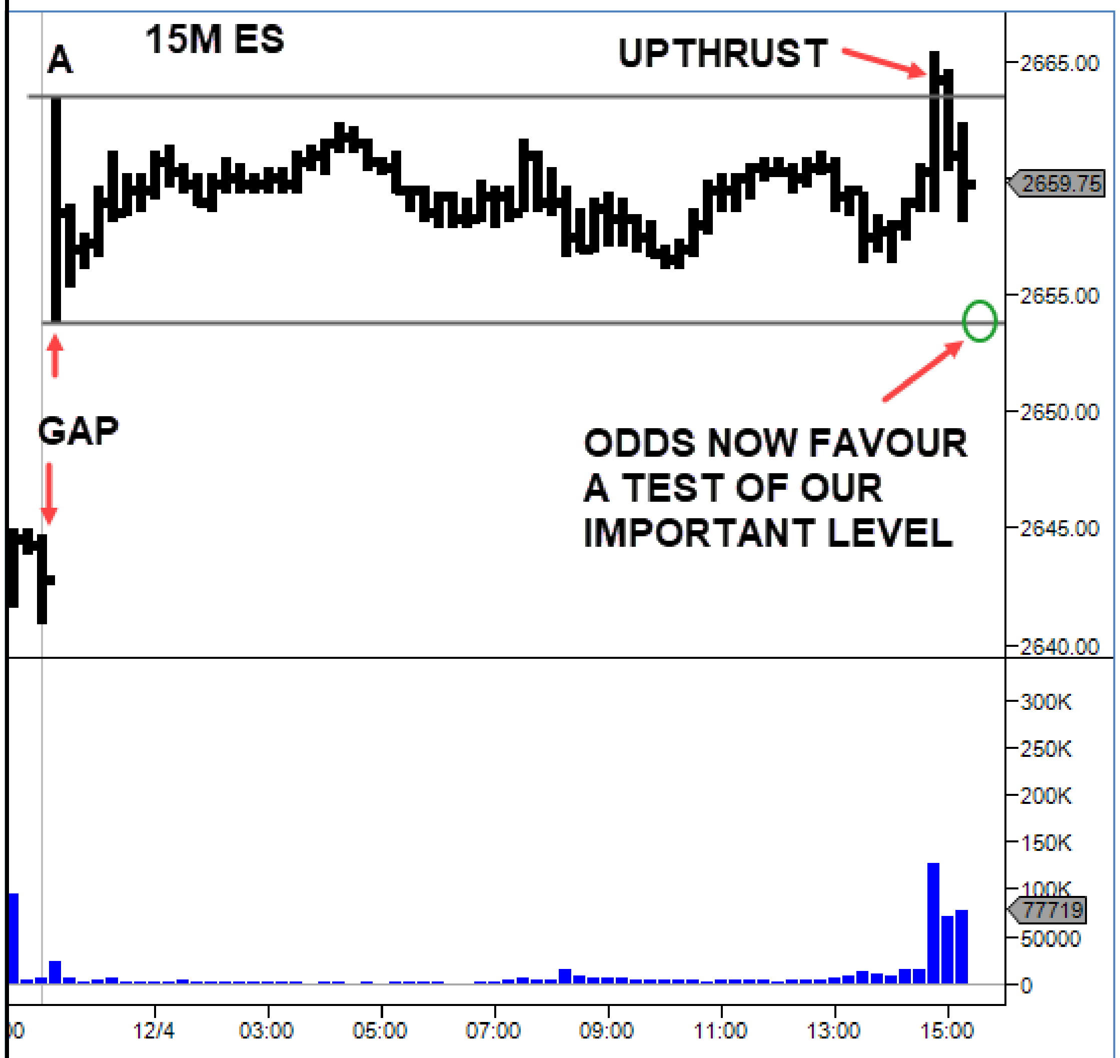
Date: 04/12/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2658.50 **LOW:** 2621.75 **CLOSE:** 2648.00

Other levels: sup:2593.50, sup:2560.00-61.00, sup:2550.75, sup: 2542.50, sup2538.00, sup:2507.25

