

Date: 07/06/2017

Market: ES mini

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

News:

Yesterday:

HIGH: 2439.00

LOW: 2433.00

CLOSE: 2434.50

Other levels: res: 2466.00 (weekly supply line), sup: 2429.50, sup: 2417.75, sup: 2403.75 (multiday), sup: 2375.00



The S&P fell with increasing volume, unable to muster any strength to the upside hence the lower high. We break the demand line, not the cleanest break - either way the demand line has been weakened. Some buying did occur at the lows and we spring - a strong spring should have a firmer close. We do know buying occurred at the lows due to the mid close. From a daily perspective this is difficult to gage tomorrow's activity.

Looking deeper into yesterday's trading via the 15m. Yesterdays low was a key area; we push up 3 times and buyers were unable to hold. Note the reaction from 1 - volume declines, we drive back up to 2 - react and volume declines (even lower), we drive back up to 3 - bar 3 itself is climatic a big pop in volume, close off the highs. As we react, volume expands to the downside, if in the market we do not buy at the demand zone. Why? Compare the reactions from 1, 2 and

3, its clear to see the strength of selling, do not trade against this. We get down to the US open bar (which is strong) and the last 3 bars (highlighted purple) hold, with all that volume were unable to test the 2 days low, buying has emerged at the lows, some stopping volume

Yesterday via the 5m I mentioned an unusual bar that contained hidden selling, it was indeed the case hence the exit of my long position. I had an early finish and missed the best trade of the day.

