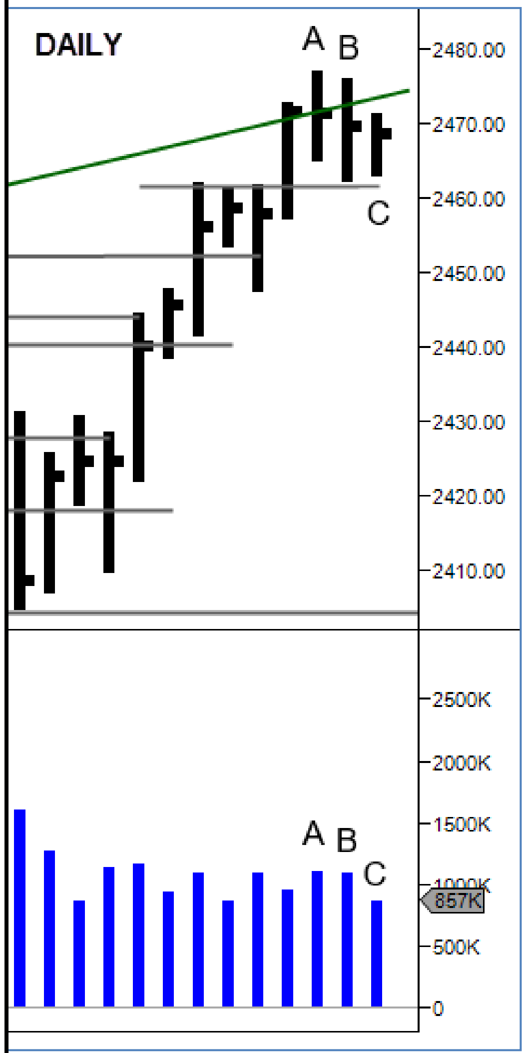
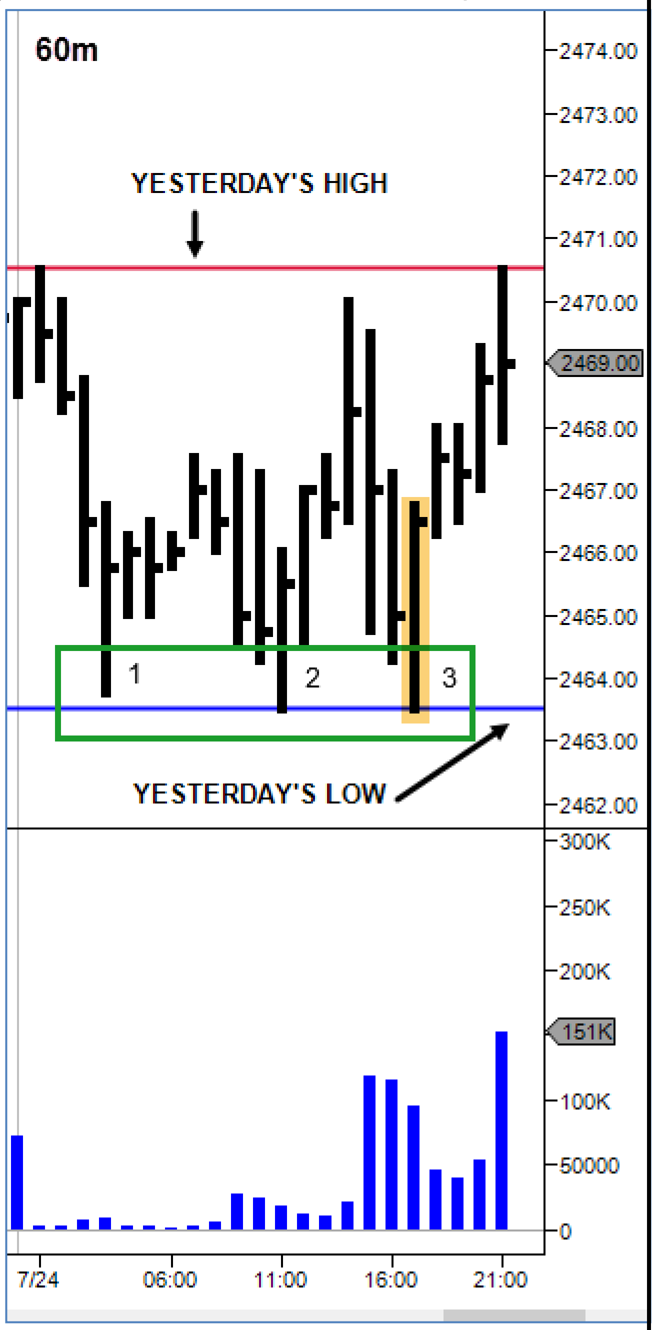
Date: 25/07/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2461.00 **LOW:** 2448.00 **CLOSE:** 2457.75