The S&P's has certainly picked up in volatility and is in a very precarious position. We must apply key classic Wyckoff principles; trading has been confined to a channel since late August and the last couple of bars A & B have climatic characteristics, we cannot ignore this behaviour, the volume and spreads have increased dramatically right at the supply line, creating a severe overbought condition (climatic behaviour likes to push the boundaries of channels, we have seen this behaviour throughout the Chronicles via the 5m chart, time and time again, exactly the same principle yet in a higher timeframe) Compare all the trading we have seen previously to the last few bars, there is definitely movement in the market. If we combine all the volume in bars A & B what does it achieve? Not a great deal, bar A although looks strong is actually a down bar; there is a lower high, a lower low and a lower close and trading is back within the channel. Sellers came in at A drove the market down hard, then buyers come in and we rally back towards the highs, yet unable to make a higher close than the previous bar or a close outside of the channel. These are big, big cracks for the S&P's, that is not to say we will not make higher prices (odds favour higher prices) turning a contract around will require a great deal of effort and time, it's possible that we could have lateral movement (a large trading range for months) However, our ears are perked and all we can do is to read the market action as it unfolds day after day acknowledging the subtleties, until we have enough of a Wyckoffian story and price action to give a concrete reading; as for now bars A & B have shown climatic characteristics at the perfect place structurally



During the overnight the S&P's gaps up 10 points after some climatic action; this is typical classic behaviour (encourages further buying) although it is possible that the demand/supply imbalance is true (gap) we need to pay close attention to the lows of the price action at 2654.00, this is the key level, if true demand came into this market we would expect the lows to hold - logical thinking. Via the 15m from the US open we instantly get a tell; bar A has clear evidence of selling at the highs with a mid close, however we must take into consideration the nature of this bar, if we were to fill in the gap with a tail, bar A is bullish, (although there is still selling at the highs, just not as overt) What's of value is the upthrust with downside follow through, odds now favour a test of the lows at 2654.00

Via the 5m chart there was an potential short at A; due to the lack of structure, with support directly beneath and the channel (which has not been properly established), the edge is not great enough; we can see the lack of volume via A as it tries to push up (lowest of the day) but this action alone is not enough to take the trade. Perhaps the wave chart may have produced an entry, however due to trading in a hotel there was a lack of screen real estate – that's ok, there is always another trade.

The market does give us vital info and is beginning to show its hand. As we react via B volume increases, (almost too much, falling too fast) there is stopping volume at C, followed by a failed test via D, bar D is testing C for supply and look at the volume that is drawn out, this is the exact opposite that we're looking for (narrow spread, low volume bar) I am now alert that supply is in this market and now we wait patiently for a clear short play. Also, we must take into consideration that we have broken the lows of 2654.00 and the market is trying to hold, we need to analyse the force of buying from here onwards. As we rally to E volume declines, as we pullback via F volume increases, we have enough of a story to be certain of a short play. NOTE – where resistance is, right slap bang in the middle of the supply breakdown area to the left (reaction B), this is picture perfect structurally with excellent volume readings. Another hour passes and we get further confirmation at resistance, the orange highlighted bars show supply at resistance (where it should emerge) both followed by weak buying (purple highlights) you can sell either of these bars if one tends to be aggressive. We only have to wait another 30 mins for bar J – Entry 1, the perfect VSA no demand bar; a narrow spread up bar, with lower volume than the previous 2 bars (additional bonus, lowest volume for the day) we have no demand in a previous area of supply, plus confirmation of the lack of demand throughout the whole trading range and the presence of supply. I would strongly urge to print this chart and study the price action behaviour and read the subtleties on this chart for your own benefit.

Digging deeper into this setup there are more advanced readings for the astute trader. We hold a higher local level of support near resistance and this action more often than not is a subtlety of strength (due to the background conditions of weakness, we knew this not to be the case). What does this action mean? It's absorbing every single last bit of demand left in the market (bar J shows with clarity the exhaustion, the lack of buying force) when this occurs we KNOW to hold trades for as long as possible, as there is literally no demand, which equates to less downside friction. We do not need to see high volume on the reactions when this occurs (although does confirm)

Bar K – Exit 1/3, first support (+4.75 points)

Via L as we react, volume increases; this is heavy liquidation as we know that demand is not present. At M the market stalls and tries to rally, with no ability and volume declines, price is slipping down. The market has given no indications to take profits with either price or structure; we simply move the stops above the swing highs (standard). The logical place to take profits is the demand line via our major channel and this was hit at bar N, 20mins from the US close (+15.75 points)

Today's trading gave the advanced trader many tells that supply was in control; the failed test, followed by weak buying throughout out the whole trading range was ideal, this action does not occur all the time and is more or less a text book example. As we know markets are fractal in nature, so when the market provides trading ranges are that easily read via a daily timeframe, that also hold a higher level of local support within the latter stages, we must be alert and be aggressive in initiating a short play as the market can fall fast. These conditions are extremely fruitful in terms of points and target projections can be used in a variety of ways; the best for a daily timeframe is to consider the trading range before hand as the cause built, eyeball the length of the trading range and then project downwards (the effect) alternatively for a more accurate reading use a P&F chart. Time to lock in profits and call it a day

Email: feibel@yahoo.com

Twitter: @feibel_trading (apologies, Twitter should be up and running soon, for FX markets)