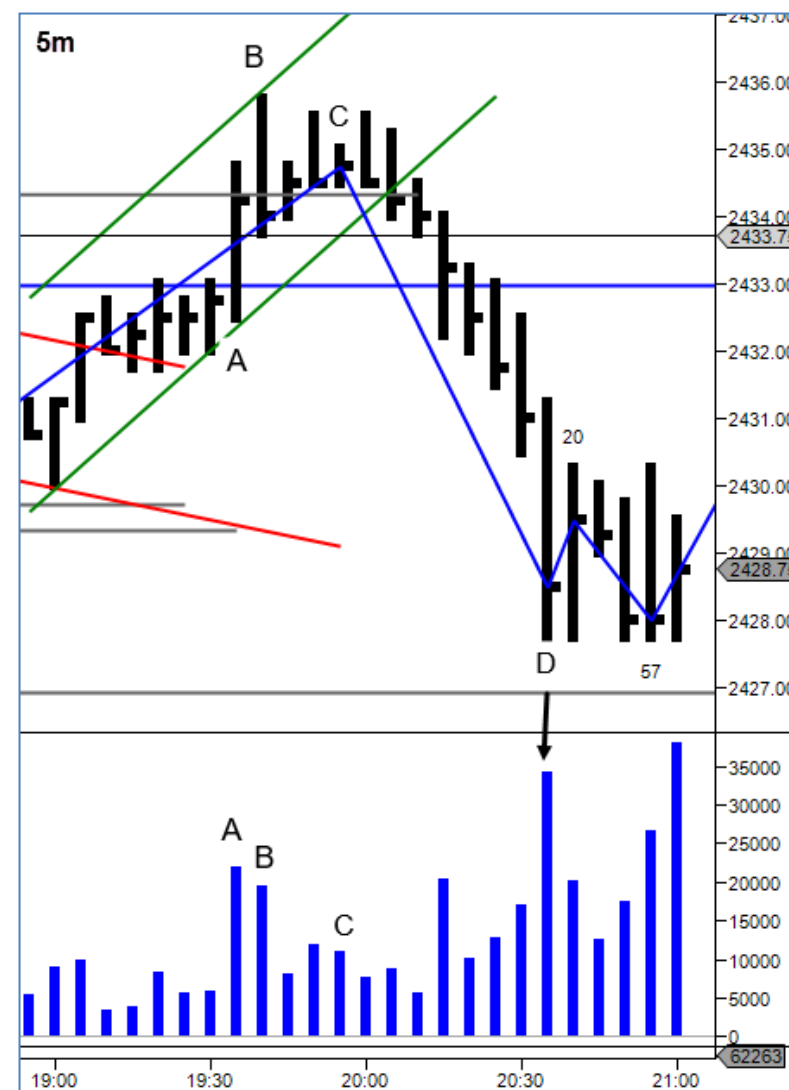
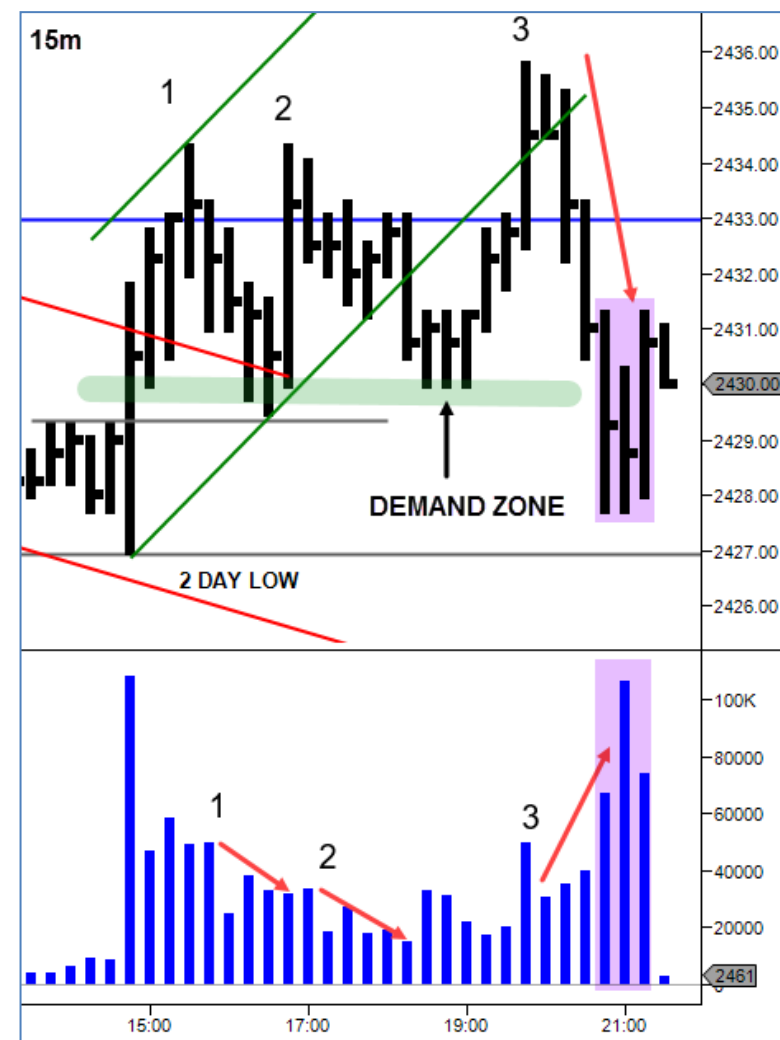
Bar A - mini climax

Bar B - upthrust

Bar C - hidden selling

Look how all the closes are clustered unable to rally from support. As we break the trend channel and horizontal support, let the market pull you in with a sell stop. Exit D climatic bar unlikely to make new lows this late in the day. Visually you can see the price action mushroom over, a classic tell tale pattern of negativity. Never trade patterns - I only use them as a confirmation with my core Wyckoff and VSA principles applied

Although our insight is not crystal clear, we have a trading range (structural points) to trade against. Yesterdays low and the 2 day low. Given the amount of volume via the 15m close and unable to break, we would expect another shot at the 2 day low (blue resistance line)