Other levels: res:2495.00, res:2461.50, sup:2451.50, sup:2440.00, sup:2337.00, sup:2428.00 sup:2403.75, sup:2417.00



The S&P's has encountered selling via the supply line, yet for 3 sessions the market is unable to get going to the downside – we have a clustering of closes at bars A, B & C, if the market were going to react with heavy selling odds favour that it should of happened by now. Local support at 2461.50 has held, holding a higher level of support is bullish behaviour. With all this volume at A, B & C with no net downside progress has a bullish tone, logically the market is telling us in advance that it's want another pop at the highs or at least to test the supply line again. There is an additional layer of info - the market has contracted, we have an inside bar (bar C) at a point of support refusing to go down, from contraction comes expansion, we would expect a larger average true range tomorrow and if it breaks to the upside, a new all time high



The 60m chart provides clarity of strength. We have tested yesterday's low 3 times; look at the individual bars (1, 2 & 3) this shows buying of good quality with decent spreads, closing firm, bars 2 and 3 had negativity before hand and had every opportunity for lower prices yet the buyers step in and we closing above the previous bars close or at least very deep in to the previous bar - bullish behaviour at support is a positive. From Bar 3 we rally rest of the session to test resistance (we would expect negativity as it's the end of day and we encounter many different types of traders, S&R traders, long covering etc) In a nutshell we have a buying zone via the 60m that has been tested 3 times successfully, higher prices are on the cards

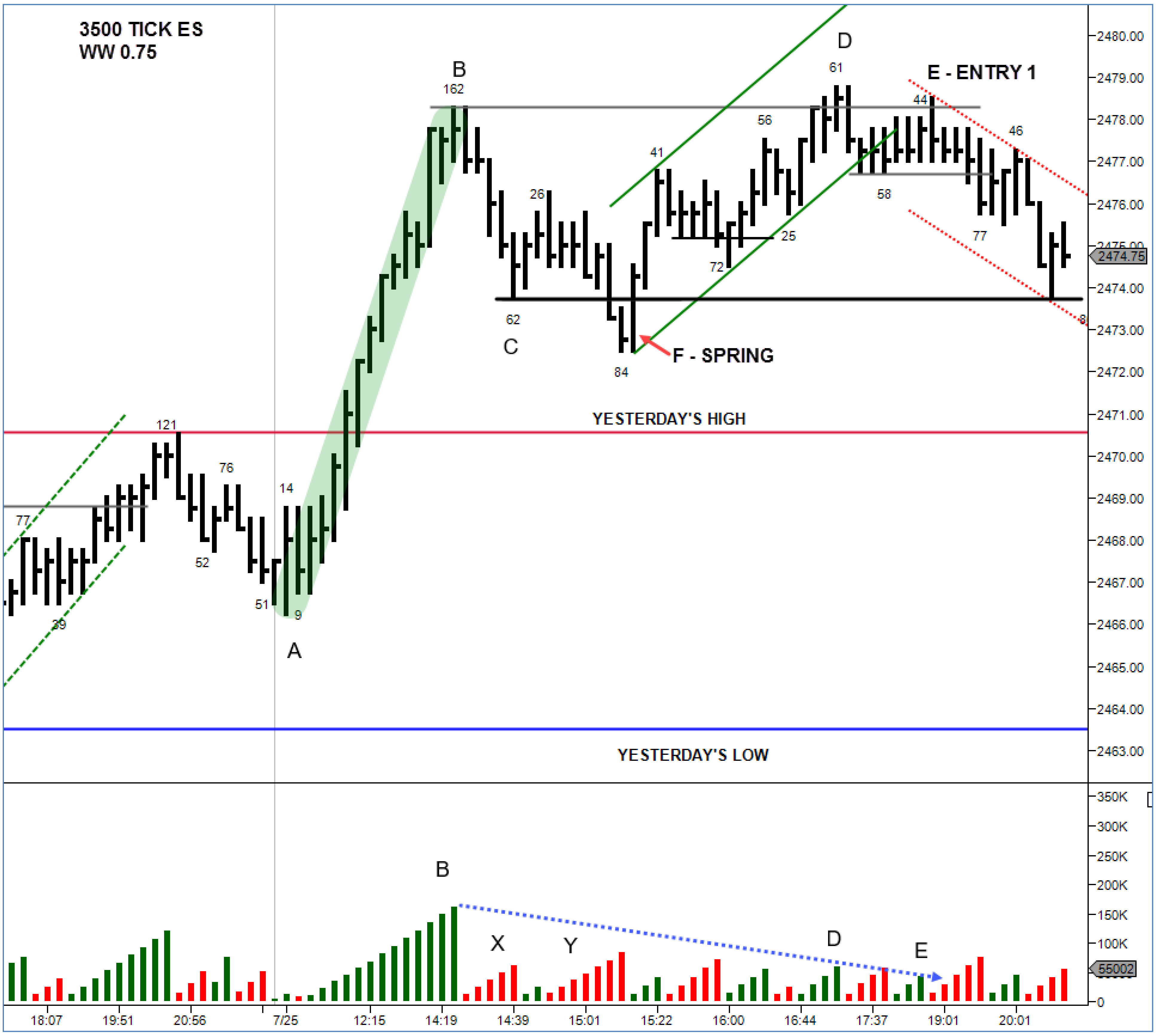
Game Plan: Scenario 1 – highs made first; breaks yesterday's high/supply line, buyers unable to sustain price, look for weak demand and supply to emerge. Apply bearish setups after a weak rally back to resistance. This would produce an upthrust via the daily (bear in mind)