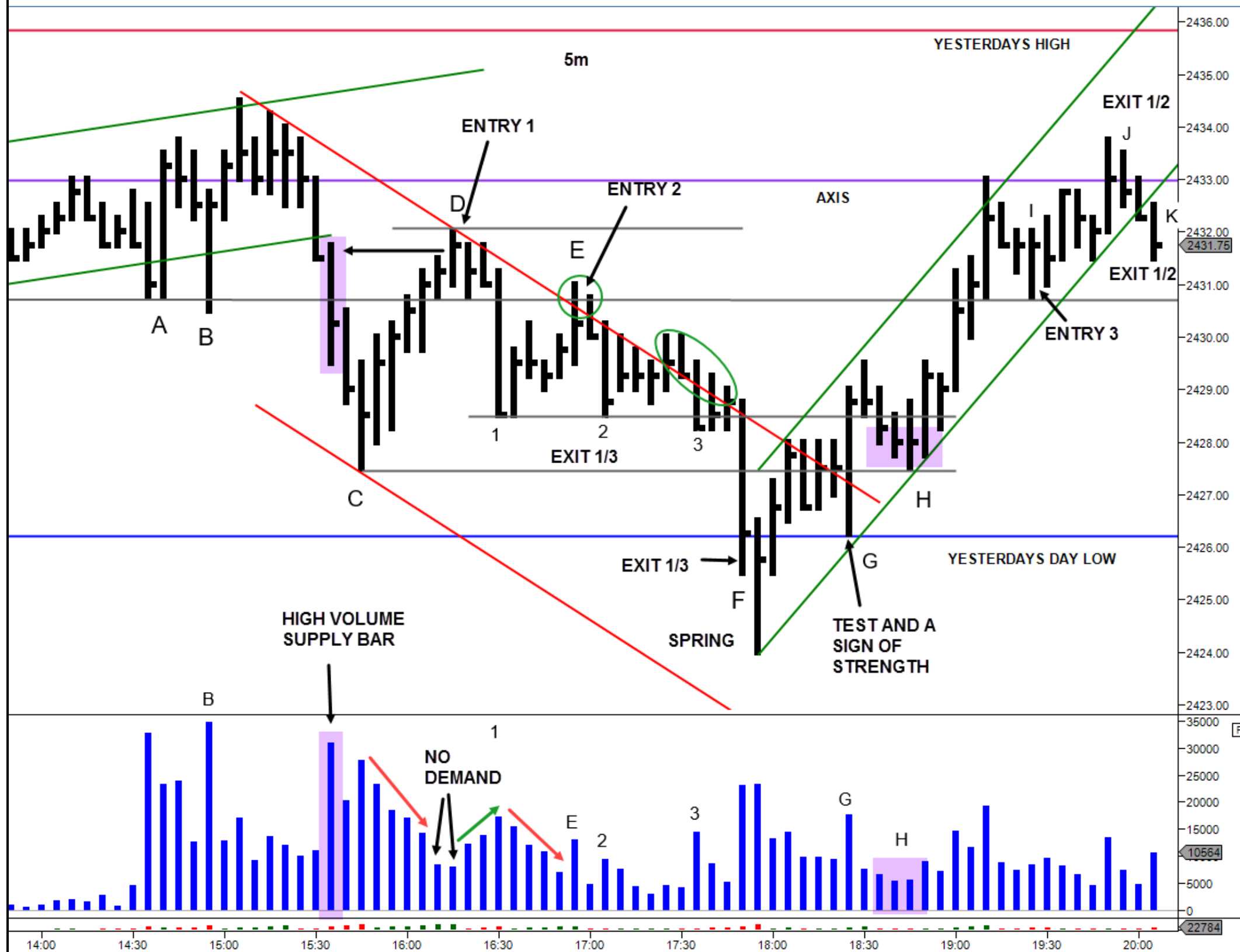


Game plan: Scenario 1 – Highs made first; weak rally to resistance (2 day low) look for supply to emerge/weak demand, apply short setups

Scenario 2 – Highs made first; break the 2 day low decisively with good strength, wait for a weak pullback and apply long setups. This would be an ideal setup as the 2 day is becoming an axis line; if we break the newly turned support should be solid

Scenario 3 – Lows made first; breaking the 3 day low (this will require a great deal of effort), if we knife through support, look for weak rally and short, this may not go back for a test of newly formed resistance. To break through all that demand (as seen in yesterday's tick chart) will require severe selling pressure. Next target would be 2417.75

Scenario 4 – Lows made first; penetrate a little into the 3 day low, need to see demand emerge and the lack of sellers. Apply long setups, a spring would be ideal



Bar A – buying, B – suspect demand, why? If this bar was quality buying, why did it retrace all the way to an overnight support level on high volume? Indeed buyers won this battle as it closed firm, but if all that volume was true buying we would have taken off and tested the 2436.00 area. We gain one vital piece of information, supply is clearly present. The buying between A and B is completely different - bar A we were at the lows and rallied hard closing firm (netting + 2.25 points) bar B - no net upside progress, a clear distinction

As we broke above the axis line price action was weak, taking into consideration the nature of B, which is demand. No trade can be placed. We fall sharp to C. Here we have a Wyckoff principle, a bearish change of behaviour; we want a weak rally and apply short setups. First entry D. The advance is not particularly weak and in an ideal world we would expect resistance to hold, however

as we do break above the market produces 2 no demand bars – the spreads are narrow, volume drops off considerably - look to the left were in a previous area of supply, the volume is very high. It will take more activity/volume/churning to work its way through this. Stop above the axis line. From this trade our expectations are another leg down, using a measured move this would be yesterdays low. Due to the advance being fairly strong and near support, adjust clip size accordingly.

We establish a local support then rally to E, we have a trend channel in place and resistance (confluence) I add further contracts to Entry 2, why? The rally to D decreased in volume, as we react to 1 volume increases, rally to E again the volume decreases (shown via volume histogram). Wyckoff always compared and contrasted each successive wave and or bar, especially if contextually the same. The advance to B was much stronger, better price action and volume. To E, it's a feeble attempt by the buyers plus we have a few other confirmations – the confluence and bar E itself, we get a pop in volume that closes mid bar, this is selling at the right place (resistance) and we're at the knives edge for a confirmed downtrend, we need to make the lower low and that's what we're playing for.

As we get to 2, I liquidate a 1/3 of my position (+2.5 points) I always like to bank profits by logical targets. All targets must be set before entering a trade, we can hold on to runners if reading the price action correctly, it's very important to visualize how you want the market to act and where the market could potentially turn against you ahead of time. This is completely discretionary which works best for my style of day trading (different for swing trading as it has less noise).

As the market drifts from 2, I notice that the supply line is holding well and we can't close above it after 30m going sideways, my stop has been moved to break even at E. Bar 3 prints, excellent confirmation for our shorts. We're in an apex and the major bars to take notice of are down bars with volume at 1, 2, 3 and E (supply), plus the inability to close above the supply line, it's set to break. Exit a 1/3 at F (+5.5 points). The final 1/3 as we break back above support (+4 points).

We have a spring - difficult to take a position as were in a downtrend I was waiting for test, which occurred at G, this printed so fast I missed an entry point. It's a picture perfect strong bar, a true sign of strength - it tests the spring, bounces off support, closes firm above resistance with decent volume and wipes out all the negativity from bar F. It's of vital importance to place close attention to not only the fundamental characteristics of a bar - being the close, volume, spread etc. ask yourself what does the bar achieve?

We're looking for any weak reaction to go long we have a bullish change of behaviour, the up waves are now larger than the down waves with increasing demand volume. At H we can buy any bar here highlighted in purple, low volume sitting on top of support and the closes round under. We advance north become a little overbought in our channel at resistance (axis line), expect a pullback. Due to the strength of the advance look for a weak reaction to place a long setup. Entry 3 (1/2 clip size) near end of day, market has gained 11 points. Liquidate half position at J, not breaking cleanly. (+2.25 points) As we break the channel at K liquidate the remainder and call it a day (+1.25 points). During my post market analysis, a couple of the premarket scenarios played out today (although the spring wasn't traded) it's not about being correct, it's about having a plan - if all goes accordingly that's excellent, if it doesn't we have new additional info to help formulate a new plan combining the new information. Never hold a bias, be adaptable and try to go with the flow of the market.

Email: feibel@yahoo.com