Scenario 2 – highs made first; break supply line/all time high decisively with good demand, look for a weak pullback back to support and apply bullish 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

It was the overnight once again that has provided the best move. During the Asian session via the tick chart a low was made at A and we never look back. We continue to drive north during both the Asian and European session, breaking yesterday's high in the process netting 12 points to the upside making new all time highs. The US opens at B, followed by immediate weakness to C. We drive back up to the highs at D – NOTE the volume on the approach (61k) a 100k contracts less than the advance from B, and back again at E with even less volume (44k). D was an upthrust and E tests the upthrust. The tick chart visually shows the demand drying up, from waves B, D and E, odds favour some downside follow through, where's the buying we previously saw on the movement to B?



Back to the 5m chart, why the entry at E? We upthrust resistance made by A at D, as we react volume increases (2 signs of weakness). We revisit this area at E (which tests the upthrust) on declining volume (weakness) with the addition of a weaker close via the second bar (weakness) an instant short trade initiated at the close. The tick chart displays the same info with wave volume, combining both charts provides clarity. The market has had 2 opportunities for higher prices, once at D and now at E - E didn't have enough force behind it from the buyers to break the highs of D (additional weakness)

The market trades sideways for 25m or so before confirmation arrives that our trade is sound. The orange highlighted bars show supply is having an effect, it appears that the middle 2 orange bars look bullish because they close off the lows, remember we're at support, to be expected. The real question is: how much progress did we make on these bars? Technically no upside progress, both are down bars - although a little buying has occurred at the lows, it's the fact that the sellers can

push this market down with ease on 4 different occasions, this ease of movement tells us that sellers can indeed move this market. If real demand was in control, sellers wouldn't be able to drive it down this like this. The supply holding via the trend channel gives us added confirmation – no close above was made, this is sellers having an effect, unwilling to lose ground to the upside

F – Exit 1/3, first target hit (+1.75 points)

G – Exit 1/3, oversold in our channel at a support level with a climatic bar (+3.00 points)

H – As we reverse back up into the channel an instant full liquidation (+2.75 points), why? All the above reasons - main being the climatic bar, it falls out of the trend channel with no real supply (volume fairly low) if we look to the left, we're in a previous area of demand and revisiting on lower volume. Odds favour a hold, we could easily come back down after testing resistance however we have 30m before the close, realistically, how much more does this market have to give?

We have a spring at C that could be traded - although from my perspective it was incredibly hard to jump onboard. Via the tick chart we have a large up wave behind us to B, from here we're waiting for a weak pullback to apply bullish setups. Yet we get the opposite - the proceeding downwaves increase in volume X & Y (62k and 84k contracts) we want to see decreasing volume (supply dry up). Via the 5m we get a decent demand bar that is tested (green highlight) this bar is not crystal clear, volume again should be lighter, it's not a clean test bar that one would associate with a long position

Today's trading was overshadowed by the movement during the overnight. Once could argue that the majority of the trading was confined to a 4 point range, taking 3 points is an exceptional day considering what the market had to offer. Like previously mentioned we do not always get a home run, much of trading is patience and discipline - the market gave us a couple of points, we must be grateful. Time to lock in profits and call it a day

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